![ANANDRATHI]

Building Materials – Wood Panels

India I Equities

Company Update

Change in Estimates ☑ Target ☑ Reco ☐

10 November 2024

Greenlam Industries

Good performance, eyes on plywood, particle boards; retaining a Buy

Rating: Buy
Target Price (12-mth): Rs.801
Share Price: Rs.556

Greenlam's Q2 revenue climbed 12.8% y/y to Rs6.8bn. The 52% gross margin was broadly the same. EBITDA rose 7.7% y/y to Rs 814m, while PAT was significantly down 11.6% y/y to Rs 345m on higher depreciation and interest due to the commissioning of projects. Laminate production and sales (volumes and value) were the highest. The Rs9.9bn net debt included Rs4.8bn raised for the particle board project in Naidupeta, AP, expected to start commercial production in Q3 FY25.

Laminate shines despite challenges. Laminate capacity utilisation was 92%, production rising 13.3% y/y to 5.6m sheets. Revenue grew 12.4% y/y to Rs6bn on more sales volumes, up 9.3% y/y, to 5.4m sheets. Domestic/overseas revenue grew 13.8%/9.6% y/y, despite challenges of container availability. leading to higher freight rates.

Ramp-up in utilisation, cutting losses in plywood. Ply revenue shot up 73.9% y/y to Rs 260m (largely, on the low-base effect). With the ramp-up in utilisation, the company has improved the fixed overhead absorption rate, containing losses at the EBIT level to Rs79m, 36% lower y/y.

Particle board project to commence production in Q3. Management expects to break even at 45-50% utilisation, expected by Q1FY26. The focus will be more on prelam particle boards as these have higher realisations and margins.

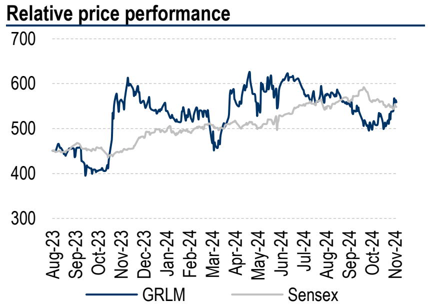
To tap expanded opportunities; retaining a Buy. Management talked of 15-22% revenue growth guidance for FY25 and >20% RoCE. We expect 22%/35% revenue/earnings CAGRs over FY24-27. At the CMP the stock trades at 48.9x/29.3x/20.8x FY25e/FY26e/FY27e earnings. We retain our Buy recommendation with a higher 12-mth TP of Rs801, 30x FY27e earnings (earlier Rs771, 40x FY26e).

Key data	GRLM IN / GEEN.BO
52-week high / low	Rs662 / 431
Sensex / Nifty	79486 / 24148
3-m average volume	$0.2m
Market cap	Rs71bn / $845.2m
Shares outstanding	128m

Shareholding pattern (%)	Sep'24	Jun'24	Mar'24
Promoters	51.0	51.0	51.0
- of which, Pledged	-	-	-
Free float	49.0	49.0	49.0
- Foreign institutions	1.7	1.8	1.4
- Domestic institutions	15.6	15.6	15.6
- Public	31.7	31.6	32.0

Estimates revision (%)	FY25e	FY26e
Sales	-	-
EBITDA	(4.8)	(0.7)
PAT	(8.5)	(1.5)

Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	20,260	23,063	28,788	35,668	42,267
Net profit (Rs m)	1,287	1,384	1,452	2,421	3,405
EPS (Rs)	10.7	10.8	11.4	19.0	26.7
P/E (x)	52.1	51.3	48.9	29.3	20.8
EV / EBITDA (x)	30.6	27.2	22.8	17.4	13.8
P / BV (x)	7.0	6.6	5.9	5.0	4.1
RoE (%)	16.0	13.6	12.8	18.5	21.7
RoCE (%) after tax	10.5	8.5	8.3	10.6	12.8
Dividend yield (%)	0.3	0.4	0.4	0.4	0.4
Net debt / equity (x)	0.4	0.9	0.9	0.8	0.6

Source: Company, Anand Rathi Research

Rishab Bothra
Research Analyst

Quick Glance – Financials and Valuations (consol.)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Net revenues	20,260	23,063	28,788	35,668	42,267
Growth (%)	18.9	13.8	24.8	23.9	18.5
Direct costs	10,793	10,875	13,944	17,834	21,794
SG&A	7,138	9,242	11,245	13,097	14,529
EBITDA	**2,329**	**2,947**	**3,598**	**4,737**	**5,944**
EBITDA margins (%)	11.5	12.8	12.5	13.3	14.1
- Depreciation	632	871	1,194	1,349	1,492
Other income	180	217	281	357	528
Interest expenses	235	443	750	517	440
PBT	1,641	1,849	1,936	3,227	4,540
Effective tax rates (%)	21.7	25.4	25.0	25.0	25.0
+ Associates / (Minorities)	2	4	-	-	-
Net income	1,223	1,363	1,452	2,421	3,405
Adj. income	1,287	1,384	1,452	2,421	3,405
WANS	120.7	127.6	127.6	127.6	127.6
FDEPS (Rs)	10.7	10.8	11.4	19.0	26.7
FDEPS growth (%)	45.1	1.7	4.9	66.7	40.7
Gross margins (%)	46.7	52.8	51.6	50.0	48.4

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	127	128	128	128	128
Net worth	9,582	10,772	11,968	14,134	17,283
Debt	6,758	11,130	11,993	11,826	11,746
Minority interest	1	-3	-	-	-
DTL / (Assets)	92	61	61	61	61
Capital employed	**16,433**	**21,960**	**24,022**	**26,021**	**29,090**
Net tangible assets	4,916	9,725	17,225	17,850	18,225
Net intangible assets	109	102	102	102	102
Goodwill	35	35	35	35	35
CWIP (tang. & intang.)	3,802	6,110	250	125	75
Investments (strategic)	0	0	0	0	0
Investments (financial)	2,420	1,474	750	250	250
Current assets (excl. cash)	2,347	1,877	2,325	3,089	3,914
Cash	160	329	237	15	269
Current liabilities	1,166	1,820	2,325	2,775	3,189
Working capital	3,809	4,126	5,422	7,329	9,409
Capital deployed	**16,433**	**21,960**	**24,022**	**26,021**	**29,090**
Contingent liabilities	351	356	-	-	-

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
EBIT (excl. other income)	1,641	1,849	1,936	3,227	4,540
+ Non-cash items	632	871	1,194	1,349	1,492
Oper. prof. before WC	2,274	2,720	3,130	4,576	6,032
- Incr. / (decr.) in WC	(370)	(613)	(1,090)	(1,860)	(1,961)
Others incl. taxes	(169)	(66)	266	(289)	(694)
Operating cash-flow	1,735	2,041	2,305	2,427	3,376
- Capex (tang. + intang.)	(4,727)	(7,981)	(2,834)	(1,849)	(1,817)
Free cash-flow	(2,992)	(5,940)	(529)	578	1,559
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	(211)	(255)	(255)	(255)	(255)
+ Equity raised	6	1	-	-	-
+ Debt raised	3,128	4,372	862	(167)	(80)
- Fin investments	(813)	945	724	500	-
- Misc. (CFI + CFF)	884	1,046	(895)	(878)	(970)
Net cash-flow	**3**	**169**	**(92)**	**(222)**	**254**

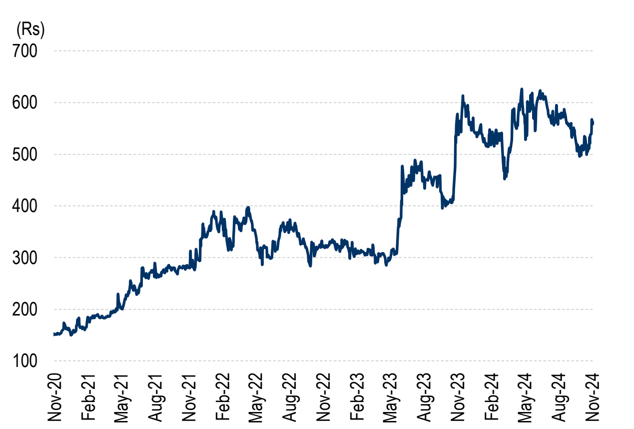
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	52.1	51.3	48.9	29.3	20.8
EV / EBITDA (x)	30.6	27.2	22.8	17.4	13.8
EV / Sales (x)	3.5	3.5	2.8	2.3	1.9
P/B (x)	7.0	6.6	5.9	5.0	4.1
RoE (%)	16.0	13.6	12.8	18.5	21.7
RoCE (%) - after tax	10.5	8.5	8.3	10.6	12.8
RoIC	12.5	9.6	8.8	10.9	13.0
DPS (Rs)	1.8	2.0	2.0	2.0	2.0
Dividend yield (%)	0.3	0.4	0.4	0.4	0.4
Dividend payout (%) - incl. DDT	17.3	18.7	17.6	10.5	7.5
Net debt / equity (x)	0.4	0.9	0.9	0.8	0.6
Receivables (days)	39.3	27.3	25.0	25.0	25.0
Inventory (days)	90.7	109.7	100.0	100.0	100.0
Payables (days)	46.1	62.7	56.3	50.0	43.8
CFO : PAT %	134.8	147.5	158.8	100.3	99.2

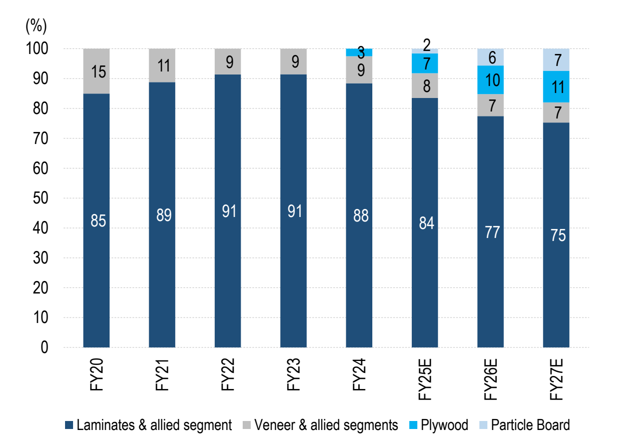
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Revenue break-up (consolidated)



Source: Company

Financial highlights

Fig 7 – Financials (consolidated)

(Rs m)	Q2 FY24	Q1 FY25	Q2FY25	Y/Y (%)	Q/Q (%)	H1 FY24	H1 FY25	Y/Y (%)	FY23	FY24	Y/Y (%)
Revenue	**6,036**	**6,047**	**6,808**	**12.8**	**12.6**	**11,189**	**12,855**	**14.9**	**20,260**	**23,063**	**13.8**
Raw material costs	2,933	2,901	3,293	12.3	13.5	5,392	6,193	14.9	10,793	10,875	0.8
Gross profit	**3,103**	**3,147**	**3,515**	**13.3**	**11.7**	**5,797**	**6,662**	**14.9**	**9,467**	**12,189**	**28.8**
Employee costs	1,077	1,229	1,313	22.0	6.9	2,039	2,542	24.7	3,139	4,257	35.6
Other expenses	1,271	1,278	1,388	9.2	8.6	2,358	2,666	13.0	3,999	4,985	24.7
EBITDA	**756**	**640**	**814**	**7.7**	**27.2**	**1,400**	**1,454**	**3.9**	**2,329**	**2,947**	**26.5**
Other income	58	31	82	40.2	160.7	98	113	15.1	180	217	20.6
Depreciation	195	263	268	37.8	1.9	369	531	44.1	632	871	37.7
Finance costs	93	138	155	67.2	12.6	166	293	76.7	235	443	88.6
PBT	**527**	**270**	**473**	**(10.3)**	**74.7**	**963**	**743**	**(22.9)**	**1,641**	**1,849**	**12.7**
Tax	137	72	128	(6.6)	78.8	244	200	(18.2)	356	469	31.8
PAT	**390**	**203**	**346**	**(11.3)**	**70.8**	**721**	**549**	**(23.9)**	**1,287**	**1,384**	**7.5**
EPS (Rs)	3.1	1.6	2.7	(11.3)	70.8	5.7	4.3	(23.9)	10.1	10.8	7.5
As % of revenue				**bps y/y**	**bps q/q**			**bps y/y**			**bps y/y**
Material cost	48.6	48.0	48.4	(22)	40	48.2	48.2	(2)	53.3	47.2	(612)
Gross margin	51.4	52.0	51.6	22	(40)	51.8	51.8	2	46.7	52.8	612
Employee costs	17.8	20.3	19.3	145	(103)	18.2	19.8	156	15.5	18.5	297
Other expenses	21.0	21.1	20.4	(66)	(74)	21.1	20.7	(34)	19.7	21.6	188
EBITDA margin	12.5	10.6	12.0	(56)	138	12.5	11.3	(120)	11.5	12.8	128
Other income	1.0	0.5	1.2	23	68	0.9	0.9	0	0.9	0.9	5
Depreciation	3.2	4.4	3.9	71	(41)	3.3	4.1	84	3.1	3.8	65
Finance costs	1.5	2.3	2.3	74	0	1.5	2.3	80	1.2	1.9	76
PBT	8.7	4.5	6.9	(179)	247	8.6	5.8	(283)	8.1	8.0	(8)
Effective tax rates	26.0	26.5	27.1	106	61	25.3	26.9	155	21.7	25.4	368
PAT	6.5	3.3	5.1	(140)	177	6.4	4.2	(221)	6.3	6.0	(36)

Source: Company, Anand Rathi Research

Segment /Quantitative details

Fig 7 – Financials (consolidated)

(Rs m)	Q2 FY24	Q1 FY25	Q2FY25	Y/Y (%)	Q/Q (%)	H1 FY24	H1 FY25	Y/Y (%)	FY23	FY24	Y/Y (%)
Laminates & allied segments											
Capacity (m sheets)	24.5	24.5	24.5	-	-	24.5	24.5	-	19.0	24.5	28.9
Capacity utilisation (%)	80.9	82.9	91.5		10.4	78.5	87.3	11.1	91.5	81.0	(11.5)
Production (m sheets)	5.0	5.1	5.6	13.1	10.4	10	11	11.1	17	20	14.1
Volume sold (m sheets)	4.9	4.7	5.4	9.3	15.4	9	10	10.5	17	19	11.3
Average realisation (Rs / sheet)	1,034	1,105	1,070	3.5	(3.2)	1,058	1,086	2.6	1,038	1,032	(0.6)
Revenue (Rs m)	5,312	5,343	5,969	12.4	11.7	10,031	11,313	12.8	18,523	20,397	10.1
EBIT (Rs m)	1,034	878	1,048	1.3	19.3	1,908	1,925	0.9	3,049	3,827	25.5
EBIT margin (%)	19.5	16.4	17.5	(192)	112	19.0	17.0	(201)	16.5	18.8	230
Decorative Veneers & allied segments											
Capacity (sq.mtrs.)	4.2	4.2	4.2	-	-	4.2	4.2	-	4.2	4.2	-
Capacity utilisation (%)	21	21	39	86.4	86.4	32	30	(6.0)	30	34	14.5
Production (m sq.mtrs.)	0.2	0.2	0.4	86.4	86.4	0.7	0.6	(6.0)	1.2	1.4	14.5
Sales (m sq.mtrs.)	0.2	0.2	0.4	75.0	75.0	0.7	0.6	(16.4)	1.2	1.4	15.7
Average realisation (Rs / sq.mtr)	917	960	929	1.3	(3.2)	917	927	1.1	877	889	1.4
Revenue (Rs m)	575	428	579	0.6	35.3	1,000	1,007	0.6	1,736	2,087	20.2
EBIT (Rs m)	(9)	(26)	11	(226.4)	(142.3)	(23)	(15)	(33.6)	(96)	3	(102.6)
EBIT margin (%)	(1.5)	(6.1)	1.9	341	798	(2.3)	(1.5)	77	(5.5)	0.1	566
Plywood											
Capacity (sq.mtrs.)	18.9	18.9	18.9	-	-	18.9	18.9	-	-	18.9	-
Capacity utilisation (%)	15.9	23.9	22.9	44.0	(4.4)	16.7	46.8	179.7	-	54.2	-
Production (m sq.mtrs.)	0.8	1.1	1.1	44.0	(4.4)	0.8	2.2	179.7	-	2.6	-
Sales (m sq.mtrs.)	0.6	1.1	1.0	61.9	(10.5)	0.7	2.2	227.3	-	2.4	-
Average realisation (Rs / sq.mtr)	239	242	250	4.6	3.3	239	244	2.1	-	238	-
Revenue (Rs m)	149	276	260	73.9	(5.9)	157	536	-	-	579	-
EBIT (Rs m)	(124)	(68)	(79)	(36.0)	16.7	(179)	(147)	-	-	(333)	-
EBIT margin (%)	(82.8)	(24.6)	(30.5)	-	(590)	(114.1)	(27.4)	-	-	(57.4)	-

Source: Company, Anand Rathi Research   ** Note: Segment EBIT margins are per reported figures, not adjusted for unallocable expenses / income*

Q2 FY25 Results Highlights

- Q2 revenue grew 12.8% y/y to Rs 6.8bn, on healthy 12.4% y/y laminate growth, 73.9% in plywood (low base on the foray into ply).
- Revenue growth was driven by domestic/exports, up 15.5%/19.6% y/y.
- Raw material costs were broadly steady, except timber and ocean freight, which were high. Hence gross margin inched up 22 bps y/y to 51.6%.
- Operating de-leverage on under-absorption of fixed overheads led to a 50bp y/y EBITDA margin contraction to 12%, But EBITDA was up 7.7% y/y to Rs. 814m.
- Net profit was 11.7% lower y/y to Rs344m, on higher depreciation and interest on the commissioning of projects in FY24.

Segment-wise

Laminates

- Highest production and sales (volume and value).
- Revenue grew 12.4% y/y to Rs6bn, on the 9.3% y/y rise in sales of 5.4m sheets
- Domestic laminates did well, value rising 15.5%, on 13.8% higher volumes.
- Despite challenges (container shortage, longer shipping time, higher freight cost) laminate export revenue grew 9.6%.
- 5.6m laminate sheets were produced, up 13.3% y/y, leading to 92% capacity utilisation (vs 83% the previous quarter) on the increased capacity (consolidated) of 24.52 m sheets.

Decorative Veneers

- Veneers and the allied business were steady, while doors category grew a notable 39.0% y/y.
- The segment turned profitable with a 1.9% EBIT margin vs. a negative 1.5% a year ago.

Plywood

- Ply, too, is doing well; the company is now expanding to Maharashtra.
- With greater utilisation ply revenue rose 73.9% y/y to Rs260m.
- Operationally, things are moving in the right direction, but the segment continues in the red. Losses at the EBIT level reduced a huge 36% y/y to a Rs79m EBIT loss.

Working capital, capex, borrowings

- Working capital was 59 days, one day shorter y/y.
- Net debt was Rs9.9bn, including Rs 4.8bn for the particle-board project, at Naidupeta, AP, expected to start commercial production in Q3 FY25.

Q2 FY25 Concall KTAs

- Timber costs now at an all-time high.
- EBITDA margin impacted by front-loading costs and by under-absorption of fixed overheads of the plywood plant.
- Comparably (excl. costs related to the ply and particle-board plants and warehouses added across the country) the margin has been steady, vs that of some peers which have contracted.

Laminates – Healthy performance continues

- Highest quarterly production (5.6m sheets) and sales (5.4m sheets, Rs6bn revenue).
- Laminate revenue grew 12.4% y/y to Rs6bn on production of 5.6m sheets in Q2 at 92% utilisation (and 10.7m in H1 at 87%). Sales were 5.4m sheets (and 10.6m in H1), realisation averaging Rs1,070 a sheet (Rs1,086).
- Domestic sales volumes grew 14%; exports, only 3% y/y hurt by container non-availability and higher freight rates/charges.
- Domestic prices were hiked 2.5-3% in Sep'24 to offset higher costs of craft & deco papers and of certain chemicals. Export prices, however, were not raised.
- The EBITDA margin was 170bps lower at 14.7%.
- Management believes the company has captured more domestic and international market shares by pushing products across categories, the increase largely attributable to better turnaround times, the supply chain and product mix, and a host of factors.
- The plant now operates at 87% capacity, which can go up to 110-115%. Management believes it now has sufficient capacity. For expansion, it has brownfield opportunities at its plants in Gujarat and Naidupeta, which can be built faster than greenfield expansions, taking up to three quarters if needed.

Decorative veneers, allied categories: Performance soft

Decorative veneer revenue growth was a muted 0.6% to Rs579m revenue.

- Capacity utilisation was 39%, 29% in H1 FY25.
- 0.35m sq.mtrs. were sold (0.56m a year ago). H1 volumes fell 16% y/y.
- Realisation averaged Rs929 per sq.mtr. (Rs 927 in H1).

Engineered wood flooring revenue grew 6.2% y/y to Rs141m; in H1, 16.7% y/y to Rs275m.

- Capacity utilisation was 15%, 14% in H1.

Engineered doors revenue grew 39% y/y to Rs114m. In H1, 39.8% y/y to Rs 212m.

- Capacity utilisation was 23%; in H1, 22%.

Plywood revenue grew 74% y/y to Rs260m, the effect of the low base

- Ply sales were 1.02m sq.mtrs (2.16m in H1) at 23% capacity utilisation.

- Realization averaged Rs250 a sq.mtr. (Rs244 in H1). Prices were hiked 3-5% in Jul'24.
- Ply had a negative 23% EBITDA in Q2 and is expected to break even at 35-40% utilisation. This year, though, the company has been faced with challenges (scorching heat in Q1, its recent foray into Maharashtra). Management expects better Q3/Q4 results but 40% utilisation for the year seems difficult. It thus hopes for breakeven in FY26.
- It is focusing on building the premium plyw category by expanding into more states (now only the five southern states) and expects breakeven at 40-50% utilisation by next year. It is not prioritizing scaling up the economy category yet (unlike its peers, which have a good mix of the premium and economy sub-segments as they are pioneers in ply), as it does not intend to change gear fasters since that would be too early.

Capex – particle board commercial production expected in Q3; debt to peak in FY25

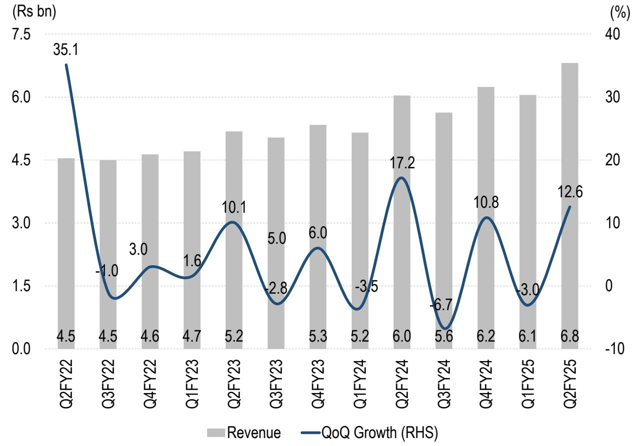
- Merino Board is currently running at 30% capacity, peers are expanding capacities (40-50% of the additional capacities expected in the next few quarters). Management hopes that Greenlam's products will stand out from its peers owing to its products being manufactured for OEMS and customers in architecture.
- No substantial particle-board imports (as with MDF in the past, now low owing to container non-availability and higher freight rates).
- The AP particle-board plant will commence commercial production in Q3 FY25.
- Management expects 45-50% utilisation by Q1 FY26, at which it hopes for breakeven given the product mix. It will focus more on pre-laminmated particle boards, which enjoy better realisations and margins.
- Management expects production cost of particle boards to be a high Rs22,000-30,000/cu.mtr. and EBITDA margins to be 22-24%.
- Capex for the particle-board plant works out to Rs30,000/cu.mtr (for MDF Rs21,000). Higher initial capex was due to equipment imported from Germany, which have a significantly longer life than equipment from China, with greater operational efficiency.
- Net debt: Rs9.9bn incl. Rs4.8bn for the particle-board plant in progress. Peak debt for FY25 expected at ~Rs10bn-10.5bn. Repayment has begun this year, but the large part will be repaid starting next year.
- With project expansions halted, and with the cash generated at the categories recently entered, the company is better placed in servicing debt and reducing borrowings.

Guidance

- 15-22% revenue growth in FY25, with >20% RoCE.

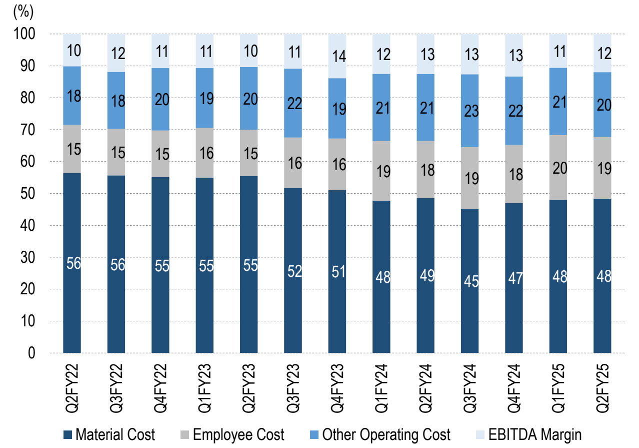
Story in Charts

Fig 8 – Revenue and growth



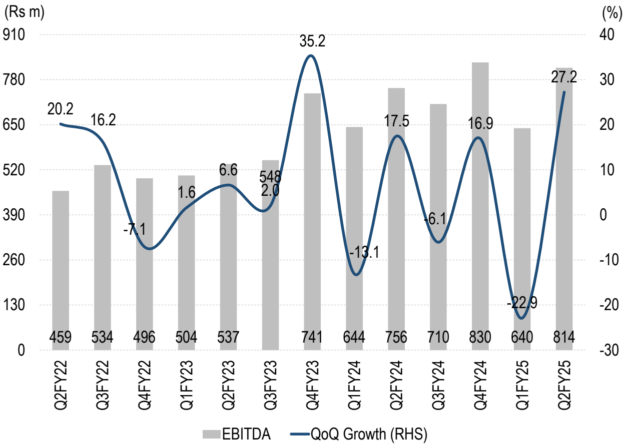
Source: Company, Anand Rathi Research

Fig 9 – Expenses as percent of revenue



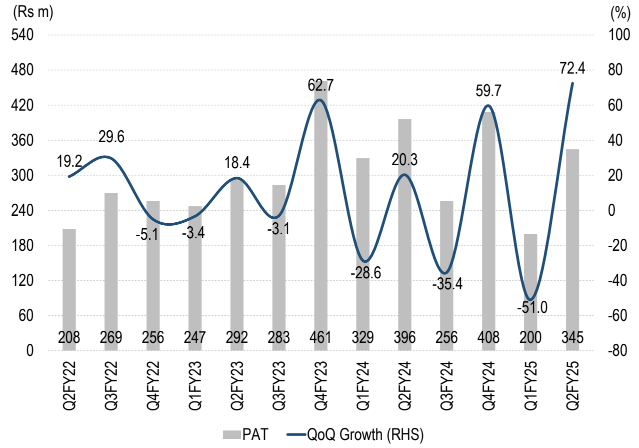
Source: Company, Anand Rathi Research

Fig 10 – EBITDA and growth



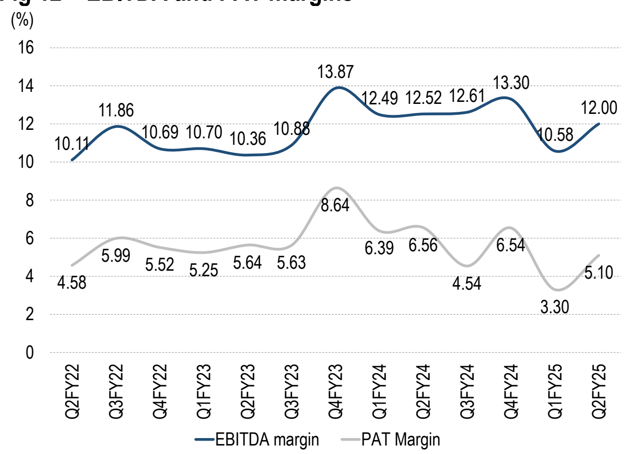
Source: Company, Anand Rathi Research

Fig 11 – PAT and growth



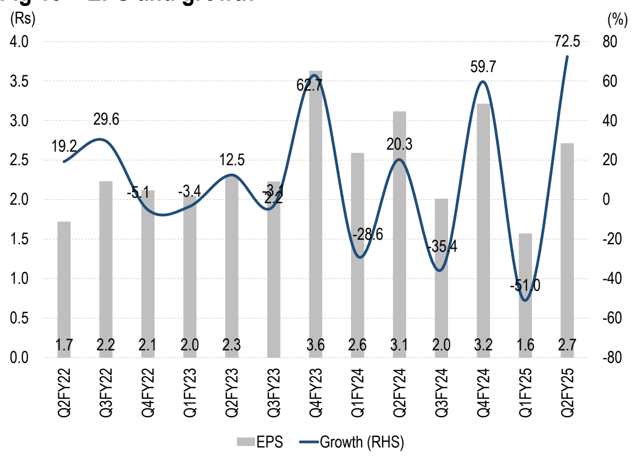
Source: Company, Anand Rathi Research

Fig 12 – EBITDA and PAT margins



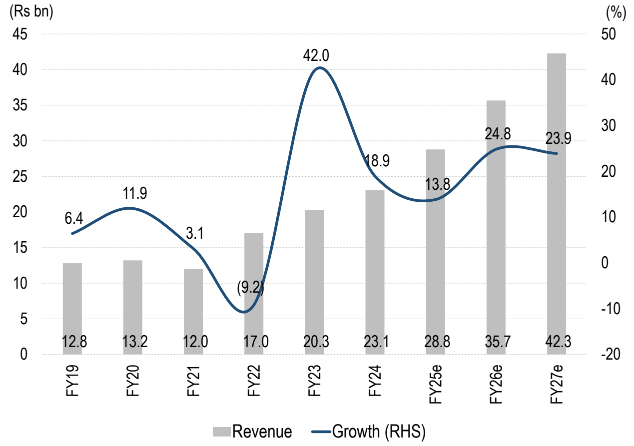
Source: Company, Anand Rathi Research

Fig 13 – EPS and growth



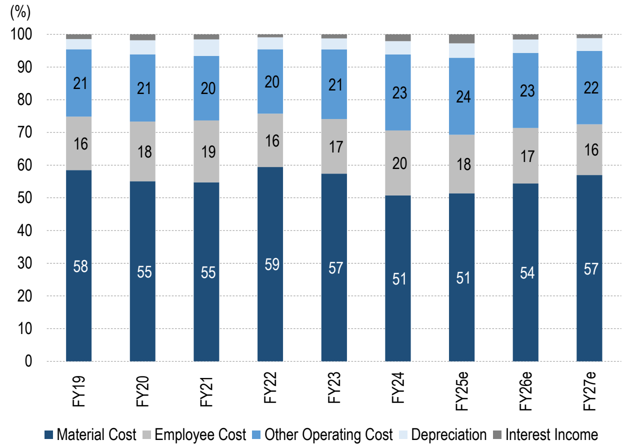
Source: Company, Anand Rathi Research

Fig 14 – Annual revenue and growth



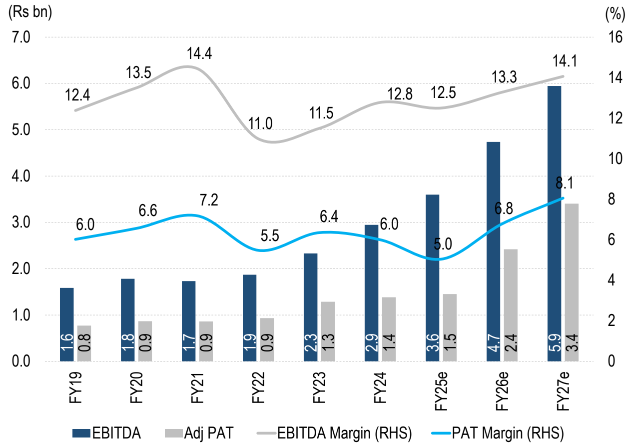
Source: Company, Anand Rathi Research

Fig 15 – Annual expenses as percent of revenue



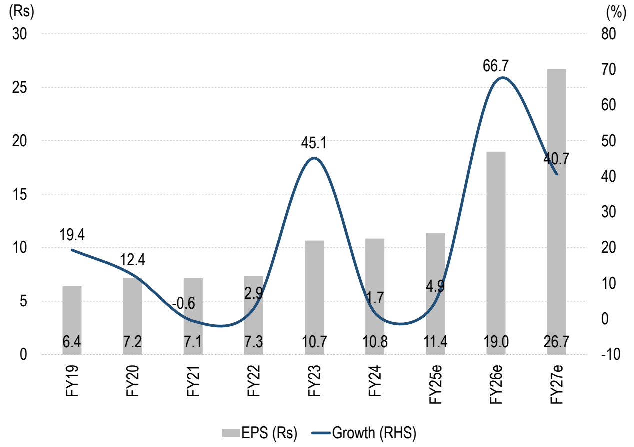
Source: Company, Anand Rathi Research

Fig 16 – Profitability and margins



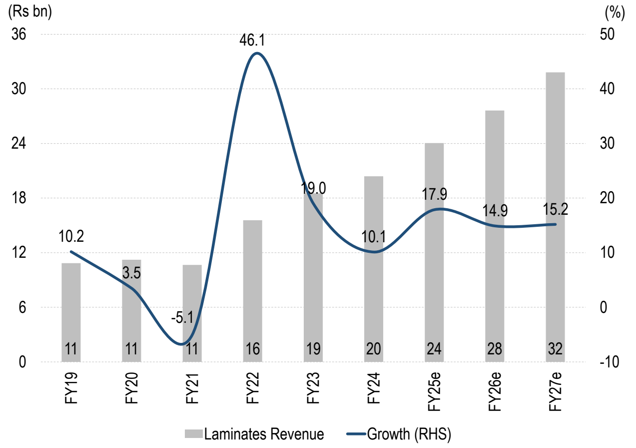
Source: Company, Anand Rathi Research

Fig 17 – EPS and growth



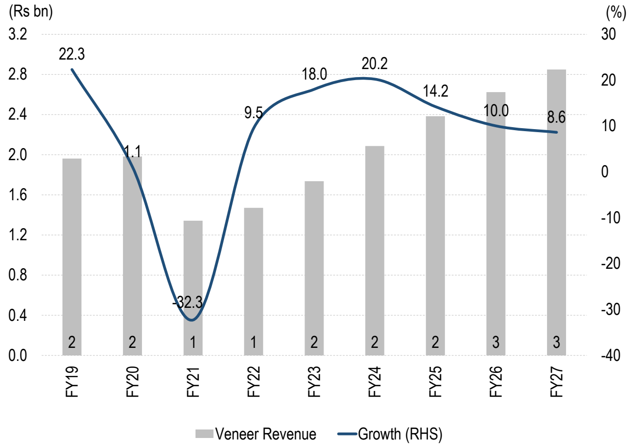
Source: Company, Anand Rathi Research

Fig 18 – Laminates, allied segment: revenue, EBITDA margin



Source: Company, Anand Rathi Research

Fig 19 – Veneer, allied segment: revenue, EBITDA margin



Source: Company, Anand Rathi Research

Outlook, Valuation

Management spoke of 15-22% revenue growth guidance for FY25 and >20% RoCE. We expect 22%/35% revenue/earnings CAGRs over FY24-27. At the CMP the stock trades at 48.9x/29.3x/20.8x FY25e/FY26e/FY27e earnings. We retain our Buy recommendation, with a higher 12-mth TP of Rs801, 30x FY27e earnings (earlier Rs771, 40x FY26.)

Fig 20 – Change in estimates

	Earlier			Revised			% variance		
(Rs m)	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25	FY26	FY27
Revenue	28,788	35,668	-	28,788	35,668	42,267	-	-	-
EBITDA	3,778	4,771	-	3,598	4,737	5,944	(4.8)	(0.7)	-
EBITDA margin %	13.1	13.4	-	*12.5*	*13.3*	*14.1*	*(62)*	*(9)*	-
PAT	1,587	2,458	-	1,452	2,421	3,405	(8.5)	(1.5)	-
EPS	12.4	19.3	-	11.4	19.0	26.7	(8.5)	(1.5)	-

Source: Anand Rathi Research

Fig 21 – P/E band – One-year-forward

Source: Bloomberg, Anand Rathi Research

Fig 22 – P/E band – standard deviation

Source: Bloomberg, Anand Rathi Research

Key Risks and Concerns

- Slowdown in commercial and/or residential real estate.
- A lower GDP growth rate might curb consumer purchasing power which might curtail renovation demand.
- Keener competition from the informal segment or from peers in the formal one might slash realisations, cutting into profitability.
- Higher costs of inputs (raw materials) might compress gross margins.
- Global operations (~52% exports) carry the risk of currency fluctuation. Also, a significant portion of the raw material consumed is imported (the import bill is 70-80% of the material consumed, which is again 45-55% of revenues). Hence, any adverse currency movement might cut into consolidated profits.
- Regulatory restrictions on imports from neighbouring countries could pose a challenge as, in a highly price competitive market, passing on entire higher costs to consumers may not be feasible.

Appendix

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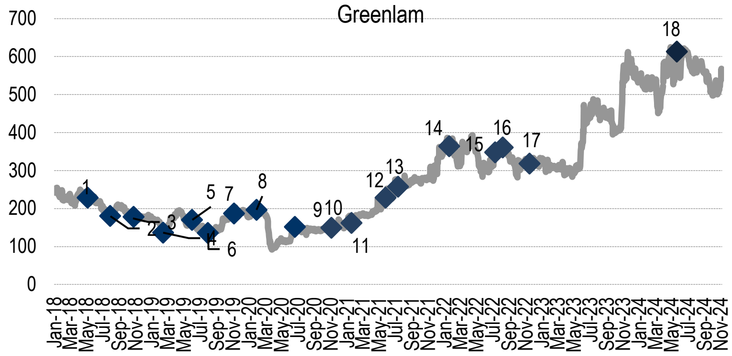
Rating and Target Price History (as of 11 November 2024)



	Date	Rating	TP (Rs)	Share Price (Rs)
5	3-Jun-19	**Hold**	186	175
6	1-Aug-19	**Hold**	170	142
7	7-Nov-19	**Hold**	201	190
8	30-Jan-20	**Hold**	223	200
9	22-Jun-20	**Hold**	164	150
10	3-Nov-20	**Hold**	167	150
11	2-Feb-21	**Hold**	195	169
12	28-May-21	**Hold**	253	230
13	27-Jul-21	**Hold**	293	272
14	24-Jan-22	**Buy**	474	366
15	18-Jul-22	**Buy**	484	360
16	1-Aug-22	**Buy**	472	362
17	16-Nov-23	**Buy**	501	323
18	27-Jul-24	**Buy**	771	557

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Ratings Guide (12 months)	**Buy**	**Hold**	**Sell**
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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