

5 February 2025

Greenlam Industries

Poor show, FY25 guidance lowered, optimistic for FY26, retaining a Buy

Greenlam's Q3 revenue stepped up 7% y/y to Rs6bn. Stable input costs led to a slight, 20bps y/y, better gross margin to 55%. Front-loading of certain costs w.r.t the particle board plant pushed EBITDA down 11% y/y to Rs635m. Higher depreciation and interest on the commissioning of plants and prior-period tax adjustment pulled PAT down a significant 50% y/y to Rs125m.

Exports drive healthy laminate performance. A favourable demand context led to the international business faring well. In the domestic market, however, challenges arose from the subdued demand environment. The laminate business grew 4%/2.6% y/y in value/volumes, led by a 1.4% y/y rise in blended realisations to Rs1,050 a sheet.

Greater profitability in decorative veneers, allied products. Revenue grew 8.9% y/y to Rs519m, supported by the engineered floor/doors businesses, up 13.8%/49.5% y/y to Rs152m/Rs104m as decorative veneer revenue came 4% lower y/y to Rs263m. EBIT improved a considerable 7.2x to Rs29m.

To double plywood revenue in FY26. Robust, 91% y/y, growth in revenue to Rs304m (the low base effect) was supported by a 59% y/y increase in offtake to 1.2m sq.mtrs. and realisations up 18% y/y to Rs257/sq.mtr. EBIT losses were curtailed by greater utilisation leading to better absorption of fixed overheads.

Breakeven in particle boards in FY26. Management expects 50% utilisation and aims to be profitable at this level. It expects Rs7.5bn revenue at optimal utilisation in ~3 years.

Lowers FY25 guidance; sanguine of FY26 revenue growth, retains 18-20%. Retaining a Buy. We expect 21%/33% revenue/earnings CAGRs over FY24-27. At the CMP the stock trades at 61.7x/34.8x/21.9x FY25e/FY26e/ FY27e earnings. We retain our Buy recommendation with a 12-mth TP of Rs771, 30x FY27e earnings (earlier Rs801, 30x FY27e).

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	20,260	23,063	25,953	32,931	40,659
Net profit (Rs m)	1,287	1,384	1,163	2,061	3,278
EPS (Rs)	10.7	10.8	9.1	16.2	25.7
P/E (x)	52.7	51.9	61.7	34.8	21.9
EV / EBITDA (x)	30.9	27.5	26.6	19.1	14.0
P / BV (x)	7.1	6.7	6.1	5.3	4.3
RoE (%)	16.0	13.6	10.4	16.4	21.9
RoCE (%) after tax	10.5	8.5	7.1	10.3	13.8
Dividend yield (%)	0.3	0.4	0.4	0.4	0.4
Net debt / equity (x)	0.4	0.9	0.9	0.7	0.5

Source: Company, Anand Rath Research

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Rating: Buy

Target Price (12-mth): Rs.771

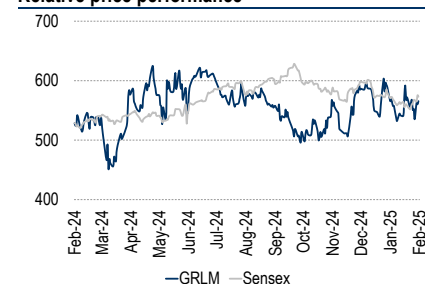
Share Price: Rs.563

Key data	GRLM IN / GEEN.BO
52-week high / low	Rs662 / 431
Sensex / Nifty	78271 / 23696
3-m average volume	\$0.2m
Market cap	Rs.72bn / \$825m
Shares outstanding	128m

Shareholding pattern (%)	Dec'24	Sep'24	Jun'24
Promoters	51.0	51.0	51.0
- of which, Pledged	-	-	-
Free float	49.0	49.0	49.0
- Foreign institutions	1.8	1.7	1.8
- Domestic institutions	15.7	15.6	15.6
- Public	31.5	31.7	31.6

Estimates revision (%)	FY25e	FY26e	FY27e
Sales	(9.8)	(7.7)	(3.8)
EBITDA	(14.4)	(9.8)	(3.8)
PAT	(19.9)	(14.9)	(3.7)

Relative price performance



Source: Bloomberg

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	25,953	32,931	40,659
Growth (%)	18.9	13.8	12.5	26.9	23.5
Direct costs	10,793	10,875	12,327	16,054	20,330
SG&A	7,138	9,242	10,543	12,606	14,612
EBITDA	2,329	2,947	3,082	4,271	5,718
EBITDA margins (%)	11.5	12.8	11.9	13.0	14.1
- Depreciation	632	871	1,135	1,235	1,271
Other income	180	217	253	329	432
Interest expenses	235	443	649	617	508
PBT	1,641	1,849	1,551	2,748	4,371
Effective tax rates (%)	21.7	25.4	25.0	25.0	25.0
+ Associates / (Minorities)	2	4	-	-	-
Net income	1,223	1,363	1,163	2,061	3,278
Adj. income	1,287	1,384	1,163	2,061	3,278
WANS	120.7	127.6	127.6	127.6	127.6
FDEPS (Rs)	10.7	10.8	9.1	16.2	25.7
FDEPS growth (%)	45.1	1.7	(16.0)	77.2	59.1
Gross margins (%)	46.7	52.8	52.5	51.3	50.0

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
EBIT (excl. other income)	1,641	1,849	1,551	2,748	4,371
+ Non-cash items	632	871	1,135	1,235	1,271
Oper. prof. before WC	2,274	2,720	2,686	3,983	5,642
- Incr. / (decr.) in WC	(370)	(613)	(73)	(600)	(401)
Others incl. taxes	(169)	(66)	261	(69)	(584)
Operating cash-flow	1,735	2,041	2,874	3,313	4,656
- Capex (tang. + intang.)	(4,727)	(7,981)	(2,775)	(1,735)	(1,596)
Free cash-flow	(2,992)	(5,940)	99	1,578	3,060
Acquisitions					
- Div. (incl. buyback & taxes)	(211)	(255)	(255)	(255)	(255)
+ Equity raised	6	1	-	-	-
+ Debt raised	3,128	4,372	(694)	50	(1,383)
- Fin investments	(813)	945	1,474	-	-
- Misc. (CFI + CFF)	884	1,046	(829)	(943)	(1,018)
Net cash-flow	3	169	(206)	430	404

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

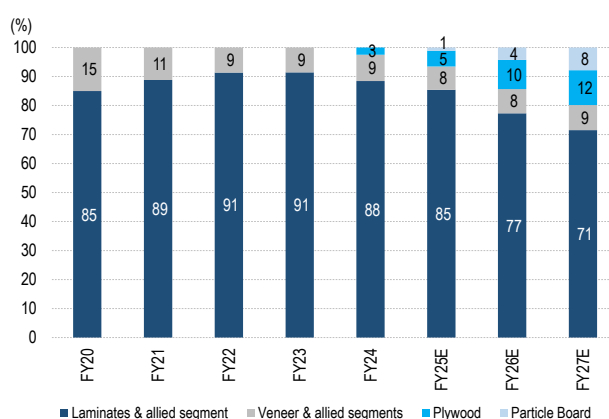
Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	127	128	128	128	128
Net worth	9,582	10,772	11,679	13,485	16,508
Debt	6,758	11,130	10,436	10,485	9,102
Minority interest	1	(3)	-	-	-
DTL / (Assets)	92	61	61	61	61
Capital employed	16,433	21,960	22,176	24,032	25,672
Net tangible assets	4,916	9,725	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	-	-	-
Current assets (excl. cash)	2,347	1,877	2,130	2,885	3,792
Cash	160	329	123	553	957
Current liabilities	1,166	1,820	2,134	2,594	3,085
Working capital	3,809	4,126	4,444	5,075	5,570
Capital deployed	16,433	21,960	22,176	24,032	25,672
Contingent liabilities	351	356	-	-	-

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	52.7	51.9	61.7	34.8	21.9
EV / EBITDA (x)	30.9	27.5	26.6	19.1	14.0
EV / Sales (x)	3.6	3.5	3.2	2.5	2.0
P/B (x)	7.1	6.7	6.1	5.3	4.3
RoE (%)	16.0	13.6	10.4	16.4	21.9
RoCE (%) - after tax	10.5	8.5	7.1	10.3	13.8
RoIC	12.5	9.6	7.4	10.5	14.3
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	21.9	12.4	7.8
Net debt / equity (x)	0.4	0.9	0.9	0.7	0.5
Receivables (days)	39.3	27.3	25.0	25.0	25.0
Inventory (days)	90.7	109.7	100.0	93.8	87.5
Payables (days)	46.1	62.7	62.5	62.5	62.5
CFO : PAT %	134.8	147.5	247.1	160.8	142.0

Source: Company, Anand Rathi Research

Fig 6 – Revenue break-up (consolidated)



Source: Company

Financial highlights

Fig 7 – Financials (consolidated)

(Rs m)	Q3 FY24	Q2 FY25	Q3 FY25	Y/Y (%)	Q/Q (%)	9M FY24	9M FY25	Y/Y (%)	FY23	FY24	Y/Y (%)
Revenue	5,634	6,808	6,020	6.9	(11.6)	16,823	18,876	12.2	20,260	23,063	13.8
Raw material costs	2,548	3,293	2,710	6.4	(17.7)	7,940	8,903	12.1	10,793	10,875	0.8
Gross profit	3,086	3,515	3,310	7.3	(5.8)	8,882	9,972	12.3	9,467	12,189	28.8
Employee costs	1,085	1,313	1,264	16.5	(3.7)	3,124	3,806	21.9	3,139	4,257	35.6
Other expenses	1,289	1,388	1,411	9.4	1.6	3,648	4,076	11.7	3,999	4,985	24.7
EBITDA	711	814	635	(10.7)	(22.0)	2,111	2,090	(1.0)	2,329	2,947	26.5
Other income	31	82	13	(57.7)	(83.9)	129	126	(2.4)	180	217	20.6
Depreciation	245	268	273	11.4	1.7	613	804	31.1	632	871	37.7
Finance costs	143	155	163	13.5	4.6	309	456	47.4	235	443	88.6
PBT	354	473	213	(39.8)	(54.9)	1,318	956	(27.4)	1,641	1,849	12.7
Tax	102	128	88	(13.7)	(31.3)	346	288	(16.8)	356	469	31.8
PAT	253	346	127	(49.8)	(63.3)	974	676	(30.6)	1,287	1,384	7.5
EPS (Rs)	2.0	2.7	1.0	(49.8)	(63.3)	7.6	5.3	(30.6)	10.1	10.8	7.5

As % of revenue	bps y/y		bps q/q		bps y/y		bps y/y	
Material cost	45.2	48.4	45.0	(21)	(335)	47.2	47.2	(3)
Gross margin	54.8	51.6	55.0	21	335	52.8	52.8	3
Employee costs	19.3	19.3	21.0	174	171	18.6	20.2	160
Other expenses	22.9	20.4	23.4	54	305	21.7	21.6	(9)
EBITDA margin	12.6	12.0	10.6	(207)	(141)	12.5	11.1	(148)
Other income	0.6	1.2	0.2	(33)	(98)	0.8	0.7	(10)
Depreciation	4.3	3.9	4.5	18	59	3.6	4.3	61
Finance costs	2.5	2.3	2.7	16	42	1.8	2.4	58
PBT	6.3	6.9	3.5	(275)	(340)	7.8	5.1	(277)
Effective tax rates	28.7	27.1	41.2	1,248	1,412	26.2	30.1	383
PAT	4.5	5.1	2.1	(240)	(298)	5.8	3.5	(224)

Source: Company, Anand Rathi Research

Segment /Quantitative details

Fig 7 – Financials (consolidated)

	Q3 FY24	Q2 FY25	Q3 FY25	Y/Y (%)	Q/Q (%)	9M FY24	9M 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 (%)	81.6	91.5	79.3	(228)	(1,223)	79.6	84.6	500	91.5	81.0	(1,053)
Production (m sheets)	5.0	5.6	4.9	(2.8)	(13.4)	15	16	6.3	17	20	14.1
Volume sold (m sheets)	4.7	5.4	4.8	2.6	(11.5)	14	15	7.8	17	19	11.3
Average realisation (Rs / sheet)	1,036	1,070	1,050	1.4	(1.9)	1,050	1,075	2.4	1,038	1,032	(0.6)
Revenue (Rs m)	4,998	5,969	5,197	4.0	(12.9)	15,029	16,510	9.9	18,523	20,397	10.1
EBIT (Rs m)	858	1,048	822	(4.1)	(21.5)	2,766	2,747	(0.7)	3,049	3,827	25.5
EBIT margin (%)	17.2	17.5	15.8	(134)	(173)	18.4	16.6	(176)	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 (%)	30.5	39.0	26.7	(381)	(1,238)	28.6	29.2	63	29.5	33.8	429
Production (m sq.mtrs.)	0.3	0.4	0.3	(12.5)	(31.7)	0.9	0.9	2.2	1.2	1.4	14.5
Sales (m sq.mtrs.)	0.3	0.4	0.3	(16.1)	(25.7)	1.0	0.8	(16.3)	1.2	1.4	15.7
Average realisation (Rs / sq.mtr)	868	929	988	13.8	6.4	901	944	4.8	877	889	1.4
Revenue (Rs m)	477	579	519	8.9	(10.4)	1,477	1,526	3.3	1,736	2,087	20.2
EBIT (Rs m)	4	11	29	615.0	160.0	(19)	14	-	(96)	3	-
EBIT margin (%)	0.8	1.9	5.5	467	361	(1.3)	0.9	214	(5.5)	0.1	566
Plywood											
Capacity (sq.mtrs.)	18.9	18.9	18.9	-	-	18.9	18.9	-	-	18.9	-
Capacity utilisation (%)	14.0	22.9	24.1	1,016	127	10.3	23.6	1,333	-	13.5	-
Production (m sq.mtrs.)	0.7	1.1	1.1	72.7	5.6	1.5	3.4	129.5	-	2.6	-
Sales (m sq.mtrs.)	0.7	1.0	1.2	58.9	13.7	1.4	3.3	138.8	-	2.4	-
Average realisation (Rs / sq.mtr)	218	250	257	17.9	2.8	228	248	8.8	-	238	-
Revenue (Rs m)	160	260	304	90.7	17.2	317	840	165.3	-	579	-
EBIT (Rs m)	(69)	(79)	(68)	(0.1)	(13.5)	(248)	(215)	(13.0)	-	(333)	-
EBIT margin (%)	(42.9)	(30.5)	(22.5)	2,045	799	(78.2)	(25.6)	5,255	-	(57.4)	-

Source: Company, Anand Rathi Research

* Note: Segment EBIT margins are per reported figures, not adjusted for unallocable expenses / income

Q3 FY25 Results Highlights

Poor show

- The healthy overseas business (up 12.8% y/y) pushed up revenue 6.9% y/y to Rs6bn, even as the domestic business was muted (up only 2.8% y/y) in laminates
- The gross margin improved 21bps y/y to 55%, resulting in a 7.3% y/y increase in gross profit to Rs3.3bn
- Higher employee expenses (up 16.5% y/y) and other operating expenses (up 9.4% y/y) led to the EBITDA margin contracting 207bps y/y to 10.6%, resulting in EBITDA coming 10.7% lower y/y to Rs635m
- Lower operating profit and higher depreciation (up 11.4%), interest expense (up 9.4%) and tax incidence (41.2%, vs 28.7% of PBT, Rs30m tax for earlier years) compressed PAT, which was 50.3% lower y/y to Rs125m.

Segment-wise

A. Laminates & allied products

- Utilisation was lower at 79% (82% a year back), resulting in production being 2.8% lower y/y to 4.9m sheets
- The laminate business grew 4%/2.6% y/y in value/volumes, led by a 1.4% y/y increase in blended realisations to Rs1,050/sheet
- The international business fared well, led by the favourable demand environment; in the domestic market, however, challenges persisted owing to subdued demand
- EBIT was 4.1% lower y/y to Rs822m.

B. Decorative veneers, allied products

- Utilisation was lower at 27% (30% a year ago), resulting in production of 0.27m sq.mtrs. Decorative veneers offtake was 7.8% lower y/y
- Utilisation was 13-14%/27% for engineered floors/doors. Expecting optimal utilisation in doors by FY27; likely to generate ~Rs1bn revenue
- Revenue grew 8.9% y/y to Rs519m, supported by engineered floors/doors up 13.8%/49.5% y/y to Rs152m/Rs104m even as decorative veneer revenue was 4% lower y/y to Rs263m
- EBIT profitability improved a substantial 7.2x to Rs29m.

C. Plywood, allied products

- The plywood business did reasonably well; utilisation improved from 14% to 24% in Q3 FY25.
- Off-take grew 58.9% y/y to 1.2m sq.mtrs and realisation, 17.9% y/y to Rs257/sq.mtr. This led to revenue rocketing 90.7% y/y to Rs304m.
- Greater utilisation curtailed losses at the EBIT level significantly, hence EBIT margin improved from -42.9% in Q3 FY24 to -22.5%.
- The response to the product has been encouraging. Management expects strong channel expansion in southern India and expects market expansion in Maharashtra from Q1 FY26.

Particle board facility commissioned

- The fully integrated greenfield particle-board plant (with German technology) of 292.380 cu.mtrs. at Naidupeta, AP (being set up under the wholly owned subsidiary Greenlam Limited) commenced commercial production on 23rd Jan'25
- Capex incurred was Rs7.35bn. with Rs7.5bn revenue potential at optimal utilisation. The product will be marketed under the Greenlam MFC brand
- Management expects the particle-board plant breakeven at 50% utilisation, likely in FY26.

Working capital requirement, net debt

- Working capital was 67 days, five days fewer y/y
- Net debt was Rs10.1bn (Rs9.9bn the quarter prior), incl. Rs4.6bn debt related to the greenfield particle-board plant. Management expects debt to peak in FY25, then reduce.

Hiring at senior management level

- Yogesh Pethka appointed Senior Vice-President, Operations. He has two decades' experience and was Director, Operations, with Amcor Flexibles (P) Ltd and held key positions in Asian Paints.

Issue of bonus shares

- This being the 10th year, the Board approved the issue of bonus shares in the ratio of 1:1 (one bonus share for every share held).

Q3 FY25 concall KTAs

Demand trends, Market outlook

- Weaker domestic demand was seen in Q3, especially for laminates & decorative veneers. In Jan, however, demand showed signs of improving; thus, Q4 FY25 is expected to be better than Q3
- **Exports** in 9M FY25 grew 15% y/y, with Europe being the largest market (winning market share from local players) and the US being flattish.

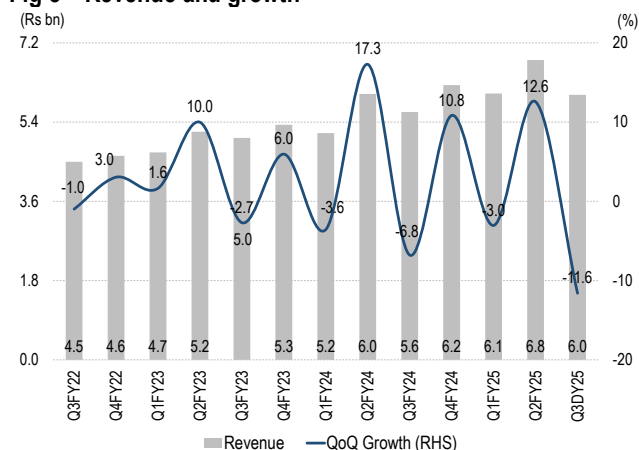
Other highlights

- Growth in Q3 slowed due to the lean period, impacting demand.
- Raw material costs were steady except in plywood, where costs are still high
- Freight costs are stable with the potential for future declines as global supply-chains stabilise
- Uncertainty regarding BIS regulations for particle-board imports persists
- On the 10-year listing anniversary in Mar'25, management announced a 1:1 bonus issue.
- It believes that lower-than-expected offtake because of weaker domestic demand in laminates & decorative veneers might restrict revenue growth momentum and that higher depreciation and interest costs on the commissioning of the particle board plant would cut into operating profit.

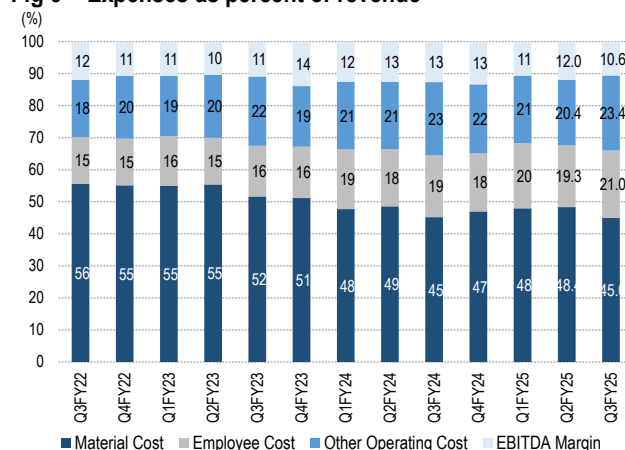
Outlook, Guidance

- Owing to challenging market environment in laminates and veneers, management cut its FY25 revenue guidance to 12-14% (earlier 18-20%)
- It is optimistic about robust growth momentum in FY26 and expects strong recovery in off-take and margin expansion owing to greater utilisation at the particle-board plant, demand recovery in laminates & plywood, market-share gains in exports, tighter cost-controls and working capital efficiencies
- **Laminates.** Management is aiming at 18-20% revenue growth in FY26 with 14-15% EBITDA margins
- **Decorative veneers, allied products.** Management guided to greater profitability (4-5% EBITDA margins) led by greater utilisation
- **Plywood.** It aims to double revenue in FY26
- **Particle board.** Expects to break even in FY26 at ~50% utilisation.

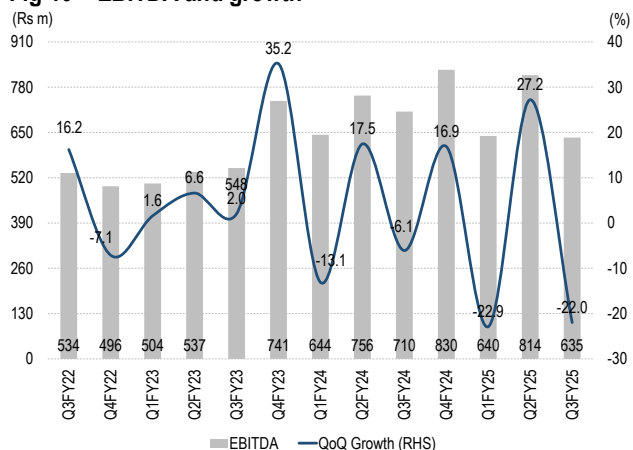
Story in Charts

Fig 8 – Revenue and growth


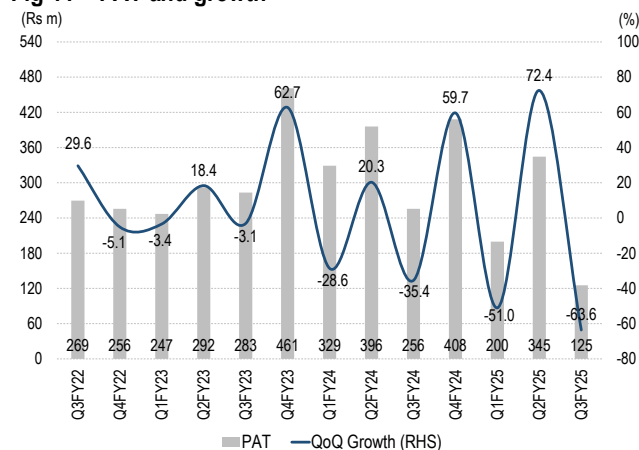
Source: Company, Anand Rathi Research

Fig 9 – Expenses as percent of revenue


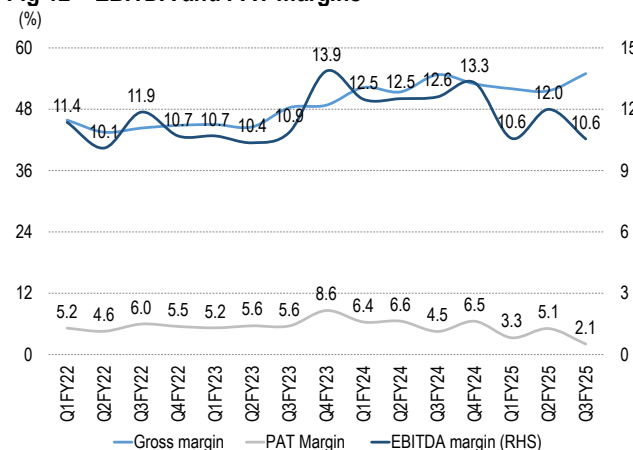
Source: Company, Anand Rathi Research

Fig 10 – EBITDA and growth


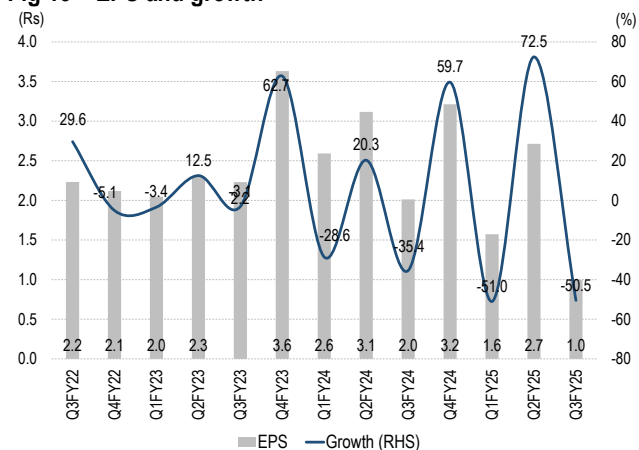
Source: Company, Anand Rathi Research

Fig 11 – PAT and growth


Source: Company, Anand Rathi Research

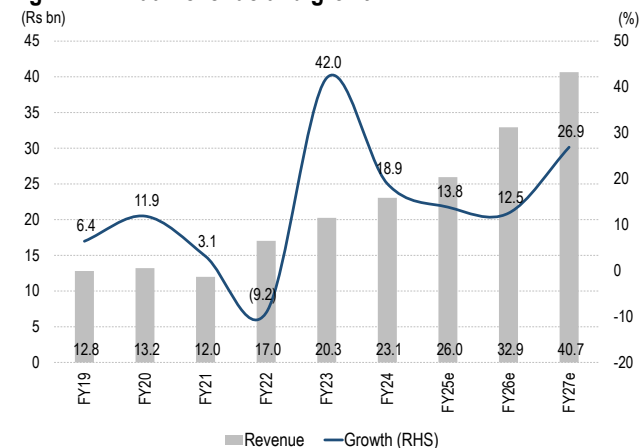
Fig 12 – EBITDA and PAT margins


Source: Company, Anand Rathi Research

Fig 13 – EPS and growth


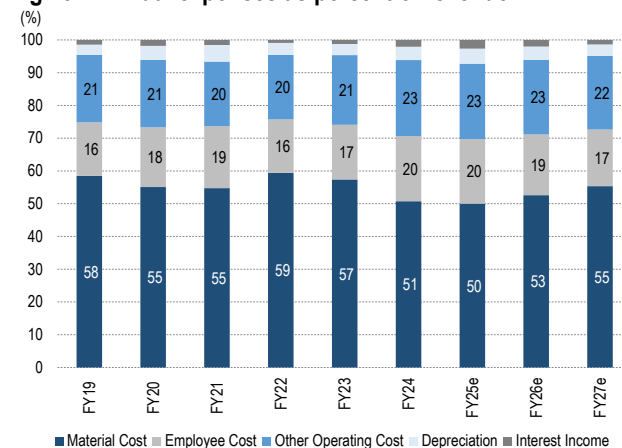
Source: Company, Anand Rathi Research

Fig 14 – Annual revenue and growth



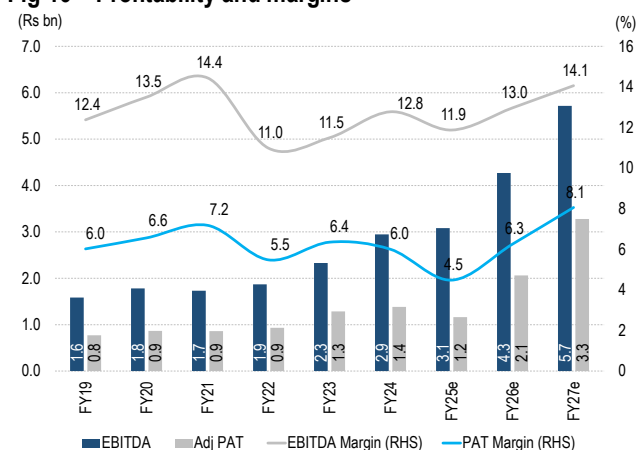
Source: Company, Anand Rathi Research

Fig 15 – Annual expenses as percent of revenue



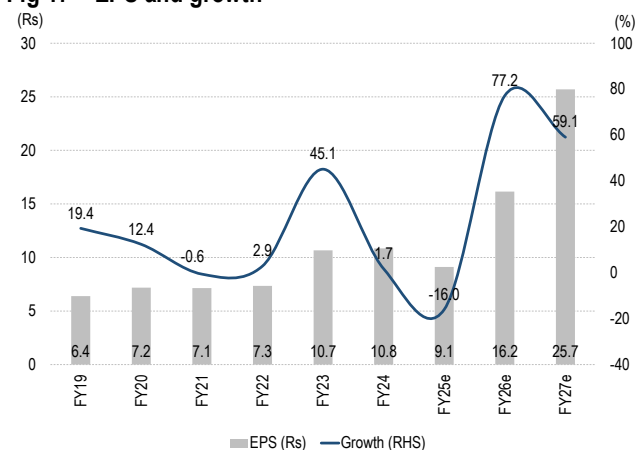
Source: Company, Anand Rathi Research

Fig 16 – Profitability and margins



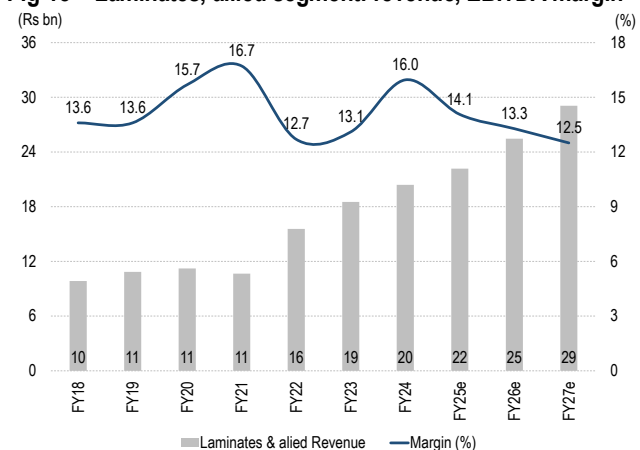
Source: Company, Anand Rathi Research

Fig 17 – EPS and growth



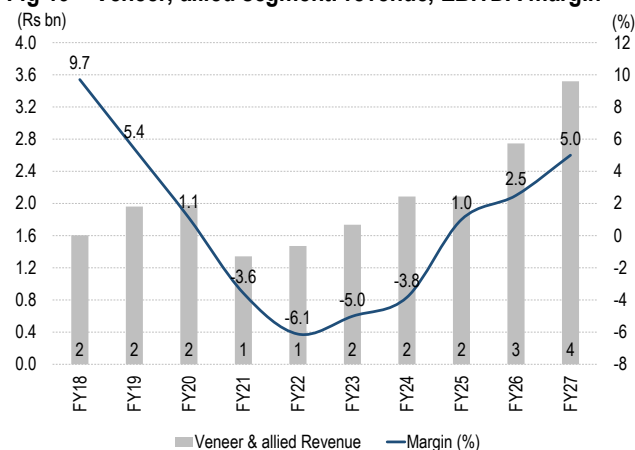
Source: Company, Anand Rathi Research

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

Lowers FY25 guidance; optimistic regarding FY26 revenue growth, retains 18-20%. Retaining a Buy. We expect 21%/33% revenue/earnings CAGRs over FY24-27. At the CMP the stock trades at 61.7x/34.8x/21.9x FY25e/FY26e/FY27e earnings. We retain our Buy recommendation with a 12-mth TP of Rs771, 30x FY27e earnings (earlier Rs801, 30x FY27e).

Fig 20 – Change in estimates

(Rs m)	Earlier			Revised			% variance		
	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25	FY26	FY27
Revenue	28,788	35,668	42,267	25,953	32,931	40,659	(9.8)	(7.7)	(3.8)
EBITDA	3,598	4,737	5,944	3,082	4,271	5,718	(14.4)	(9.8)	(3.8)
EBITDA margin %	12.5	13.3	14.1	11.9	13.0	14.1	(62)	(31)	0
PAT	1,452	2,421	3,405	1,163	2,061	3,278	(19.9)	(14.9)	(3.7)
EPS (Rs)	11.4	19.0	26.7	9.1	16.2	25.7	(19.9)	(14.9)	(3.7)

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.

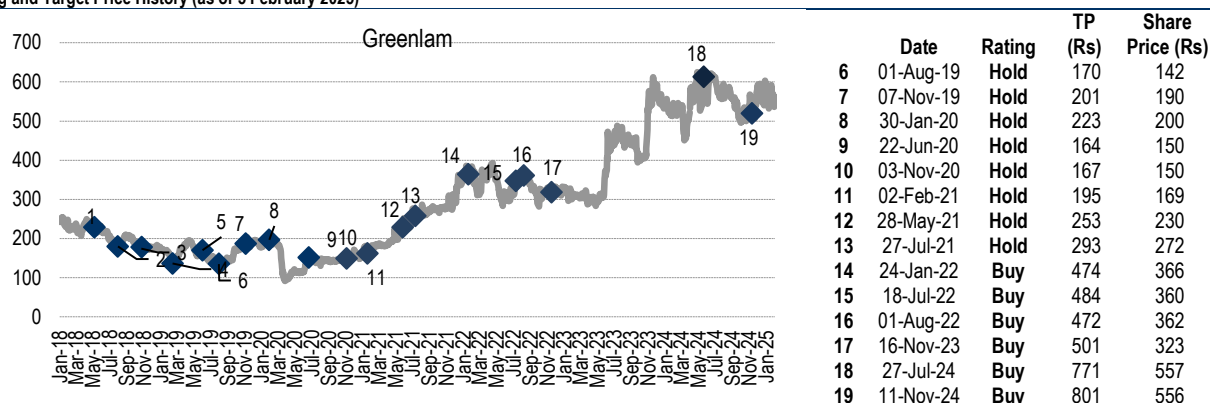
Appendix

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Small Caps (251st company onwards)	>25%	0-25%	<0%

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Compliance officer-Deepak Kedia, email id - deepakkedia@rathi.com, Contact no. +91 22 6281 7000

Grievance officer-Madhu Jain-email id- grievance@rathi.com, Contact no. +91 22 6281 7191

ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.