

July 24, 2024

RESULT REPORT Q1 FY25 | Sector: Building Materials

Greenlam Industries Ltd.

Strong growth in export drives demand, margins to remain under check, maintain SELL!

Result Synopsis

Greenlam Industries Ltd (GRLM) registered a steady quarter wherein revenues increased by 17%YoY. Laminates sales (88% of revenue) grew by 13%YoY backed by stellar growth in export markets (53.5% of laminates revenue) wherein revenue increased by 22%YoY owing to 14%YoY volume growth (42% of laminate volumes) on the back of company's expanding market share and ramp-up of south plant. Moreover, GRLMs improving product-mix in export segment enabled them to expand their ASP to Rs1,392/sheet Vs Rs1,290/Rs1,144 in Q1FY24/Q4FY24 respectively. During the quarter sales of Rs150Mn were not recorded due to container availability issues. Demand in domestic markets was also steady which led to volume growth of 11%YoY (2-year CAGR stood at 15%). However, ASP in domestic markets declined to Rs5%YoY to Rs895/sheet. Consequently, domestic laminate revenue (46.5% of laminates sales) grew marginally by 4%YoY.

During the quarter, higher freight cost, lower volumes, and increase in employee cost resulted into contraction in operating margins to 13.6% for laminates Vs 14.8%/16.6% in Q1FY24/Q4FY24 respectively & overall margins came in at 10.6% as compared to 12.5%/13.4% in Q1FY24/Q4FY24 respectively. The impact of higher cost on gross margins was cushioned owing to better product-mix in export markets.

Plywood (5th quarter of operations) volumes stood at 1.14msqm an improvement of 10%QoQ. GP margins came in at 51% and EBITDA loss stood at Rs61Mn which was impacted due to higher timber cost. Veneer and allied segment's revenue stood at Rs428Mn, remaining flattish on YoY basis. EBITDA loss came in at Rs27Mn Vs loss of Rs16Mn in Q1FY24 & profit of Rs20Mn in Q4FY24.

Net debt stood at Rs9.21Bn which includes debt of Rs4.65Bn relating to particle board project. The particle board plant at Andhra Pradesh is expected to commence from Q3FY25E. Working capital days improved to 65-days Vs 72-days in Q1FY24.

Management reiterated their overall growth guidance of 18-20% for FY25E with an EBTIDA margin of ~15-16% for laminates. On Net-debt, management believes the peak will be Rs9.5Bn in FY25E and from next fiscal the same should contract as there is no major capex post the Particle Board plant.

We expect a Revenue/EBITDA/PAT growth of 22%/26%/25% respectively over FY24-FY26E. We have revised our FY25E EPS downwards due to lower margins from 15.5% to 15% for laminates. At CMP, the stock trades at rich P/E(x) of 33x on FY26E EPS of Rs16.9. Hence, we maintain our SELL rating on the stock by valuing the company at P/E(x) of 30x on FY26E EPS.

Result Highlights

- Revenue stood at Rs6.05Bn (5% above est), a growth of 17%YoY & decline of 3%QoQ.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	6,047	5,771	5,944	4.8	1.7	Revenue above estimates but lower than expected EBITDA margins
EBITDA	640	750	800	(14.7)	(20.0)	
EBITDA Margin (%)	10.6	13.0	13.5	-241 bps	-287 bps	
Adjusted PAT	199	245	337	(19.0)	(40.9)	

Source: Company, YES Sec

Reco	: SELL
CMP	: Rs 565
Target Price	: Rs 508
Potential Return	: -10.0%

Stock data (as on Jul 24, 2024)

Nifty	24,439
52 Week h/l (Rs)	662 / 388
Market cap (Rs/USD mn)	74,439 / 890
Outstanding Shares (mn)	128
6m Avg t/o (Rs mn):	63
Div yield (%):	0.3
Bloomberg code:	GRLM IN
NSE code:	GREENLAM

Stock performance



	1M	3M	1Y
Absolute return	-8.2%	-5.0%	18.5%

Shareholding pattern (As of Jun'24 end)

Promoter	51.0%
FII+DII	17.3%
Others	31.7%

Δ in stance

(1-Yr)	New	Old
Rating	SELL	SELL
Target Price	508	502

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	10.6	16.9
EPS (Old)	12.1	16.7
% change	-12.41%	1.47%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Net Revenue	23,063	27,568	34,530
YoY Growth	13.8	19.5	25.3
EBIDTA	2,947	3,495	4,672
EBIDTA (%)	12.8	12.7	13.5
PAT	1,380	1,352	2,162
YoY Growth	7.4	(2.0)	59.9
ROE	13.6	11.8	16.4
EPS	10.8	10.6	16.9
P/E	48.7	53.3	33.3
BV/Share	84	100	118
P/BV	6.2	5.6	4.8

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- EBITDA margins came in at 10.6% (est of 13%) Vs 12.5%/13.4% in Q1FY24/Q4FY24 respectively on account of higher operating expenses. Absolute EBITDA stood at Rs640Mn, flattish YoY growth and a decline of 23% on sequential basis.
- Net profit stood at Rs199Mn, a massive decline of 40%YoY & 51%QoQ.

Segmental Highlights for Q4FY24

- **Laminates & Allied segment (88% of total revenue)**- Revenue grew by 13%YoY & remained flattish QoQ to Rs5.34Bn (2-year CAGR at 11%), primarily driven by exports business. Volumes increased by 12%YoY & decreased by 11%QoQ (2-year CAGR at 9%) to 4.7Mn sheets. EBIT margin came in at 16.4% Vs 18.5%/19.8% for Q1FY24/Q4FY24, respectively. Absolute EBIT remained flattish YoY & decreased by 17%QoQ to Rs878Mn.
- **Veneers & Allied segment (10% of total revenue)**- Revenue for the segment stood at Rs428Mn, flattish YoY & a decline of 30%QoQ. Company registered a EBIT loss of Rs26Mn as compared to a loss of Rs14Mn in Q1FY24 & a profit of Rs21Mn in previous quarter.
- **Plywood**- Revenue increased by 5%QoQ to Rs276Mn. Greenlam reported an EBIT loss of Rs68Mn in Q1FY25 Vs a loss of Rs85Mn in Q4FY24.

Other Key Highlights

- Q1FY25 saw highest ever revenues from the exports business for the laminates segment at Rs2.9Bn, up 22%YoY & 5%QoQ. In volume terms, exports grew by 14%YoY.
- Net working capital days contracted to ~65 days for Q1FY25 Vs ~72 days in Q1FY24.
- Net debt was Rs9.22Bn which includes particle board project debt of Rs4.65Bn.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	% yoy	% qoq
Revenue	5,338	5,152	6,036	5,634	6,241	6,047	17.4	(3.1)
Expenditure	4,598	4,509	5,280	4,922	5,406	5,407	19.9	0.0
- RM	2,732	2,459	2,933	2,548	2,935	2,901	17.9	(1.2)
- Staff Cost	856	962	1,077	1,085	1,133	1,229	27.8	8.4
- Other cost	1,009	1,088	1,271	1,289	1,338	1,278	17.5	(4.5)
Operating Profit	740	644	756	711	835	640	(0.6)	(23.4)
OPM (%)	13.9	12.5	12.5	12.6	13.4	10.6	-191 bps	-280 bps
Other Income	44	40	58	31	87	31	(21.6)	(64.2)
Depreciation	169	174	195	245	258	263	51.2	2.2
Interest	65	73	93	143	134	138	89.2	3.1
PBT	551	437	527	354	532	270	(38.1)	(49.1)
Tax	91	107	133	102	124	72	(32.9)	(42.0)
PAT	460	330	394	253	408	199	(39.8)	(51.3)

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Particulars	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	% yoy	% qoq
Volume								
Laminates (Mn sheets)	4.7	4.2	4.9	4.7	5.2	4.7	12.0	(10.7)
Veneer (Mn sqm)	0.3	0.3	0.4	0.3	0.4	0.2	(25.9)	(52.4)
Plywood (Mn sqm)	-	0.0	0.6	0.7	1.0	1.1	-	9.6
Revenue (Rs mn)								
Laminates	4,916	4,720	5,312	4,998	5,368	5,343	13.2	(0.5)
Veneer	422	425	575	477	610	428	0.7	(29.9)
Plywood	-	8	149	160	263	276	-	5.1
Realization								
Laminates (Rs/sheet)	1,008	1,086	1,034	1,036	984	1,105	1.7	12.3
Veneer (Rs/sqm)	859	916	917	868	862	960	4.8	11.4
Plywood (Rs/sqm)	-	233	239	218	251	242	3.9	(3.6)

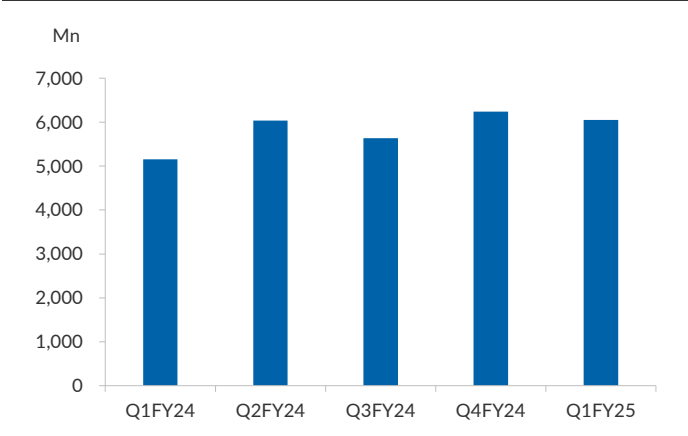
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Guidance:** Management guided for a revenue growth of 18-20% CAGR and ~15-16% EBITDA margin for laminates segment provided the input costs are stable.
- Domestic demand has been improving from June while exports have been stable. Company has been gaining market share in international markets and exploring new geographies.
- **Exports:** Company reported highest ever laminates exports revenue of Rs2.86Bn despite delayed availability of containers, longer shipment times, & increased freight costs that resulted in 1.5 lakh sheets (~Rs150Mn) lying for dispatch in plants. The trend, however, has been improving July onwards.
- Export sales are priced on consignment basis and increase in freight rates beyond the agreed level is passed on to the customer.
- Company took a 4% price hike in July for plywood and a price hike for laminates is under review.
- Higher raw material cost and higher freight cost's impact on GP margins were cushioned due to better product mix.
- Employee expense saw an increase of Rs100Mn QoQ owing to one-time annual expense of bonus payment and regular increments.
- **Greenfield expansions:** Particle Board plant is expected to commence production by Q3FY25E, Plywood plant operations have stabilized, Laminates Naidupeta plant is ramping up production, and Laminates Gujarat plant is operating at peak utilization.
- **Laminates:** Currently capacity utilization is at 83% overall and at peak plants can operate at 105-115% utilization. Once company reaches that level, it will explore expansion opportunities. Both Gujarat & South plant have land available for brownfield expansion.
- **Deco Veneer:** Revenue stood at Rs196Mn, a decline of 23%YoY & 47%QoQ and the plant operated at a utilization of 21%.
- **Wooden Floor:** Revenue increased by 30%YoY & decreased by 6%QoQ to Rs134Mn with a capacity utilization of 13%
- **Wooden Door:** Revenue for the quarter grew by 40%YoY & remained flattish QoQ at Rs98Mn and capacity utilization was 21%.
- **Plywood:** Company caters to premium segment and is expecting to breakeven in the segment provided the timber prices are under control.
- Company will have a peak net debt of Rs9.25-9.5Bn in FY25E.

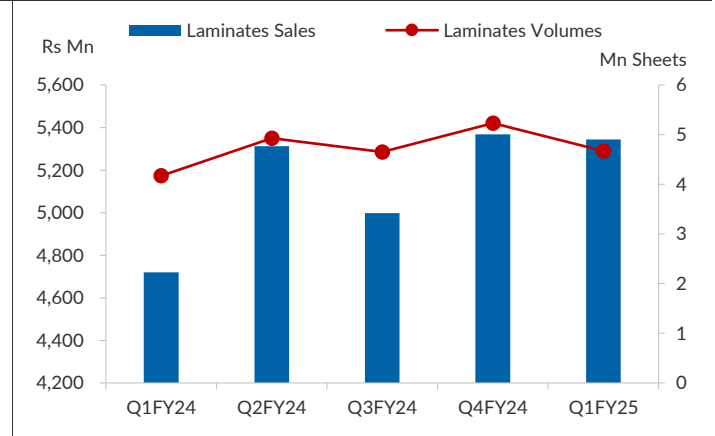
QUARTERLY TRENDS

Exhibit 4: Revenue increased by 17%YoY...



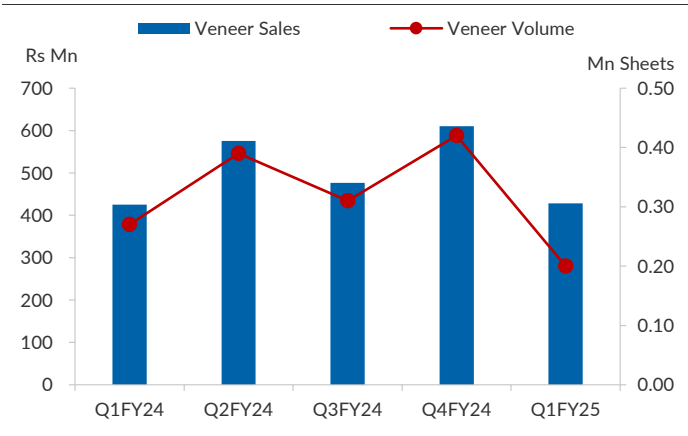
Source: Company, YES Sec

Exhibit 5: Laminates volume grew by 12%YoY...



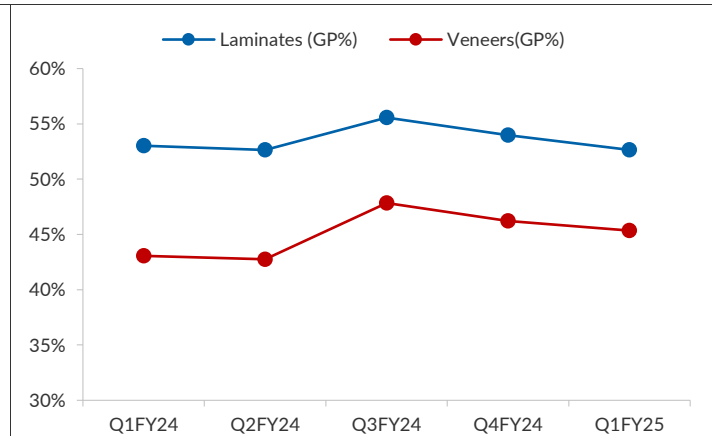
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Exhibit 6: Veneer revenue was flattish YoY...



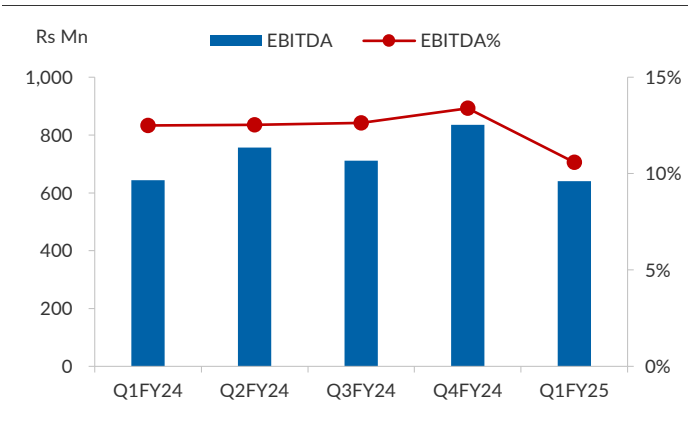
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Exhibit 7: Gross margin came in at 52%...



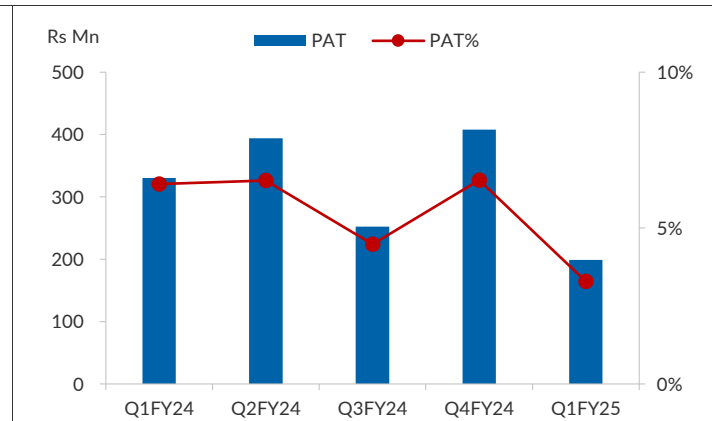
Source: Company, YES Sec

Exhibit 8: Blended margin decreased to 10.6%...



Source: Company, YES Sec

Exhibit 9: Net profit stood at Rs199Mn...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenues	17,034	20,260	23,063	27,568	34,530
Growth (%)	42.0	18.9	13.8	19.5	25.3
EBITDA	1,870	2,329	2,947	3,495	4,672
EBITDA margin (%)	11.0	11.5	12.8	12.7	13.5
Growth (%)	7.9	24.5	26.5	18.6	33.7
Depreciation & Amortization	585	632	871	1,406	1,606
Other income	73	180	217	292	409
EBIT	1,358	1,876	2,292	2,381	3,475
EBIT margin (%)	8.0	9.3	9.9	8.6	10.1
Interest	141	235	443	578	592
PBT	1,217	1,641	1,849	1,803	2,883
Tax	286	356	469	451	721
Net profit	906	1,285	1,380	1,352	2,162
Net profit margin (%)	5.3	6.3	6.0	4.9	6.3
EPS	8	10	11	11	17
Growth (%)	22.9	36.7	5.4	(2.1)	59.9

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	121	127	128	121	121
Reserves	6,423	9,455	10,644	11,996	14,159
Total Shareholders' Funds	6,543	9,582	10,772	12,117	14,279
Non-current liabilities					
Long term borrowings	1,579	3,524	6,472	6,817	6,817
Deferred tax liabilities	169	155	160	160	160
Current liabilities					
Short term borrowings	2,014	2,175	3,516	3,671	3,671
Trade payables	2,558	2,753	3,479	4,302	5,642
Other financial liabilities	433	422	1,383	1,383	1,383
Total equity and liabilities	13,841	20,413	27,357	30,029	33,532
Non-current assets					
PPE	4,572	4,916	9,725	12,319	11,713
CWIP	75	3,801	6,110	3,110	3,110
Current assets					
Inventories	5,034	5,135	6,091	7,530	9,877
Trade receivables	1,290	1,427	1,515	1,811	2,268
Cash	158	160	329	1,674	2,979
Other current assets	467	947	1,418	1,418	1,418
Total assets	13,841	20,413	27,357	30,029	33,532

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	1,217	1,641	1,849	1,803	2,883
Depreciation & Amortization	585	632	871	1,406	1,606
Finance cost	141	235	443	578	592
(Incr)/Decr in Working Capital	(857)	(280)	(619)	(913)	(1,463)
Taxes	(333)	(354)	(471)	(451)	(721)
Cash from ops.	712	1,693	1,936	2,423	2,897
(Incr)/ Decr in PP&E	(871)	(4,664)	(6,353)	(1,000)	(1,000)
Cash Flow from Investing	(1,363)	(5,352)	(5,268)	(1,000)	(1,000)
(Decr)/Incr in Borrowings	969	2,246	4,289	500	-
Finance cost	(134)	(232)	(417)	(578)	(592)
Cash Flow from Financing	622	3,661	3,500	(78)	(592)
Incr/(Decr) in cash	(29)	2	168	1,345	1,305
Cash and cash equivalents at beginning of year	185	157	159	329	1,674
Cash and cash equivalents at end of year	156	159	328	1,674	2,979

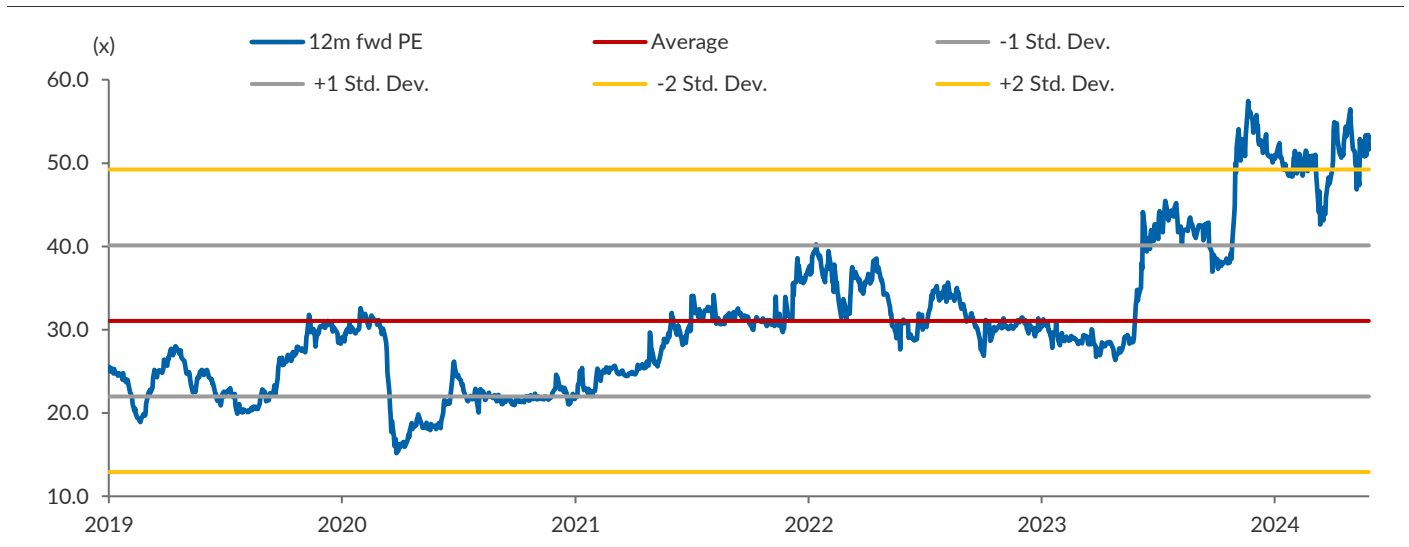
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
Growth Matrix (%)					
Revenue growth	42.0	18.9	13.8	19.5	25.3
EBITDA growth	7.9	24.5	26.5	18.6	33.7
EBIT growth	8.4	38.1	22.2	3.9	45.9
PAT growth	22.9	41.9	7.4	(2.0)	59.9
Profitability ratios (%)					
EBITDA margin	11.0	11.5	12.8	12.7	13.5
EBIT margin	8.0	9.3	9.9	8.6	10.1
PAT margin	5.3	6.3	6.0	4.9	6.3
RoCE	16.9	16.6	14.2	12.4	16.4
RoE	14.8	15.9	13.6	11.8	16.4
Per share values					
EPS	7.5	10.3	10.8	10.6	16.9
CEPS	12.4	15.1	17.6	21.6	29.5
BVPS	54	76	84	100	118
Valuation ratios (x)					
P/E	40.9	29.9	48.7	53.3	33.3
P/CEPS	24.8	20.3	29.9	26.1	19.1
P/B	5.7	4.1	6.2	5.6	4.8
EV/EBITDA	20.8	18.1	25.6	22.0	16.2
Leverage ratios (x)					
Debt/ Equity	0.3	0.3	0.8	0.7	0.5
Net debt/Equity	0.3	0.3	0.8	0.7	0.5
Net debt/EBITDA	1.0	1.3	2.8	2.5	1.6
Int coverage	9.6	8.0	5.2	4.1	5.9
NWC days					
Receivables	28	26	24	24	24
Inventory	195	174	204	204	204
Payables	99	93	117	117	117

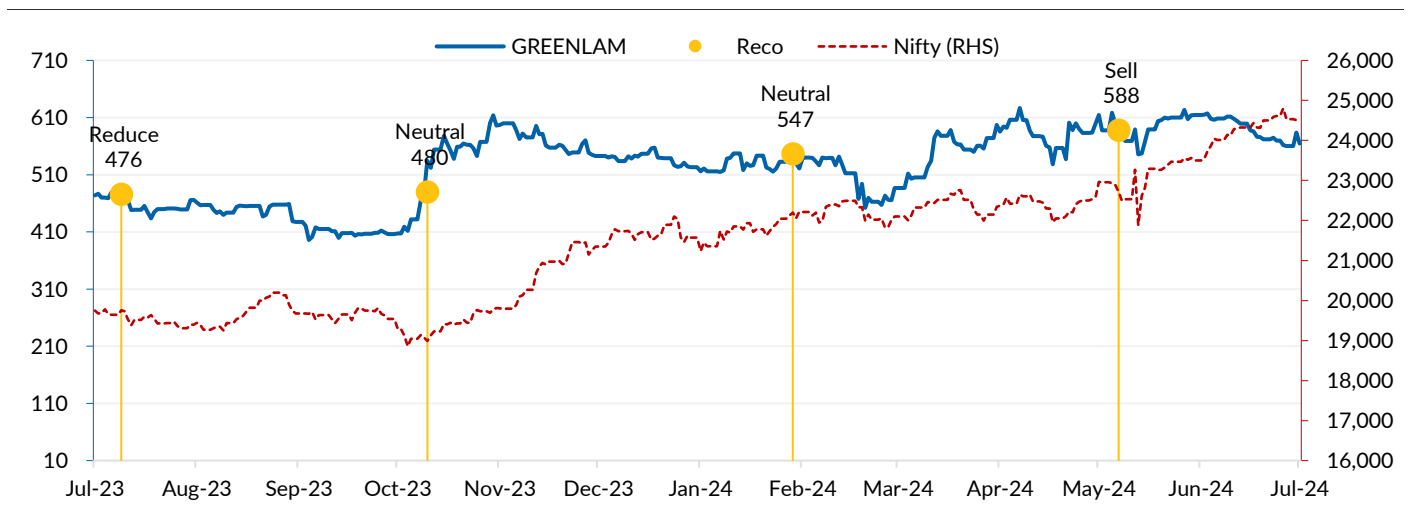
Source: Company, YES Sec

Exhibit 14: 1-year forward P/E (x) chart



Source: Company, YES Sec

Recommendation Tracker



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Analyst signature

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