

February 03, 2025

RESULT REPORT Q3 FY25 | Sector: Building Materials

Greenlam Industries Ltd

9MFY25 performances below expectations; downgrade to REDUCE!

Result Synopsis

Greenlam Industries Ltd (GRLM) reported a benign revenue growth of 7%YoY while operating margins contracted 207bps YoY to 10.6%. Laminates sales (86% of revenue), increased marginally by 4%YoY to Rs5.20Bn, driven by 3% growth in volumes and 1% improvement in blended realization over similar period. In laminates, domestic volumes (54% of volumes) declined by 8%YoY & 2-year CAGR remained flattish. Export volumes (46% of volumes) increased by 21%YoY (2-year CAGR came in at 13%). On revenue front, domestic sales (49% of laminate revenue) degrew marginally by 3%YoY and export sales (51% of laminate revenue) increased by 12%YoY. Operating margins contracted to 13.2% as compared to 15.8%/14.7% in Q3FY24/Q2FY25 respectively. Veneer and allied segment's revenue for the quarter stood at Rs519Mn (9% of overall revenue), a growth of 9%YoY and operating margins also improved to 2.7% Vs 0.6% in Q3FY24 and 0.9% in Q2FY25. For the quarter ply volumes stood at 1.16msqm Vs 1.02msqm in previous quarter, an improvement of 14%QoQ. ASP stood at Rs257/sqm as compared to Rs218/Rs250 in Q3FY24/Q2FY25 respectively. Revenue for this segment (5% of overall revenue), stood at Rs304Mn, a growth of 17%QoQ. EBITDA loss for the quarter came in at Rs62Mn Vs Rs83Mn/Rs67Mn in Q3FY24/Q2FY25 respectively.

Management Guidance

For FY25E, management aims to end the year with growth of 12-13% Vs previous target of 18-20%. In FY26E, company has guided for top-line growth of 18-20%. At peak with all new plants operating at full utilization, management aims to achieve turnover of Rs40Bn by FY28E.

Our view

Overall we expect 9% volume CAGR for laminate segment with operating margins of 15% over FY24-FY27E. While we do not foresee any major improvement in veneers and allied segments, new categories viz. Plywood and Particle board (Chipboard) will be the key monitorable going ahead. Though plywood has reported decent growth, the same has been below expectations. The ramp-up of Chipboard plant will drive top-line for coming 2-years. However blended margins are likely to remain under pressure. We have lowered our EPS est for FY25E/FY26E/FY27E by 17%/9%/8% respectively to Rs8.7/14.4/18.2 and valued the company at P/E(x) of 30x on FY27E EPS arriving at a target price of Rs547. Hence, we have downgraded to stock to REDUCE from ADD.

Result Highlights

- Revenue for the quarter stood at Rs6Bn, a growth of 7%YoY & decline of 12%QoQ.
- EBITDA margins stood at 10.6% Vs 12.6%/12% in Q3FY24/Q2FY25 respectively. Absolute EBITDA declined by 11%YoY & 22%QoQ to Rs635Mn.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	6,020	6,366	6,450	(5.4)	(6.7)	
EBITDA	635	761	785	(16.6)	(19.0)	
EBITDA Margin (%)	10.6	12.0	12.2	-141 bps	-161 bps	Below estimates.
Adjusted PAT	125	283	293	(55.7)	(57.3)	

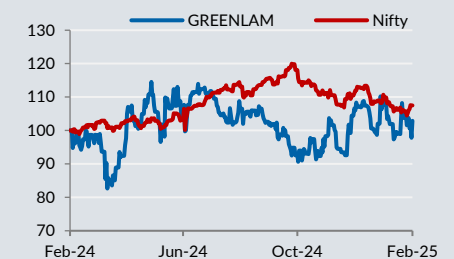
Source: Company, YES Sec

Reco	: REDUCE
CMP	: Rs 563
Target Price	: Rs 547
Potential Return	: -2.9%

Stock data (as on Feb 03, 2025)

Nifty	23,361
52 Week h/l (Rs)	662 / 431
Market cap (Rs/USD mn)	70,497 / 809
Outstanding Shares (mn)	128
6m Avg t/o (Rs mn):	27
Div yield (%):	0.3
Bloomberg code:	GRLM IN
NSE code:	GREENLAM

Stock performance



	1M	3M	1Y
Absolute return	-4.4%	4.7%	2.8%

Shareholding pattern (As of Dec'24 end)

Promoter	51.0%
FII+DII	17.5%
Others	31.5%

Δ in stance

(1-Yr)	New	Old
Rating	REDUCE	ADD
Target Price	547	600

Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	8.7	14.4	18.2
EPS (Old)	10.4	15.8	19.9
% change	-16.9%	-9.1%	-8.4%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	26,367	31,402	35,791
YoY Growth	14.3	19.1	14.0
EBITDA	2,955	3,963	4,598
EBITDA (%)	11.2	12.6	12.8
PAT	1,105	1,833	2,325
YoY Growth	(20)	66	27
ROE	9.8	14.3	15.6
EPS	8.7	14.4	18.2
P/E	65.0	39.2	30.9
BV/Share	98	114	133
P/BV	5.7	5.0	4.2

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SHALIN DAMANI, Associate

- Net profit stood at Rs125Mn, a sharp degrowth of 50%YoY & 64%QoQ.
- Laminate segment's revenue stood at Rs5.20Bn, a growth of 4%YoY & degrowth of 13%QoQ. EBITDA margins for the segment came in at 13.2% Vs 15.8%/14.7% in Q3FY24/Q2FY25 respectively.
- Veneers & allied segment's sales increased by 9%YoY & degrew by 10%QoQ to Rs519Mn. Operating margins came in at 2.7% as compared to 0.6%/0.9% in Q3FY24/Q2FY25 respectively.
- Plywood revenue grew by 91%YoY & 17%QoQ to Rs304Mn and EBITDA loss came in at Rs62Mn.
- Net working capital days stood at 67-days Vs 72-days in Q3FY24. Net debt stood at Rs10.12Bn (including Rs4.61Bn debt of chipboard). During the quarter the "Chipboard" plant at Naidupeta has commenced operation which has an annual capacity of 292,380CBM.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% yoy	% qoq	9M FY24	9M FY25	% yoy
Revenue	6,036	5,634	6,241	6,047	6,808	6,020	6.9	(11.6)	16,823	18,876	12.2
Expenditure	5,280	4,922	5,406	5,407	5,994	5,385	9.4	(10.2)	14,711	16,786	14.1
- RM	2,933	2,548	2,935	2,901	3,293	2,710	6.4	(17.7)	7,940	8,903	12.1
- Staff Cost	1,077	1,085	1,133	1,229	1,313	1,264	16.5	(3.7)	3,123	3,806	21.9
- Other cost	1,271	1,289	1,338	1,278	1,388	1,411	9.4	1.6	3,648	4,076	11.7
Operating Profit	756	711	835	640	814	635	(10.7)	(22.0)	2,111	2,090	(1.0)
OPM (%)	12.5	12.6	13.4	10.6	12.0	10.6	-207 bps	-141 bps	12.6	11.1	-148 bps
Other Income	58	31	87	31	82	13	(57.8)	(83.9)	129	126	(2.5)
Depreciation	195	245	258	263	268	273	11.4	1.7	613	804	31.1
Interest	93	143	134	138	155	163	13.5	4.6	309	456	47.5
PBT	527	354	532	270	472	213	(39.8)	(54.9)	1,318	956	(27.5)
Tax	133	102	124	72	128	88	(13.7)	(31.3)	342	288	(15.9)
PAT	394	253	408	199	344	125	(50.3)	(63.6)	977	669	(31.5)

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Particulars	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% yoy	% qoq	9M FY24	9M FY25	% yoy
Volume											
Laminates (Mn sheets)	4.9	4.7	5.2	4.7	5.4	4.8	2.6	(11.5)	13.7	14.8	7.9
Veneer (Mn sqm)	0.4	0.3	0.4	0.2	0.4	0.3	(16.1)	(25.7)	1.0	0.8	(16.5)
Plywood (Mn sqm)	0.6	0.7	1.0	1.1	1.0	1.2	58.9	13.7	1.4	3.3	138.6
Revenue (Rs mn)											
Laminates	5,312	4,998	5,368	5,343	5,969	5,197	4.0	(12.9)	15,029	16,510	9.9
Veneer	575	477	610	428	579	519	8.9	(10.4)	1,477	1,526	3.3
Plywood	149	160	263	276	260	304	90.7	17.2	317	840	165.3
Realization											
Laminates (Rs/sheet)	1,034	1,036	984	1,105	1,070	1,050	1.4	(1.9)	1,093	1,113	1.8
Veneer (Rs/sqm)	917	868	862	960	929	988	13.8	6.4	1,523	1,884	23.7
Plywood (Rs/sqm)	239	218	251	242	250	257	17.9	2.8	228	253	11.2

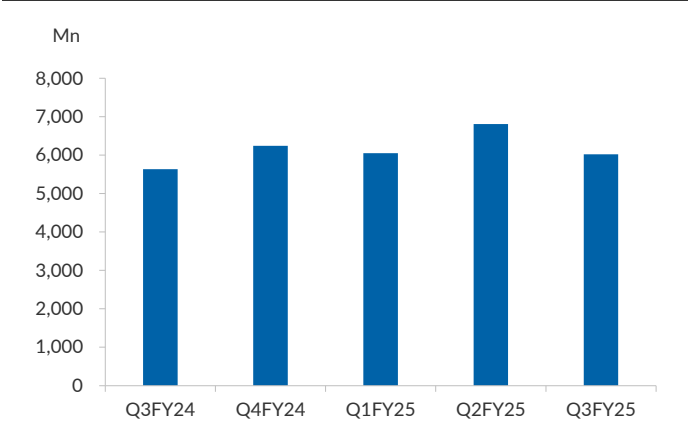
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- In FY25E, management will fall short of previous guidance of 18-20%YoY growth and will end the year with 12-13% growth. For FY26 company guided for a top-line growth of 18-20%YoY.
- All capex announced in FY22 are now ready for production and company will aims to execute and utilize the new plants from hereon.
- Management stated that they have gained market share in domestic market, given the growth reported by company Vs industry growth.
- Gross margins for laminates will be in the range of ~53-55%.
- Wooden floor segment revenue stood at Rs152Mn, a growth of 14%YoY. Utilization stood at 13%.
- Wooden door segment's revenue increased by 49.5%YoY, while utilization stood at 27%.
- Particle boards plant commenced operations in Jan'25. For FY26E, company expects to operate plant at 40-50% utilization level and at 50% utilization, the plant should break-even.
- Plywood segment is ramping up rapidly. Company expects to double revenue in FY26E Vs FY25E. The timber cost has been stable for the company during Q3FY25 Vs Q2FY25.
- Particle boards annual imports are ~Rs3-3.5Bn. Hence, company does not foresee any major headwinds from imports.
- Capex for 9MFY25 was Rs1.90Bn and will end the year with Rs2.5Bn capex. Company expects capex for FY26E to be ~Rs1Bn.
- Net debt is at the peak level and with major capex behind, management does not expect debt to increase further.
- For particle boards, depreciation cost will be Rs300-350Mn and debt cost will be ~Rs350-400Mn.

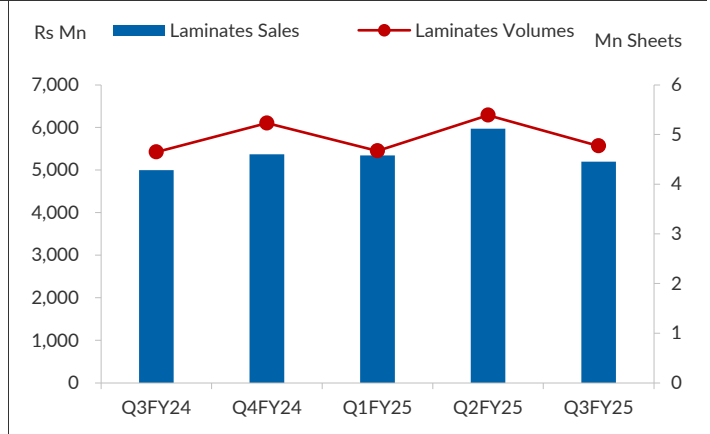
QUARTERLY TRENDS

Exhibit 4: Revenue was up by 7%YoY...



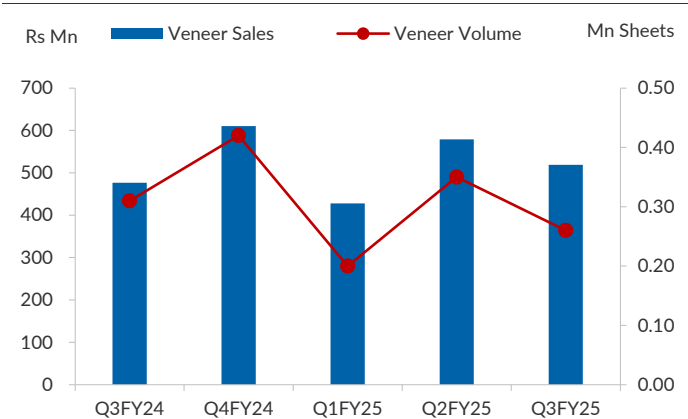
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Exhibit 5: Laminates volume grew by 2.6%YoY...



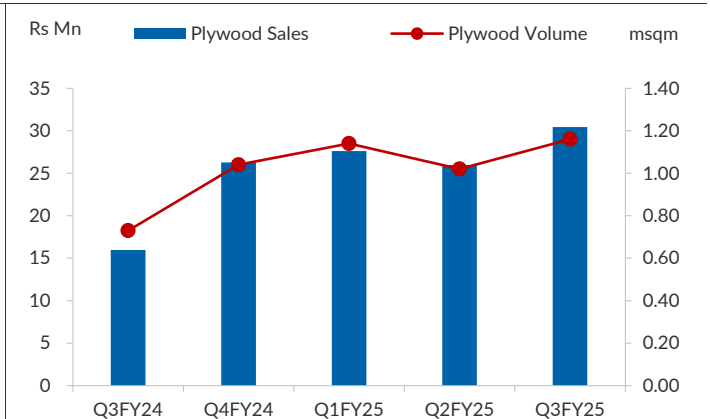
Source: Company, YES Sec

Exhibit 6: Veneer revenue increased by 9%YoY...



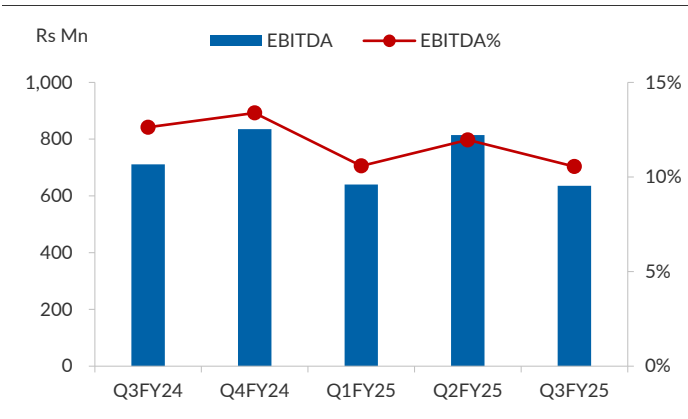
Source: Company, YES Sec

Exhibit 7: Plywood revenue expanded by 17%QoQ...



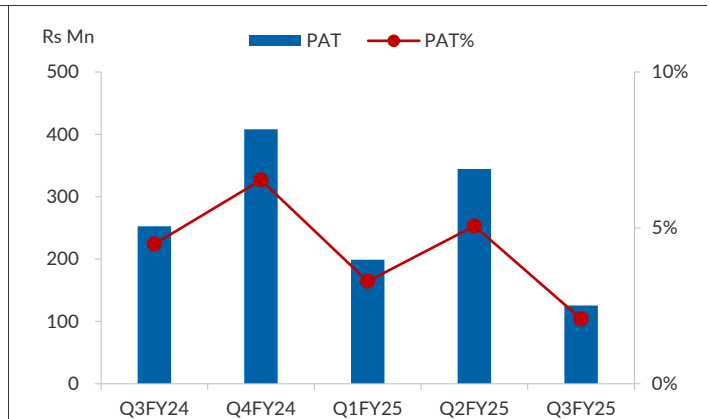
Source: Company, YES Sec

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



Source: Company, YES Sec

Exhibit 9: Net profit stood at Rs125Mn...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	20,260	23,063	26,367	31,402	35,791
Growth (%)	18.9	13.8	14.3	19.1	14.0
EBITDA	2,329	2,947	2,955	3,963	4,598
EBITDA margin (%)	11.5	12.8	11.2	12.6	12.8
Growth (%)	24.5	26.5	0.3	34.1	16.0
Depreciation & Amortization	632	871	1,090	1,205	1,265
Other income	180	217	292	300	350
EBIT	1,876	2,292	2,157	3,058	3,684
EBIT margin (%)	9.3	9.9	8.2	9.7	10.3
Interest	235	443	578	614	584
PBT	1,641	1,849	1,579	2,444	3,100
Tax	356	469	474	611	775
Net profit	1,285	1,380	1,105	1,833	2,325
Net profit margin (%)	6.3	6.0	4.2	5.8	6.5
EPS	10	11	9	14	18
Growth (%)	36.7	5.4	(19.9)	65.8	26.8

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	127	128	121	121	121
Reserves	9,455	10,644	11,749	13,582	15,907
Total Shareholders' Funds	9,582	10,772	11,870	13,703	16,028
Non-current liabilities					
Long term borrowings	3,524	6,472	6,817	6,492	6,167
Deferred tax liabilities	155	160	160	160	160
Current liabilities					
Short term borrowings	2,175	3,516	3,671	3,496	3,321
Trade payables	2,753	3,479	4,090	4,869	5,483
Other financial liabilities	422	1,383	1,383	1,383	1,383
Total equity and liabilities	20,413	27,357	29,570	31,682	34,121
Non-current assets					
PPE	4,916	9,725	12,636	12,431	12,167
CWIP	3,801	6,110	3,110	3,110	3,110
Current assets					
Inventories	5,135	6,091	7,160	8,523	9,598
Trade receivables	1,427	1,515	1,732	2,062	2,351
Cash	160	329	1,349	1,971	3,311
Other current assets	947	1,418	1,418	1,418	1,418
Total assets	20,413	27,357	29,570	31,682	34,121

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,641	1,849	1,579	2,444	3,100
Depreciation & Amortization	632	871	1,090	1,205	1,265
Finance cost	235	443	578	614	584
(Incr)/Decr in Working Capital	(280)	(619)	(675)	(915)	(749)
Taxes	(354)	(471)	(474)	(611)	(775)
Cash from ops.	1,693	1,936	2,098	2,737	3,424
(Incr)/ Decr in PP&E	(4,664)	(6,353)	(1,000)	(1,000)	(1,000)
Cash Flow from Investing	(5,352)	(5,268)	(1,000)	(1,000)	(1,000)
(Decr)/Incr in Borrowings	2,246	4,289	500	(500)	(500)
Finance cost	(232)	(417)	(578)	(614)	(584)
Cash Flow from Financing	3,661	3,500	(78)	(1,114)	(1,084)
Incr/(Decr) in cash	2	168	1,020	623	1,340
Cash and cash equivalents at beg of year	157	159	329	1,349	1,971
Cash and cash equivalents at end of year	159	328	1,349	1,971	3,311

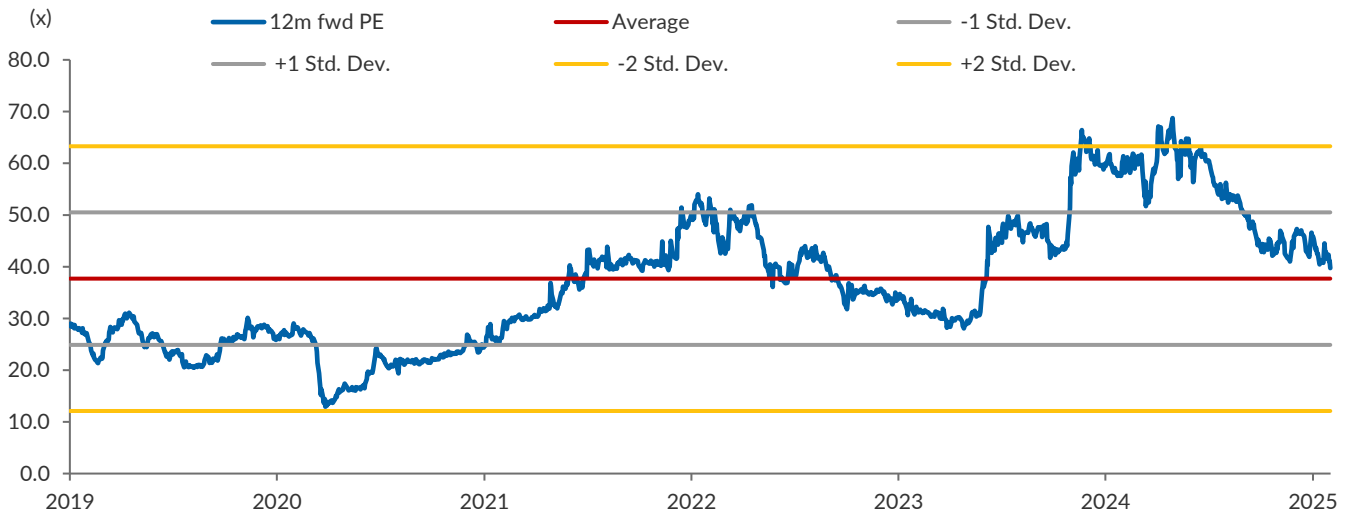
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue growth	18.9	13.8	14.3	19.1	14.0
EBITDA growth	24.5	26.5	0.3	34.1	16.0
EBIT growth	38.1	22.2	(5.9)	41.8	20.5
PAT growth	41.9	7.4	(19.9)	65.8	26.8
Profitability ratios (%)					
EBITDA margin	11.5	12.8	11.2	12.6	12.8
EBIT margin	9.3	9.9	8.2	9.7	10.3
PAT margin	6.3	6.0	4.2	5.8	6.5
RoCE	16.6	14.2	11.3	14.8	16.5
RoE	15.9	13.6	9.8	14.3	15.6
Per share values					
EPS	10.3	10.8	8.7	14.4	18.2
CEPS	15.1	17.6	17.2	23.8	28.1
BVPS	76	84	98	114	133
Valuation ratios (x)					
P/E	29.2	46.7	65.0	39.2	30.9
P/CEPS	19.8	28.7	32.7	23.7	20.0
P/B	4.0	6.0	5.7	5.0	4.2
EV/EBITDA	17.7	24.7	26.1	19.2	16.1
Leverage ratios (x)					
Debt/ Equity	0.3	0.8	0.8	0.6	0.4
Net debt/Equity	0.3	0.8	0.8	0.6	0.4
Net debt/EBITDA	1.3	2.8	3.1	2.0	1.3
Int coverage	8.0	5.2	3.7	5.0	6.3
NWC days					
Receivables	26	24	24	24	24
Inventory	174	204	204	204	204
Payables	93	117	117	117	117

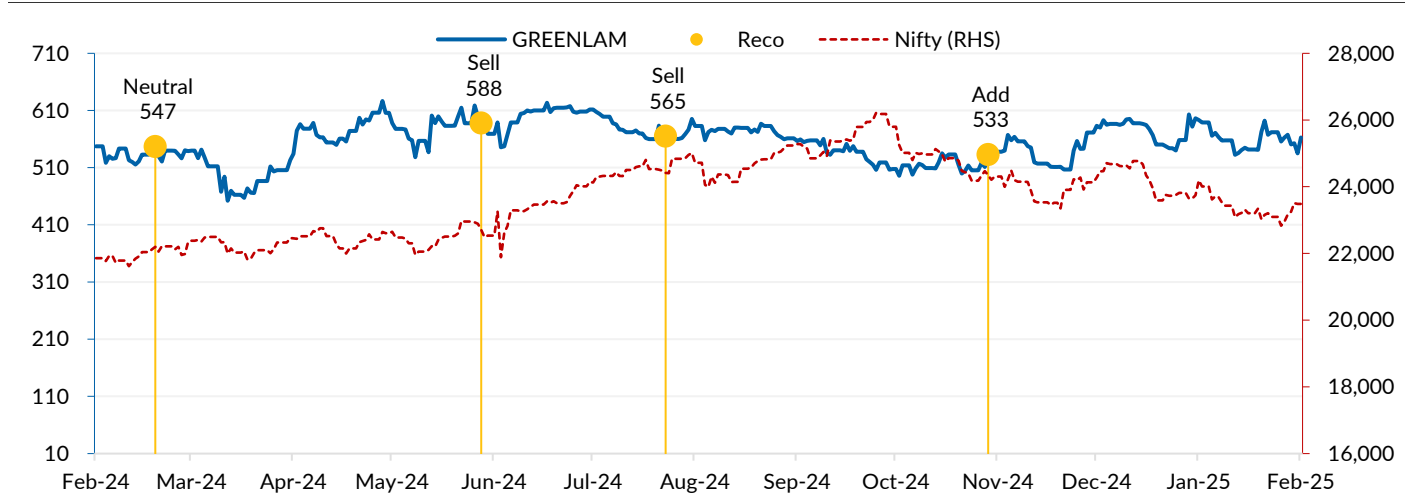
Source: Company, YES Sec

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



Source: Company, YES Sec

Recommendation Tracker



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