

October 31, 2023

RESULT REPORT Q2 FY24 | Sector: Building Materials

# Greenlam Industries Ltd

**Enhanced Laminate capacity and foray into new products categories to drive growth!**

## Result Synopsis

GRLM reported stellar numbers wherein laminate volumes grew by 16%YoY & 18%QoQ (4-year CAGR stood at 10%) largely driven by robust domestic volumes which increased by 21%YoY & 14%QoQ. Export volumes registered a growth of 10%YoY & 25%QoQ. Laminates EBITDA margins came in at 16.4% as compared to 12.1%/14.8% in Q2FY23/Q1FY24 respectively. Consequently, EBITDA/sheet came in at Rs177 Vs Rs134/Rs168 in Q2FY23/Q1FY24 respectively. During the quarter, GRLM commenced production of new laminate unit at Naidupeta wherein total capacity is 3.5mn sheets p.a, taking the company's total laminate capacity to 24.52mn sheets (largest in India). During the quarter, working capital stood at 60-days & net debt as on came in at Rs6.69Bn (including project debt of Rs5.49Bn).

Company has escalated capex cost of Particle Board unit by Rs1.75Bn. Moreover, GRLM announced further capex of Rs Rs300Mn/Rs350Mn for Plywood/Laminates unit respectively. This capex will be funded via mix of debt & internal accruals. Further management reiterated their annual guidance of 20%YoY revenue growth for FY24E with an EBITDA margin of 13-14%.

We believe company will deliver laminate volume growth of 20%CAGR over FY23-FY25E owing to healthy demand in both domestic & export market. Moreover, with higher contribution from value-added products & better utilization, laminate segment's margins are expected to improve gradually. GRLM's particle board plant will commence from FY25E & boost the topline growth, but we believe the same will be profitable from Year-2 of operations. Overall, we expect Revenue/EBITDA/PAT growth of 28%/32%/30% respectively over FY23-FY25E. At CMP, the stock trades at rich P/E(x) multiple of 28x on FY25E EPS of Rs17. We have revised our target price to Rs478 (upwards by 4%), hence we have assigned a NEUTRAL rating to the stock.

## Result Highlights

- Consol revenue stood at Rs6.04Bn (9% higher than our est), reporting a growth of 16% YoY & 17%QoQ.
- EBITDA margin came in at 12.5% (v/s our est of 12.6%) as compared to 10.4%/12.5% in Q2FY23/Q1FY24 respectively. Absolute EBITDA grew by 41%YoY & 18%QoQ to Rs756Mn.
- PAT stood at Rs394Mn, growth of 35%YoY & 22%QoQ.

## Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	6,036	5,563	5,674	9	6	Revenue better than expected margins in-line.
EBITDA	756	702	714	8	6	
EBITDA Margin (%)	12.5	12.6	12.6	-9 bps	-6 bps	
Adjusted PAT	394	372	396	6	(0)	

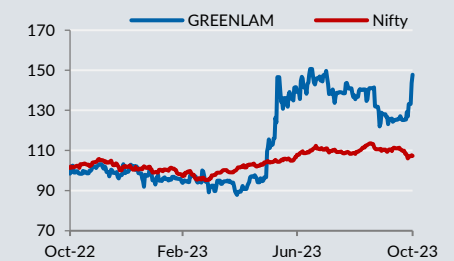
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 480
Target Price	: Rs 478
Potential Upside	: -

## Stock data (as on Oct 31, 2023)

Nifty	19,080
52 Week h/l (Rs)	519 / 282
Market cap (Rs/USD mn)	59172 / 711
Outstanding Shares (mn)	127
6m Avg t/o (Rs mn):	38
Div yield (%):	0.4
Bloomberg code:	GRLM IN
NSE code:	GREENLAM

## Stock performance



	1M	3M	1Y
Absolute return	15.4%	-1.3%	50.5%

## Shareholding pattern (As of Sep'23 end)

Promoter	51.2%
FII+DII	17.0%
Others	31.8%

## Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	REDUCE
Target Price	478	457

## Δ in earnings estimates

	FY24E	FY25E	FY26E
EPS (New)	13.6	17.0	23.4
EPS (Old)	12.4	16.3	-
% change	9.9%	4.2%	-

## Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Net Revenue	24,482	32,949	36,819
YoY Growth	20.8	34.6	11.7
EBIDTA	3,249	4,088	5,117
EBIDTA (%)	13.3	12.4	13.9
PAT	1,730	2,157	2,966
YoY Growth	35	25	38
ROE	16.4	17.3	19.7
EPS	13.6	17.0	23.4
P/E	35.2	28.2	20.5
BV/Share	95	112	137
P/BV	5.1	4.3	3.5

## UDIT GAJIWALA

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VICKY WAGHWANI, Associate

- **Laminates & Allied Segment (88% of Revenue):** Volume increased by 16%YoY & 18%QoQ to 4.93mn sheets. Laminate revenue grew by 13%YoY/QoQ to Rs5.31Bn. Avg realization came in at Rs1.034/sheet as compared to Rs1,059/Rs1,086 in Q2FY23/Q1FY24 respectively. Segment margin expanded to 16.4% from 12.1% in Q2FY23 & 14.8% in Q1FY24.
- **Veneer & Allied Segment (10% of Revenue):** Revenue grew by 23%YoY & 35%QoQ to Rs575Mn. Operating loss reduced to Rs14Mn as compared to loss of Rs32Mn/Rs16Mn in Q2FY23/Q1FY24 respectively. Avg realization remained flat sequentially to Rs916/sheet.
- **Plywood:** Greenlam commenced commercial production of Plywood in last quarter, revenue for the segment increased to Rs149Mn in Q2FY24 from Rs8Mn in last quarter. Operating loss has widened to Rs101Mn in Q2FY23 from Rs40Mn in previous quarter.

## Exhibit 2: Quarterly Snapshot:

Rs mn	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
Revenue	4,706	5,180	5,035	5,338	5,152	6,036	16.5	17.2	9,886	11,189	13.2
Expenditure	4,202	4,643	4,487	4,597	4,509	5,280	13.7	17.1	8,846	9,789	10.7
- RM	2,587	2,871	2,602	2,732	2,459	2,933	2.1	19.3	5,459	5,392	(1.2)
- Staff Cost	731	754	798	856	962	1,077	42.9	12.0	1,485	2,038	37.3
- Other Cost	884	1,018	1,088	1,009	1,088	1,271	24.8	16.8	1,902	2,359	24.0
Operating Profit	504	537	548	741	644	756	40.8	17.5	1,041	1,400	34.5
OPM(%)	10.7	10.4	10.9	13.9	12.5	12.5	216 bps	4 bps	10.5	12.5	0 bps
Other Income	24	52	59	44	40	58	12.3	45.4	76	98	29.5
Depreciation	147	154	162	168	174	195	26.1	11.8	302	368	22.1
Interest	53	57	60	65	73	93	63.0	27.4	110	166	51.1
PBT	328	378	385	552	437	527	39.6	20.6	705	964	36.7
Tax	82	86	103	91	114	133	55.7	16.4	167	247	47.9
PAT	246	292	282	461	323	394	34.8	22.1	538	717	33.2

Source: Company, YES Sec

## Exhibit 3: Operational Numbers:

Volume	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
Laminates (mn sheets)	3.9	4.3	4.3	4.7	4.2	4.9	15.6	18.1	8.2	9.1	10.9
Veneer (mn sq mtr)	0.3	0.4	0.2	0.3	0.3	0.4	(2.5)	44.4	0.7	0.7	(5.7)
Revenue (Rs Mn)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
Laminates	4,302	4,713	4,591	4,916	4,720	5,312	12.7	12.5	9,015	10,032	11.3
Veneer	404	468	444	422	425	575	22.9	35.4	872	1,000	14.7
Blended Realizations	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
Laminates	1,002	1,059	1,030	1,008	1,086	1,034	(2.4)	(4.8)	2,061	2,120	2.8
Veneer	843	746	1,042	859	916	917	22.9	0.1	1,589	1,833	15.4

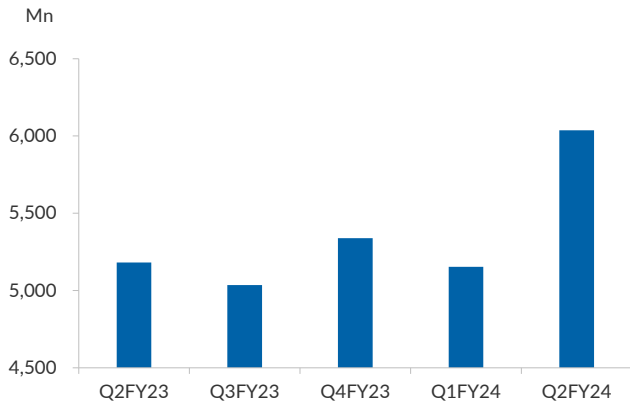
Source: Company, YES Sec

## KEY HIGHLIGHTS FROM PRESENTATION & ANALYST MEET

- **Guidance:** Company has guided for revenue growth of 20%YoY with margin in the range of 13-14% for FY24.
- **Capacity Utilization:** Capacity utilization for Laminate (excluding Naidupeta plant)/Veneer/Plywood stood at 94%/40%/16% respectively in Q2FY24.
- **Raw Material:** RM cost has largely been stable for laminates, however for plywood the cost has gone up due higher timber price.
- **Capex:** Company has approved additional capex of Rs300Mn for Plywood and Allied products to improve the quality of product and building infrastructure. Company has increased capex from Rs6Bn to Rs7.75Bn for Particle Board project to added extra features and dimensions. Laminate capacity utilization stood at 94% (excluding Naidupeta plant), hence company has approved capex of Rs350Mn for building additional space.
- **Particle Board:** Particle Board industry is valued at Rs50Bn, Approx 80-90% of the particle boards sold are prelam-particle boards. These prelam-particle boards are 20-25% cheaper as compared to prelam-MDF.
- New Particle Board Unit is scheduled to commence commercial production by Q4FY24 with an annual capacity of 231,000cbm. Unit can achieve peak revenue of Rs7-7.5Bn with EBITDA margin in range of 20-25%. In Year 1, it is anticipated that the gross margin will ~50%, at which point the company is expected to achieve EBITDA break-even. Management expects production to ramp up in 3 years. Depreciation for machineries would be 6-6.5%.
- **Laminates:** Domestic laminate market has reached Rs120bn in FY23, wherein Rs90bn was domestic market and Rs30bn was export market. In the organized domestic laminate market valued at Rs60bn, Greenlam holds a market share of 15.3%. Company commands market share of 25.4% share in Laminate Global laminate market was valued at \$8bn in FY23, which expected to reach \$10bn by FY30.
- Company has commenced commercial production of new laminate plant having capacity of 3.5mn sheets during the quarter at Naidupeta, Andhra Pradesh. Post this expansion, company's laminates capacity stands at 24.52mn sheets. Additional 3-5 lines can be added in the unit.
- Company has enhanced Prantij Laminate plant capacity from 3.4mn sheets to 5.4mn sheets & has improved its product mix. Further, company can add 3-5 lines in the plant.
- Greenlam benefits from 15-20% lower cost of production compared to its regional overseas competitors, primarily due to higher costs of labor and other expenses in the overseas market. Moreover, no major capacity enhancements have been announced by key players in the overseas market.
- Management expects 15% revenue growth for laminate segments.
- **Plywood:** Company is currently focusing on southern market. Plywood plant is likely to operate at 50% utilization by Q4FY24. At 40-45% utilization, unit will break even at EBITDA level.
- **Wooden Floor & Doors:** The revenue generated from the segment has been improving, although it has not met internal targets. Management anticipates a forthcoming turnaround in this segment.
- **Debt:** Company has reported Gross debt of Rs8.79bn & net debt of Rs6.70bn as on Sep'23. Peak net debt is projected to be in the range of Rs8-8.5bn. Repayment will commence from FY25 with Rs600Mn, followed by Rs1Bn/Rs1.2Bn in FY26/FY27 respectively.

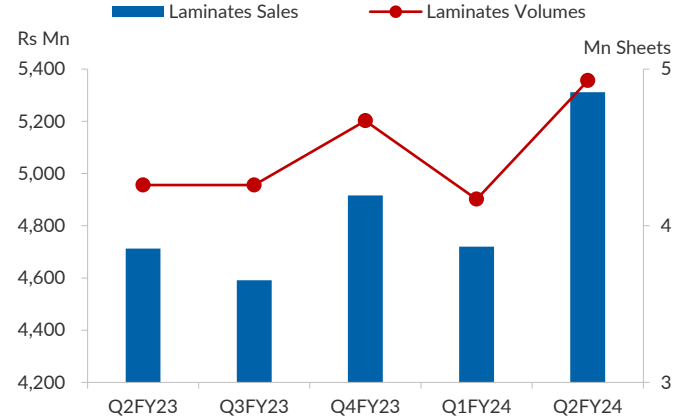
## QUARTERLY TRENDS

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



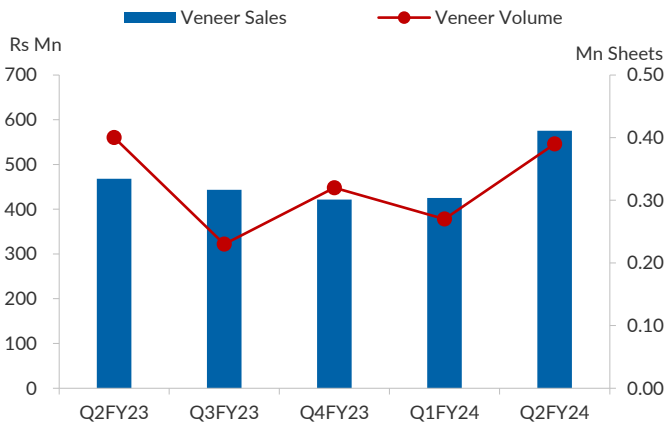
Source: Company, YES Sec

**Exhibit 5: Laminate volume grew by 16%YoY...**



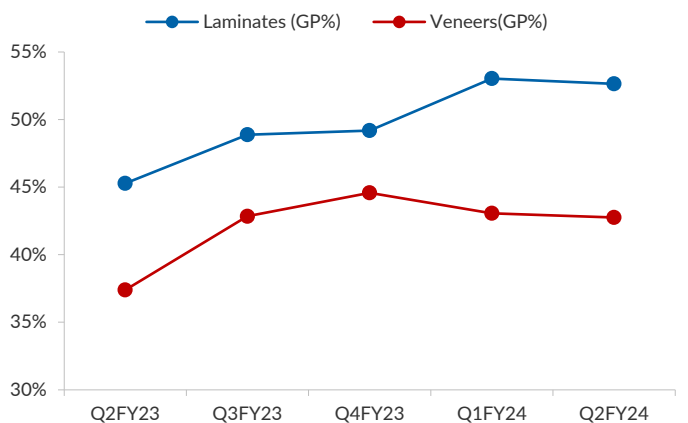
Source: Company, YES Sec

**Exhibit 6: Veneer revenue up by 23%YoY...**



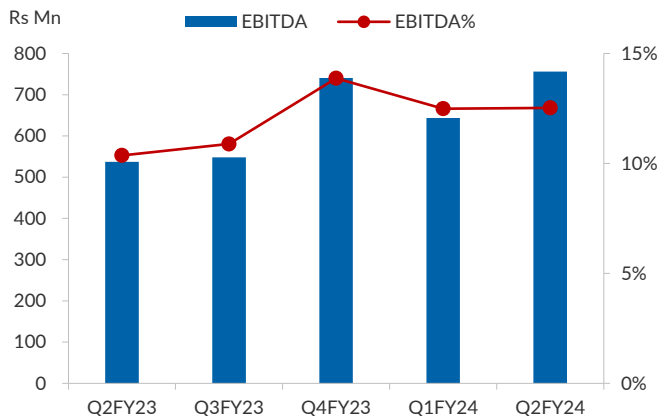
Source: Company, YES Sec

**Exhibit 7: Laminate gross margin improved to 53%...**



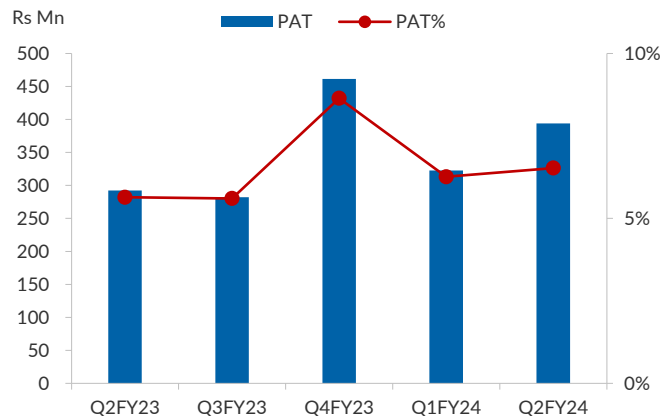
Source: Company, YES Sec

**Exhibit 8: Blended margin came in at 12.5%...**



Source: Company, YES Sec

**Exhibit 9: Net profit stood at Rs394mn...**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenues	17,034	20,260	24,482	32,949	36,819
Growth (%)	42.0	18.9	20.8	34.6	11.7
EBITDA	1,870	2,329	3,249	4,088	5,117
EBITDA margin (%)	11.0	11.5	13.3	12.4	13.9
Growth (%)	7.9	24.5	39.5	25.8	25.2
Depreciation & Amortization	585	632	836	1,036	1,103
Other income	73	180	271	292	409
EBIT	1,358	1,876	2,684	3,343	4,423
EBIT margin (%)	8.0	9.3	11.0	10.1	12.0
Interest	141	235	378	468	468
PBT	1,217	1,641	2,307	2,876	3,955
Tax	286	361	577	719	989
Net profit	906	1,281	1,730	2,157	2,966
Net profit margin (%)	5.3	6.3	7.1	6.5	8.1
EPS	8	10	14	17	23
Growth (%)	22.9	34.3	35.1	24.7	37.5

Source: Company, YES Sec

### Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	121	127	121	121	121
Reserves	6,423	9,559	11,289	13,446	16,412
Total Shareholders' Funds	6,543	9,686	11,410	13,567	16,533
Non-current liabilities					
Long term borrowings	1,579	3,524	6,080	6,080	6,080
Deferred Tax liabilities	169	156	156	156	156
Current liabilities					
Short term borrowings	2,014	2,330	3,274	3,274	3,274
Trade payables	2,558	2,696	3,253	4,851	5,207
Other financial liabilities	433	1,526	1,526	1,526	1,526
<b>Total equity and liabilities</b>	<b>13,841</b>	<b>20,524</b>	<b>26,303</b>	<b>30,057</b>	<b>33,379</b>
Non-current assets					
PPE	4,572	5,028	9,192	9,155	9,052
CWIP	75	3,802	3,802	3,802	3,802
Current assets					
Inventories	5,034	5,135	6,197	9,240	9,918
Trade receivables	1,290	1,430	1,728	2,325	2,598
Cash and cash equivalents	158	163	426	576	3,051
Other current assets	467	940	940	940	940
<b>Total assets</b>	<b>13,841</b>	<b>20,524</b>	<b>26,303</b>	<b>30,057</b>	<b>33,379</b>

Source: Company, YES Sec

## Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	1,217	1,641	2,307	2,876	3,955
Depreciation & Amortization	585	632	836	1,036	1,103
Finance cost	141	235	378	468	468
(Incr)/Decr in Working Capital	(857)	(337)	(802)	(2,043)	(595)
Taxes	(333)	(353)	(577)	(719)	(989)
<b>Cash from ops.</b>	<b>712</b>	<b>1,752</b>	<b>2,141</b>	<b>1,618</b>	<b>3,942</b>
(Incr)/ Decr in PP&E	(871)	(4,723)	(5,000)	(1,000)	(1,000)
<b>Cash Flow from Investing</b>	<b>(1,363)</b>	<b>(5,411)</b>	<b>(5,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>
(Decr)/Incr in Borrowings	969	2,246	3,500	-	-
Finance cost	(134)	(232)	(378)	(468)	(468)
<b>Cash Flow from Financing</b>	<b>622</b>	<b>3,661</b>	<b>3,122</b>	<b>(468)</b>	<b>(468)</b>
<b>Incr/(Decr) in cash</b>	<b>(29)</b>	<b>2</b>	<b>263</b>	<b>150</b>	<b>2,474</b>
Cash and cash equivalents at beginning of year	185	157	163	426	576
Cash and cash equivalents at end of year	156	159	426	576	3,051

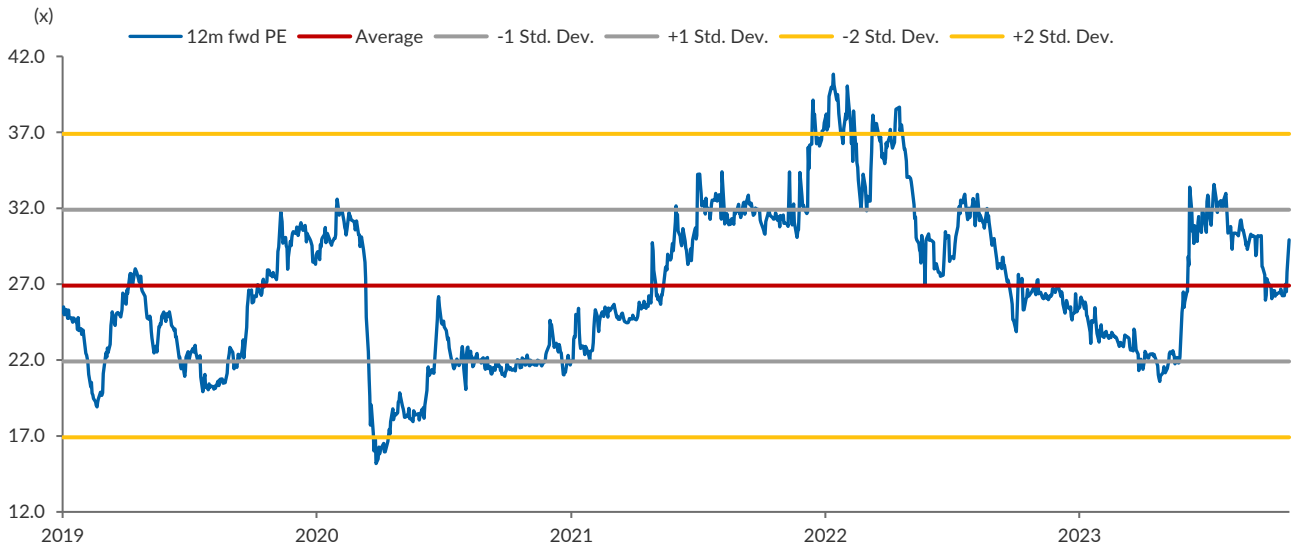
Source: Company, YES Sec

## Exhibit 13: Ratios

Key Ratios	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth (%)</b>					
Total Sales	42.0	18.9	20.8	34.6	11.7
EBIDTA	7.9	24.5	39.5	25.8	25.2
EBIT	8.4	38.1	43.1	24.6	32.3
PAT	22.9	41.3	35.1	24.7	37.5
<b>Profitability (%)</b>					
EBIDTA Margins	11.0	11.5	13.3	12.4	13.9
EBIT Margins	8.0	9.3	11.0	10.1	12.0
PAT Margins	5.3	6.3	7.1	6.5	8.1
ROCE	16.9	16.5	16.7	17.4	20.3
ROE	14.8	15.8	16.4	17.3	19.7
<b>Per Share Data (Rs)</b>					
EPS	7.5	10.1	13.6	17.0	23.4
CEPS	12.4	15.1	20.2	25.2	32.1
BVPS	54	76	95	112	137
<b>Valuations (x)</b>					
P/E (x)	40.9	30.4	35.2	28.2	20.5
P/CEPS (x)	24.8	20.4	23.7	19.1	15.0
P/BV (x)	5.7	4.0	5.1	4.3	3.5
EV/EBIDTA	20.8	18.1	20.6	16.3	12.5
<b>Gearing Ratios</b>					
Debt/Equity	0.3	0.3	0.8	0.6	0.4
Net Debt/Equity	0.3	0.3	0.8	0.6	0.4
Net Debt/EBIDTA	1.0	1.4	2.7	2.1	1.2
Int Coverage	9.6	8.0	7.1	7.1	9.5
<b>WCC Days</b>					
Debtors	28	26	26	26	26
Inventory	195	174	174	174	174
Creditors	99	91	91	91	91

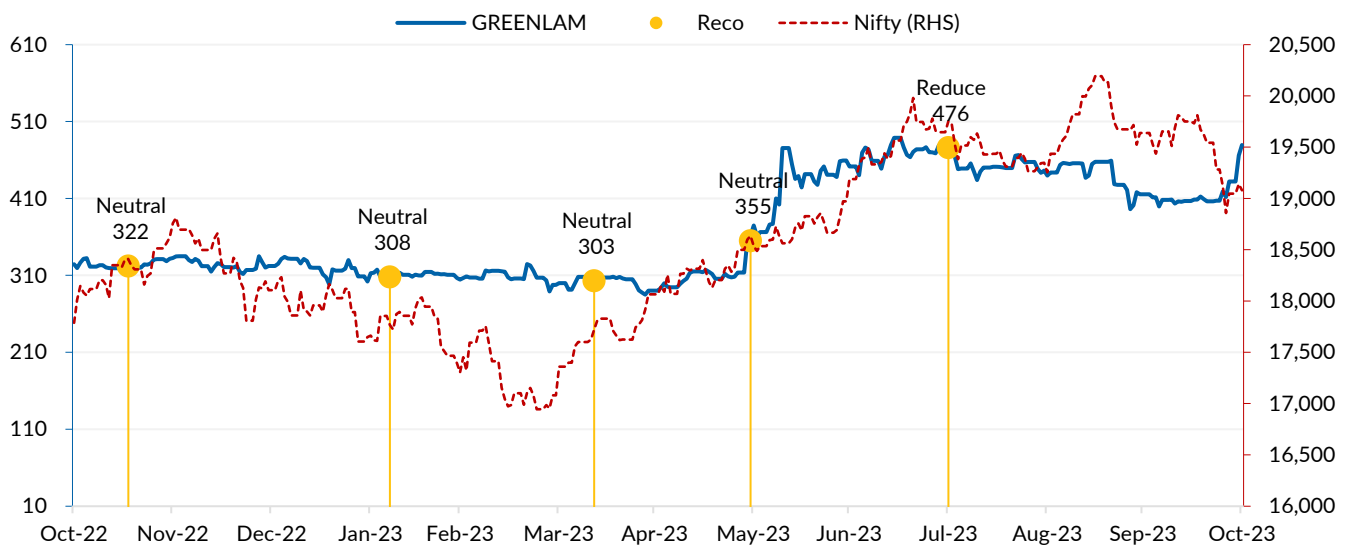
Source: Company, YES Sec

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



Source: Company, YES Sec

## Recommendation Tracker





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## DISCLOSURE OF INTEREST

Name of the Research Analyst : Udit Gajiwala, Vicky Waghvani

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
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**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

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