

February 19, 2024

Management Meet Note | Sector: Building Materials

Greenlam Industries Ltd

Foray into new products should boost topline growth!

We interacted with the management of Greenlam Industries Ltd which was represented by Mr. Ashok Sharma (CFO) and Mr. Samarth Agarwal (VP finance) & following are the key highlights from the same:

- Demand has been decent for laminates. Domestic demand is expected to remain steady, however export is facing headwinds due to Red-sea crisis. During Q3FY24, company was not able to book sales of Rs200Mn. However, the same is likely to get fulfilled in Q4FY24.
- Commenting on Red-sea issue, currently the prices are steady at elevated levels and there has not been any material change post Q3FY24, the situation is "Status-Quo". Company has passed on the increase in freight cost to the customers as freight surcharge, hence margins are not likely to get impacted.
- In laminates, company commenced the new capacity in Sept'23 & is operating at ~35-40% utilization levels. Management expects to break-even at 50%+ utilization levels. Moreover, this plant will enable company to launch new products of bigger sizes.
- Other input cost has been steady, KRAFT paper prices have witnessed marginal uptick, however management does not foresee any impact on margins.
- BIS norms have been implemented for Particle Boards & MDFs. For Plywoods, the same is expected to get implemented by month end. Management stated that this could curb the dumping of imports, but the suppliers look at India as a sustainable business will get the regulatory approvals and continue their business.
- Particle boards commencement has been deferred by 2-quarters to Q2FY25 due to supply challenges. However, management maintained their guidance of achieving 40-50% utilization in Year-1 of operations i.e., FY25. Currently the Particle board industry is dominated by unorganized players & price difference Vs MDFs is ~30-35%.
- For plywoods as well, management expects to breakeven at 50% utilization.
- Geographic split: In domestic markets, south constitutes ~35-38% of business followed by North-West and East.
- Of the total inventory cost, ~2/3rd is Raw material inventory while balance is Finished goods which includes goods in transit.
- Net Debt as on Dec'23 stood at Rs8.47Bn Vs Rs6.7Bn in Sep'23. Management expects debt to peak at Rs9Bn & debt repayment will commence from FY25E.
- Overall management maintained their guidance of 15%/20% revenue growth in FY24/FY25 respectively. Post all capex, peak revenue will be Rs40-42Bn.

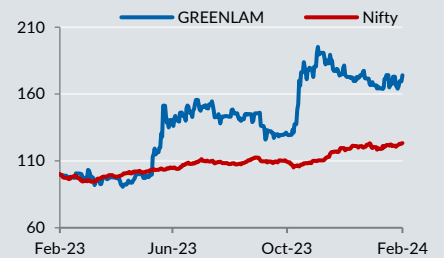
We believe GRLM will deliver healthy topline growth of 20% CAGR over FY23-FY26E owing to steady demand for laminates and company's foray into Particle Boards & Plywoods. With higher contribution of value-added products in laminates, we believe margins should improve gradually & in Particle Boards we expect EBITDA to be positive from Year-2 of operations i.e. FY26E, hence overall margins are likely to remain rangebound. At CMP, the stock trades at P/E(x) of 25.6x on FY26E EPS. Given the capped upside due to rich valuations, we maintain our NEUTRAL rating on the stock.

Reco	: NEUTRAL
CMP	: Rs 547
Target Price	: Rs 542
Potential Return	: -1%

Stock data (as on Feb 19, 2024)

Nifty	22,122
52 Week h/l (Rs)	626 / 282
Market cap (Rs/USD mn)	67,971 / 819
Outstanding Shares (mn)	128
6m Avg t/o (Rs mn):	65
Div yield (%):	0.4
Bloomberg code:	GRLM IN
NSE code:	GREENLAM

Stock performance



	1M	3M	1Y
Absolute return	4.3%	-3.5%	74.0%

Shareholding pattern (As of Dec'23 end)

Promoter	51.2%
FII+DII	17.0%
Others	31.8%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price	542	478

Δ in earnings estimates

	FY24E	FY25E	FY26E
EPS (New)	11.5	14.2	21.1
EPS (Old)	12.4	16.3	-
% change	-7.5%	-12.6%	-

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Net Revenue	22,164	30,323	34,852
YoY Growth	9.4	36.8	14.9
EBIDTA	2,988	3,784	4,797
EBIDTA (%)	13.5	12.5	13.8
PAT	1,460	1,808	2,673
YoY Growth	14	24	48
ROE	14.0	15.0	18.7
EPS	11.5	14.2	21.1
P/E	46.9	37.9	25.6
BV/Share	92	107	130
P/BV	5.8	5.0	4.2

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SHALIN DAMANI, Associate

FINANCIALS

Exhibit 1: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenues	17,034	20,260	22,164	30,323	34,852
Growth (%)	42.0	18.9	9.4	36.8	14.9
EBITDA	1,870	2,329	2,988	3,784	4,797
EBITDA margin (%)	11.0	11.5	13.5	12.5	13.8
Growth (%)	7.9	24.5	28.3	26.6	26.7
Depreciation & Amortization	585	632	836	1,036	1,103
Other income	73	180	172	130	338
EBIT	1,358	1,876	2,324	2,878	4,032
EBIT margin (%)	8.0	9.3	10.5	9.5	11.6
Interest	141	235	378	468	468
PBT	1,217	1,641	1,947	2,410	3,564
Tax	286	361	487	603	891
Net profit	906	1,281	1,460	1,808	2,673
Net profit margin (%)	5.3	6.3	6.6	6.0	7.7
EPS	8	10	12	14	21
Growth (%)	22.9	34.3	14.0	23.8	47.9

Source: Company, YES Sec

Exhibit 2: 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	11,019	12,827	15,500
Total Shareholders' Funds	6,543	9,686	11,140	12,948	15,621
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	2,739	4,271	4,796
Other financial liabilities	433	1,526	1,526	1,526	1,526
Total equity and liabilities	13,841	20,524	25,519	28,858	32,056
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	5,218	8,135	9,134
Trade receivables	1,290	1,430	1,564	2,140	2,460
Cash and cash equivalents	158	163	785	667	2,649
Other current assets	467	940	940	940	940
Total assets	13,841	20,524	25,519	28,858	32,056

Source: Company, YES Sec

Exhibit 3: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	1,217	1,641	1,947	2,410	3,564
Depreciation & Amortization	585	632	836	1,036	1,103
Finance cost	141	235	378	468	468
(Incr)/Decr in Working Capital	(857)	(337)	(174)	(1,961)	(794)
Taxes	(333)	(353)	(487)	(603)	(891)
Cash from ops.	712	1,752	2,500	1,350	3,450
(Incr)/ Decr in PP&E	(871)	(4,723)	(5,000)	(1,000)	(1,000)
Cash Flow from Investing	(1,363)	(5,411)	(5,000)	(1,000)	(1,000)
(Decr)/Incr in Borrowings	969	2,246	3,500	-	-
Finance cost	(134)	(232)	(378)	(468)	(468)
Cash Flow from Financing	622	3,661	3,122	(468)	(468)
Incr/(Decr) in cash	(29)	2	622	(117)	1,982
Cash and cash equivalents at beginning of year	185	157	163	785	667
Cash and cash equivalents at end of year	156	159	785	667	2,649

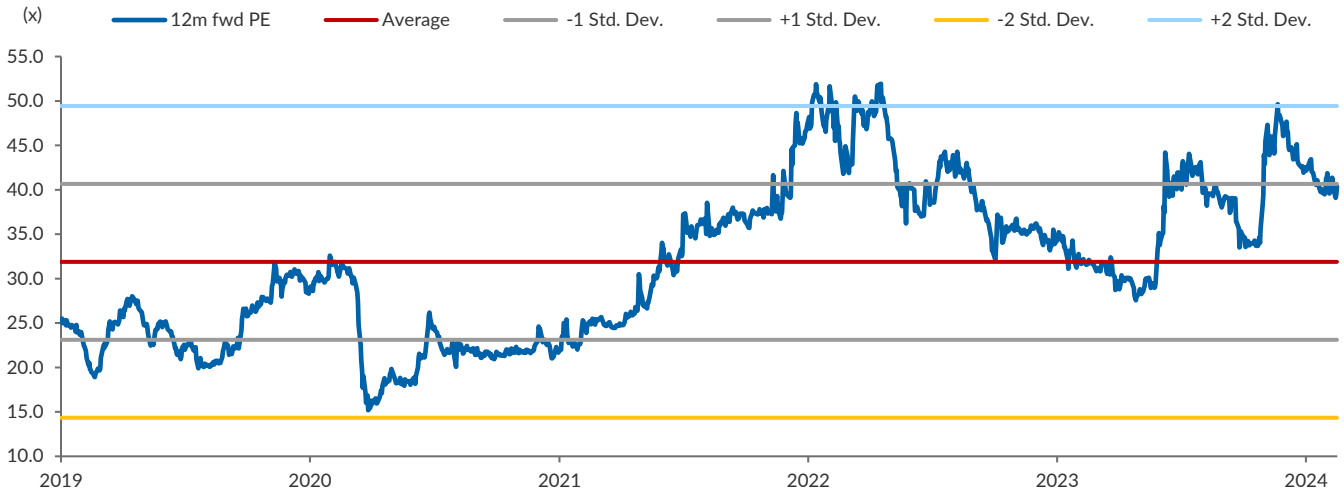
Source: Company, YES Sec

Exhibit 4: Ratios

Key Ratios	FY22	FY23	FY24E	FY25E	FY26E
Growth Matrix (%)					
Revenue growth	42.0	18.9	9.4	36.8	14.9
EBITDA growth	7.9	24.5	28.3	26.6	26.7
EBIT growth	8.4	38.1	23.9	23.8	40.1
PAT growth	22.9	41.3	14.0	23.8	47.9
Profitability ratios (%)					
EBITDA margin	11.0	11.5	13.5	12.5	13.8
EBIT margin	8.0	9.3	10.5	9.5	11.6
PAT margin	5.3	6.3	6.6	6.0	7.7
RoCE	16.9	16.5	14.6	15.3	19.1
RoE	14.8	15.8	14.0	15.0	18.7
Per share values					
EPS	7.5	10.1	11.5	14.2	21.1
CEPS	12.4	15.1	18.1	22.4	29.8
BVPS	54	76	92	107	130
Valuation ratios (x)					
P/E	40.9	30.4	46.9	37.9	25.6
P/CEPS	24.8	20.4	29.8	24.1	18.1
P/B	5.7	4.0	5.8	5.0	4.2
EV/EBITDA	20.8	18.1	24.7	19.5	15.0
Leverage ratios (x)					
Debt/ Equity	0.3	0.3	0.8	0.7	0.4
Net debt/Equity	0.3	0.3	0.8	0.7	0.4
Net debt/EBITDA	1.0	1.4	2.9	2.3	1.4
Int coverage	9.6	8.0	6.2	6.2	8.6
NWC days					
Receivables	28	26	26	26	26
Inventory	195	174	174	174	174
Payables	99	91	91	91	91

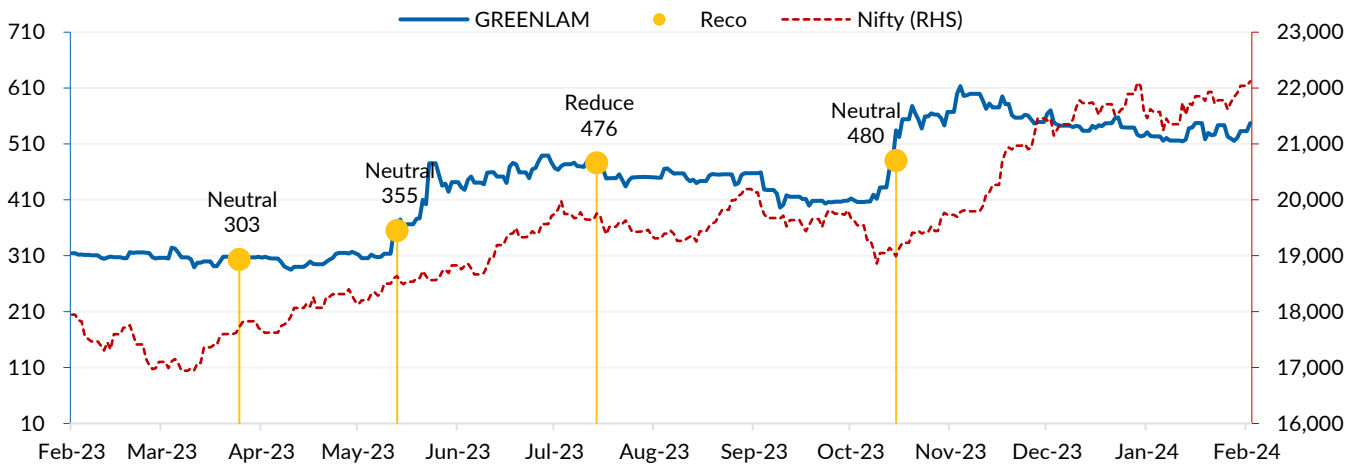
Source: Company, YES Sec

Exhibit 5: 1-year forward P/E (x) chart



Source: Company, YES Sec

Recommendation Tracker



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