

August 01, 2022

RESULT REPORT Q1 FY23 | Sector: Building Materials

Greenlam Industries Ltd

New capacities to boost performance!

Our view and valuation

Greenlam Industries Ltd (GRLM) registered a decent quarter wherein laminates biz increased by 39%YoY & remained flattish sequentially. Volumes of laminates division grew by 8%YoY & 3%QoQ while realizations expanded by 23.5%YoY & remained flat as compared to previous quarter. EBITDA margins of laminates came in at 12.4% in Q1FY23 VS 12.9%/13.3% in Q4FY22/Q1FY22 respectively. Domestic & exports mix of laminates was 50-50 for the quarter. In exports, company's order of Rs180-200Mn was in transit & was not recognized in Q1FY23. During the quarter company took price hikes of 3% & 5% in domestic & exports markets respectively.

Going ahead, management is confident of achieving 25% growth in FY23 wherein company is aiming 12-15% growth in volume & value each. GRLM's newly acquired laminate plant will commence operations in Q2FY23 & additional capacity (2mn sheets) will be operational by Q4FY23. Additionally, company's south laminate plant & plywood plant will begin operations from Q4FY23.

We reckon company's new capacities will boost their performance going ahead. We expect strong demand from domestic & export markets; hence we believe company's laminates volumes to grow by 23%CAGR over FY22-FY24E. Overall, we expect GRLM's Revenue/EBITDA/PAT to report a growth of 27%/43%/40% over FY22-FY24E. Though we have revised our FY24 earnings upwards by 8.5%, we continue to value the company at 25x on FY24E EPS of Rs15. Hence, we maintain our "NEUTRAL" rating on the stock.

Result Highlights

- Revenue for the quarter stood at Rs4.70Bn, reporting a 40%YoY growth & remained flat as compared to previous quarter. Laminate biz revenue stood at Rs4.30Bn, registering a 39%YoY growth & remained flattish Vs Q4FY22. Veneer & allied product's sales grew by 52%YoY & 2%QoQ to Rs0.40Bn.
- On volume front, laminates biz registered a growth of 8%YoY & 3%QoQ wherein domestic biz increased by 41%YoY & exports degrew by 13% YoY. Realizations improved sharply by 23.6%YoY & remained flattish as compared to Q4FY22.
- Overall EBITDA margins came in at 10.7% Vs 11.4%/10.7% in Q1FY22/Q4FY22 respectively (in-line with our estimate of 10.5%). Laminates EBIT margins improved from 14.7%/15.4% in Q4FY22/Q1FY22 to 15.6% in Q1FY23. Veneers & other segments EBIT loss came in at Rs32Mn in Q1FY23 Vs loss of Rs36Mn/Rs43Mn in Q1FY22/Q4FY22 respectively.
- Net profit stood at Rs246Mn reporting a growth of 41.8%YoY & degrew by 3.8%QoQ.

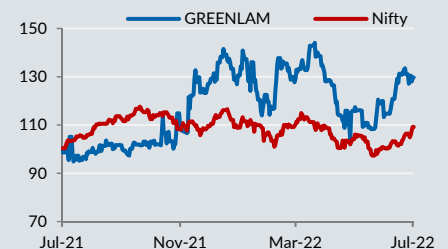
Rs Mn	Actual	Estimates		% Variation	
		Yes Sec	Consensus	Yes Sec	Consensus
Sales	4,706	4,151	4,593	13	2
EBITDA	504	436	514	16	(2)
OPM (%)	10.7	10.5	11.2	20 bps	-49 bps
Adjusted PAT	246	207	264	19	(7)

Reco	: NEUTRAL
CMP	: Rs 356
Target Price	: Rs 372
Potential Return	: +4%

Stock data (as on July 29, 2022)

Nifty	17,158
52 Week h/l (Rs)	418 / 250
Market cap (Rs/USD mn)	45368 / 572
Outstanding Shares (mn)	127
6m Avg t/o (Rs mn):	16
Div yield (%):	0.3
Bloomberg code:	GRLM IN
NSE code:	GREENLAM

Stock performance



	1M	3M	1Y
Absolute return	13.4%	1.6%	32.5%

Shareholding pattern (As of Mar'22 end)

Promoter	53.9%
FII+DII	15.7%
Others	30.4%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price	372	341

Δ in earnings estimates

	FY23E	FY24E
EPS (New)	9.2	14.9
EPS (Old)	9.8	13.7
% change	-5.90%	8.48%

Financial Summary

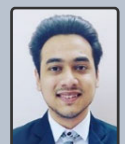
(Rs mn)	FY22	FY23E	FY24E
Net Revenue	17,034	20,790	27,591
YoY Growth	42	22	33
EBIDTA	1,870	2,505	3,850
EBIDTA(%)	11	12	14
PAT	906	1,112	1,792
YoY Growth	23	23	61
ROE	13.8	14.7	19.5
EPS	7.5	9.2	14.9
P/E	47.4	38.6	24.0
BV/Share	54	63	76
P/BV	6.6	5.7	4.7

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Exhibit 1: Quarterly snapshot (Consolidated)

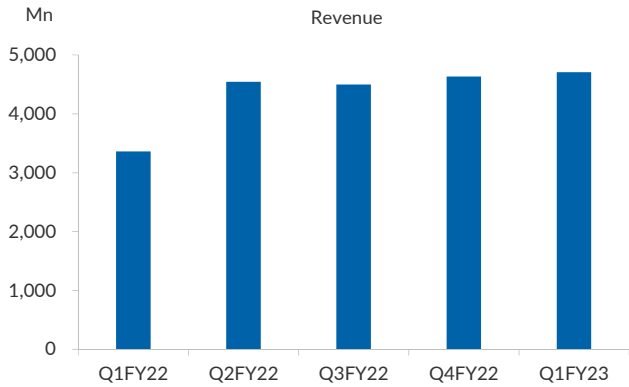
Rs mn	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1FY23	y/y (%)	q/q (%)	FY22	FY21	y/y (%)
Revenue	3,361	4,542	4,497	4,634	4,706	40.0	1.6	17,034	11,996	42.0
Expenditure	2,979	4,082	3,963	4,138	4,202	41.1	1.5	15,164	10,263	47.8
- RM	1,819	2,429	2,504	2,555	2,587	42.2	1.3	9,443	6,016	57.0
- Staff Cost	581	683	655	676	731	25.9	8.1	2,594	2,079	24.8
- Other Cost	580	971	805	907	884	52.6	(2.5)	3,127	2,169	44.2
Operating Profit	382	459	534	496	504	31.9	1.6	1,870	1,733	7.9
OPM(%)	11.4	10.1	11.9	10.7	10.7	-66 bps	1 bps	11.0	14.4	-347 bps
Other Income	19	21	20	13	24	28.9	82.6	73	76	(3.4)
Depreciation	142	145	153	145	147	3.9	1.4	585	556	5.3
Interest	34	33	41	33	53	56.4	58.3	141	169	(16.8)
Exceptional	-	26	-	-	-	-	-	26	124	-
PBT	225	277	360	330	328	45.6	(0.8)	1,192	960	24.2
Tax	52	70	91	75	82	58.2	9.6	286	223	28.1
PAT	173	207	269	256	246	41.8	(3.8)	906	737	22.9

KEY CON-CALL HIGHLIGHTS

- Management guided for a 25% growth in FY23 which will be led by 12-15% volumes & similar growth in value terms. Company aims to treble their revenue by FY27 from FY21 base.
- On input cost, chemical cost has started to soften but paper cost continues to remain at elevated levels.
- In Q1FY23, company had export order worth Rs180-200Mn in transit which was not recognized in the quarter.
- During the quarter company took 3% price hikes in domestic markets & 5% in export markets.
- Newly acquired laminate facility will start operations by Q2FY23 & post expansion to 5.4mn sheets/annum, this facility will contribute Rs2.5Bn at peak utilization.
- Utilizations during quarter: Laminates was at 110%, Veneers operated at 26%, floors & doors operated at 14%/8-9% respectively.
- Management expects wooden floor & doors division to register better performance in FY23.
- During Q1FY23, exports & domestic formed 50-50% of total laminates volumes wherein exports degrew by 13%YoY & domestic vols increased by 41%YoY
- For particle boards, management is confident of achieving 25% EBITDA margins.
- Company's Naidupeta plant will have a tax rate of 17% Vs 25% of company level.

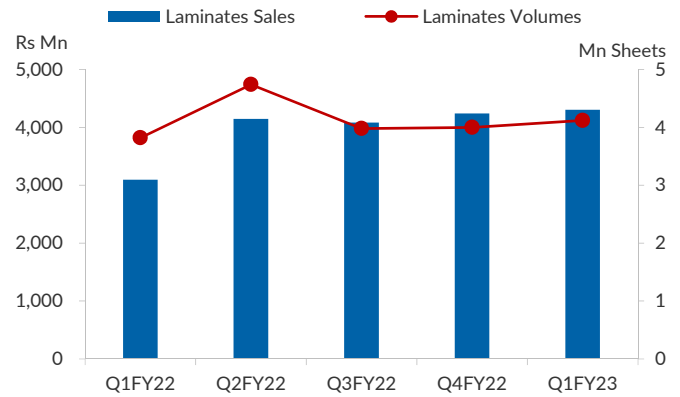
QUARTERLY TRENDS

Exhibit 2: Revenue grew by 2%QoQ...



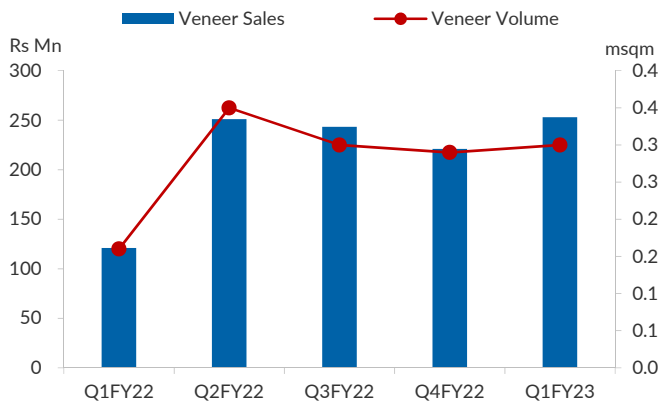
Source: Company, YES Sec

Exhibit 3: Laminates reported steady quarter...



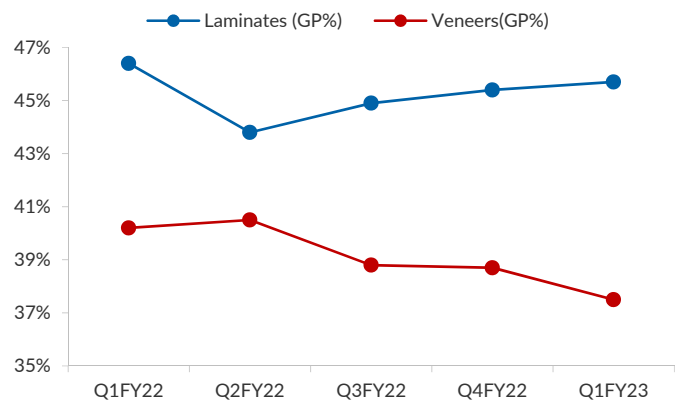
Source: Company, YES Sec

Exhibit 4: Veneers remained sluggish...



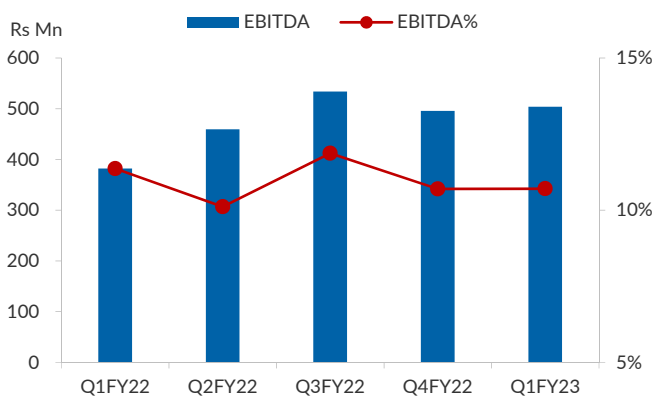
Source: Company, YES Sec

Exhibit 5: GP margins improved for laminates...



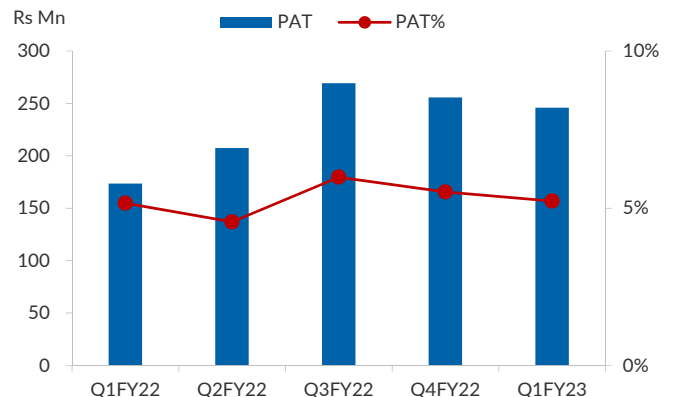
Source: Company, YES Sec

Exhibit 6: Blended EBITDA margins remained flattish...



Source: Company, YES Sec

Exhibit 7: Net profit declined by 4%QoQ...



Source: Company, YES Sec

FINANCIALS

Exhibit 8: Income statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E
Revenues	11,996	17,034	20,790	27,591
Growth (%)	(9.2)	42.0	22.1	32.7
EBITDA	1,733	1,870	2,505	3,850
EBITDA margin (%)	14.4	11.0	12.0	14.0
Growth (%)	(2.7)	7.9	33.9	53.7
Depreciation & Amortization	556	585	802	1,087
Other income	76	73	89	118
EBIT	1,253	1,358	1,792	2,881
EBIT margin (%)	10.4	8.0	8.6	10.4
Interest	169	141	309	492
PBT	1,084	1,217	1,483	2,390
Tax	223	286	371	597
Net profit	737	906	1,112	1,792
Net profit margin (%)	6.1	5.3	5.3	6.5
EPS	6	8	9	15

Exhibit 9: Balance Sheet

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E
Equity Share Capital	121	121	121	121
Reserves	5,614	6,423	7,430	9,054
Total Shareholders' Funds	5,735	6,543	7,551	9,174
Long term borrowings	838	1,579	4,351	6,301
Deferred Tax liabilities	191	169	169	169
Short term borrowings	1,396	2,014	2,343	3,393
Trade payables	2,228	2,558	4,633	6,016
Other financial liabilities	533	433	433	433
Total equity and liabilities	11,776	13,841	20,018	26,024
PPE	4,021	4,572	8,220	11,883
CWIP	175	75	149	149
Inventories	3,781	5,034	6,237	8,277
Trade receivables	1,351	1,290	1,766	2,343
Cash and cash equivalents	186	158	940	665
Other current assets	426	467	467	467
Total assets	11,776	13,841	20,018	26,024

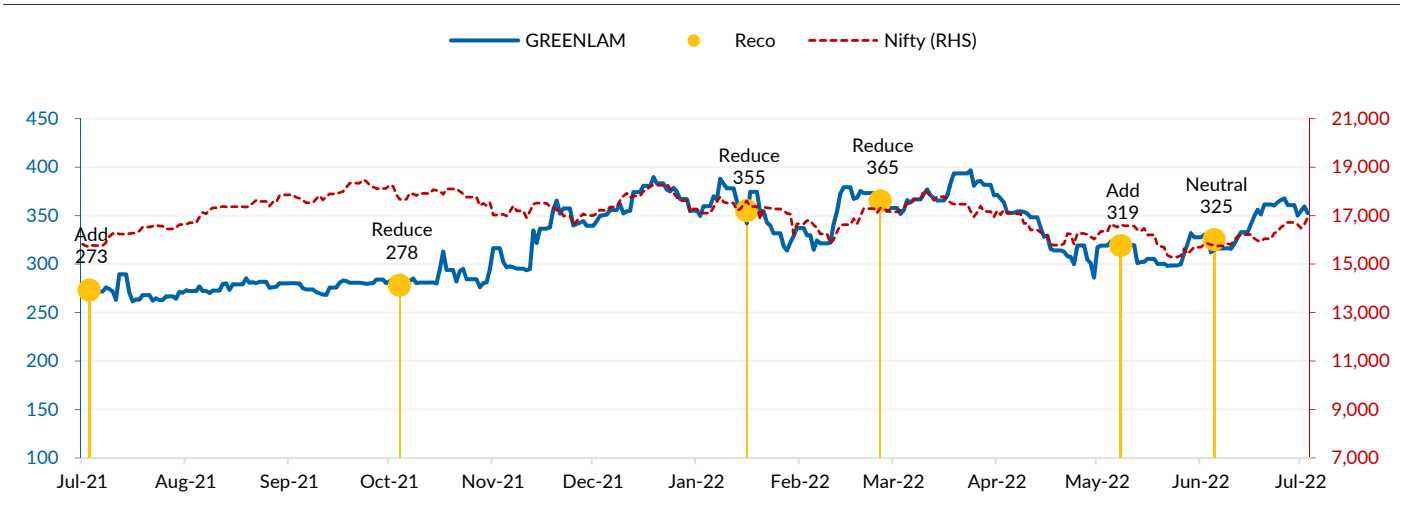
Exhibit 10: Cash Flow Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E
PBT	1,084	1,217	1,483	2,390
Depreciation & Amortization	556	585	802	1,087
Finance cost	169	141	309	492
(Incr)/Decr in Working Capital	717	(857)	397	(1,236)
Taxes	(262)	(333)	(371)	(597)
Cash from ops.	2,132	712	2,620	2,135
(Incr)/ Decr in PP&E	(499)	(871)	(4,524)	(4,750)
Cash Flow from Investing	(1,542)	(1,363)	(4,524)	(4,750)
(Decr)/Incr in Borrowings	(458)	969	3,100	3,000
Finance cost	(169)	(134)	(309)	(492)
Dividend	0	(121)	(105)	(169)
Cash Flow from Financing	(709)	622	2,687	2,339
Incr/(Decr) in cash	(119)	(29)	783	(275)
Cash and cash equivalents at beginning of year	304	185	158	940
Cash and cash equivalents at end of year	185	156	940	665

Exhibit 11: Ratio Analysis

Ratio	FY21	FY22	FY23E	FY24E
Growth Matrix (%)				
Revenue growth	(9.2)	42.0	22.1	32.7
EBITDA growth	(2.7)	7.9	33.9	53.7
PAT growth	(14.9)	22.9	22.8	61.2
Profitability ratios (%)				
EBITDA margin	14.4	11.0	12.0	14.0
PAT margin	6.1	5.3	5.3	6.5
RoCE	15.7	13.4	12.6	15.3
RoE	12.9	13.8	14.7	19.5
Leverage ratios				
Net debt/Equity	0.36	0.53	0.76	0.98
Net debt/EBITDA	1.18	1.84	2.30	2.35
Int coverage	7.40	9.65	5.80	5.86
Per share values				
EPS	6.1	7.5	9.2	14.9
CEPS	10.7	12.4	15.9	23.9
BVPS	48	54	63	76
Valuation ratios (x)				
P/E	45.3	47.4	38.6	24.0
P/CP	25.8	28.8	22.4	14.9
EV/EBITDA	20.5	24.8	19.4	13.5

Recommendation Tracker



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