

Industry Paper & forest product
Bloomberg GRLM IN
BSE CODE 538979

Strong topline growth led by exports business

RATING	NEUTRAL
CMP	1002
Price Target	905
Potential Upside	-10%

Rating Change	↔
Estimate Change	↑
Target Change	↑

STOCK INFO	
52wk Range H/L	1055/630
Mkt Capital (Rs Cr)	2419
Free float (%)	45%
Avg. Vol 1M (,000)	2
No. of Shares (Cr.)	2
Promoters Pledged %	0%

3QFY19 Result Update

- GREENLAM reported result above estimates; Sales increased by 14% YoY to Rs 358 cr (vs. expect. Rs 342 cr) on back of strong growth in its laminates exports business both in value and volume however, domestic business remained subdued.
- The company reported volume growth of 7.9% YoY in Laminates & allied product segment (contributing 83% to total revenue).
- Gross margin expanded by 192 bps YoY to 50.3% on account of better product mix. Laminate's division saw expansion in gross margin of 360 bps to 52.5% though Veneer's margin declined by 609 bps to 39.3% on YoY basis.
- EBITDA margin expanded by 218 bps YoY to 15.3% driven by gross margin expansion and other expenses declined by 78 bps on account of cost saving measures taken by the company.
- PAT stood at Rs 29 cr (vs. expect. Rs 17cr), reporting the growth of 46.8%. PAT margin expanded by 181 bps to 8.1%.
- Capacity addition to be done is 1.50 million laminate sheets/boards p.a through Nellore plant with investment (including the cost of land) of Rs 175 cr, financed with a mix of debt and capital infusion.
- Total Capex of Rs 175 cr for Nellore plant will be as: 50cr in FY20 and balance in FY21 & FY22.

View and Valuation

In spite of muted growth in domestic market, the company posted strong topline growth majorly led by Laminates exports business. In the near term, domestic business is expected to remain impacted on account of subdued demand scenario especially in residential real estate market. Considering favorable commodity prices to continue, margins are expected to be maintained at current level. We increased our Sales and PAT estimates by 1%/2% and 5%/4% for FY20e and FY21e respectively. Taking into account uncertainty in domestic business we maintain Neutral rating with target price of Rs 905 (11x FY21e EV/EBDITA).

Key Risks to our rating and target

- Continued slowdown in demand environment
- Decrease in laminates margins

RESEARCH ANALYST

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Conso./Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	1076	1145	1281	1397	1554
EBITDA	138	149	159	183	200
EBIT	102	113	122	130	141
PAT	50	65	77	80	89
EPS (Rs)	21	27	32	33	37
EPS growth (%)	32%	30%	19%	3%	12%
ROE (%)	18%	19%	20%	17%	17%
ROCE (%)	17%	19%	19%	17%	17%
BV	124	148	177	205	238
EV/Sales (X)	12.9	19.9	15.8	14.4	13.1
P/E (x)	30.7	42.7	29.7	30.4	27.1

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3QFY19 Results Result above estimates

Conso./Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	314	360	290	349	358	14.0%	2.6%	1,145	1,281	11.9%
Other Income	1	0	0	1	1	49.1%	43.7%	2	2	-7.0%
COGS	162	203	146	185	178	9.8%	-3.6%	598	688	15.0%
Gross Margin	48%	44%	50%	47%	50%	1.9%	3.2%	48%	46%	-1.4%
Empl. Cost	48	49	52	54	57	17.8%	5.8%	173	192	11.0%
Other Exp.	62	64	61	62	68	9.6%	10.5%	224	242	7.9%
EBITDA	41	44	30	49	55	33.1%	12.6%	149	159	6.5%
EBITDA Mar.	13%	12%	10%	14%	15%	2.2%	1.4%	13%	12%	-0.6%
Depreciation	9	9	9	15	14	46.1%	-11.1%	36	37	2.5%
EBIT	32	35	20	33	41	29.3%	23.6%	113	122	7.7%
Interest	4	3	4	7	5	21.4%	-20.2%	18	17	-6.1%
PBT	28	32	16	27	37	31.0%	34.9%	97	106	10.1%
Excep. Item	-	-	-	-	-	-	-	-	-	-
Tax	8	8	8	(0)	8	-6.8%	-	32	29	-8.7%
PAT	20	24	8	28	29	46.8%	5.7%	65	77	19.3%
PAT Margin	6%	7%	3%	8%	8%	1.8%	0.2%	6%	6%	0.4%

Revenue Mix:

SEGMENTS	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Laminates & Allied Prods.	84%	85%	86%	86%	84%	84%	85%	85%	83%
Veneers & Allied Prods	16%	15%	14%	14%	16%	16%	15%	15%	17%

Volume growth:

SEGMENTS	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Laminates & Allied Prods.	11%	7%	-4%	-6%	1%	1%	-12%	4%	8%
Veneers & Allied Products:									
Decorative Veneers	81%	-5%	26%	5%	2%	15%	-21%	2%	-8%
Engi. Wood Floor	78%	17%	40%	176%	7%	29%	6%	17%	92%
Engineered Door	-1%	69%	31%	-11%	26%	27%	73%	267%	57%

Concall Highlights

- Some signs of revival are seen in commercial real estate side while in residential real estate market continues to be under pressure.
- Decorative veneers business has seen competitive challenges along with demand pressure, normalcy expected in coming quarters.
- Working capital cycle reduced by 5 days to 85 days as compared to Q3FY19
- Laminates Export business: volumes were up by 20% and value was up by 25%, majorly growth led by value mix. In sept 2019, capacity was added by Himanchal plant primarily for serving European market. Exports momentum is expected to continue going ahead.
- Realization improvement in 3QFY20 is mainly on account better product mix and new launches. The company has not done any price increase.
- Laminates margins expansion on YoY came from favorable raw material price. On QoQ margin expansion is mainly due to better product mix and high volumes.
- Greenlam South Limited (GSL), a wholly owned subsidiary of GREENLAM has approved to set up a manufacturing facility at Naidupeta, Nellore in Andhra Pradesh for manufacturing of Laminates and allied products.
- Capacity addition to be done is 1.50 million laminate sheets/boards p.a through this plant with investment (including the cost of land) of Rs 175 cr, financed with a mix of debt and capital infusion from Greenlam. It is to be operationalized within 24 months period.

Exhibit: Revenue Mix %

Laminates and veneers contributed 83% and 17% respectively to total revenue in 3QFY20.

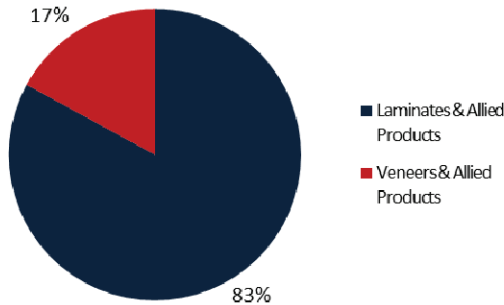


Exhibit: Laminates Volume Growth (%)

Laminates reported volume growth of 7.9% led by strong growth in export business.

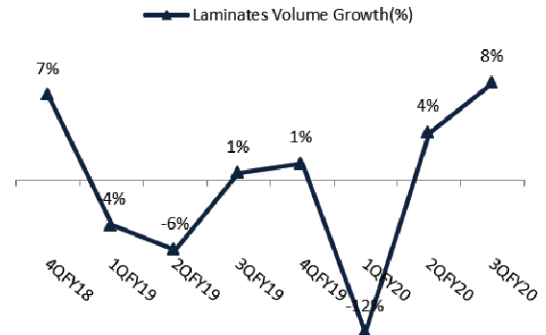


Exhibit: Sales and Sales Growth (%)

Reported Sales growth of 14% led by revenue growth of 13.9% & 18.4% in laminates & Veneers products respectively.

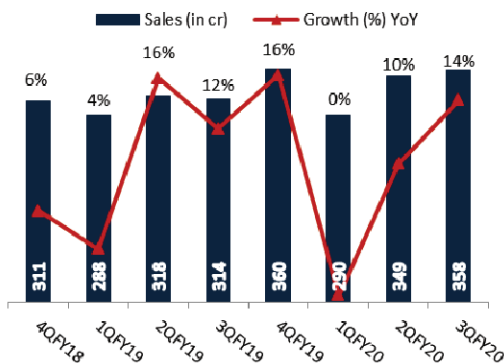


Exhibit: Gross and EBITDA Margin (%)

Gr.margin was up 192 bps due to change in product mix and EBITDA margin up 218 bps on YoY basis.

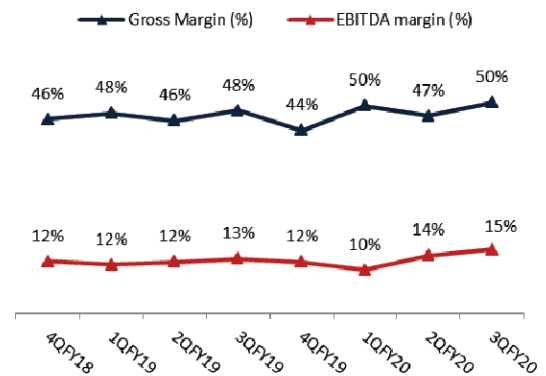


Exhibit: Expenses as % of Sales

Considering as % to sales, other expenses were down by 78bps while employee expenses up by 50 bps.

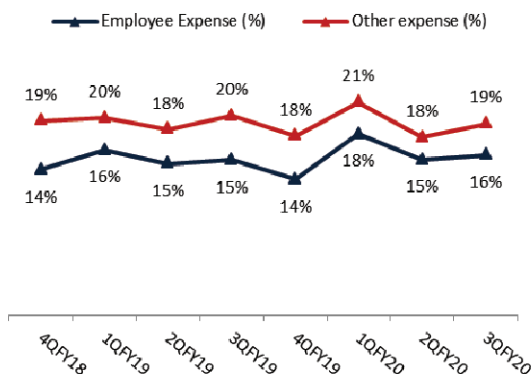
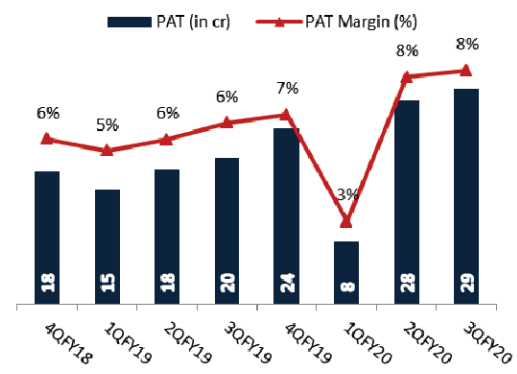


Exhibit: PAT and PAT Growth (%)

PAT stood at Rs 29 cr, margin expanded by 181 bps to 8.1%.



Financial Details

Balance Sheet

Conso./Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	12	12	12	12	12	12	12
Reserves	208	239	286	344	416	482	561
Networth	220	251	298	356	428	494	573
Debt	352	327	258	210	232	256	285
Other Non Current Liab	24	27	36	37	41	41	41
Total Capital Employed	595	606	592	604	701	791	899
Net Fixed Assets (incl CWIP)	337	338	326	330	351	393	418
Non Current Investments	-	4	3	2	1	1	1
Other Non Current Assets	15	20	21	21	28	28	28
Non Current Assets	352	362	350	353	380	421	447
Inventory	231	247	228	256	308	324	354
Debtors	182	189	158	171	177	193	214
Cash & Bank	6	5	7	9	7	32	81
Other Current Assets	72	63	47	34	54	59	65
Current Assets	491	504	441	470	545	608	714
Creditors	186	135	129	158	167	176	193
Provisions	2	1	1	1	2	2	3
Other Current Liabilities	59	126	69	61	55	60	67
Curr Liabilities	247	261	199	219	224	239	262
Net Current Assets	244	243	242	251	321	369	452
Total Assets	842	866	791	823	925	1,029	1,161

Income Statement

Conso./Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	926	1,030	1,076	1,145	1,281	1,397	1,554
Change (%)	12%	25%	16%	11%	19%	22%	21%
Other Income	2	3	3	2	2	4	9
EBITDA	90	127	138	149	159	183	200
Change (%)	-2%	41%	9%	8%	6%	15%	10%
Margin (%)	10%	12%	13%	13%	12%	13%	13%
Depr & Amor.	33	35	37	36	37	53	60
EBIT	57	92	102	113	122	130	141
Int. & other fin. Cost	30	32	29	18	17	27	30
EBT	29	62	76	97	106	106	119
Exp Item	-	-	-	-	-	-	-
Tax	9	25	26	32	29	27	30
Reported PAT	19	38	50	65	77	80	89
Adjusted PAT	19	38	50	65	77	80	89
Change (%)	-52%	95%	32%	30%	19%	3%	12%
Margin(%)	2%	4%	5%	6%	6%	6%	6%

Financial Details

Key Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Current Ratio	2.0	1.9	2.2	2.1	2.4	2.5	2.7
Debt-Equity Ratio	1.6	1.3	0.9	0.6	0.5	0.5	0.5
Interest Coverage Ratio	2	2.8	3.6	6.3	7.2	4.7	4.7
Capital Turnover Ratio	2	2.6	2.7	2.6	2.6	2.4	2.2
Fixed Asset Turnover Ratio	4	3.2	3.3	3.6	3.9	4.1	4.2
Inventory Days outstanding	160	168	147	156	163	163	163
AR Days outstanding	72	67	54	54	50	50	50
AP Days outstanding	103	144	117	115	125	125	125
ROCE	10%	15%	17%	19%	19%	17%	17%
ROE	9%	16%	18%	19%	20%	17%	17%
FCF per Share	7	26.5	66.7	29.2	1.4	13.9	20.9
Price / EPS	57	31.4	30.7	42.7	29.7	30.4	27.1
Price / Book Value	5	4.7	5.1	7.7	5.3	4.9	4.2
EV/EBITDA	16	11.9	12.9	19.9	15.8	14.4	13.1
EV/Sales	1.6	1.5	1.7	2.6	2.0	1.9	1.7
Div Yield	0.3%	0.6%	0.7%	0.6%	0.9%	1.0%	1.2%

Cash Flow Statement

Conso./Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	29	62	76	97	106	106	119
(inc)/Dec in Working Capital	46	2	18	(6)	(39)	(7)	(13)
Non Cash Op Exp	37	31	41	33	40	44	51
Int Paid (+)	30	32	29	18	17	27	30
Tax Paid	(11)	(13)	(14)	(31)	(35)	(27)	(30)
CF from Op. Activities	118	116	185	109	61	128	136
(inc)/Dec in FA & CWIP	(100)	(52)	(24)	(38)	(57)	(95)	(86)
Free Cashflow	17	64	161	70	3	34	50
(Pur)/Sale of Inv	-	-	-	-	(0)	-	-
others	(2)	(1)	2	1	0	4	9
CF from Inv. Activities	(103)	(53)	(22)	(38)	(57)	(90)	(77)
inc/(dec) in NW	-	-	-	-	-	-	1
inc/(dec) in Debt	18	(29)	(128)	(46)	18	24	29
Int. Paid	(30)	(32)	(29)	(18)	(17)	(27)	(30)
Div Paid (inc tax)	-	(1)	(3)	(4)	(7)	(9)	(10)
others	(0)	(1)	(1)	(0)	(0)	-	(1)
CF from Fin. Activities	(12)	(63)	(160)	(69)	(6)	(12)	(11)
Inc(Dec) in Cash	3	(0)	3	2	(2)	25	48
Add: Opening Balance	2	5	5	7	9	7	32
Closing Balance	5	5	7	9	7	32	81

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