

Equity Research

December 16, 2020

BSE Sensex: 46263

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Company update and
target price revision

Wood Panel

Target price: Rs900

Earnings revision

(%)	FY21E	FY22E
Sales	↓ 0.6	↓ 0.6
EBITDA	↓ 1.7	↓ 0.7
PAT	↑ 6.0	↑ 4.7

Target price revision

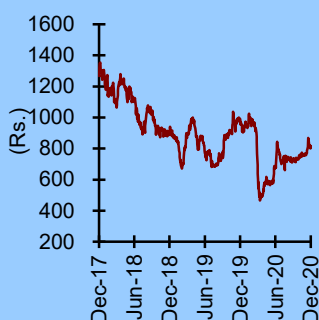
Rs900 from Rs850

Shareholding pattern

	Mar '20	Jun '20	Sep '20
Promoters	54.9	54.9	54.9
Institutional investors	18.1	18.7	17.7
MFs and other	13.4	14.2	14.8
Insurance	0.0	0.0	0.0
FIs	4.7	4.5	2.9
Others	27.0	26.4	27.4

Source: NSE

Price chart



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INDIA

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Greenlam Industries

ADD

Maintain

Rs818

Market share gains in laminates to persist

We expect Greenlam Industries' (GRLM) laminate volumes to stage steady recovery post Q2FY21 led by market share gains in both domestic and international operations. Our optimism is based primarily on: a) weakening competition in the laminate segment (post Covid) in domestic and export markets and the recent launch of 0.7mm thickness laminates in the domestic space. While exports have largely achieved normalcy, the gradual liquidation of high inventories in the domestic real estate space resulting in increase in rate of occupation of premises, and pent-up demand in renovation, would aid gradual recovery in the domestic laminate space going forward. **Maintain ADD.**

- **Valuation and outlook:** Considering the faster than expected recovery in laminate exports, we increase our PAT estimates by 6%/4.7% for FY21E/FY22E respectively. Rolling forward our estimates to FY23E, we expect GRLM to report overall revenue/PAT CAGRs of 8%/11.3% over FY20-FY23E respectively. **Maintain ADD** with a revised target price of Rs900 (earlier: Rs850) valuing the stock at 20x Sep'22E earnings.
- **Laminate and allied product segments – market share gains to continue:** With exports nearly achieving normalcy, we expect the domestic laminate segment to stage a steady recovery post Q2FY21 driven by weakening competition in the laminate segment (post Covid) and the recent launch of 0.7mm thickness laminates. GRLM, being one of the top players with strong brand equity and impressive distribution network, has been witnessing market share gains post Covid and this trend will most likely continue. With higher mix of exports and operating leverage likely to offset the recent increase in melamine formaldehyde prices and adverse mix in domestic laminates, we expect segmental EBITDA margin to remain firm. We estimate laminates and allied product segments to register revenue and EBITDA CAGRs of 5.8% and 7.6% respectively, over FY20-FY23E.
- **Veneer and allied product segments – recovery to be gradual:** Veneer and allied product revenues would take time to recover due to the discretionary nature of the products. Within the existing product lines, we expect engineered doors (ED) to recover faster than the engineered wood flooring (EWF) and decorative veneer segment. Breakeven for EWF and ED is now likely to get deferred to FY23 and FY22 respectively. We expect veneer and allied product segments to register revenue and EBITDA CAGRs of 9.8% and 111% respectively, over FY20-FY23E.
- **RoCE to inch higher despite large capex for upcoming South plant:** Despite incremental capex of Rs1.75bn for the company's upcoming laminate plant in South India, we expect GRLM's balance sheet to strengthen even further driven by its increasing FCF generation amid stricter working capital discipline. This in turn would help improve RoCEs by 230bps to 18.4% in FY23E from 16.1% in FY20.

Market Cap	Rs19.7bn/US\$268mn	Year to Mar	FY20	FY21E	FY22E	FY23E
Reuters/Bloomberg	GREEN.BO/GRLM IN	Revenue (Rs mn)	13,206	11,498	13,889	15,928
Shares Outstanding (mn)	24.1	Rec. Net Income (Rs mn)	867	667	979	1,194
52-week Range (Rs)	1025/465	EPS (Rs)	35.9	27.6	40.5	49.5
Free Float (%)	45.1	% Chg YoY	12.4	(23.1)	46.8	22.0
FII (%)	2.9	P/E (x)	22.8	29.6	20.2	16.5
Daily Volume (US\$/'000)	222	CEPS (Rs)	57.7	51.8	67.4	79.4
Absolute Return 3m (%)	11.2	EV/E (x)	12.6	14.0	10.7	9.0
Absolute Return 12m (%)	(16.2)	Dividend Yield (%)	0.5	0.5	0.6	0.6
Sensex Return 3m (%)	18.7	RoCE (%)	16.1	11.9	16.5	18.4
Sensex Return 12m (%)	14.2	RoE (%)	18.7	12.6	16.4	17.3

Please refer to important disclosures at the end of this report

Table 1: Change in estimates*(Rs mn)*

	Old		New		% change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	11,571.3	13,974.4	11,498.0	13,888.5	-0.6%	-0.6%
EBITDA	1,581.4	2,033.5	1,554.6	2,019.8	-1.7%	-0.7%
EBIDTA margin	13.7%	14.6%	13.5%	14.5%	-20bps	-10bps
PAT	629.0	934.6	666.6	978.5	6.0%	4.7%
EPS	26.1	38.7	27.6	40.5	6.0%	4.7%

Source: Company data, I-Sec research

Financial summary

Table 2: Profit & loss statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Net Revenues	13,206	11,498	13,889	15,928
Operating Expenses	11,423	9,943	11,869	13,532
EBITDA	1,783	1,555	2,020	2,396
% margins	13.5%	13.5%	14.5%	15.0%
Depreciation & Amortisation	525	583	648	723
Gross Interest	218	160	119	135
Other Income	44	55	55	60
Recurring PBT	1,083	866	1,308	1,599
Less: Taxes	217	199	330	404
Less: Minority Interest	-	-	-	-
Add: Share of Profit of Associates	-	-	-	-
Net Income (Reported)	867	667	979	1,194
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	867	667	979	1,194

Source: Company data, I-Sec research

Table 3: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Assets				
Total Current Assets	6,687	5,949	6,701	7,652
of which cash & cash eqv.	307	384	380	402
Total Current Liabilities & Provisions	2,947	1,912	2,333	2,612
Net Current Assets	3,740	4,037	4,368	5,040
Investments	0	0	0	0
Net Fixed Assets	4,287	4,171	4,524	4,801
Capital Work-in-Progress	167	-	-	-
Goodwill	-	-	-	-
Total Assets	8,194	8,208	8,892	9,841
Liabilities				
Borrowings	2,942	2,450	2,300	2,200
Deferred Tax Liability	245	200	200	200
Minority Interest	1	1	1	1
Equity Share Capital	121	121	121	121
Face Value per share (Rs)	5	5	5	5
Reserves & Surplus*	4,886	5,437	6,270	7,320
Less: Misc. Exp. n.w.o.	-	-	-	-
Net Worth	5,007	5,557	6,391	7,440
Total Liabilities	8,194	8,208	8,892	9,841

*Excluding revaluation reserves

Source: Company data, I-Sec research

Table 4: Quarterly trend

(Rs mn, year ending March 31)

	Dec-19	Mar-20	Jun-20	Sep-20
Net revenues	3,580	3,240	1,604	2,893
% growth (YoY)	14.0	(10.0)	(0.4)	(0.2)
EBITDA	546	452	79	405
Margin (%)	15.3	14.0	4.9	14.0
Other income	11	23	10	16
Extraordinaries (Net)	-	-	-	-
Net profit	291	217	(77)	185

Source: Company data, I-Sec research

Table 5: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Cashflow	1,329	1,500	1,626	1,917
Working Capital Changes	124	(221)	(336)	(650)
Capital Commitments	(1,424)	(300)	(1,000)	(1,000)
Free Cashflow	28	979	290	267
Cashflow from Investing Activities	-	-	-	-
Issue of Share Capital	-	(250)	-	-
Inc (Dec) in Borrowings	245	(492)	(150)	(100)
Dividend paid	(116)	(116)	(145)	(145)
Change in Deferred Tax Liability	44	(45)	-	-
Chg. in Cash & Bank balance	201	77	(4)	22

Source: Company data, I-Sec research

Table 6: Key ratios

(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
Per Share Data (in Rs.)				
EPS	35.9	27.6	40.5	49.5
Cash EPS	57.7	51.8	67.4	79.4
Dividend per share (DPS)	4.0	4.0	5.0	5.0
Book Value per share (BV)	207.4	230.2	264.8	308.3
Growth (%)				
Net Sales	3.1	-12.9	20.8	14.7
EBITDA	12.4	-12.8	29.9	18.6
PAT	12.4	-23.1	46.8	22.0
Cash EPS	22.1	-10.2	30.1	17.9
Valuation Ratios (x)				
P/E	22.8	29.6	20.2	16.5
P/CEPS	14.2	15.8	12.1	10.3
P/BV	3.9	3.6	3.1	2.7
EV / EBITDA	12.6	14.0	10.7	9.0
EV / Sales	1.8	1.9	1.6	1.4
Operating Ratios				
Raw Material / Sales (%)	54.0	54.3	53.0	52.5
Employee cost / Sales (%)	17.5	12.4	12.7	12.7
SG&A / Sales (%)	16.3	16.1	16.1	16.1
Other Income / PBT (%)	4.1	6.3	4.2	3.7
Effective Tax Rate (%)	20.0	23.0	25.2	25.3
Working Capital (days)	96.6	84.0	76.0	76.0
Inventory Turnover (days)	107.1	92.0	88.0	88.0
Receivables (days)	39.9	40.0	38.0	38.0
Payables (days)	50.3	48.0	50.0	50.0
Net D/E Ratio (x)	0.5	0.4	0.3	0.2
Profitability Ratios (%)				
Net Income Margins	6.9	5.8	7.0	7.5
RoACE	16.1	11.9	16.5	18.4
RoAE	18.7	12.6	16.4	17.3
Dividend Payout	13.4	17.4	14.8	12.1
Dividend Yield	0.5	0.5	0.6	0.6
EBITDA Margins	14.1	13.5	14.5	15.0

Source: Company data, I-Sec research

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