

Greenlam Industries

Entry into particle board to drag profitability

We met the Greenlam Industries management. It highlighted that Q1 laminates industry demand was subdued, though prices were stable. For FY26, the company expects 18-20% consolidated revenue growth. Management anticipates improved margins for laminates and veneers in FY26, with laminate EBITDA margins expected at 14-15%, while plywood segment losses are expected to decrease. The greenfield particle board plant, commissioned in January 2025, has received good customer feedback for its products and the plant is running smoothly. However, this segment is expected to incur an EBITDA loss in FY26, aiming for breakeven in FY27. We like Greenlam for its leadership positioning in laminates. However, we are cautious on plant ramp-ups in the new ply and particle board segments (large capacities added in a short period). Owing to supply pressure and elevated timber prices, we expect the particle board segment margin to remain stressed in the medium term. We expect a 11% revenue CAGR in the laminate segment over FY25-27E. Owing to entry into the new ply and particle board segments, we expect a strong 18% consolidated revenue CAGR over FY25-27E. We project 27/64% EBITDA/APAT CAGRs for the same period on a low base. We value Greenlam using SOTP—ex-particle board business at 30x Mar-27E EPS and particle board business at 0.5x capital employed in Mar-27E. We maintain ADD with an unchanged TP of INR 250/sh.

- **Subdued demand, stable prices:** The management mentioned laminates industry demand was muted in Q1, though prices remain stable. For FY26, the company anticipates 18-20% consolidated revenue growth. Management expects laminate and veneer margins to improve in FY26, and expects losses in plywood segment to decrease. Laminates' EBITDAM is expected at 14-15%, while particle board segment is anticipated to incur an EBITDA loss in FY26.
- **Ply segment ramping up:** Greenlam entered the ply segment in Jun-23 with a capacity of 18.9mn SQM at Tamil Nadu (small 15-acre land) by incurring a capex of INR 1.3bn (revenue potential is INR 4bn). Management highlighted it has received good response for its ply products from the market. The company is confident that the ply segment will break even in FY26E.
- **Entry in a new segment—particle board:** The greenfield particle board plant, with a capacity of 292K CBM, was commissioned in January 2025. It has a revenue potential of INR 7.5bn. In the next one or two quarters, pending civil work will be completed. Total project cost is INR 8.75bn, of which INR 7.75bn has been incurred until FY25. Management highlight it has received good customer feedback for its products and plant is running smoothly. It anticipates a 35-40% capacity utilization for the particle board plant in FY26, aiming for EBITDA breakeven in FY27, which is expected at 45-50% capacity utilization. The company expects to fully ramp up this plant by the fourth year of operations. We expect the particle board segment to speed up the company's growth rates. However, it will dilute return ratios.
- **Veneer and door segment performance to improve:** Veneer is a niche segment, and the company believes it gels well with its other products. Ply and veneer have similar distribution networks. This segment won't need additional capital infusion. The door is a large segment; however, so far, the company has not been able to crack it. Greenlam focus is only on the wooden engineered door. The company is confident of improving veneer, floor and door segment's performance.

ADD

CMP (as on 01 July 2025)	INR 239
Target Price	INR 250
NIFTY	25,542

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 250	INR 250
EPS	FY26E	FY27E
revision %	-	-

KEY STOCK DATA

Bloomberg code	GRLM IN
No. of Shares (mn)	255
MCap (INR bn) / (\$ mn)	61/708
6m avg traded value (INR mn)	20
52 Week high / low	INR 322/197

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.5)	(20.4)	(22.4)
Relative (%)	(11.6)	(27.0)	(27.7)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	50.98	50.98
FIs & Local MFs	15.72	15.73
FPIs	1.78	1.76
Public & Others	31.52	31.53
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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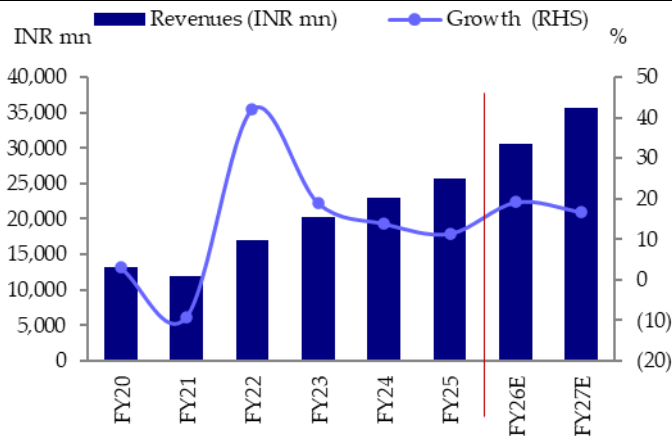
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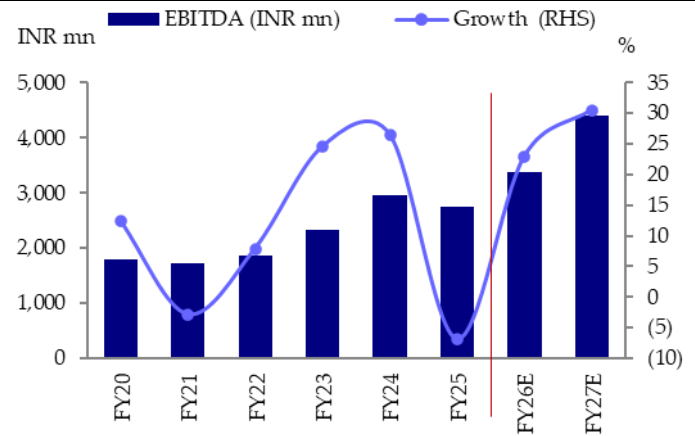
- **Capex and debt:** In our view, as ply and particle board segments will take time to ramp up, no major capex is expected in these segments at least for the next 2-3 years. In the laminate segment, it has enough room to fulfil demand for at least four years through brownfield expansion. In the next few quarters, the company will plan a laminate brownfield expansion either at Prantij, Gujarat, or at Naidupeta, AP. Brownfield expansion work can be completed within three quarters. So, we expect net debt (including lease liability)/EBITDA to cool off to 2.1x by FY27E vs 4/3.1x in FY25/26E, owing to lower capex and ramp-up of plants in new segments.
- **Laminate outlook positive; ply and particle board segments' ramp-up remains key monitorable:** We expect the company to outperform laminates industry growth and deliver strong margin in this segment. We expect a 11% revenue CAGR in the laminate segment over FY25-27E. Owing to entry in the new ply and particle board segments, we expect a strong 18% consolidated revenue CAGR over FY25-27E. We project 27/64% EBITDA/APAT CAGRs for the same period on a low base. We like Greenlam for its leadership positioning in laminates. However, we are cautious of plant ramp-up in the new ply and particle board segments (large capacities added in a short period). Owing to supply pressure and elevated timber prices, we expect particle board segment margin to remain under pressure in the medium term. We expect particle board business to incur PAT loss at least for the next two years. We maintain our FY26/27E estimates for the company. We value Greenlam using SOTP—ex-particle board business at 30x Mar-27E EPS and particle board business at 0.5x capital employed in Mar-27E. We maintain our ADD rating with an unchanged TP of INR 250/sh.

We expect strong 18% revenue CAGR over FY25-27E owing to strong volume growth in laminates segment and contribution from new segments...



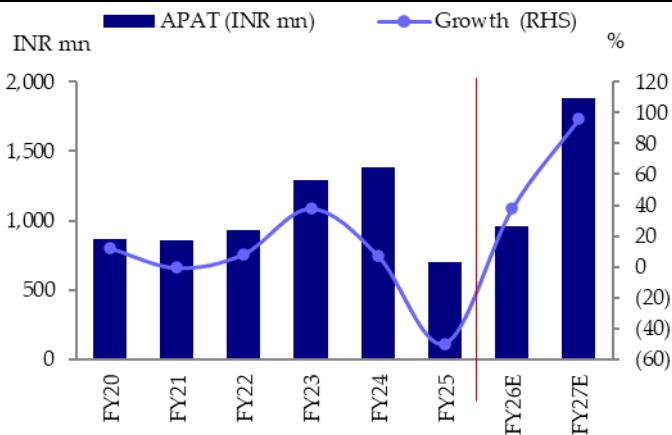
Source: Company, HSIE Research

...EBITDA to grow at 27% CAGR, led by strong revenue growth and improvement in laminate segment margin



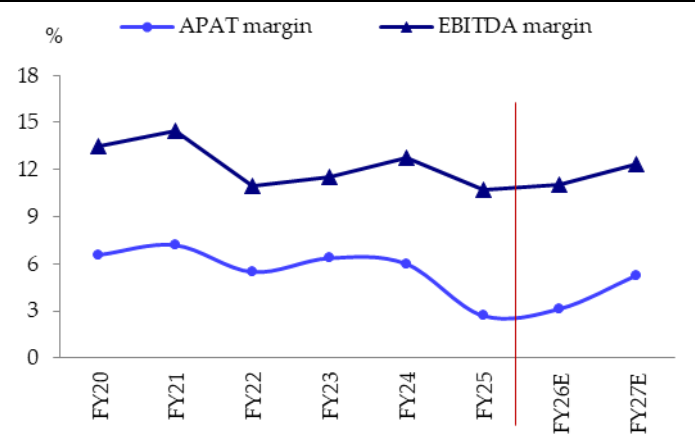
Source: Company, HSIE Research

APAT too should grow strongly on a low base (64% CAGR during FY25-27E)



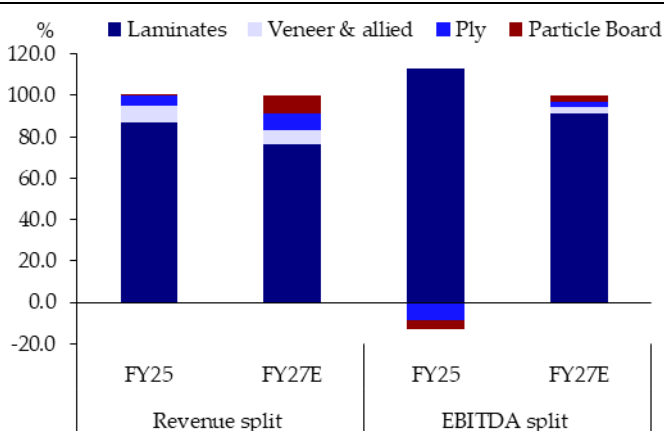
Source: Company, HSIE Research

Margins are expected to improve in FY26/27E



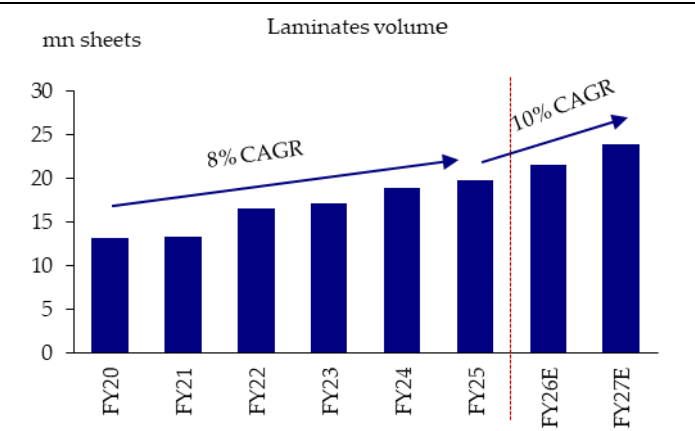
Source: Company, HSIE Research

Ply and particle board segments are expected to contribute 17/6% in revenue/EBITDA mix in FY27E



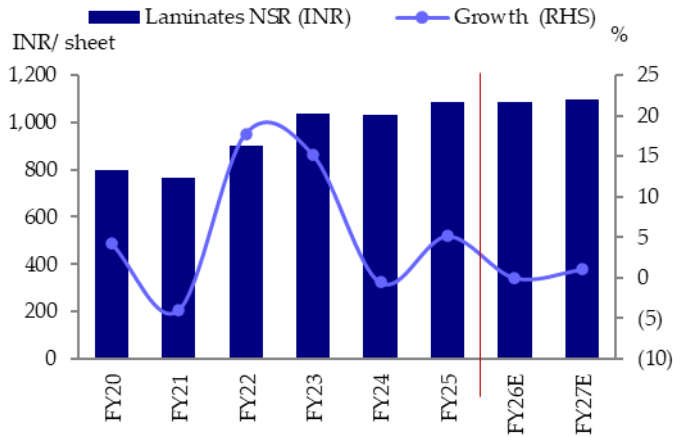
Source: Company, HSIE Research

Laminate sales volume will grow in low double digits



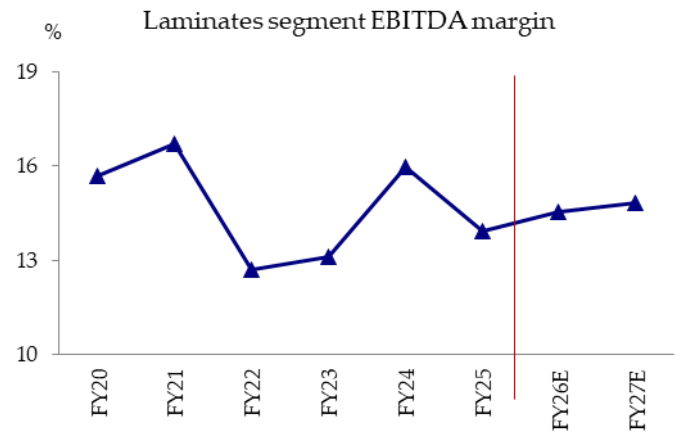
Source: Company, HSIE Research

We expect low 1% laminates realization CAGR during FY25-27E, owing to benign raw material prices...



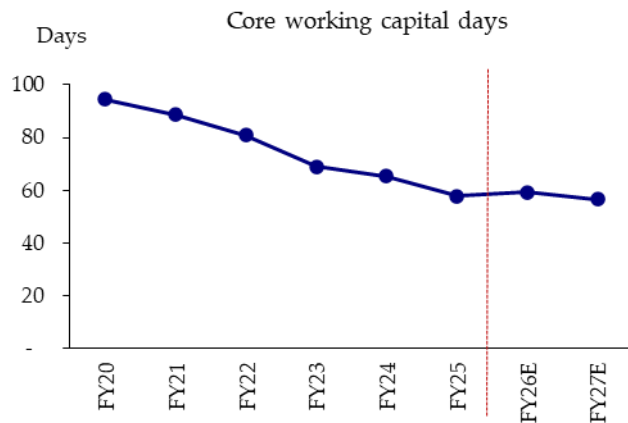
Source: Company, HSIE Research

...laminates segment margin to remain healthy owing to higher value-added product sales and op-lev gain



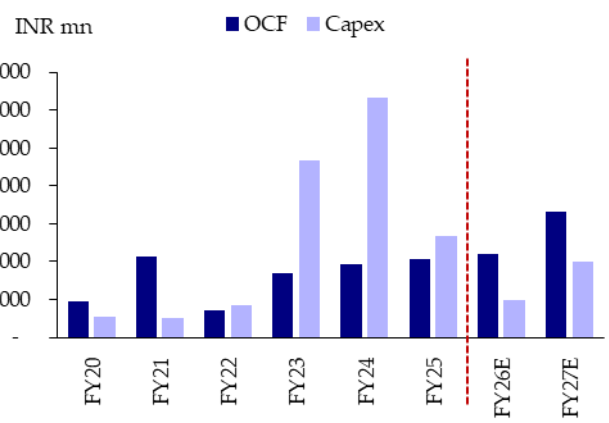
Source: Company, HSIE Research

The company is tightening its working capital cycle. Entry in new particle board segment requires lower working capital days



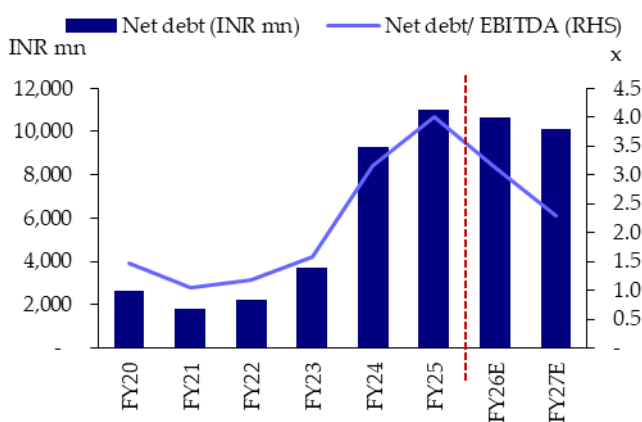
Source: Company, HSIE Research

Capex outflow will be low in FY26/27E, healthy OCF will help in debt reduction



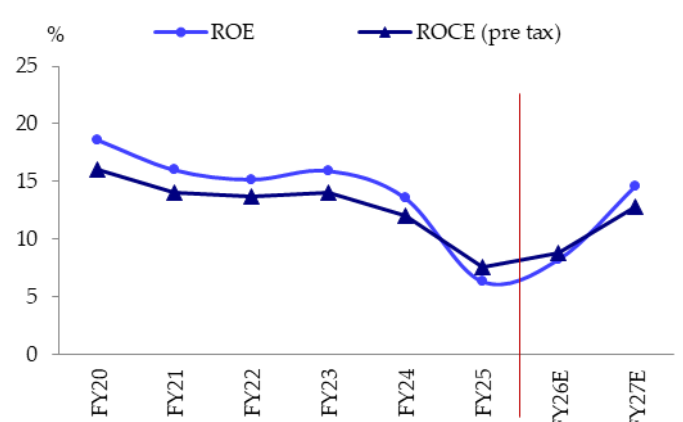
Source: Company, HSIE Research

Net debt (including lease liability)/EBITDA to peak out in FY25 and fall below 2.5x in FY27E



Source: Company, HSIE Research

Return ratios diluted in FY25 due to entry into new segments and will improve as these segments ramp up



Source: Company, HSIE Research

Key operational assumptions (consolidated)

Segmental performance	FY22	FY23	FY24	FY25	FY26E	FY27E
Laminates and allied						
Sales volume (mn sheets)	16.53	17.13	18.97	19.74	21.52	23.88
Volume growth YoY %	23.5	3.6	10.7	4.1	9.0	11.0
NSR (INR)	942	1,081	1,075	1,128	1,128	1,139
YoY change %	18.3	14.9	-0.6	4.9	-	1.0
Unit EBITDA (INR)	120	142	172	157	164	169
Revenue (INR mn)	15,563	18,523	20,397	22,264	24,268	27,196
YoY change %	46.1	19.0	10.1	9.2	9.0	12.1
EBITDA (INR mn)	1,976	2,427	3,255	3,104	3,534	4,029
YoY change %	10.9	22.8	34.1	-4.6	13.8	14.0
OPM %	12.7	13.1	16.0	13.9	14.6	14.8
Veneers and allied						
Revenue (INR mn)	1,471	1,736	2,087	2,152	2,262	2,507
YoY change %	9.5	18.0	20.2	3.1	5.1	10.8
% of total revenues	8.6	8.6	9.0	8.4	7.4	7.0
EBITDA (INR mn)	-90	-87	-8	-3	59	120
% of total EBITDA	-4.8	-3.7	-0.3	-0.1	1.7	2.7
EBITDA margin %	-6.1	-5.0	-0.4	-0.1	2.6	4.8
Plywood						
Revenue (INR mn)			579	1,226	1,894	2,870
YoY change %			NA	111.7	54.5	51.5
% of total revenues			2.5	4.8	6.2	8.0
EBITDA (INR mn)			-301	-237	-49	129
% of total EBITDA			-10.2	-8.6	-1.5	2.9
EBITDA margin %			-52.0	-19.3	-2.6	4.5
Particle board						
Revenue (INR mn)				51	2,183	3,150
YoY change %				NA	4,181	44
% of total revenues				0.2	7	9
EBITDA (INR mn)				-118	-167	128
% of total EBITDA				-4.3	-5.0	2.9
EBITDA margin %				-231.4	-7.7	4.1

Source: Company, HSIE Research. NA – not applicable. Plywood sales started in FY24, Particle board sales started in FY25

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenues	17,034	20,260	23,063	25,693	30,608	35,723
<i>Growth %</i>	<i>42.0</i>	<i>18.9</i>	<i>13.8</i>	<i>11.4</i>	<i>19.1</i>	<i>16.7</i>
Raw Material	9,443	10,793	10,875	12,266	15,301	17,910
Power & Fuel	539	739	842	927	1,104	1,289
Freight Expense	322	390	475	523	623	727
Employee cost	2,594	3,139	4,257	5,111	6,389	7,155
Other Expenses	2,265	2,871	3,668	4,121	3,815	4,236
EBITDA	1,870	2,329	2,947	2,746	3,376	4,406
<i>EBITDA Margin (%)</i>	<i>11.0</i>	<i>11.5</i>	<i>12.8</i>	<i>10.7</i>	<i>11.0</i>	<i>12.3</i>
<i>EBITDA Growth %</i>	<i>7.9</i>	<i>24.5</i>	<i>26.5</i>	<i>(6.8)</i>	<i>22.9</i>	<i>30.5</i>
Depreciation	585	632	871	1,137	1,429	1,472
EBIT	1,285	1,696	2,076	1,609	1,947	2,934
Other Income	73	180	217	110	130	150
Interest	141	235	443	655	816	660
PBT	1,217	1,641	1,849	1,064	1,261	2,424
Tax	286	356	469	380	315	558
Minority Int	(2)	(2)	(4)	(13)	(13)	(13)
RPAT	959	1,287	1,384	697	959	1,880
EO (Loss) / Profit (Net Of Tax)	(26)	-	-	-	-	-
APAT	933	1,287	1,384	697	959	1,880
<i>APAT Growth (%)</i>	<i>8.3</i>	<i>37.9</i>	<i>7.5</i>	<i>(49.6)</i>	<i>37.6</i>	<i>96.0</i>
AEPS	7.7	10.1	10.8	2.7	3.8	7.4
<i>AEPS Growth %</i>	<i>8.3</i>	<i>30.5</i>	<i>7.5</i>	<i>(74.8)</i>	<i>37.6</i>	<i>96.0</i>

Source: Company, HSIE Research

Consolidated Balance Sheet

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
SOURCES OF FUNDS						
Share Capital	121	127	128	255	255	255
Reserves And Surplus	6,423	9,455	10,644	11,014	11,829	13,427
Total Equity	6,544	9,582	10,772	11,269	12,084	13,682
Long-term Debt	2,214	4,263	8,752	8,259	7,259	6,959
Short-term Debt	1,765	2,017	2,341	3,729	4,073	3,695
Total Debt	3,978	6,280	11,093	11,988	11,332	10,654
Deferred Tax Liability	88	92	61	(30)	(30)	(30)
Long-term Liab+ Provisions	103	111	137	187	205	224
TOTAL SOURCES OF FUNDS	10,720	16,065	22,059	23,398	23,575	24,514
APPLICATION OF FUNDS						
Net Block	4,675	5,060	9,864	17,495	16,566	16,093
Capital WIP	91	3,803	6,110	284	784	1,784
Goodwill	-	-	-	-	-	-
Other Non-current Assets	427	1,381	445	273	273	273
Total Non-current Investments	-	-	-	-	-	-
Total Non-current Assets	5,193	10,244	16,420	18,052	17,623	18,151
Inventories	5,034	5,135	6,091	6,647	7,040	7,859
Debtors	1,301	1,440	1,521	1,573	2,051	2,322
Cash and Cash Equivalents	1,765	2,579	1,802	986	707	540
Other Current Assets (& Loans/adv)	468	952	1,426	1,730	1,730	1,730
Total Current Assets	8,568	10,107	10,839	10,936	11,528	12,452
Creditors	2,558	2,753	3,479	4,146	4,132	4,644
Other Current Liabilities & Provns	483	1,533	1,720	1,444	1,444	1,444
Total Current Liabilities	3,041	4,286	5,200	5,590	5,576	6,088
Net Current Assets	5,528	5,821	5,640	5,346	5,951	6,364
TOTAL APPLICATION OF FUNDS	10,720	16,065	22,059	23,398	23,575	24,514

Source: Company, HSIE Research

Consolidated Cash Flow

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	1,217	1,641	1,849	1,064	1,274	2,438
Non-operating & EO Items	(44)	(182)	(136)	(5)	(130)	(150)
Interest Expenses	141	235	443	655	816	660
Depreciation	585	632	871	1,137	1,429	1,472
Working Capital Change	(855)	(280)	(619)	(304)	(867)	(559)
Tax Paid	(333)	(353)	(471)	(498)	(315)	(558)
OPERATING CASH FLOW (a)	712	1,693	1,936	2,049	2,207	3,303
Capex	(854)	(4,660)	(6,332)	(2,664)	(1,000)	(2,000)
Free Cash Flow (FCF)	(143)	(2,967)	(4,396)	(615)	1,207	1,303
Investments	(543)	(813)	945	915	-	-
Non-operating Income	34	120	119	80	130	150
INVESTING CASH FLOW (b)	(1,363)	(5,352)	(5,267)	(1,669)	(870)	(1,850)
Debt Issuance/(Repaid)	877	2,088	4,107	584	(656)	(678)
Interest Expenses	(134)	(232)	(417)	(656)	(816)	(660)
FCFE	600	(1,111)	(705)	(687)	(265)	(34)
Share Capital Issuance	-	1,950	-	-	-	-
Dividend	(121)	(145)	(190)	(211)	(144)	(282)
FINANCING CASH FLOW (c)	622	3,661	3,500	(283)	(1,616)	(1,620)
NET CASH FLOW (a+b+c)	(29)	2	169	97	(279)	(166)
Closing Cash & Equivalents	1,222	1,767	2,747	1,899	707	540

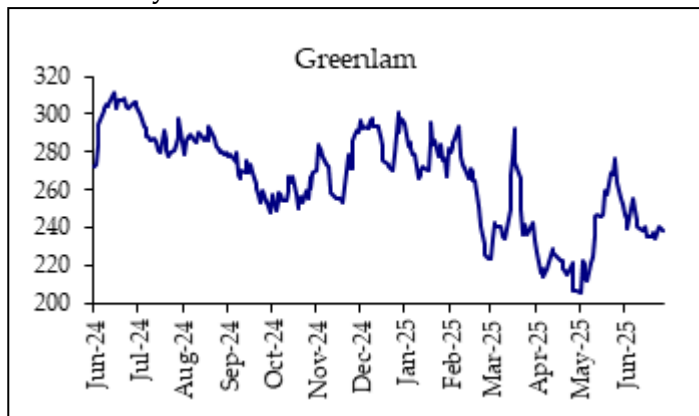
Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25	FY26E	FY27E
PROFITABILITY %						
EBITDA Margin	11.0	11.5	12.8	10.7	11.0	12.3
EBIT Margin	7.5	8.4	9.0	6.3	6.4	8.2
APAT Margin	5.5	6.4	6.0	2.7	3.1	5.3
RoE	15.2	16.0	13.6	6.3	8.2	14.6
RoIC (pre-tax)	15.6	18.3	17.4	8.9	8.8	13.3
RoCE (pre-tax)	13.7	14.0	12.0	7.6	8.8	12.8
EFFICIENCY						
Tax Rate %	23.5	21.7	25.4	35.8	25.0	23.0
Fixed Asset Turnover (x)	2.0	2.1	1.8	1.3	1.2	1.4
Inventory (days)	108	93	96	94	84	80
Debtors (days)	28	26	24	22	24	24
Other Current Assets (days)	19	42	30	28	24	20
Payables (days)	55	50	55	59	49	47
Other Current Liab & Provns (days)	13	30	29	23	20	17
Cash Conversion Cycle (days)	88	81	66	63	63	60
Net Debt/EBITDA (x)	1.2	1.6	3.2	4.0	3.1	2.3
Net D/E	0.3	0.4	0.9	1.0	0.9	0.7
Interest Coverage	9.1	7.2	4.7	2.5	2.4	4.4
PER SHARE DATA (Rs)						
EPS	7.7	10.1	10.8	2.7	3.8	7.4
CEPS	12.6	15.0	17.7	7.2	9.4	13.1
Dividend	1.2	1.5	1.7	0.4	0.6	1.1
Book Value	54.3	75.1	84.4	44.1	47.3	53.6
VALUATION						
P/E (x)	30.9	23.7	22.0	87.5	63.6	32.4
P/Cash EPS (x)	18.7	15.9	13.5	33.2	25.5	18.2
P/BV (x)	4.4	3.2	2.8	5.4	5.0	4.5
EV/EBITDA (x)	16.6	13.9	12.5	26.2	21.1	15.9
Dividend Yield (%)	0.5	0.6	0.7	0.2	0.2	0.5

Source: Company, HSIE Research

Price History



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

We, **Keshav Lahoti, CA and CFA, Rajesh Ravi, MBA, Riddhi Shah, MBA, Mahesh Nagda, CA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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