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Growth to pick up ahead!

About the stock: Greenlam Industries manufactures a wide range of products spanning Laminate, particleboard, plywood, decorative veneer, engineered wooden floors & Doors for customers in over 120 countries and has three decades of experience.

- It is India's leading global laminate manufacturer, with 17.8% market share in organised laminate market and >29% share in laminate exports.

Q3FY26 Performance: The revenue was up 17.3% YoY at ₹706.4 crore. The Laminates & Allied segment posted revenue of ₹562.1 crore, up 8.2% YoY, with muted volume (degrowth of -0.4% YoY) at 4.8 million sheets and an 8.9% increase in realization. The Plywood segment revenue at ₹90.1 crore was up 9.5% YoY and volumes up 12% YoY to 1.3 MSM. Consolidated EBITDA stood at ₹68.2 crore, with EBITDA margins at 9.7% (down ~90 bps YoY) as a result of higher plywood losses. The laminate margins were at 15.4% (up ~220 bps YoY) whereas plywood segment reported EBITDA loss of ₹13.6 crore (vs. ₹ 4.8 crore loss in base). The company reported loss of ₹ 0.6 crore, given one off labour code charge of ₹ 6.2 crore and higher taxes. Adj. PBT was at ₹ 11.7 crore.

Key Investment Thesis

- Laminates segment is poised for the growth:** In the near term, management expects a sharp rebound as the business exits the seasonally weak Q3, which was impacted by holiday-related disruptions and softer domestic demand. The brownfield expansion of two additional laminate lines at the Naidupeta plant remains on track, with commissioning targeted by Q4FY27. Management revised FY26 revenue growth guidance modestly lower to ~17-19%, versus the earlier 18-20% range. It also indicated that Q4FY26 is expected to be materially stronger, supported by normalization in exports and improved domestic demand. **We Expect overall topline to grow at 16.7% CAGR over FY25-28E to ₹4079 crore.**
- On track for break even in newer segments in FY28:** Management anticipates reaching EBITDA breakeven for plywood and chipboard segments in the coming fiscal year as capacity utilization targets are ramped up to the 55%-60% range. We expect EBITDA margins of ~10.5/12.7%/14.1% in FY26, FY27 & FY28, respectively vs 10.7% in FY25. We expect earnings CAGR of ~55.3% over FY25-FY28E, largely led by volumes recovery and margins improvement across all the segments.

Rating and Target Price

- Given the strong earnings growth, we expect return ratios of Greenlam to reach a respectable mid teen levels in FY28 from single digits currently.
- We maintain BUY rating with target of ₹310 (30x FY28 P/E).

Key Financial Summary

(₹ Crore)	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR FY25-28E)
Operating Revenues	2,026	2,306	2,569	14.2%	3,007	3,564	4,079	16.7%
EBITDA	233	295	275	9.0%	315	452	575	27.9%
EBITDA Margin (%)	11.5	12.8	10.7		10.5	12.7	14.1	
PAT	129	138	70	-4.3%	55	166	261	55.3%
EPS (₹)	5.1	5.4	2.7	-5.3%	2.2	6.5	10.2	55.3%
P/E (x)	47.4	44.2	87.9		111.2	36.9	23.5	
RoCE (%)	11.0	9.9	7.1		7.1	11.9	15.3	
RoNW (%)	13.4	12.9	6.2		4.7	12.7	17.0	

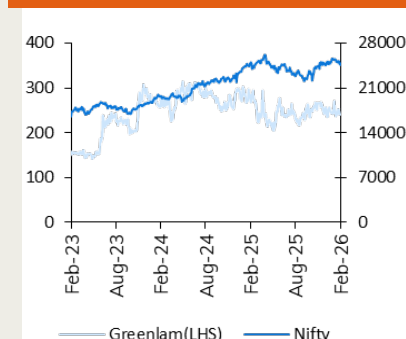
Source: Company, ICICI Direct Research

**Particulars**

(₹ Crore)	Amount
Market Capitalisation	6,264
Debt (FY25)	1,088
Cash (FY25)	24
EV	7,240
52 week H/L (₹)	298/ 233
Equity Capital	25.5
Face Value (₹)	1

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	51.7	51.7	51.7	51.7
FIIIs	5.4	4.5	4.5	4.5
DII	31.1	32.4	32.4	32.4
Other	11.8	11.4	11.4	11.4

Price Chart**Key risks**

- Slower than expected ramp up in new segment impacting margins.
- Impact on Laminate Exports amid Geopolitical uncertainties.

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Performance highlights and outlook

- **Guidance:** Management revised FY26 revenue growth guidance modestly lower to ~17-19%, versus the earlier 18-20% range. Q4FY26 is expected to be materially stronger, consistent with historical seasonality, supported by normalization in exports and improved domestic demand. On profitability, it expects EBITDA expected to improve sequentially in Q4 as revenues recover and operating leverage kicks in with plywood and particleboard segments reaching EBITDA breakeven in FY27.
- **Laminates and Allied Segment:** The segment reported revenue of ₹562 crore, up 8.2% YoY, with EBITDA margin improving by ~220 bps YoY to 15.4%, partially aided by forex fluctuation gains. Segment operated at ~83% capacity utilization, while sales volumes were marginally lower at 4.75 million sheets, down 0.4% YoY. The brownfield expansion of two additional lines at the Naidupeta plant remains on track, scheduled to commence operations by Q4FY27. Export volumes in Q3 were impacted by deferred export shipments, resulting in elevated inventory in transit, which management expects to convert into sales in Q4FY26.
- **Particleboard Segment:** Chipboard revenue grew 13.3% QoQ to ₹54.2 crore in Q3 FY 26, supported by improving utilization, which increased to ~41% from a nine-month average of ~36%. Despite the sequential improvement, the segment reported an EBITDA loss (pre-forex) of ₹3.2 crore for the quarter. The melamine range is positioned across two tiers, Studio with premium European papers and Universal targeted at residential furniture using Indian or Chinese papers. As per the management, the chipboard business is expected to achieve EBITDA breakeven in the next fiscal year.
- **Plywood Segment:** The segment reported Q3FY26 revenue of ₹90 crore, up 9.5% YoY, though profitability remained weak with an EBITDA loss of ₹13.3 crore. Capacity utilization stood at ~37% during the quarter. Management expects the business to turn EBITDA breakeven in the next fiscal year, supported by a targeted ramp-up in utilization to ~55-60% in FY27.
- **Pricing:**
 - Laminate realizations improved 8.9% YoY to ₹1,143 crore in Q3FY26, driven by rupee depreciation and a better export mix. Domestic laminate prices remain stable, while international pricing is largely unchanged, with selective discounts offered to address competitive pressures and currency movements.
 - In particleboard segment average realizations stood at ₹18,668 per cubic meter in Q3 improving 2.6% QoQ. The management is prioritizing mix-led realization improvement through melamine faced chipboard and newly launched HMR grades.
- **Capex:** Management indicated that most of the ongoing Capex is already complete. Residual Capex of ~₹50-₹75 crore remains, which is expected to be incurred by Q4FY26, with any spillover completed in Q1FY27. No new large greenfield capex has been guided beyond the current program.
- **Input Material Prices:** Management indicated that input cost trends remain largely stable, with some currency-led pressures in import-linked categories. Chemical and resin costs have stayed within a similar range despite geopolitical volatility and rupee depreciation. Deco paper costs have increased in rupee terms due to currency weakness. The plywood raw materials remain more exposed to imports, and the weaker rupee has resulted in incremental cost pressure in this segment.
- **Working Capital:** Working capital improved meaningfully to 58 days in Q3FY26, a reduction of 9 days YoY.
- **Debt:** Net debt stood at ₹1010 crore as of Q3FY26, compared to ₹995 crore at the end of the previous quarter.

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore				
	FY25	FY26E	FY27E	FY28E
Net Sales	2,569	3,007	3,564	4,079
YoY Growth	14.3	17.0	18.5	14.4
Gross Profit	1,343	1,569	1,892	2,195
Purchase of Traded Goods	47	47	47	47
Employee benefit expenses	511	607	695	783
Other Expenses	557	646	745	836
EBITDA	275	315	452	575
YoY Growth	(6.8)	14.6	43.7	27.2
Interest	65	96	90	80
Depreciation	114	141	153	161
Other income	11	12	15	18
PBT	106	83	224	352
Exceptional Items	-	(6)	-	-
Total Tax Expense	38	30	58	91
PAT	70	55	166	261
PAT Growth rate	(49.6)	(21.0)	201.4	57.2
Adjusted EPS (Diluted)	2.7	2.2	6.5	10.2

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore				
	FY25	FY26E	FY27E	FY28E
PAT	69.7	55.1	165.9	260.8
Interest paid	44.3	65.5	96.0	90.0
Depreciation	87.1	113.7	141.3	153.3
Other Income	(30.7)	(11.0)	(18.2)	(15.0)
Cash Flow before wc changes	170.3	223.3	385.0	489.1
Cash generated from operations	39.3	(88.2)	(112.5)	(103.9)
Net cash flow from operating activities	209.6	135.1	272.5	385.2
(Purchase)/Sale of Fixed Assets (Net)	(267.7)	(122.4)	(88.1)	(92.1)
Others	57.0	11.0	18.2	15.0
Net Cash flow from Investing Activities	(210.7)	(111.4)	(69.8)	(77.1)
Interest paid	(44.3)	(65.5)	(96.0)	(90.0)
Proceeds from Long Term Borrowings	76.3	134.9	(90.0)	(50.0)
Others	(21.3)	(10.2)	(25.5)	(38.3)
Net Cash flow from Financing Activities	10.7	59.2	(211.5)	(178.3)
Net Cash flow	9.7	82.9	(8.8)	129.8
Opening Cash and Cash Equivalent	32.9	42.6	125.5	116.7
Closing cash and cash equivalents	42.6	125.5	116.7	246.5

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore				
(₹ Crore)	FY25	FY26E	FY27E	FY28E
Liabilities				
Share Capital	26	26	26	26
Reserves & Surplus	1,101	1,146	1,287	1,509
Net Worth	1,125	1,170	1,311	1,533
Total Debt	1,075	1,210	1,120	1,070
Deferred Tax Liability	7	7	7	7
Total Liabilities	2,909	3,168	3,320	3,586
Gross Block	2,387	2,537	2,637	2,737
Less Accumulated Depreciation	651	792	945	1,106
Net Block	1,737	1,746	1,692	1,631
Net Intangibles	11	11	11	11
Capital WIP	28	28	28	28
Total Fixed Assets	1,737	1,746	1,692	1,631
Non-current Investments	0	0	0	0
Inventory	665	778	922	1,055
Sundry Debtors	157	184	218	250
Long-term loans and advances	1	1	1	1
Cash & Bank Balances	43	125	117	246
Other Current Assets	2	2	2	2
Total Current Assets	867	1,090	1,260	1,554
Trade Payable	415	485	575	658
Other Current Liabilities	53	63	74	85
Short term provision	5	5	5	5
Net Current Assets	395	538	606	806
Total Assets	2,909	3,168	3,320	3,586

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(₹ Crore)	FY25	FY26E	FY27E	FY28E
Per share Data (₹)				
Adjusted EPS (Diluted)	2.7	2.2	6.5	10.2
Cash EPS	7.2	7.7	12.5	16.5
BV per share (Diluted)	44.1	45.9	51.4	60.1
Dividend per share	10.2	10.2	25.5	38.3
Operating Ratios (%)				
EBITDA / Net Sales	10.7	10.5	12.7	14.1
PAT / Net Sales	2.7	1.8	4.7	6.4
Debtor Days	22.3	22.3	22.3	22.3
Creditor Days	58.9	58.9	58.9	58.9
Return Ratios (%)				
RoNW	6.2	4.7	12.7	17.0
RoCE	7.1	7.1	11.9	15.3
RoIC	7.0	7.3	12.2	16.6
Valuation Ratios (x)				
EV / EBITDA	30.5	26.8	18.5	14.2
P/E (Diluted)	87.9	111.2	36.9	23.5
EV / Net Sales	3.3	2.8	2.3	2.0
Market Cap / Sales	2.9	2.5	2.1	1.8
Price to Book Value	11.0	12.0	13.0	14.0
Solvency ratios (x)				
Net Debt / Equity	1.0	1.0	1.0	1.0
Net Debt / EBITDA	3.6	3.3	2.1	1.3
Current Ratio	2.1	2.1	2.1	2.1
Quick Ratio	0.7	0.7	0.7	0.7

Source: Company, ICICI Direct Research

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Sell: <-15%



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