

Another Tepid quarter

Product wise Q3 performance review

➤ Laminates (Steady Growth)

The demand in the domestic market remained subdued due to a slow pickup in construction activities. However, export markets experienced better growth. Greenlam showed stronger performance domestically, while Stylam excelled internationally, driven by volume growth. Operating margins were affected due to a slight increase in raw material costs for Stylam and lower volume growth for Greenlam.

➤ Plywood (Performance Exceeding Expectations)

Volume growth surpassed expectations, particularly for Century Ply (+15%), whereas Greenply faced a subdued performance (-2%). Operating margins remained stable, bolstered by price hikes to mitigate higher timber costs.

➤ MDF (Double digit industry volume growth, Margins Severely Impacted by High Timber Costs)

The industry experienced double-digit volume growth due to new capacity additions and stable demand. Margins, however, saw further contraction as a result of elevated timber prices and challenges in passing on these costs due to oversupply. Greenpanel Industries experienced the largest reduction in operating margins, driven by high timber costs and incentive schemes provided to dealers.

➤ Particleboard (Elevated Imports)

High levels of imports negatively impacted both sales and margins.

➤ Sinks (Improving Outlook)

Demand remained flat due to slowdowns in the USA and Europe.

Sales Volume growth Q3FY25 vs Q3FY24 YoY							
	Century Ply	Greenlam	Greenpanel	Greenply	Stylam	Rushil Décor	Carysil
Laminates	-5.0%	3.0%	-	-	7.0%	4.0%	-
Plywood	15.0%	59.0%	-17.0%	2.0%	-	-	-
Veneers & allied	0.0%	-16.0%	-	-	-	-	-
MDF	77.0%	-	-2.0%	1.0%	-	-2.0%	-
Particleboard	-9.0%	-	-	-	-	-	-
Quartz sinks	-	-	-	-	-	-	-0.5%
Kithcen appliances	-	-	-	-	-	-	-14.0%
Steel Sinks	-	-	-	-	-	-	-2.9%
Sales Volume growth 9MFY25 vs 9MFY24							
	Century Ply	Greenlam	Greenpanel	Greenply	Stylam	Rushil Décor	Carysil
Laminates	-7.1%	7.9%	-	-	4.7%	7.8%	-
Plywood	16.0%	139.0%	-17.4%	5.5%	-	-	-
Veneers & allied	-	-16.5%	-	-	-	-	-
MDF	67.4%	-	-5.9%	58.9%	-	13.8%	-
Particleboard	-1.2%	-	-	-	-	-	-
Quartz sinks	-	-	-	-	-	-	15.0%
Kithcen appliances	-	-	-	-	-	-	2.0%
Steel Sinks	-	-	-	-	-	-	27.0%

Source: Company, Company, Dalal & Broacha Research

Financial Overview Q3FY25

Company Name	Sales			EBITDA (excl OI)			PBT before exceptional			EPS		
	Q3FY25	YoY (%)	QoQ (%)	Q3FY25	YoY (%)	QoQ (%)	Q3FY25	YoY (%)	QoQ (%)	Q3FY25	YoY (%)	QoQ (%)
Century Plyboards	11,405	22%	-4%	1,295	22%	16%	799	5%	38%	2.63	-7%	46%
Greenlam Industries	6,020	7%	12%	635	11%	22%	213	40%	55%	0.98	-51%	64%
Greenpanel Industries	3,594	-7%	7%	173	-21%	42%	52	-8%	62%	0.69	-70%	54%
Greenply Industries	6,145	6%	-4%	540	7%	6%	365	25%	21%	1.95	-14%	38%
Stylam Industries	2,545	19%	-3%	460	4%	5%	425	2%	-9%	17.6	-5%	11%
Rushil Décor	2,117	-1%	-8%	273	11%	8%	155	2%	0%	0.4	-9%	0%
Carysil	2,031	8%	-2%	288	-8%	23%	196	-8%	28%	4.4	-18%	27%

Company Name	Gross margins			EBITDA margins			PAT margins		
	Q3FY25	YoY (bps)	QoQ (bps)	Q3FY25	YoY (bps)	QoQ (bps)	Q3FY25	YoY (bps)	QoQ (bps)
Century Plyboards	46.78%	(38)	176	11.35%	4	195	5.15%	(147)	176
Greenlam Industries	54.98%	21	334	10.55%	(208)	(141)	2.08%	(238)	(292)
Greenpanel Industries	43.42%	(1,272)	(578)	4.83%	(1,072)	(404)	2.32%	(483)	(307)
Greenply Industries	40.06%	10	101	8.79%	12	(21)	3.94%	(82)	121
Stylam Industries	45.27%	(386)	(371)	18.07%	(421)	(263)	11.65%	(282)	(124)
Rushil Décor	48.02%	(17)	(36)	12.90%	(148)	4	5.35%	2	43
Carysil	52.00%	(63)	(362)	14.18%	(455)	(378)	6.04%	(207)	(214)

Across our entire coverage, Greenply Industries and Century Plyboards delivery relatively better operational performance.

OUR VIEW:

Q3FY25 has not performed as per expectations mainly on account of slow pickup in the construction activity and liquidity crunch at the dealer/distributor level which is typically the case during election year. As stated in our previous notes we expected margins in FY25 to remain under pressure due to higher costs of raw materials like timber, overcapacity, higher imports and slightly elevated freight costs resulting from the Red Sea issue.

We foresee an improvement in margins for MDF players especially starting in H2FY26 as timber prices begin to ease with increased supply. Additionally, the implementation of BIS norms, expected by February 2025, could provide further support to MDF players.

We maintain a positive outlook for the entire home décor sector over the next 3-4 years, primarily due to the strong momentum in the housing market, evidenced by record launches and inventory absorption nationwide. We expect an earnings recovery for all the companies from FY26 driven by rising demand and reduced input cost pressures.

Top Pick at current valuations:

➤ Carysil Ltd (13x FY27E)

- Visibility from customers increasing leading to increased revenue and capacity utilization
- Margins to see a recovery as certain one-off adjustments in Q2 which impacted profitability
- Healthy return ratios above 15% to sustain

➤ Greenply Industries (16x FY27E)

- MDF division likely to drive revenue and EBITDA growth with improvement in margins
- JV with Samet should start contributing to the profitability from FY27
- Debt reduction will help to improve profitability
- Return ratios to improve significantly by 300 to 400bps driven by the overall improvement in the EBITDA margins.

Company Name	Sales			EBITDA (excl OI)			EPS			PAT CAGR 25-27E	CMP	P/E on FY27E
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E			
*Century Plyboards	45,189	53,331	61,737	3,759	5,753	7,852	11	18	26	57%	714	27
*Greenlam Industries	26,516	32,624	37,850	3,022	3,984	5,126	8	13	20	57%	523	26
Greenpanel Industries	14,500	18,241	21,809	1,020	2,530	4,019	4	10	19	128%	307	16
*Greenply Industries	25,127	28,399	31,802	2,372	3,073	3,679	9	13	18	42%	260	15
Stylam Industries	10,347	12,235	14,083	1,910	2,315	2,712	75	86	102	17%	1,663	16
Carysil	8,179	9,528	10,987	1,373	1,739	2,087	22	32	40	34%	504	13
Rushil Décor	NA											

Source: Company, Company, Dalal & Broacha Research

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