

## Profitability impacted, Outlook improving

### Product wise Q2 performance review

#### ➤ Laminates (steady growth)

Demand in domestic and export markets remained a bit impacted due to extended monsoons in India and container availability issues. Greenlam performed better in domestic markets while Stylam's performance was better in International markets (basis the volume growth)

Operating margins improved sequentially while remained suppressed on a YoY basis.

#### ➤ Plywood (Performance better than expectations)

Volume growth was a positive surprise especially for Century Ply (+19%) and Greenply (+6%) indicating that organized players are gaining market share. Margins saw an improvement on account of price hikes taken.

#### ➤ MDF (Margins severely impacted due to high timber cost)

The volume growth in the industry has been in double digits on account of new capacity added and lower imports. Margins have reduced further on account of higher timber price and difficulty in passing on the cost due to oversupply. Management across companies have indicated that margins have bottomed out.

#### ➤ Particleboard (elevated imports)

High level of imports dented the performance impacting sales as well as margins.

#### ➤ Sinks (demand improving)

Export momentum has started to pick up due to better demand in UK and USA.

Sales Volume growth Q2FY25 vs Q2FY24 YoY							
	Century Ply	Greenlam	Greenpanel	Greenply	Stylam	Rushil Décor	Carysil
Laminates	-9.0%	9.0%	-	-	2.0%	-3.0%	-
Plywood	19.0%	62.0%	-10.0%	-10.0%	-	-	-
Veneers & allied	0.0%	-10.0%	-	-	-	-	-
MDF	75.0%	-	-18.0%	-18.0%	-	19.0%	-
Particleboard	8.0%	-	-	-	-	-	-
Quartz sinks	-	-	-	-	-	-	6.0%
Kithcen appliances	-	-	-	-	-	-	6.5%
Steel Sinks	-	-	-	-	-	-	18.0%
Revenue growth Q2FY25 vs Q2FY24 YoY							
	Century Ply	Greenlam	Greenpanel	Greenply	Stylam	Rushil Décor	Carysil
Laminates	-5.0%	12.0%	-	-	14.0%	2.0%	-
Plywood	20.0%	74.0%	-15.0%	8.0%	-	-	-
Veneers & allied	-	1.0%	-	-	-	-	-
MDF	42.0%	-	-17.0%	40.0%	-	15.0%	-
Particleboard	3.0%	-	-	-	-	-	-
Quartz sinks	-	-	-	-	-	-	12.0%
Kithcen appliances	-	-	-	-	-	-	61.0%
Steel Sinks	-	-	-	-	-	-	3.0%

## Financial Overview Q2FY25

Company Name	Sales			EBITDA (excl OI)			PBT before exceptional			EPS		
	Q2FY25	YoY (%)	QoQ (%)	Q2FY25	YoY (%)	QoQ (%)	Q2FY25	YoY (%)	QoQ (%)	Q2FY25	YoY (%)	QoQ (%)
Century Plyboards	11,836	19%	18%	1,113	-3%	0%	580	-5%	1%	1.8	-59%	16%
Greenlam Industries	6,808	13%	13%	814	8%	27%	473	-1%	75%	2.7	-12%	73%
Greenpanel Industries	3,369	-16%	-8%	299	-7%	-17%	134	-7%	-37%	1.51	-55%	18%
Greenply Industries	6,405	13%	10%	576	9%	-1%	301	16%	-21%	1.4	-7%	-47%
Stylam Industries	2,627	12%	8%	544	5%	30%	468	8%	24%	19.66	5%	18%
Rushil Décor	2,304	13%	2%	296	2%	15%	154	12%	-7%	0.43	-8%	-6%
Carysil	2,070	27%	3%	372	13%	4%	236	8%	4%	5.6	-3%	-6%

Company Name	Gross margins			EBITDA margins			PAT margins		
	Q2FY25	YoY (bps)	QoQ (bps)	Q2FY25	YoY (bps)	QoQ (bps)	Q2FY25	YoY (bps)	QoQ (bps)
Century Plyboards	45.05%	(340)	(146)	9.40%	(507)	(166)	3.39%	(622)	2
Greenlam Industries	51.64%	23	(39)	11.96%	(56)	137	5.00%	(140)	173
Greenpanel Industries	49.20%	(641)	(189)	8.87%	(846)	(101)	5.39%	(472)	114
Greenply Industries	39.05%	(18)	(167)	9.00%	48	(92)	2.73%	(55)	289
Stylam Industries	48.97%	219	447	20.70%	59	344	12.89%	(57)	133
Rushil Décor	48.37%	48	278	12.90%	120	150	4.90%	(30)	(60)
Carysil	55.62%	264	233	17.97%	(217)	13	8.18%	(128)	36

Across our entire coverage, Stylam Industries reported relatively better numbers in Q2FY25.

## OUR VIEW:

As stated in our previous note, we expected demand to pick up from Q2FY25, although margins in FY25 might remain under pressure due to higher costs of raw materials like timber, kraft paper, and decorative paper, as well as elevated freight costs resulting from the Red Sea issue, Q2FY25 turning out to be in a similar fashion.

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 a robust earnings recovery for all the companies from FY26 driven by rising demand and reduced input cost pressures.

## Top Pick:

## ➤ Carysil Ltd (15x FY27E)

- 15-20% CAGR organic growth over the next few years is possible as Quartz sinks is growing 15-20% globally, gaining market share gains from competitors and adding new large retailers
- No margins compression pressure unless an inorganic acquisition lowers the overall profitability
- Healthy return ratios above 15% to sustain

## ➤ Greenply Industries (18x 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 24-27E	CMP	P/E on FY27E
	FY24A	FY25E	FY26E	FY27E	FY24A	FY25E	FY26E	FY27E	FY24A	FY25E	FY26E	FY27E			
*Century Plyboards	38,700	44,945	53,323	62,186	5,460	5,474	7,622	9,585	16	13	21	27	19%	749	27.6
*Greenlam Industries	23,063	27,771	34,349	39,501	3,380	3,375	4,474	5,607	11	11	17	24	30%	520	21.7
Greenpanel Industries	15,673	17,496	21,723	23,710	2,465	2,418	3,525	4,522	12	10	16	22	24%	341	15.4
*Greenply Industries	23,020	25,530	29,022	32,411	2,060	2,587	3,304	3,846	5	10	15	18	51%	328	18.1
Stylam Industries	9,141	9,775	12,148	14,585	1,845	1,872	2,385	2,884	76	72	88	109	13%	2,270	20.8
Carysil	6,838	8,525	10,291	12,036	1,287	1,571	2,058	2,407	22	29	43	51	32%	770	15.2
Rushil Décor															

\* BB consensus

## Comparison on Key metrics:

Product segment	FY24 vs FY23	
	Revenue Inc/Dec	Volume Inc/Dec
<b>Laminates Industry</b>	<b>3.6%</b>	<b>6.7%</b>
Century Ply	-0.2%	6.5%
Greenlam	10.1%	11.3%
Stylam	-4.0%	1.4%
Rushil Décor	-7.7%	0.9%
<b>Plywood Industry</b>	<b>6.8%</b>	<b>6.2%</b>
Century Ply	7.0%	4.4%
Greenply	9.0%	8.6%
Greenpanel	-33.5%	-28.0%
Greenlam	NA - capacity added in FY24	
<b>MDF Industry</b>	<b>12.6%</b>	<b>17.4%</b>
Century Ply	17.4%	18.7%
Greenply	NA - capacity added in FY24	
Greenpanel	-8.7%	-4.3%
Rushil Décor	1.6%	10.1%
<b>Particleboard Industry</b>	<b>-9.7%</b>	<b>5.0%</b>
Century Ply	-9.7%	5.0%
<b>Sinks (Quartz &amp; Steel)</b>	<b>9.0%</b>	<b>11.0%</b>
Carysil	9.0%	11.0%

Greenlam Industries gained market share in the laminates segment (includes domestic and export volumes). Stylam Industries exports volumes de-grew by 8% however domestic volumes grew by 14% for FY24.

Greenply Industries gained market share and delivered better volume growth than Century Ply after many years. Greenpanel Industries plywood volumes was impacted due to restructuring in the dealer channel.

Greenpanel Industries lost market share to imports and increased domestic supply. Greenply Industries and Century Ply added new capacities in the MDF division in FY24.

Particleboard industry continues to be dominated by low quality domestic supply and elevated imports.

The volume trajectory of sinks started to improve post Q2 once the inventory destocking by dealers in the exports markets normalized.

Product segment	CAGR FY19-24	
	Revenue CAGR	Volume CAGR
<b>Laminates Industry</b>	<b>11.9%</b>	<b>6.3%</b>
Century Ply	8.5%	5.5%
Greenlam	13.5%	7.0%
Stylam	14.7%	8.1%
Rushil Décor	0.9%	-0.6%
<b>Plywood Industry</b>	<b>8.2%</b>	<b>4.8%</b>
Century Ply	11.0%	8.3%
Greenply	5.2%	4.7%
Greenpanel	2.8%	1.7%
Greenlam	NA - capacity added in FY24	
<b>MDF Industry</b>	<b>29.0%</b>	<b>21.6%</b>
Century Ply	20.5%	10.7%
Greenply	NA - capacity added in FY24	
Greenpanel	26.7%	19.6%
Rushil Décor	32.2%	26.8%
<b>Particleboard Industry</b>	<b>10.0%</b>	<b>4.4%</b>
Century Ply	10.0%	4.4%
<b>Sinks (Quartz &amp; Steel)</b>	<b>13.9%</b>	<b>11.2%</b>
Carysil	13.9%	11.2%

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.  
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)