

November 1, 2023

RESULT REPORT Q2 FY24 | Sector: Building Materials

Greenpanel Industries Ltd

Multiple Headwinds to keep performance under check!

Result Synopsis

Greenpanel Industries Ltd (GREENP) registered a sluggish quarter wherein MDF volumes came in at 123,615cbm, a decline of 2%YoY & increased by 7%QoQ. Export volumes (27% of MDF vols), increased by 24%YoY & 21%QoQ, the sequential growth was on account of unbilled inventory at port in previous quarter. Domestic volumes (73% of MDF vols), declined by 9%YoY & improved marginally by 2%QoQ. Blended ASP contracted by 8.4%YoY & 2.4%QoQ due to price correction in export prices as compared to Q2FY23 & higher contribution of exports in Q2FY24 Vs previous quarter. EBITDA margins came in at 21.2% as compared to 30.4%/20.4% in Q2FY23/Q1FY24 respectively. Hence, EBITDA/cbm stood at Rs6,080 Vs Rs9,515/Rs5,993 in Q2FY23/Q1FY24 respectively. Plywood volumes degrew sharply by 20%YoY & increased by 4% sequentially. EBITDA margins contracted drastically to 1.6% from 7.3%/5.9% in Q2FY23/Q1FY24 respectively on account of higher timber cost & lower volumes. Moreover, the prices of deco-veneer reduced during the quarter which further dented the margins.

Management steeply reduced their MDF volume growth guidance to 3-5%YoY for FY24 Vs previous guidance of 13-15%. EBITDA margin guidance has also been lowered to 22-23% Vs previous 23-25%. For plywoods company expects to remain flattish on volume front. The commercial production of new MDF capacity has also been postponed to Q3FY25 from Q1FY25 due to delay in shipment from Germany.

We believe GREENP is likely witness multiple headwinds over FY23-FY25E in terms of (i) softness in demand, (ii) rising imports, (iii) growing domestic competition & (iv) rising input cost. Hence, we do not foresee any major growth over FY23-FY25E, wherein we expect MDF volumes/value to grow by 11%/6% CAGR for MDF. MDF Margins are likely to decline to 20.5% by FY25E owing to contraction in realization with new low-grade product expected to constitute 25-30% of total volumes. We have lowered our FY25E EPS expectation by 12% & downgraded the stock to NEUTRAL from ADD.

Result Highlights

- Revenue for the quarter stood at Rs3.98Bn, a decline of 13%YoY & growth of 3%QoQ.
- EBITDA margins came in at 17.3% as compared to 25.5%/17% in Q2FY23/Q1FY24 respectively. Absolute EBITDA stood at Rs691Mn, a decline of 41%YoY & increase of 5%QoQ.
- Net profit stood at Rs410Mn, a degrowth of 43.4%YoY & growth of 10%QoQ.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	3,987	4,061	4,213	(1.8)	(5.4)	
EBITDA	691	755	776	(8.5)	(11.0)	Revenue was in-line with estimates, margins were lower.
EBITDA Margin (%)	17.3	18.6	18.4	-127 bps	-109 bps	
Adjusted PAT	410	448	334	(8.4)	23.1	

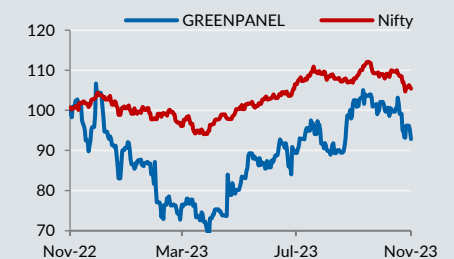
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 345
Target Price	: Rs 346
Potential Upside	: -

Stock data (as on Nov 1, 2023)

Nifty	18,989
52 Week h/l (Rs)	400 / 255
Market cap (Rs/USD mn)	43416 / 521
Outstanding Shares (mn)	123
6m Avg t/o (Rs mn):	135
Div yield (%):	0.4
Bloomberg code:	GREENP IN
NSE code:	GREENPANEL

Stock performance



	1M	3M	1Y
Absolute return	-9.1%	1.1%	-6.4%

Shareholding pattern (As of Sep'23 end)

Promoter	53.1%
FII+DII	27.3%
Others	19.6%

Δ in stance

	New	Old
Rating	NEUTRAL	ADD
Target Price	346	390

Δ in earnings estimates

	FY24E	FY25E	FY26E
EPS (New)	17.4	17.2	22.4
EPS (Old)	18.9	19.5	-
% change	-8.1%	-11.6%	-

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Net Revenue	17,246	19,610	22,563
YoY Growth	-3%	12%	12%
EBIDTA	3,433	3,681	4,552
EBIDTA (%)	20%	19%	20%
PAT	2,129	2,114	2,748
YoY Growth	-17%	-1%	30%
ROE	16%	14%	16%
EPS	17.4	17.2	22.4
P/E	19.9	20.0	15.4
BV/Share	113.2	129.0	149.9
P/BV	3.0	2.7	2.3

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- MDF revenue (89% of sales), stood at Rs3.55Bn, a degrowth of 10%YoY & growth of 4% QoQ. Volumes degrew by 2.1%YoY & grew by 6.8% to 123,615cbm. Margins declined by 920bpsYoY to 21.2%.
- MDF domestic realizations declined to Rs32,770/cbm from Rs 33,554/ Rs 32,924 in Q2FY23/Q1FY24 respectively. Export realizations down to Rs 17,535/cbm from Rs22,906/Rs17,944 in Q2FY23/Q1FY24 respectively. Blended realization dropped to Rs28,679 v/s Rs31,299/Rs29,375 in Q2FY23/Q1FY24 respectively.
- Plywood revenue (11% of sales), stood at Rs431.9Mn, a decline of 29%YoY & 4%QoQ. Plywood margins slipped to 1.6% as compared to 7.3%/5.9% in Q2FY23/Q1FY24 respectively. Plywood realizations came in at Rs263/sqm v/s Rs299/285 in Q2FY23/Q1FY24 respectively.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
Revenue	4,640	4,573	4,202	4,414	3,862	3,987	(12.8)	3.2	9,213	7,849	(14.8)
Expenditure	3,324	3,406	3,281	3,652	3,204	3,296	(3.2)	2.9	6,730	6,500	(3.4)
- RM	1,778	1,887	1,753	2,040	1,612	1,770	(6.2)	9.8	3,665	3,382	(7.7)
- Staff Cost	365	361	353	319	333	354	(2.0)	6.4	726	686	(5.4)
- Other cost	1,182	1,157	1,176	1,293	1,259	1,173	1.3	(6.9)	2,339	2,432	4.0
Operating Profit	1,316	1,167	920	763	658	691	(40.8)	5.0	2,483	1,349	(45.7)
OPM(%)	28.4	25.5	21.9	17.3	17.0	17.3	-820 bps	29 bps	27.0	17.2	-976 bps
Other Income	72	76	(40)	85	64	68	(11.0)	6.6	149	132	(11.5)
Depreciation	182	182	183	172	182	185	1.5	1.5	365	367	0.7
Interest	26	18	114	32	40	19	6.7	(51.6)	44	59	32.9
PBT	1,179	1,105	583	644	500	555	(49.8)	11.0	2,284	1,055	(53.8)
Tax	403	380	208	(46)	127	145	(61.9)	13.6	783	272	(65.3)
PAT	776	725	376	690	373	410	(43.4)	10.0	1,501	783	(47.8)

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Revenue (Rs Mn)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
MDF	3,919	3,951	3,616	3,860	3,402	3,545	(9.5)	4.2	7,870	6,947	(11.7)
Plywood	709	611	575	546	450	432	(39.0)	(4.0)	1,319	882	(33.2)
EBITDA	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
MDF	1,305	1,201	926	845	694	752	(42.4)	8.3	2,506	1,445	(42.3)
Plywood	81	45	40	2	27	7	(91.5)	(74.0)	126	33	(73.5)
EBITDA%	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
MDF	33.3	30.4	25.6	21.9	20.4	21.2	-1210 bps	80 bps	31.8	20.8	-1104 bps
Plywood	11.5	7.3	7.0	0.4	5.9	1.6	-990 bps	-430 bps	9.6	3.8	-576 bps
Volume	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
MDF (cbm)	125,029	126,232	118,218	137,265	115,798	123,615	(1.1)	6.8	251,260	239,413	(4.7)
Plywood (msqm)	2.5	2.0	2.0	2.0	1.6	1.6	(34.7)	3.8	4.6	3.2	(29.3)
Avg Realizations	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
MDF (Rs/cbm)	31,345	31,299	30,585	28,122	29,375	28,679	(8.5)	(2.4)	31,322	29,015	(7.4)
Plywood (Rs/sqm)	282	299	289	267	285	263	(6.6)	(7.5)	289	274	(5.4)

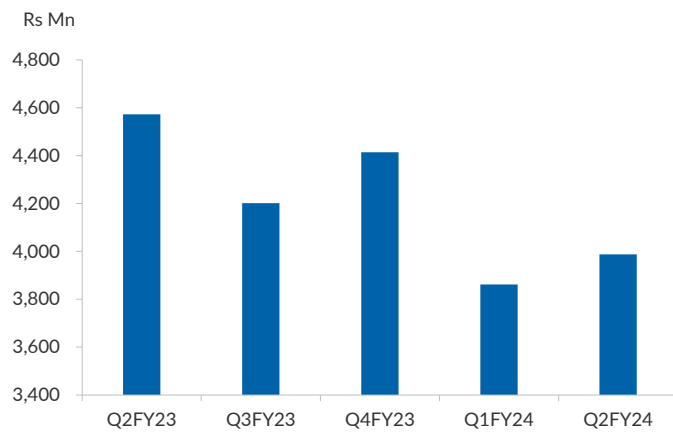
Source: Company, YES Sec

KEY HIGHLIGHTS FROM CONCALL

- **Guidance:** Management lowered their MDF volume guidance from 12-14% to 3-5% for FY24 & EBITDA margin guidance has also been revised downwards to 22-23% from 23-25%. For plywoods, company expects a flattish fiscal in terms of volumes.
- Company stated that demand has been improving, for Oct'23 the volumes stood at 34,000cbm, a growth of 9%YoY. Exports stood at 9,600cbm.
- Management stated that MDF sales were impacted as company refrained from servicing the OEM customers due to lower prices. However, company has launched a new product to cater the same, hence OEM sales should grow from coming quarter. Company sold ~12,000cbm in Q2FY24 which is likely to double in coming quarters. The margins of this product are 3-4% lower Vs regular industrial grade.
- Margins of MDFs were impacted due to higher input cost, higher competition & growing imports.
- On plywoods, the margins were impacted due to lower volumes & higher input cost. Moreover, the ASP of deco-veneers saw a sharp contraction during the quarter. Excluding the reduction of deco-veneers, the ASP of plywoods were higher by 1%.
- Utilizations of Andhra/Uttarakhand plant stood at 68%/94% respectively. Blended utilization for the quarter stood at 72%.
- Imports for the quarter stood at ~48,000-50,000cbm/month run rate Vs 25,000-30,000cbm/month run rate in previous quarter. Current import prices are cheaper by ~18-20% vs domestic products.
- New MDF capacity is expected to commence from Q3FY25 (Vs earlier target of Q1FY25), the postponement is on account of delay in shipment from Germany. Management expects capex cost to escalate marginally due to currency change. In H1FY24, company has incurred capex of Rs900Mn for this capacity.
- The new capex will largely manufacture thin MDFs which has a ready market & hence management aims to achieve 30-40% utilization proportionately for FY25.
- Timber cost in North has been flattish but the cost in south has gone up by 11%. On YoY basis, the North and South prices are up by 10% and 30% respectively.
- In plywood company aims to first utilize the current capacity optimally and then plan the next leg of capex.
- On realizations, management expects the domestic prices should remain steady. However, with 25-30% volumes likely to be constituted by new grade MDF which is ~10-12% lower in price Vs avg realization, the company's realizations could drop by 3-4%.
- MDF Export margins are ~2-3%.
- Current domestic capacity is ~2.7mn cbm which is expected to grow by 3.5mn cbm by FY25end.
- By Feb'24, all MDFs sold in India have to be BIS certified. Management expects this to be deterrent for imports as the procedure to get BIS-certificate is tedious and the importers operating efficiencies would contract if they had to maintain a separate product category for a particular Nation.
- NWC-days stood at 26-days which was an increase of 2-days YoY.
- Net debt stood at Rs1.79Bn.

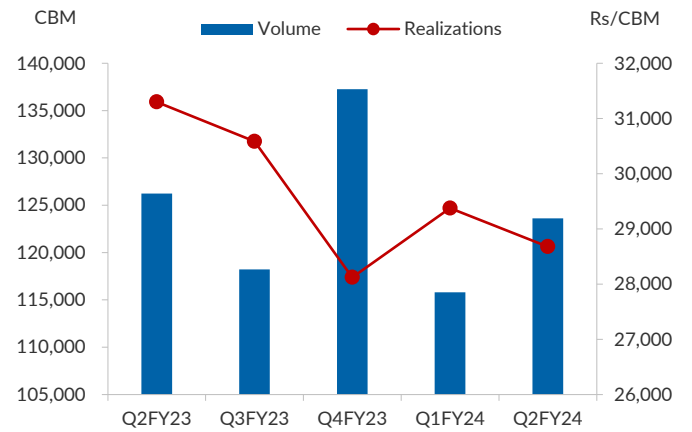
QUARTERLY TRENDS

Exhibit 4: Revenue down by 13%YoY...



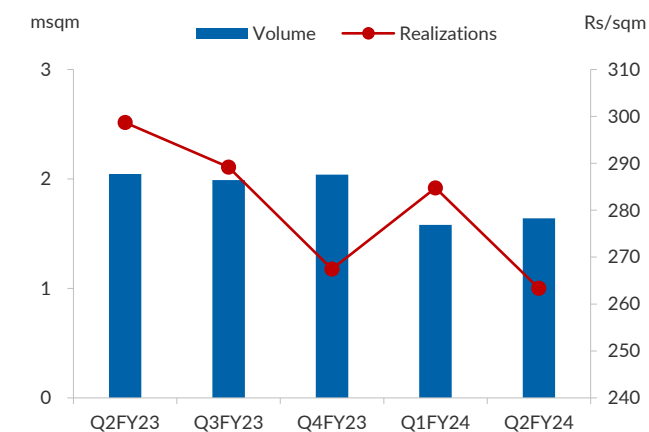
Source: Company, YES Sec

Exhibit 5: MDF realizations dipped to Rs28,679/cbm ...



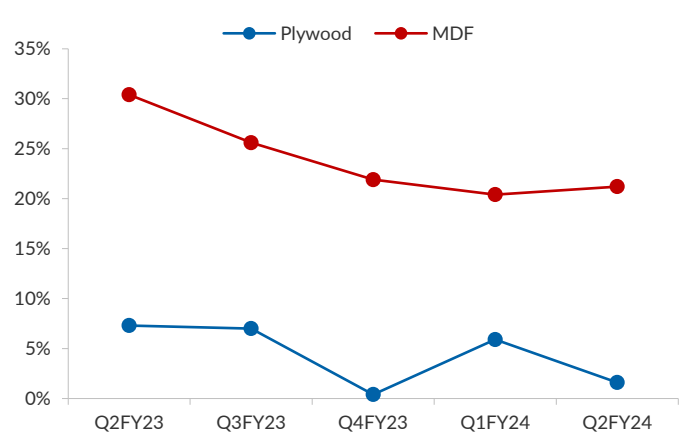
Source: Company, YES Sec

Exhibit 6: Plywood volume decreased by 20%YoY...



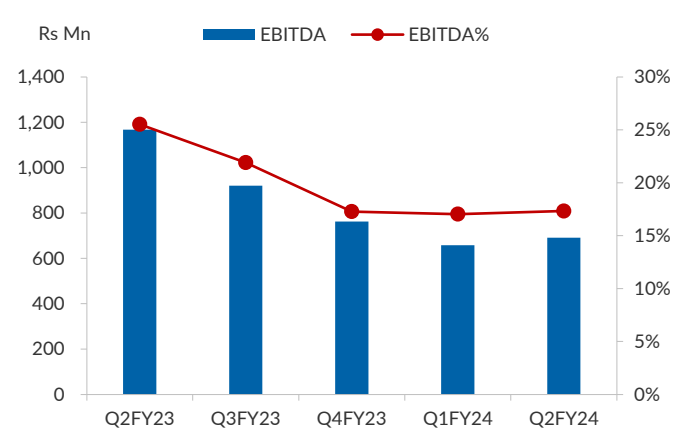
Source: Company, YES Sec

Exhibit 7: Margins declined for both the segment YoY...



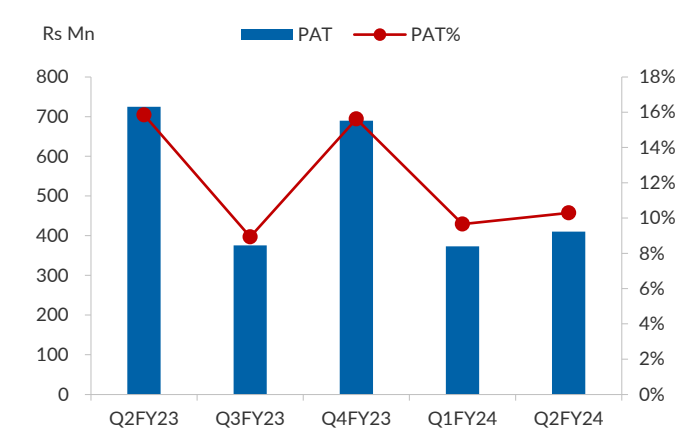
Source: Company, YES Sec

Exhibit 8: Blended margin came in at 17.3%...



Source: Company, YES Sec

Exhibit 9: Net profit stood at Rs410mn...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenues	16,250	17,828	17,246	19,610	22,563
Growth (%)	59.2%	9.7%	-3.3%	12.0%	12.0%
EBITDA	4,304	4,166	3,433	3,681	4,552
EBITDA margin (%)	26.5%	23.4%	19.9%	18.8%	20.2%
Growth (%)	111.7%	-3.2%	-17.6%	7.2%	23.7%
Depreciation & Amortization	734	719	737	969	1,069
Other income	90	194	267	333	502
EBIT	3,660	3,640	2,963	3,045	3,986
EBIT margin (%)	22.5%	20.4%	17.2%	15.5%	17.7%
Interest	171	190	124	226	322
PBT	3,490	3,511	2,839	2,819	3,664
Tax	1,085	944	710	705	916
Net profit	2,405	2,566	2,129	2,114	2,748
Net profit margin (%)	14.8%	14.4%	12.3%	10.8%	12.2%
EPS	19.6	20.9	17.4	17.2	22.4
Growth (%)	249.5%	6.7%	-17.0%	-0.7%	30.0%

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	123	123	123	123	123
Reserves	9,394	11,816	13,762	15,692	18,255
Total Shareholders' Funds	9,516	11,939	13,884	15,814	18,378
Non-current liabilities					
Long term borrowings	1,652	1,271	1,915	2,946	3,976
Deferred Tax liabilities	682	1,020	1,020	1,020	1,020
Current liabilities					
Short term borrowings	1,245	702	1,058	1,627	2,196
Trade payables	1,378	1,111	1,041	1,255	1,453
Other financial liabilities	494	526	526	526	526
Total equity and liabilities	15,423	17,048	19,923	23,666	28,028
Non-current assets					
PPE	9,948	9,453	11,716	13,748	13,679
CWIP	-	49	49	49	49
Current assets					
Inventories	1,658	1,525	1,429	1,722	1,994
Trade receivables	414	444	429	488	562
Cash and cash equivalents	574	133	4,501	5,862	9,947
Loans and advances	7	5	5	5	5
Other current assets	557	587	587	587	587
Total assets	15,423	17,048	19,923	23,667	28,029

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	3,490	3,510	2,839	2,819	3,664
Depreciation & Amortization	734	720	737	969	1,069
Finance cost	171	190	124	226	322
(Incr)/Decr in Working Capital	402	(254)	41	(138)	(147)
Taxes	(580)	(623)	(710)	(705)	(916)
Cash from ops.	3,657	3,374	3,030	3,171	3,991
(Incr)/ Decr in PP&E	(337)	(803)	(3,000)	(3,000)	(1,000)
Cash Flow from Investing	(1,364)	(2,478)	(3,000)	(3,000)	(1,000)
(Decr)/Incr in Borrowings	(1,468)	(1,002)	1,000	1,600	1,600
Finance cost	(115)	(85)	(124)	(226)	(322)
Cash Flow from Financing	(1,849)	(1,336)	692	1,190	1,094
Incr/(Decr) in cash	443	(441)	723	1,360	4,085
Cash and cash equivalents at beginning of year	131	574	3,778	4,501	5,862
Cash and cash equivalents at end of year	574	133	4,501	5,862	9,947

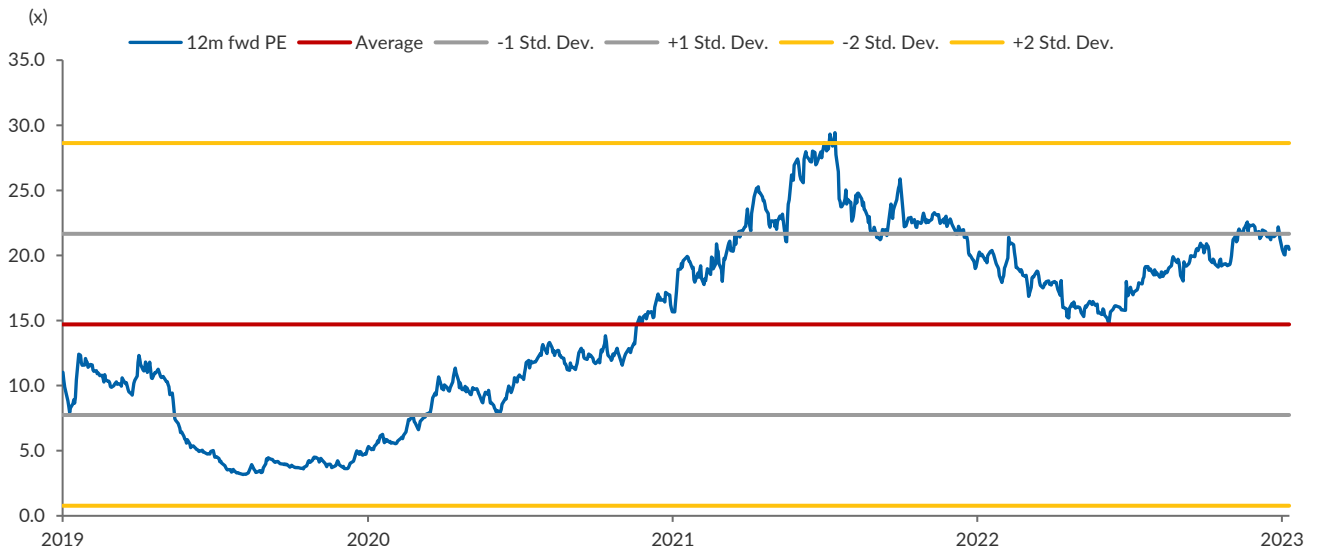
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY22	FY23	FY24E	FY25E	FY26E
Growth (%)					
Total Sales	59.2%	9.7%	-3.3%	12.0%	12.0%
EBIDTA	111.7%	-3.2%	-17.6%	7.2%	23.7%
EBIT	164.9%	-0.6%	-18.6%	2.8%	30.9%
PAT	249.5%	6.7%	-17.0%	-0.7%	30.0%
Profitability (%)					
EBIDTA Margins	26.5%	23.4%	19.9%	18.8%	20.2%
EBIT Margins	22.5%	20.4%	17.2%	15.5%	17.7%
PAT Margins	14.8%	14.4%	12.3%	10.8%	12.2%
ROCE	30.5%	26.9%	18.5%	16.2%	18.1%
ROE	28.6%	23.9%	16.5%	14.2%	16.1%
Per Share Data (Rs)					
EPS	19.6	20.9	17.4	17.2	22.4
CEPS	25.5	27.0	23.4	25.1	31.1
BVPS	77.6	97.4	113.2	129.0	149.9
Valuations (x)					
P/E (x)	29.8	13.0	19.9	20.0	15.4
P/CEPS (x)	22.9	10.1	14.8	13.7	11.1
P/BV (x)	7.5	2.8	3.0	2.7	2.3
EV/EBIDTA	16.9	7.6	10.6	10.3	8.7
Gearing Ratios					
Net Debt/Equity	0.1	-0.1	0.2	0.3	0.3
Net Debt/EBIDTA	0.3	-0.4	0.9	1.2	1.4
Int Coverage	21.4	19.1	24.0	13.5	12.4
WCC Days					
Debtors	9	9	9	9	9
Inventory	90	75	75	75	75
Creditors	75	54	54	54	54

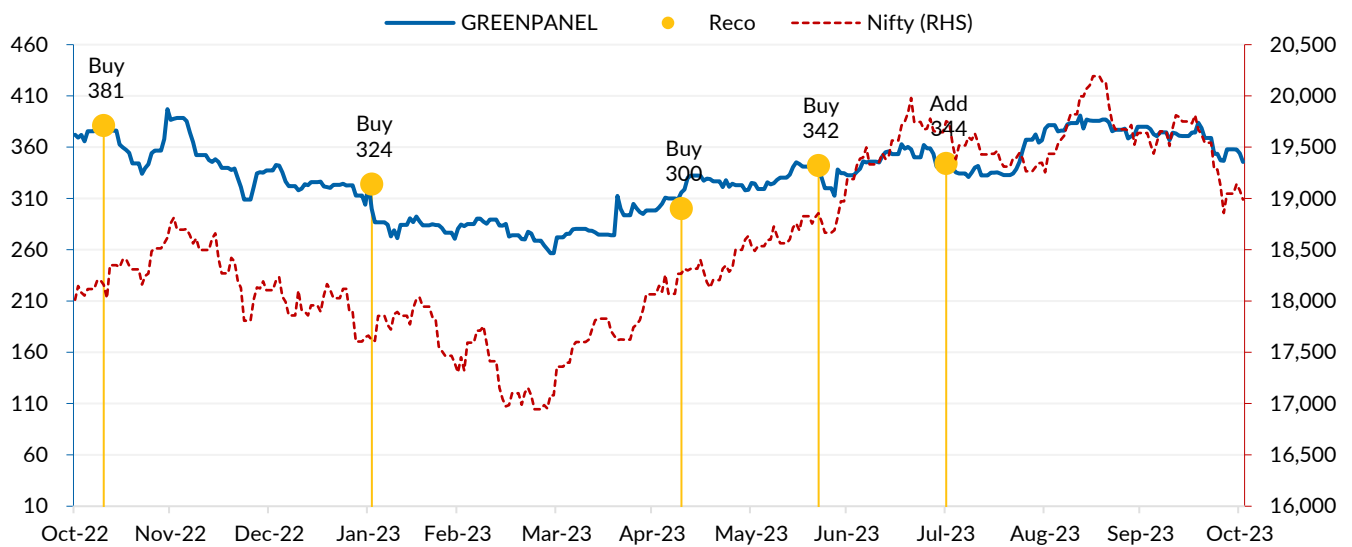
Source: Company, YES Sec

Exhibit 14: 1-year forward P/E (x) chart



Source: Company, YES Sec

Recommendation Tracker



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Investments in securities market are subject to market risks, read all the related documents carefully before investing.

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