

Greenply Industries | BUY

Strong performance

Greenply Industries' (Greenply) 2QFY24 performance was a beat on our and Street expectations (Revenue/ EBITDA was 27%/15% above JMFe), led by strong volume growth in the plywood segment (+12% YoY; 8% above JMFe) and significant ramp-up in MDF volume (CU at 52% in 2Q). Ply revenue grew 11% YoY to INR 4.8bn (+16% QoQ, 5% above JMFe) led by volume growth of 12% YoY while realisation declined 1% YoY (-1% QoQ, 2% below JMFe). The MDF unit in 2QFY24 (its 1st quarter of full operations) reported volume of 31k cbm (vs. JMFe 18k cbm), and realisation of INR 28.8k/ cbm (3% above JMFe). Given the robust performance in MDF, the management reiterated its earlier volume guidance of 100k cbm in FY24. Gabon performance remained weak (revenue declined 36% YoY) on account of political and demand uncertainty. On the profitability front, timber prices remained elevated, which led to price hikes in Aug-Sep'23. The management expects ply volume to grow by 8-9% for FY24. We broadly maintain our FY24-26 estimates and arrive at Dec'24TP of INR300. Keys risk to our call – Weaker-than-expected growth in ply and MDF volume.

- 2QFY24 performance:** Greenply's consolidated revenue was INR 6.1bn, up 23% YoY/+28% QoQ (+12% 4-year CAGR). Ply revenue grew 11% YoY (+9% 4-year CAGR, 5% above JMFe) led by ply volume growth of 12% YoY (+17% QoQ, +6% 4-year CAGR, 8% above JMFe) while realisation declined 1% YoY (-1% QoQ, +2% 4-year CAGR). Timber prices remained elevated; the company hiked prices in Aug-Sep'23. Gross margin expanded 20bps YoY (-170bps QoQ, 190bps below JMFe). Higher spend towards branding and advertisement activity (3.7% of sales vs 3.0% in 2QFY23) led to EBITDA margin contracting by 150bps YoY (+220bps QoQ, 90bps below JMFe) to 8.4%. EBITDA came in at INR 513mn, +5% YoY/+72% QoQ (15%/28% above JMFe/Consensus). Higher depreciation and interest cost led to PAT of INR 139mn, -41% YoY (vs. JMFe: INR 39mn).
- Robust plywood volume growth (+12% YoY, +6% 4-year CAGR, 8% above JMFe):** Ply volume grew by 12% YoY to 19.1msm (+17% QoQ; 8% above our estimates). Demand improved during the quarter; however, the management indicated that volume growth came mainly in the value segment. The management continues to be optimistic and has guided for 8% volume growth for FY24. Plywood EBITDA margin contracted 210bps YoY /70bps QoQ to 7.6% (90bps below JMFe) as the company continued to step up its investment towards branding and distribution expansion. Greenply has appointed actor Jr NTR as its brand ambassador as the company intends to strengthen its market share in the southern markets.
- MDF volume and realisation surprise positively:** Greenply's newly commenced MDF segment (1st quarter of full operations, operated only 55 days in 1QFY24) reported revenue of INR 897mn. MDF volume came in at 31K cbm (vs. JMFe: 18k cbm). MDF realisation during the quarter was INR 28.8k (3% above JMFe). The management maintains its earlier guidance of volume of 100k cbm and revenue of INR 2.75bn-3bn in FY24. On the profitability front, the MDF segment reported operating profit of INR 140mn (vs. JMFe: loss of INR 40mn). However, the management refrained from giving



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	300
Upside/(Downside)	82.5%
Previous Price Target	250
Change	20.0%

Key Data – MTLM IN

Current Market Price	INR164
Market cap (bn)	INR20.3/US\$0.2
Free Float	52%
Shares in issue (mn)	122.8
Diluted share (mn)	122.8
3-mon avg daily val (mn)	INR31.3/US\$0.4
52-week range	186/134
Sensex/Nifty	64,959/19,412
INR/US\$	83.2

Price Performance

%	1M	6M	12M
Absolute	-2.6	5.3	-3.2
Relative*	-1.1	-1.0	-9.1

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	15,628	18,456	22,521	25,919	28,613
Sales Growth (%)	34.1	18.1	22.0	15.1	10.4
EBITDA	1,503	1,691	1,967	2,769	3,385
EBITDA Margin (%)	9.6	9.2	8.7	10.7	11.8
Adjusted Net Profit	921	1,040	428	1,217	1,842
Diluted EPS (INR)	7.5	8.5	3.5	9.9	15.0
Diluted EPS Growth (%)	45.6	12.9	-58.9	184.5	51.4
ROIC (%)	15.5	11.2	6.0	13.8	19.6
ROE (%)	18.9	17.6	6.5	16.6	21.2
P/E (x)	21.9	19.4	47.1	16.6	10.9
P/B (x)	3.7	3.1	3.0	2.6	2.1
EV/EBITDA (x)	14.9	15.7	12.6	8.4	6.3
Dividend Yield (%)	0.3	0.3	0.3	0.7	1.1

Source: Company data, JM Financial. Note: Valuations as of 06/Nov/2023

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

any guidance on what is a sustainable margin as believes that it is too early to do so. Pace of distribution expansion in the MDF segment is trending well (c. 250 dealers now and to achieve 1,000 by Mar'24).

- **Challenging times for Gabon:** Gabon revenue declined 36% YoY (-38% QoQ, +3% 4-year CAGR) as the quarter was impacted by political challenges in the country, leading to a halt in operations at the unit. EBITDA declined 49% YoY to INR 30mn (+7% QoQ, 112% above JMFe). EBITDA margin shrank by 190bps YoY to 7.5% (+310bps QoQ).
- **Maintain estimates and BUY rating:** We broadly maintain our FY24-26 EPS estimates to reflect the current quarter performance and arrive at a Dec'24 TP of INR 300, basis 22x Dec'25EPS. We maintain BUY on cheap valuation. Keys risks to our call – Weaker-than-expected growth in ply volume.
- **Other highlights:**
 - The management highlighted that the value segment of the plywood industry is witnessing higher growth; however, it added that the company's efforts in premium segment was still continuing.
 - Greenply's MDF is 2-2.5% cheaper than its peers. These prices are introductory prices till Mar'24; after that the company will price its products at par.
 - Imported MDF prices are substantially lower at INR 19-20k per cbm for interior grade whereas domestic prices for interior grade are priced at INR 25-26k.
 - Greenply has entered into a JV with Samet BV, a leading furniture hardware manufacturer in Turkey. The JV will invest INR 3-3.5bn over 3 years with a mix of debt and equity (Greenply will invest INR 400mn in the form of equity contribution). As per the management, this facility can generate peak revenue of INR 8bn at an attractive operating margin (EBITDA margin >20%).
 - Working capital days during the quarter decreased to 48 days (vs. 63 in Jun'23) on account of lower inventories (54 days vs. 62 in June'23) and receivable days (42 days vs. 48 in June'23).

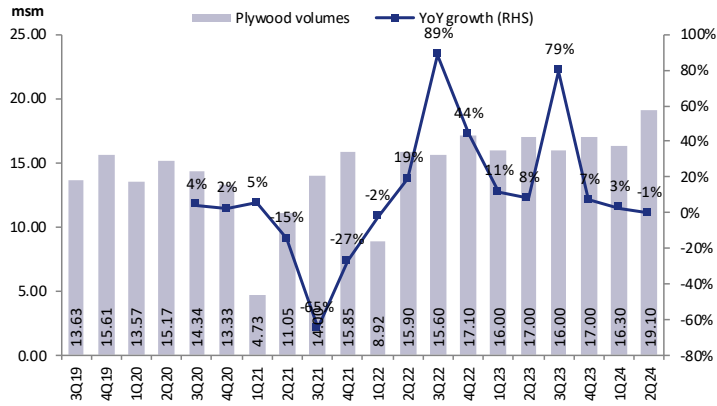
Exhibit 1. 2QFY24 performance

INR mn	2Q23	2Q24	YoY	4yr CAGR	1Q24	QoQ	2Q24E	Var	1HFY23	1HFY24	YoY	4yr CAGR
Net Sales	4,947	6,077	23%	12%	4,761	28%	4,771	27%	9,483	10,839	14%	10%
India Plywood and Allied	4,318	4,780	11%	9%	4,120	16%	4,536	5%	8,264	8,900	8%	8%
Volume (msm)	17.0	19.1	12%	6%	16.3	17%	17.7	8%	33.0	35.4	7%	5%
Realisation (INR/sqm)	254	250	-1%	2%	253	-1%	257	-2%	250	251	0%	3%
Gabon Revenue	629	400	-36%	3%	641	-38%	236	70%	1,219	1,939	59%	24%
MDF Revenue	NA	897	NA	NA	181	395%	504	78%	NA	1,079	NA	NA
Volume (CBM)	NA	31,019	NA	NA	6,062	412%	18,000	72%	NA	37,081	NA	NA
Realisation (INR/sqm)	NA	28,872	NA	NA	28,546	1%	28,000	3%	NA	29,082	NA	NA
Raw Material Cost	2,989	3,657	22%	14%	2,784	31%	2,783	31%	5,770	6,441	12%	11%
Gross Profit	1,958	2,420	24%	11%	1,977	22%	1,988	22%	3,713	4,397	18%	9%
Gross Margin	39.6%	39.8%	20 bps		41.5%	-170 bps	41.7%	-190 bps	39.2%	40.6%	140 bps	
Employee cost	637	780	22%	15%	710	10%	732	7%	1,198	1,489	24%	15%
% of sales	12.9%	12.8%	0 bps		14.9%	-210 bps	15.3%	-250 bps	12.6%	13.7%	110 bps	
Other expenses	831	1,127	36%	12%	969	16%	811	39%	1,624	2,097	29%	11%
% of sales	16.8%	18.6%	170 bps		20.4%	-180 bps	17.0%	160 bps	17.1%	19.3%	220 bps	
Total Expenditure	4,458	5,565	25%	13%	4,463	25%	4,326	29%	8,592	10,028	17%	12%
EBITDA	490	513	5%	3%	298	72%	445	15%	891	811	-9%	-1%
EBITDA margin	9.9%	8.4%	-150 bps		6.3%	220 bps	9.3%	-90 bps	9.4%	7.5%	-190 bps	
India Plywood and Allied	420	365	-13%	-1%	343	6%	431	-15%	752	708	-6%	0%
Margin	9.7%	7.6%	-210 bps		8.3%	-70 bps	9.5%	-190 bps	9.1%	8.0%	-110 bps	
Gabon	59	30	-49%	-19%	28	7%	14	112%	136	58	-57%	-20%
% margin	9.4%	7.5%	-190 bps		4.4%	310 bps	6.0%	150 bps	11.2%	3.0%	-820 bps	
MDF	-	140	NA		(73)	NA	(40)	-447%	-	67	#DIV/0!	
% margin	NA	15.6%	NA		NA	NA	-8.0%	2360 bps				
Depreciation	89	162	82%	26%	133	21%	170	-5%	165	295	79%	23%
EBIT	401	351	-12%	-2%	165	113%	275	28%	726	516	-29%	-8%
Other Income	14	37	156%	129%	14	160%	16	128%	30	51	69%	74%
PBIT	415	388	-7%	0%	179	NM	291	33%	756	567	-25%	-6%
Interest	73	178	142%	35%	130	37%	156	14%	124	307	147%	31%
PBT	342	210	-39%	-11%	49	326%	135	56%	631	259	-59%	-20%
Tax Expense	91	70		2%	38	84%	96	-28%	168	108	-36%	-8%
Tax Rate	26.7%	33.2%			76.7%	-4350 bps	71.3%	-3810 bps	26.6%	41.4%	NM	
Share of profit in Associate	-14	-1			-3		0		-19	-5		
Adjusted Net Profit	237	139	-41%	-14.8%	8	1601%	39	259%	444	147	-67%	-25%
Adj. EPS	1.9	1.1	-41%	-14.8%	0.1	1601%	0.3	259%	3.6	1.2	-67%	-25%

Source: Company, JM Financial

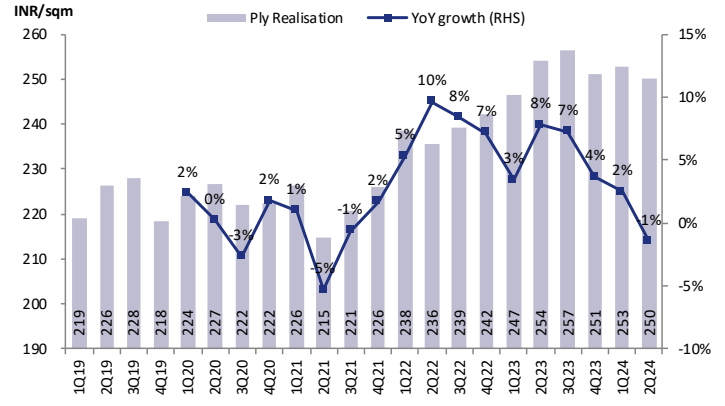
Quarterly Charts

Exhibit 1. Plywood volume growth trend



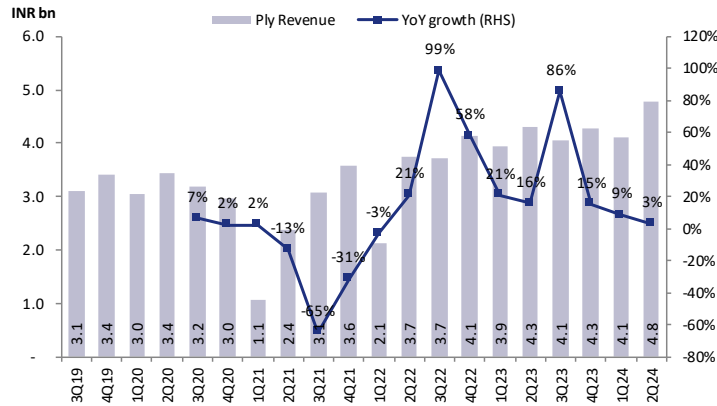
Source: Company, JM Financial

Exhibit 2. Plywood realisation trend



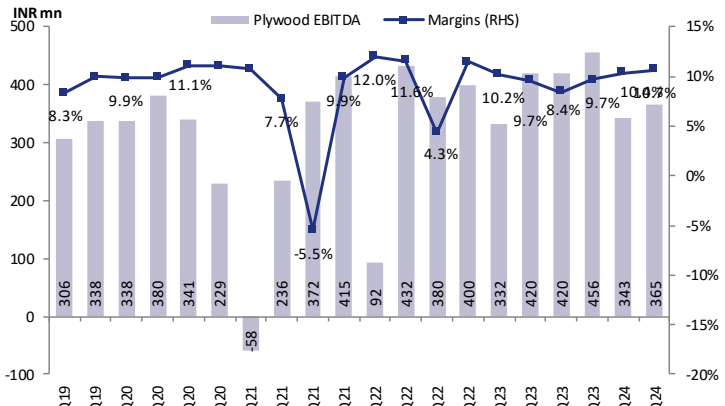
Source: Company, JM Financial

Exhibit 3. Plywood revenue trend



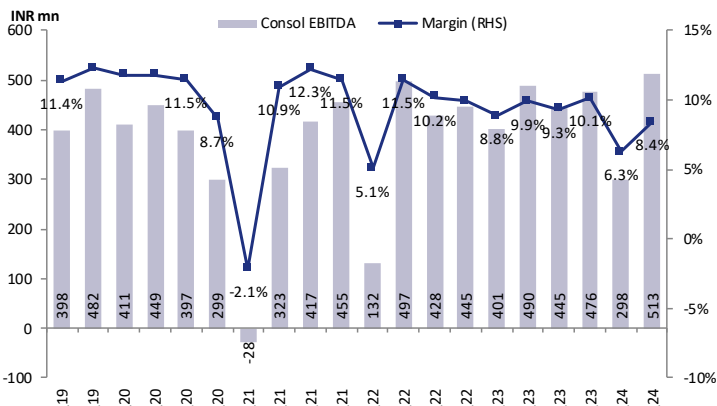
Source: Company, JM Financial

Exhibit 4. Plywood EBITDA trend



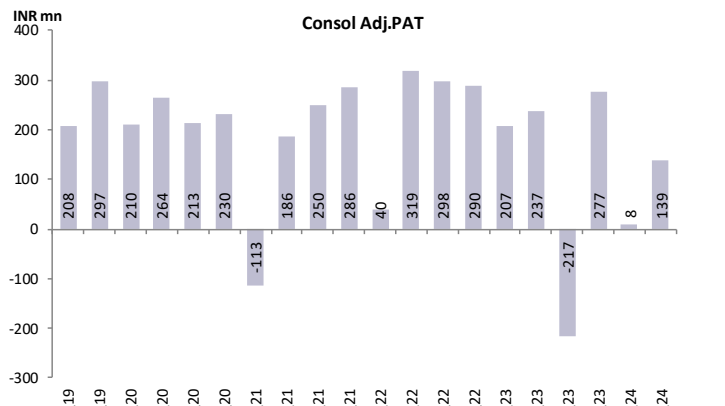
Source: Company, JM Financial

Exhibit 5. Consolidated EBITDA trend



Source: Company, JM Financial

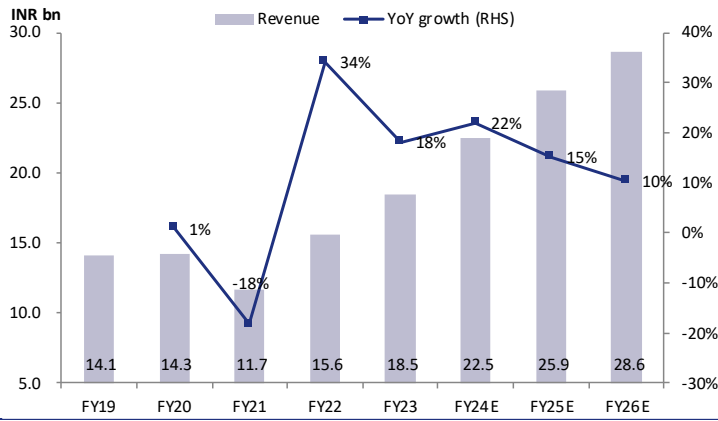
Exhibit 6. Consolidated Adj. PAT trend



Source: Company, JM Financial

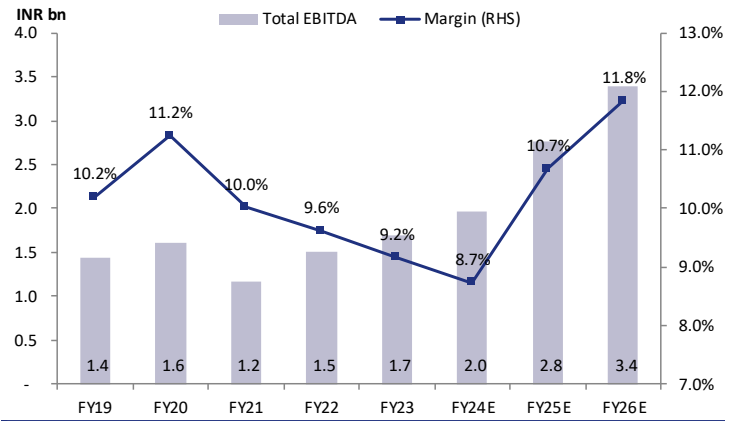
Annual Charts (Consolidated)

Exhibit 7. Revenue trend



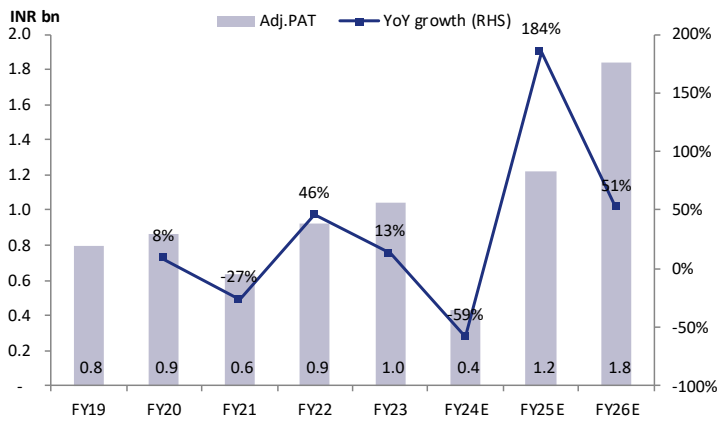
Source: Company, JM Financial

Exhibit 8. EBITDA and margin trend



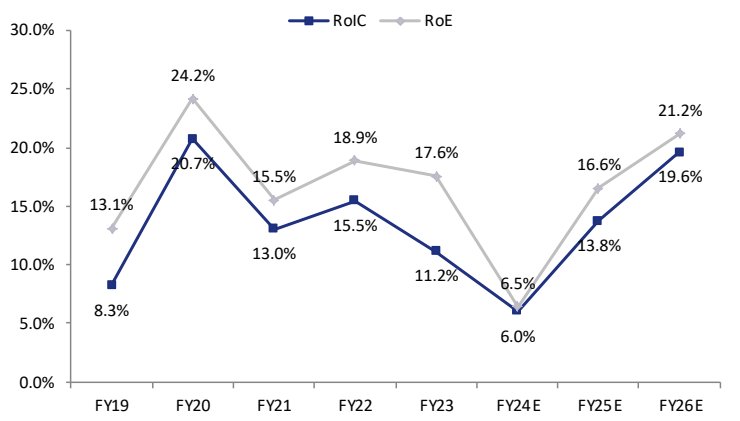
Source: Company, JM Financial

Exhibit 9. Ad. PAT trend



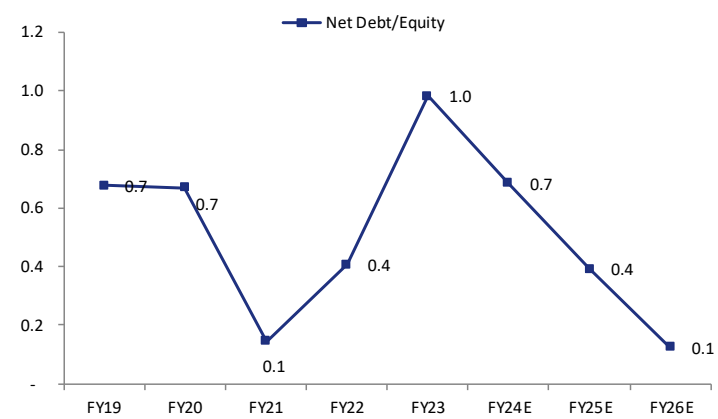
Source: Company, JM Financial

Exhibit 10. Return Ratios



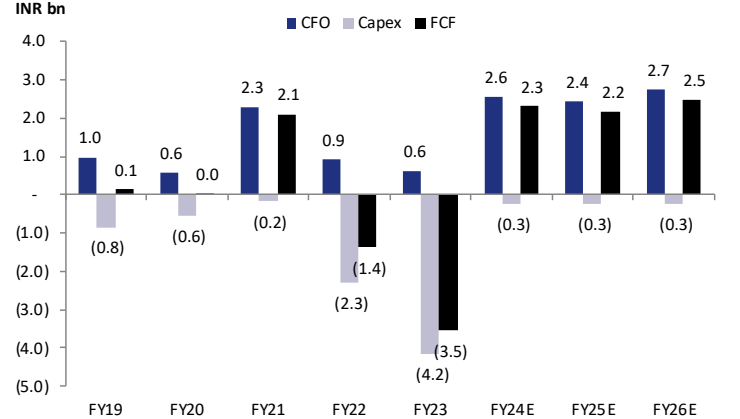
Source: Company, JM Financial

Exhibit 11. Leverage trend



Source: Company, JM Financial

Exhibit 12. Cash flow trend



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	15,628	18,456	22,521	25,919	28,613	
Sales Growth	34.1%	18.1%	22.0%	15.1%	10.4%	
Other Operating Income	0	0	0	0	0	
Total Revenue	15,628	18,456	22,521	25,919	28,613	
Cost of Goods Sold/Op. Exp	9,353	11,266	13,550	15,287	16,821	
Personnel Cost	1,933	2,431	2,911	3,141	3,491	
Other Expenses	2,839	3,068	4,093	4,723	4,917	
EBITDA	1,503	1,691	1,967	2,769	3,385	
EBITDA Margin	9.6%	9.2%	8.7%	10.7%	11.8%	
EBITDA Growth	28.7%	12.5%	16.3%	40.8%	22.3%	
Deprn. & Amort.	258	365	657	683	690	
EBIT	1,244	1,326	1,310	2,086	2,695	
Other Income	99	153	60	95	95	
Finance Cost	119	262	590	512	411	
PBT before Excep. & Forex	1,224	1,217	780	1,669	2,379	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	1,224	1,217	780	1,669	2,379	
Taxes	303	192	347	447	532	
Extraordinary Inc./Loss(-)	0	-68	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	921	958	433	1,222	1,847	
Adjusted Net Profit	921	1,040	428	1,217	1,842	
Net Margin	5.9%	5.6%	1.9%	4.7%	6.4%	
Diluted Share Cap. (mn)	122.8	122.8	122.8	122.8	122.8	
Diluted EPS (INR)	7.5	8.5	3.5	9.9	15.0	
Diluted EPS Growth	45.6%	12.9%	-58.9%	184.5%	51.4%	
Total Dividend + Tax	61	61	61	146	221	
Dividend Per Share (INR)	0.5	0.5	0.5	1.2	1.8	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	5,382	6,438	6,805	7,875	9,496	
Share Capital	123	123	123	123	123	
Reserves & Surplus	5,259	6,315	6,682	7,752	9,374	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	2,919	6,634	6,134	5,134	4,134	
Def. Tax Liab. / Assets (-)	-73	10	100	105	105	
Total - Equity & Liab.	8,228	13,082	13,038	13,115	13,736	
Net Fixed Assets	4,621	9,721	9,314	8,881	8,441	
Gross Fixed Assets	5,224	6,553	11,886	12,136	12,386	
Intangible Assets	0	0	0	0	0	
Less: Deprn. & Amort.	1,698	1,965	2,622	3,305	3,995	
Capital WIP	1,096	5,133	50	50	50	
Investments	258	64	104	144	184	
Current Assets	6,636	7,025	8,609	9,793	11,381	
Inventories	2,256	2,784	3,397	3,909	4,316	
Sundry Debtors	1,864	2,287	2,591	2,698	2,979	
Cash & Bank Balances	726	314	1,481	2,045	2,946	
Loans & Advances	1,789	1,640	1,140	1,140	1,140	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	3,288	3,728	4,989	5,702	6,270	
Current Liabilities	2,164	2,427	3,394	3,906	4,312	
Provisions & Others	1,124	1,301	1,595	1,797	1,958	
Net Current Assets	3,348	3,297	3,620	4,090	5,111	
Total - Assets	8,228	13,082	13,038	13,115	13,736	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	1,250	1,106	780	1,669	2,379	
Deprn. & Amort.	258	365	657	683	690	
Net Interest Exp. / Inc. (-)	69	250	530	417	316	
Inc (-) / Dec in WCap.	-444	-1,952	843	94	-120	
Others	105	890	90	6	0	
Taxes Paid	-321	-36	-347	-447	-532	
Operating Cash Flow	916	622	2,553	2,422	2,733	
Capex	-2,293	-4,153	-250	-250	-250	
Free Cash Flow	-1,377	-3,532	2,303	2,172	2,483	
Inc (-) / Dec in Investments	950	-65	-40	-40	-40	
Others	49	133	60	95	95	
Investing Cash Flow	-1,294	-4,085	-230	-195	-195	
Inc / Dec (-) in Capital	10	26	-5	-5	-5	
Dividend + Tax thereon	-49	-61	-61	-146	-221	
Inc / Dec (-) in Loans	972	3,862	-500	-1,000	-1,000	
Others	-129	-649	-590	-512	-411	
Financing Cash Flow	804	3,178	-1,156	-1,663	-1,637	
Inc / Dec (-) in Cash	426	-286	1,167	564	902	
Opening Cash Balance	1,280	726	314	1,481	2,045	
Closing Cash Balance	1,706	440	1,481	2,045	2,946	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
Net Margin		5.9%	5.6%	1.9%	4.7%	6.4%
Asset Turnover (x)		2.2	1.7	1.7	2.0	2.1
Leverage Factor (x)		1.5	1.8	2.0	1.8	1.5
RoE		18.9%	17.6%	6.5%	16.6%	21.2%

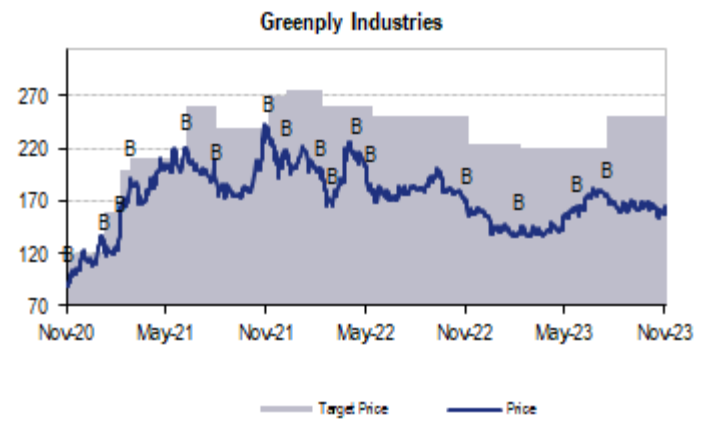
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
BV/Share (INR)		43.8	52.4	55.4	64.1	77.3
ROIC		15.5%	11.2%	6.0%	13.8%	19.6%
ROE		18.9%	17.6%	6.5%	16.6%	21.2%
Net Debt/Equity (x)		0.4	1.0	0.7	0.4	0.1
P/E (x)		21.9	19.4	47.1	16.6	10.9
P/B (x)		3.7	3.1	3.0	2.6	2.1
EV/EBITDA (x)		14.9	15.7	12.6	8.4	6.3
EV/Sales (x)		1.4	1.4	1.1	0.9	0.7
Debtor days		44	45	42	38	38
Inventory days		53	55	55	55	55
Creditor days		56	53	60	62	62

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
28-Feb-20	Hold	160	
8-Apr-20	Hold	100	-37.5
2-Jul-20	Hold	95	-5.0
20-Aug-20	Hold	100	5.3
9-Nov-20	Buy	120	20.0
15-Jan-21	Buy	160	33.3
11-Feb-21	Buy	200	25.0
4-Mar-21	Buy	210	5.0
15-Jun-21	Buy	260	23.8
6-Aug-21	Buy	240	-7.7
11-Nov-21	Buy	270	12.5
13-Dec-21	Buy	275	1.9
15-Feb-22	Buy	260	-5.5
7-Mar-22	Buy	260	0.0
22-Apr-22	Buy	260	0.0
17-May-22	Buy	250	-3.8
9-Nov-22	Buy	224	-10.4
13-Feb-23	Buy	220	-1.8
31-May-23	Buy	220	0.0
25-Jul-23	Buy	250	13.6

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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