

October 29, 2024

RESULT REPORT Q2 FY25 | Sector: Building Materials

# Greenply Industries Ltd

**Steady performance; maintain BUY!**

## Result Synopsis

Greenply Industries Ltd (MTLM) reported a steady growth in Q2FY25, which was largely in-line with our estimates. Plywood volumes grew by 6%YoY & 14%QoQ (2-year CAGR stood at 8%). Incrementally, ASP improved by 2%YoY & 2%QoQ to Rs251/sqm. For H1FY25, plywood volumes increased by 7%YoY and revenue grew by 9%YoY. Operating margins expanded marginally from 7.6%/7.9% in Q2FY24/Q1FY25 to 8.3% in Q2FY25, however, higher input costs continue to weigh on margins. For H1FY25, plywoods EBITDA margins came in at 8.1%. Contribution of own manufacturing volumes improved from 53% in Q2FY24 to 56% in Q2FY25 & in revenue terms, own manufacturing constituted 64% Vs 63% in Q2FY24.

MDF volumes were subdued at 40,553cbm, largely owing to plant shutdown taken in Sep'24. ASP improved to Rs31,169/cbm Vs Rs30,826/cbm in previous quarter. Soft volume off-take due to plant shutdown and higher input cost led to reduction in operating margins to 11.8% Vs 16.7% in Q1FY25. For H1FY25 operating margins came in at 14.3%. In Q2FY25, Base MDF constituted 86% of volumes & 82% of revenue while Pre-lam MDF constituted 14% of volumes & 18% of revenue. NWC-days for MDF segment improved to 25-days Vs 38-days in Q1FY25.

## Management Guidance

For Plywoods, management maintained their guidance of 8-10%YoY growth and for MDFs, management remains confident of achieving a 50%YoY growth in FY25 with EBITDA margins of 16%. Total debt as on FY25 should stand at Rs4.5Bn.

## Our View

We remain positive on Greenply's growth trajectory and expect Plywood biz to grow by 8%CAGR owing to growing demand for woodpanel products on the back of real-estate inventory reaching the handover phase. Moreover, operating margins are likely to improve by ~150bps over FY24-FY27E to 10%, on account of better product-mix and timber prices likely to soften from FY26 end. MDF division has registered a strong performance since commencement, and we reckon volumes to grow by 29%CAGR with company expanding its presence across regions backed by commencement of VAP-line by FY25 end. We have factored-in 18% operating margins for FY26E & FY27E. Incrementally, furniture & fixture JV's phase-1 is likely to start operations from Nov'24 which is expected to be EPS accretive from FY27E. Hence, we expect overall Revenue/EBITDA/PAT to grow by 13%/27%/38% respectively over FY24-FY27E. We value the company at P/E(x) of 25x on FY27E EPS of Rs18.4, arriving at a target price of Rs461. Hence, we retain Greenply as our top-pick with a BUY rating on the stock.

## Result Highlights

- Sales stood at Rs6.40Bn (5% above est), a growth of 13%YoY & 10%QoQ (2-year CAGR stood at 14%).

## Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	6,405	6,080	6,395	5.3	0.2	Revenue above estimates but miss on profitability.
EBITDA	576	621	645	(7.2)	(10.6)	
EBITDA Margin (%)	9.0	10.2	10.1	(121 bps)	(109 bps)	
Adjusted PAT	176	318	350	(44.8)	(49.8)	

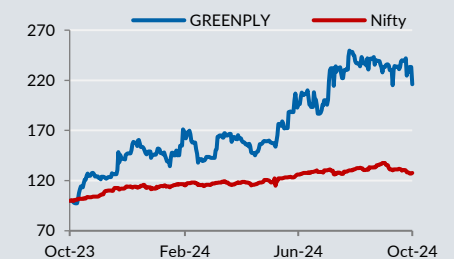
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 348
Target Price	: Rs 461
Potential Return	: +32.5%

## Stock data (as on Oct 29, 2024)

Nifty	24,304
52 Week h/l (Rs)	412 / 157
Market cap (Rs/USD mn)	46,770 / 556
Outstanding Shares (mn)	124
6m Avg t/o (Rs mn):	143
Div yield (%):	0.1
Bloomberg code:	MTLM IN
NSE code:	GREENPLY

## Stock performance



	1M	3M	1Y
Absolute return	-7.8%	9.8%	114.9%

## Shareholding pattern (As of Sep'24 end)

Promoter	52.0%
FII+DII	36.3%
Others	11.7%

## Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	461	445

## Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	10.2	15.3	18.4
EPS (Old)	10.8	14.8	-
% change	-5.2%	2.9%	-

## Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	25,334	28,279	31,110
YoY Growth	16.2	11.6	10.0
EBITDA	2,617	3,368	3,791
EBITDA (%)	10.3	11.9	12.2
PAT	1,256	1,872	2,261
YoY Growth	48.3	49.0	20.7
ROE	16.2	20.4	20.2
EPS	10.2	15.3	18.4
P/E	34.0	22.8	18.9
BV/Share	67.6	82.4	100.3
P/BV	5.1	4.2	3.5

## UDIT GAJIWALA

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- EBITDA margins came in at 9% Vs 8.5%/9.9% in Q2FY24/Q1FY25 respectively (Vs est of 10%). Absolute EBITDA increased by 19%YoY to Rs576Mn.
- Higher finance and depreciation cost resulted into Net profit declined by 6.5%YoY to Rs176Mn.

## Segmental Highlights for Q2FY25

### Plywood (80% revenue):

- Sales grew by 8%YoY & 14%QoQ to Rs5.14Bn.
- Volumes increased by 6%YoY & 14%QoQ (2-year CAGR stood at 8%) to 20.2msm.
- ASP improved by 2%YoY to Rs251/sqm.
- EBITDA margins came in at 8.3% Vs 7.6%/7.9% in Q2FY24/Q1FY25 respectively. Plywood EBITDA (74% of total), increased by 18%YoY & 21%QoQ.

### MDF (20% revenue):

- Sales grew by 42%YoY but declined by 4%QoQ to Rs1.26Bn. Sales was impacted due to plant shutdown in September & impact of intermittent power supply due to Gujarat floods.
- Volumes grew by 31%YoY and degrew by 5%QoQ to 40,553cbm.
- ASP expanded by 9%YoY & 1%QoQ to Rs31,169/cbm.
- EBITDA margins stood at 11.8% Vs 16.7% in previous quarter. Consequently EBITDA/cbm came in at Rs3,674 Vs Rs4,513/Rs5,149 in Q2FY24/Q1FY25 respectively.
- MDF segment reported a net loss of Rs56Mn during the quarter.

## Exhibit 2: Quarterly Snapshot:

Rs mn	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	% yoy	% qoq	H1 FY24	H1 FY25	% yoy
Revenue	4,304	5,677	5,821	5,998	5,839	6,405	12.8	9.7	9,980	12,243	22.7
Expenditure	4,032	5,193	5,316	5,421	5,260	5,829	12.2	10.8	9,226	11,088	20.2
- RM	2,525	3,450	3,495	3,686	3,461	3,904	13.2	12.8	5,975	7,364	23.3
- Staff Cost	651	725	734	681	734	825	13.9	12.5	1,376	1,559	13.3
- Other cost	856	1,019	1,088	1,054	1,065	1,100	7.9	3.2	1,875	2,165	15.4
Operating Profit	271	484	504	577	579	576	19.2	(0.5)	755	1,155	53.1
OPM(%)	6.3	8.5	8.7	9.6	9.9	9.0	48 bps	(92 bps)	7.6	9.4	187 bps
Other Income	17	33	83	38	57	20	(39.4)	(65.5)	50	77	54.1
Depreciation	111	139	149	145	150	151	8.3	0.7	250	301	20.0
Interest	78	118	147	90	104	145	22.4	38.9	196	249	26.8
P/L from JV/Ass.	(3)	(1)	(2)	(7)	(45)	(44)	NM	(2.6)	(5)	(90)	NM
Exceptional	-	-	89	47	-	-	-	-	-	-	-
PBT	96	258	378	419	337	257	(0.4)	(24.0)	354	594	67.8
Tax	38	70	96	94	5	81	15.9	1,453.8	108	86	(20.1)
PAT	58	188	281	325	332	176	(6.5)	(47.1)	246	508	106.2

Source: Company, YES Sec

## Exhibit 3: Operational Numbers:

Particulars	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	% yoy	% qoq	H1 FY24	H1 FY25	% yoy
<b>Plywood</b>											
Revenue (Rs mn)	4,120	4,780	4,540	4,680	4,520	5,140	7.5	13.7	8,900	9,660	8.5
Volumes (msqm)	16.3	19.1	17.8	18.8	17.7	20.2	5.8	14.1	35.4	37.9	7.1
Realizations (Rs/sqm)	249	245	252	244	245	251	2.4	2.4	251	255	1.4
Gross Profit (Rs mn)	1,629	1,740	1,720	1,710	1,710	1,880	8.0	9.9	3,369	3,590	6.6
Gross Margin (%)	39.5%	36.4%	37.9%	36.5%	37.8%	36.6%	17 bps	(126 bps)	37.9%	37.2%	(69 bps)
EBITDA (Rs mn)	359	364	360	401	355	429	17.9	20.8	723	784	8.4
EBITDA Margin (%)	8.7%	7.6%	7.9%	8.6%	7.9%	8.3%	73 bps	49 bps	8.1%	8.1%	(1 bps)
EBITDA/sqm (Rs)	22.0	19.1	20.2	21.3	20.1	21.2	11.4	5.9	20.4	20.7	1.3
<b>MDF</b>											
Revenue (Rs mn)	181	890	1,280	1,311	1,317	1,264	42.0	(4.0)	1,071	2,581	141.0
Volumes (cbm)	6,062	31,019	41,928	45,764	42,724	40,553	30.7	(5.1)	37,081	83,277	124.6
Realizations (Rs/cbm)	29,858	28,692	30,529	28,647	30,826	31,169	8.6	1.1	28,883	30,993	7.3
Gross Profit (Rs mn)	150	490	610	590	670	620	26.5	(7.5)	640	1,290	101.6
Gross Margin (%)	82.9%	55.1%	47.7%	45.0%	50.9%	49.1%	(601 bps)	(182 bps)	59.8%	50.0%	(978 bps)
EBITDA (Rs mn)	-73	140	150	190	220	149	6.4	(32.3)	67	369	450.7
EBITDA Margin (%)	-40.3%	15.7%	11.7%	14.5%	16.7%	11.8%	(394 bps)	(492 bps)	6.3%	14.3%	804 bps
EBITDA/cbm (Rs)	(12,042)	4,513	3,578	4,152	5,149	3,674	(18.6)	(28.6)	1,807	4,431	145.2

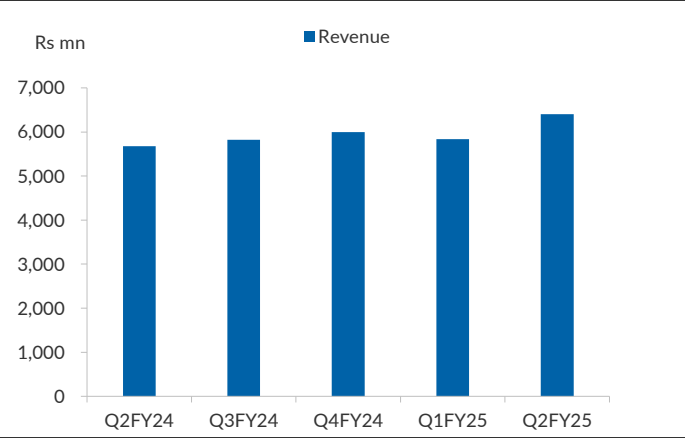
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- **Guidance:** Plywood should grow by 8-10% for FY25. MDF sales is expected to grow by 50%YoY with EBITDA margins of 16%.
- Timber prices in Ply/MDF stood at Rs10.5/Rs6.5 per kg. Timber prices for plywood was up by 13-14%YoY & 8%QoQ. MDF timber prices were up by 6%YoY & 3%QoQ.
- Net profit was impacted due to (i) MTM forex loss of Rs46.4Mn, (ii) Furniture & fittings loss of Rs35Mn, (iii) Rs9.4Mn loss from Middle east operations.
- MDF operations were impacted due to 7-days plant shutdown and disruption in power supply caused due to Gujarat floods.
- Margins for MDFs contracted due to plant shutdown, higher timber cost and lower volume off-take.
- Furniture & fittings plant commencement was delayed by a month due to delay in machinery. The same will commence from Nov'24 and company has booked revenue of Rs10Mn.
- Debt looks optically lower due to Rs 700Mn LC, but the same will rise to Rs4.5Bn by March'25 (as guided earlier).
- The HDF line of MDF will start from mid-Q4FY25 and glue plant will commence from Q3FY25.
- During the quarter, company took price hike of 2-3% across categories and 1% price hike in MDFs was taken in Oct'24.
- Though RM prices have cooled down in past 15-20days, management stated that the same will expand again in Q4FY25. Company stated that timber prices should ease-off from FY26.
- Company is planning a new plant for plywood; the plans are still on drawing board and no firm plans have been finalized.
- Capex: In H1FY25 capex was Rs250Mn and for H2FY25, company will spend Rs450-500Mn.
- Management aims to double the pre-lam MDF sales in coming years.
- For Samet JV, Company aims to break-even in FY26 and reach turnover of Rs4.5-5Bn in 3-years.

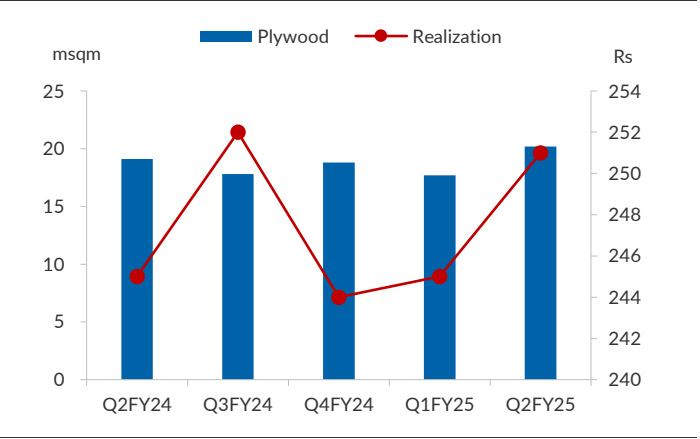
## QUARTERLY TRENDS

**Exhibit 4: Revenue up by 13%YoY...**



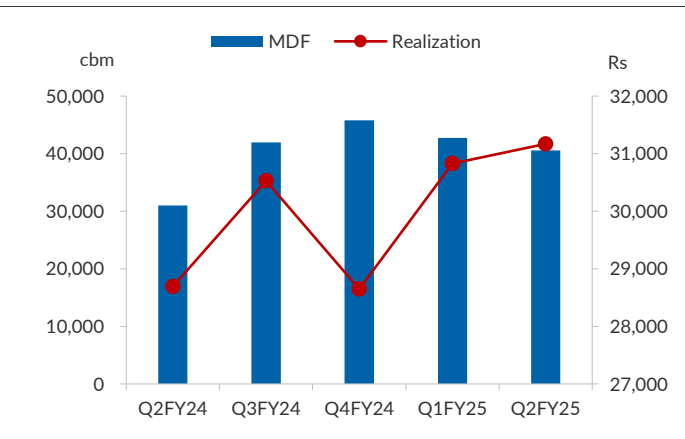
Source: Company, YES Sec

**Exhibit 5: Plywood ASP grew by 2% to Rs251/sqm...**



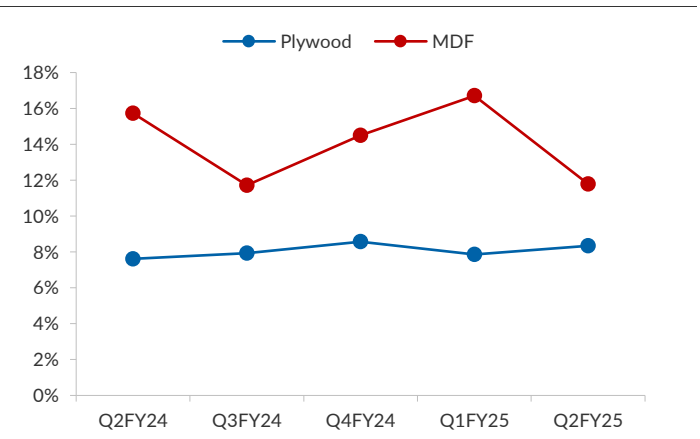
Source: Company, YES Sec

**Exhibit 6: MDF volumes increased by 31%YoY...**



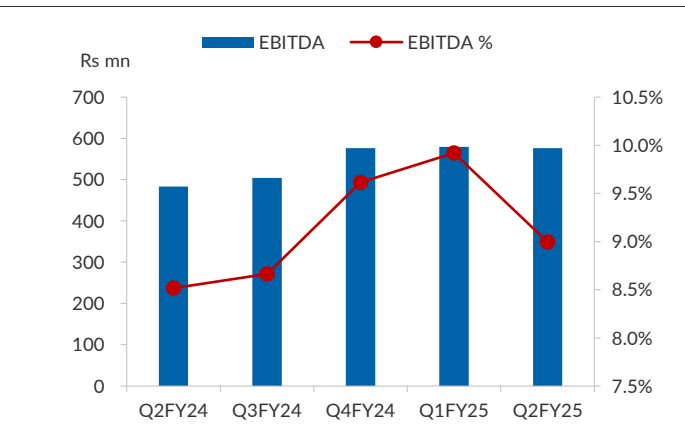
Source: Company, YES Sec

**Exhibit 7: Plywood & MDF margin was 8.3% & 11.8%...**



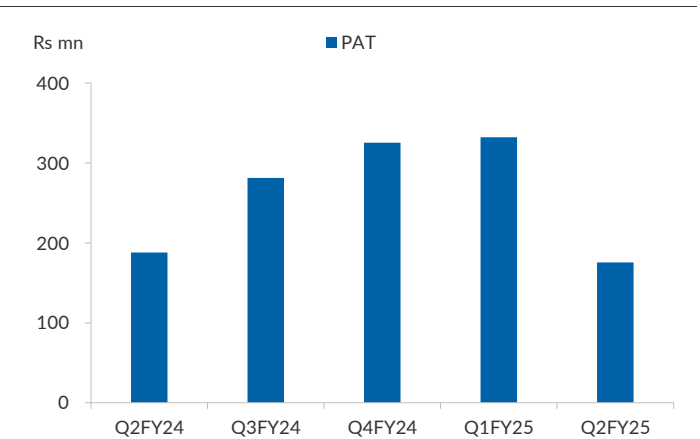
Source: Company, YES Sec

**Exhibit 8: Blended margin came in at 9%...**



Source: Company, YES Sec

**Exhibit 9: Net profit stood at Rs176Mn...**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	16,631	21,799	25,334	28,279	31,110
Growth (%)	6.4%	31.1%	16.2%	11.6%	10.0%
EBITDA	1,541	1,868	2,617	3,368	3,791
EBITDA margin (%)	9.3%	8.6%	10.3%	11.9%	12.2%
Growth (%)	2.6%	21.2%	40.1%	28.7%	12.6%
Depreciation & Amortization	260	545	722	765	798
Other income	172	139	160	168	200
EBIT	1,454	1,461	2,055	2,771	3,194
EBIT margin (%)	8.7%	6.7%	8.1%	9.8%	10.3%
Interest	91	433	395	323	243
PBT	1,252	1,150	1,570	2,496	3,014
Tax	192	298	314	624	754
Net profit	1,060	853	1,256	1,872	2,261
Net profit margin (%)	6.4%	3.9%	5.0%	6.6%	7.3%
EPS	8.6	6.9	10.2	15.3	18.4
Growth (%)	11.7%	-19.9%	48.3%	49.0%	20.7%

Source: Company, YES Sec

### Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
Share Capital	123	124	124	124	124	124
Reserves	6,315	6,970	7,421	8,165	9,976	12,174
Equity	6,438	7,094	7,545	8,289	10,099	12,298
LT Borrowings	5,152	3,912	3,681	1,000	1,000	1,000
ST Borrowings	1,559	1,428	584	3,539	2,539	1,539
Payables	2,427	3,329	3,980	3,818	4,234	4,615
Other current Liab	843	606	842	606	606	606
<b>Total Equity &amp; Liab</b>	<b>16,810</b>	<b>16,639</b>	<b>16,929</b>	<b>17,522</b>	<b>18,748</b>	<b>20,329</b>
Net Block	4,014	8,096	7,914	8,173	7,908	7,611
CWIP	5,130	124	295	124	124	124
Inventory	2,784	3,478	2,974	3,900	4,325	4,714
Receivables	2,287	2,490	2,934	2,776	3,099	3,409
Cash & Bank	314	224	799	321	1,065	2,243
Other	1,130	713	508	713	713	713
<b>Total Assets</b>	<b>16,810</b>	<b>16,639</b>	<b>16,929</b>	<b>17,522</b>	<b>18,748</b>	<b>20,329</b>

Source: Company, YES Sec

## Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
PBT	1,252	1,150	594	1,570	2,496	3,014
Depreciation & Amortization	365	636	301	722	765	798
Finance cost	262	661	249	395	323	243
(Incr)/Decr in Working Capital	(1,200)	(648)	1,002	(220)	(332)	(318)
Taxes	(36)	(376)	(86)	(314)	(624)	(754)
Cash from ops.	622	1,109	2,168	2,154	2,629	2,983
(Incr)/ Decr in PP&E	(4,153)	(1,428)	(251)	(800)	(500)	(500)
Cash Flow from Investing	(4,085)	(1,428)	(707)	(800)	(500)	(500)
(Decr)/Incr in Borrowings	3,640	1,204	(1,014)	(800)	(1,000)	(1,000)
Finance cost	(374)	(654)	(234)	(395)	(323)	(243)
Cash Flow from Financing	3,177	471	(1,340)	(1,257)	(1,385)	(1,305)
Incr/(Decr) in cash	(286)	153	122	97	744	1,178
Cash and cash equivalents at beg of year	380	70	220	224	321	1,065
Cash and cash equivalents at end of year	81	220	342	321	1,065	2,243

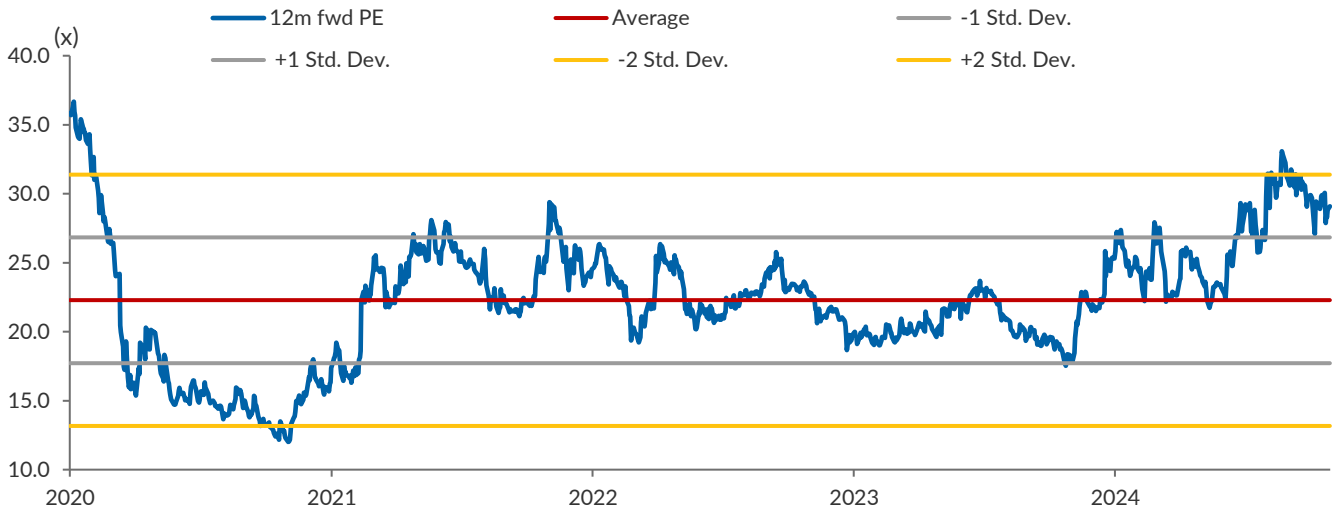
Source: Company, YES Sec

## Exhibit 13: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Matrix (%)</b>					
Revenue growth	6.4%	31.1%	16.2%	11.6%	10.0%
EBITDA growth	2.6%	21.2%	40.1%	28.7%	12.6%
EBIT growth	8.2%	0.5%	40.6%	34.8%	15.3%
PAT growth	(7.5%)	13.9%	26.0%	50.4%	20.7%
<b>Profitability ratios (%)</b>					
GP margin	37.9%	39.7%	40.8%	41.2%	41.8%
EBITDA margin	9.3%	8.6%	10.3%	11.9%	12.2%
EBIT margin	8.7%	6.7%	8.1%	9.8%	10.3%
PAT margin	5.2%	4.5%	4.9%	6.6%	7.3%
RoCE	15.4%	12.6%	19.8%	26.5%	25.7%
RoE	14.7%	14.6%	16.2%	20.4%	20.2%
<b>Per share values</b>					
EPS	8.6	6.9	10.2	15.3	18.4
CEPS	10.8	11.4	16.1	21.5	24.9
BVPS	52.5	57.9	67.6	82.4	100.3
<b>Valuation ratios (x)</b>					
P/E	16.3	33.3	34.0	22.8	18.9
P/CEPS	13.1	20.2	21.6	16.2	14.0
P/B	2.7	4.0	5.1	4.2	3.5
EV/EBITDA	15.4	18.0	18.0	13.5	11.4
<b>Leverage ratios (x)</b>					
Debt/ Equity	1.0	0.8	0.5	0.4	0.2
Net debt/Equity	1.0	0.7	0.5	0.2	0.0
Net debt/EBITDA	4.2	2.7	1.6	0.7	0.1
Int coverage	16.0	3.4	5.2	8.6	13.1
<b>NWC days</b>					
Receivables	50	42	40	40	40
Inventory	98	96	95	95	95
Payables	86	92	93	93	93

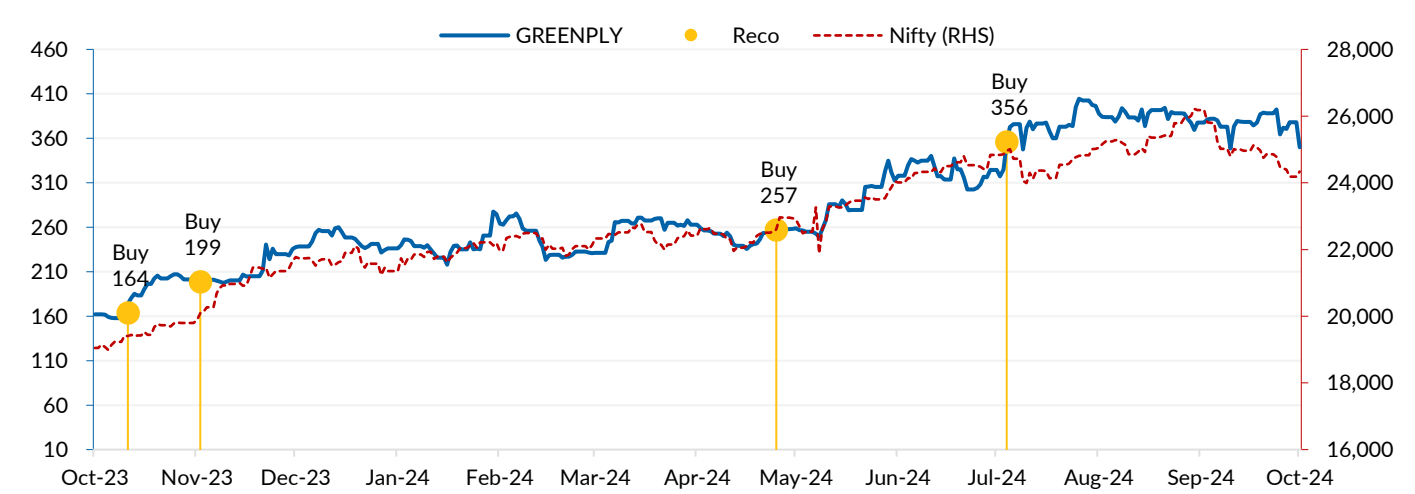
Source: Company, YES Sec

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



Source: Company, YES Sec

## Recommendation Tracker





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Analyst signature

Analyst signature

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