

February 07, 2025

RESULT REPORT Q3 FY25 | Sector: Building Materials

Greenply Industries Ltd

Overall performance was better than expected; retain BUY and maintain Greenply as top pick!

Result Synopsis

Greenply Industries Ltd reported a soft quarter which was better than our expectations as MDF segment reported better numbers despite plant shutdown while Plywood volumes were flattish. In ply, volumes grew by 2%YoY Vs our estimate of 6% as management focused more on controlling debtors which lead to a loss of ~1.5-2% on sales. Ply margins were largely maintained at 8.4% Vs 7.9%/8.3% in Q3FY24/Q2FY25 respectively owing to price hikes taken during quarter which resulted into better realizations at Rs257/sqm Vs Rs252/Rs251 in Q3FY24/Q2FY25 respectively. For MDFs, company had ~10-days plant shutdown due to a machine part failure however, despite the same volumes were flattish YoY & EBITDA margins were maintained at 10.9% (Rs3,313/cbm) Vs 11.7% (Rs3,578/cbm) and 11.8% (Rs3,674/cbm) in Q3FY24 and Q2FY25 respectively. In Q3FY25, Greenply took ~1.5% price hike for MDFs. Elevated timber prices kept margins across both segments under check during the quarter. In Q3FY25, company commenced sales from Samet-JV however, in Q4FY25E company will launch to wider distributors and management expects encouraging numbers from this venture.

Management Guidance

Management is confident that demand and margins will rebound in Q4FY25E, for plywood company expects to end FY25E with 7%YoY volume growth and ~50%YoY growth in MDFs, while margins for plywood & MDF should improve to 10% & 16% respectively by Q4FY25E. Notably, management expects timber prices to ease from FY27E and new plywood capacity will also get operational by FY27E start which will boost overall performance.

Our View

We remain positive on Greenply Industries Ltd and retain the company as our TOP-PICK from the sector. We maintain our plywood volumes growth of 8%CAGR over FY24-FY27E with new capacity getting operational from start of FY27E, with operating margins of ~9% by FY27E. For MDFs, we expect volume growth of 30%/20% for FY26E/FY27E respectively and an improvement of 2% in ASP. For this segment, we expect gradual expansion in margins by 200bps in both FY26E & FY27E. Moreover, balance sheet should improve from FY26E onwards which should further boost PAT growth. Given the healthy growth expectations and improvement in balance sheet, we believe GREENPLY is available at lucrative P/E(x) of 16x on FY27E EPS of Rs18.4. Hence, we retain our BUY rating on the stock with a target price of Rs460. Reiterate GREENPLY as our top-pick.

Result Highlights

- Revenue for the 6.14Bn (5% above est), a growth of 6%YoY.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	6,145	5,871	6,108	4.7	0.6	Above estimates.
EBITDA	541	457	552	18.2	(2.0)	
EBITDA Margin (%)	8.8	7.8	9.0	101 bps	-23 bps	
Adjusted PAT	248	129	204	92.3	21.4	

Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 297
Target Price	: Rs 460
Potential Return	: +54.9%

Stock data (as on Feb 7, 2025)

Nifty	23,548
52 Week h/l (Rs)	412 / 211
Market cap (Rs/USD mn)	37,887 / 433
Outstanding Shares (mn)	125
6m Avg t/o (Rs mn):	124
Div yield (%):	0.2
Bloomberg code:	MTLM IN
NSE code:	GREENPLY

Stock performance



	1M	3M	1Y
Absolute return	-3.8%	-17.9%	26.3%

Shareholding pattern (As of Dec'24 end)

Promoter	51.7%
FII+DII	36.6%
Others	11.7%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	460	461

Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	8.8	14.6	18.4
EPS (Old)	10.2	15.3	18.4
% change	-13.9%	-4.4%	0.0%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	24,752	28,019	31,674
YoY Growth	13.5	13.2	13.0
EBITDA	2,279	3,109	3,609
EBITDA (%)	9.2	11.1	11.4
PAT	1,077	1,793	2,256
YoY Growth	27.1	66.6	25.8
ROE	14.2	20.0	20.6
EPS	8.8	14.6	18.4
P/E	33.8	20.3	16.1
BV/Share	66.1	80.3	98.2
P/BV	4.5	3.7	3.0

UDIT GAJIWALA

Lead Analyst

+91 22 6992 2934 / 35 / 36



SHALIN DAMANI, Associate

- EBITDA margins came in at 8.8% Vs 8.7%/9% in Q3FY24/Q2FY25 respectively. Absolute EBITDA grew by 7%YoY to Rs541Mn.
- Net profit grew by 18%YoY (excluding the exceptional gain in Q3FY24) to Rs241Mn. PAT growth accelerated due to lower finance cost which came in at Rs51Mn Vs Rs147Mn/Rs145Mn in Q3FY24/Q2FY25 respectively.

Segmental Highlights for Q3FY25

Plywood:

- Volumes improved marginally by 2%YoY to 18.2msqm.
- ASP stood at Rs257 Vs Rs252/Rs251 in Q3FY24/Q2FY25 respectively.
- Revenue increased by 5.5%YoY to Rs4.79Bn.
- EBITDA margins came in at 8.4% Vs 7.9%/8.3% in Q3FY24/Q2FY25 respectively.

MDF (plant shutdown for ~9-10days):

- Volumes remained flattish on YoY basis at 42,259cbm.
- ASP also remained flat at Rs30,289 on YoY basis but contracted by 3%QoQ.
- Revenue was flattish both YoY & QoQ at Rs1.28Bn.
- EBITDA margins stood at 10.9% Vs 11.7%/11.8% in Q3FY24/Q2FY25 respectively.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% yoy	% qoq	9M FY24	9M FY25	% yoy
Revenue	5,677	5,821	5,998	5,839	6,405	6,145	5.6	(4.1)	15,801	18,388	16.4
Expenditure	5,193	5,316	5,421	5,260	5,829	5,604	5.4	(3.9)	14,542	16,692	14.8
- RM	3,450	3,495	3,686	3,461	3,904	3,683	5.4	(5.7)	9,470	11,047	16.7
- Staff Cost	725	734	681	734	825	811	10.5	(1.7)	2,110	2,370	12.4
- Other cost	1,019	1,088	1,054	1,065	1,100	1,110	2.0	0.9	2,963	3,275	10.5
Operating Profit	484	504	577	579	576	541	7.2	(6.2)	1,259	1,696	34.7
OPM(%)	8.5	8.7	9.6	9.9	9.0	8.8	13 bps	-20 bps	8.0	9.2	125 bps
Other Income	33	83	38	57	20	27	(67.8)	34.3	133	104	(21.8)
Depreciation	139	149	145	150	151	151	1.1	0.1	400	452	13.0
Interest	118	147	90	104	145	51	(65.4)	(64.8)	343	299	(12.8)
P/L from JV/Ass.	(1)	(2)	(7)	(45)	(44)	(33)	1,981.3	(24.7)	(6)	(123)	1,882.3
Exceptional	-	89	47	-	-	-	-	-	89	-	-
PBT	258	378	419	337	257	332	(12.1)	29.5	732	926	26.6
Tax	70	96	94	5	81	84	(12.8)	4.0	204	170	(16.6)
PAT	188	281	325	332	176	248	(11.8)	41.2	528	756	43.3

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Particulars	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% yoy	% qoq	9M FY24	9M FY25	% yoy
Plywood											
Revenue (Rs mn)	4,780	4,540	4,680	4,520	5,140	4,790	5.5	(6.8)	13,440	14,450	7.5
Volumes (msqm)	19.1	17.8	18.8	17.7	20.2	18.2	2.2	(9.9)	53.2	56.1	5.5
Realizations (Rs/sqm)	245	252	244	245	251	257	2.0	2.4	253	258	2.0
Gross Profit (Rs mn)	1,740	1,720	1,710	1,710	1,880	1,850	7.6	(1.6)	5,089	5,440	6.9
Gross Margin (%)	36.4%	37.9%	36.5%	37.8%	36.6%	38.6%	74 bps	205 bps	37.9%	37.6%	-22 bps
EBITDA (Rs mn)	364	360	401	355	429	404	12.2	(5.8)	1,083	1,188	9.7
EBITDA Margin (%)	7.6%	7.9%	8.6%	7.9%	8.3%	8.4%	50 bps	9 bps	8.1%	8.2%	16 bps
EBITDA/sqm (Rs)	19.1	20.2	21.3	20.1	21.2	22.2	9.8	4.5	20.4	21.2	4.0
MDF											
Revenue (Rs mn)	890	1,280	1,311	1,317	1,264	1,280	-	1.3	2,351	3,861	64.2
Volumes (cbm)	31,019	41,928	45,764	42,724	40,553	42,259	0.8	4.2	79,009	125,536	58.9
Realizations (Rs/cbm)	28,692	30,529	28,647	30,826	31,169	30,289	(0.8)	(2.8)	29,756	30,756	3.4
Gross Profit (Rs mn)	490	610	590	670	620	610	-	(1.6)	1,250	1,900	52.0
Gross Margin (%)	55.1%	47.7%	45.0%	50.9%	49.1%	47.7%	0 bps	-139 bps	53.2%	49.2%	-396 bps
EBITDA (Rs mn)	140	150	190	220	149	140	(6.7)	(6.0)	217	509	134.6
EBITDA Margin (%)	15.7%	11.7%	14.5%	16.7%	11.8%	10.9%	-78 bps	-85 bps	9.2%	13.2%	395 bps
EBITDA/cbm (Rs)	4,513	3,578	4,152	5,149	3,674	3,313	(7.4)	(9.8)	2,747	4,055	47.6

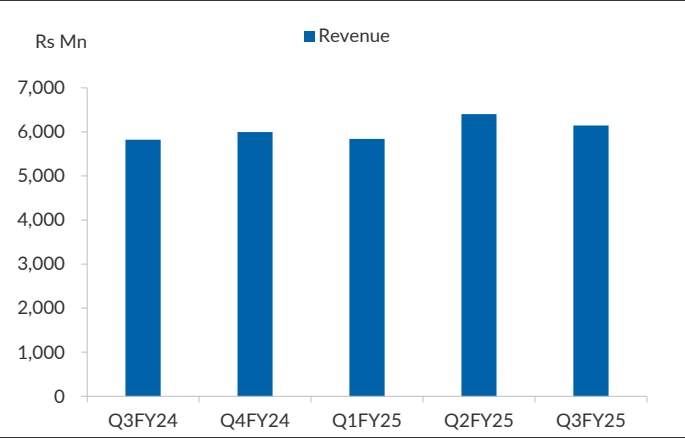
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Management revised MDF margin guidance downwards from 16%+ to 13-14% for FY25E. For plywood, company expects to do 10%+ margin supported by price hikes and operating leverage to kick in. For FY25E, company aims to do 7%+ volume growth in plywood (5.7%YoY currently) and 50%+ for MDF.
- More than demand, liquidity posed a serious challenge in the quarter and company lost ~1.5% volumes owing to the same since management had a stringent receivables policy in place and didn't want to degrade it. Some dealers also could not pay as per their payment cycles.
- BIS, that is to be implemented on 25 Feb'25 according to management, is expected to curb imports in near term and give a boost to organized players. Additionally, luxury & ultra luxury RE sales have increased from ~10% 3 years back to ~30% now is also a positive.
- High RM costs coupled with unexpected plant shutdown in December owing to equipment failure led to lower than expected MDF volumes. The impact of the plant shutdown was ~Rs100Mn loss in sales.
- PAT was impacted by a Rs46.2Mn gain on forex for MDF biz that was offset by a Rs47Mn loss from furniture JV.
- Flooring line (VAP) has been delayed by 6 months as machines are now expected to arrive in Mar'25 and will commence operations in May'25.
- Average timber price for Q3FY25 was Rs6.7/kg, up 3%QoQ. Management expects timber prices to reduce going ahead as more supply is expected to come in by Jul'25. Currently, company imports part of timber requirement for plywood. The price difference for the same compared to domestic is ~Rs2/kg.
- Company took a 1.5% price hike in MDF in Q3FY25 and plan no further price hike. In plywood, company took a 1.5% price in Q3FY25 and a 1.5% price hike in Feb'25.
- Company can increase MDF capacity by 20% via a brownfield expansion but don't plan to currently as it would involve a 30 day plant shutdown and currently company has only 1 plant. The flooring line is being added in the MDF plant.
- For plywood, company is increasing capacity by 13.5msm at a capex of Rs1.34Bn wherein work will start within 2 months and the plant is expected to be operational by Q4FY26E end.
- Revenue potential for Samet JV for FY26E is expected to be Rs0.8-1Bn.
- Net debt stood at Rs4.15Bn as on Dec'24 and company expects to end the year at a net debt of Rs4.5Bn and a net D/E of 0.55x. Management expects net D/E for FY26E to be lower despite plywood expansion.

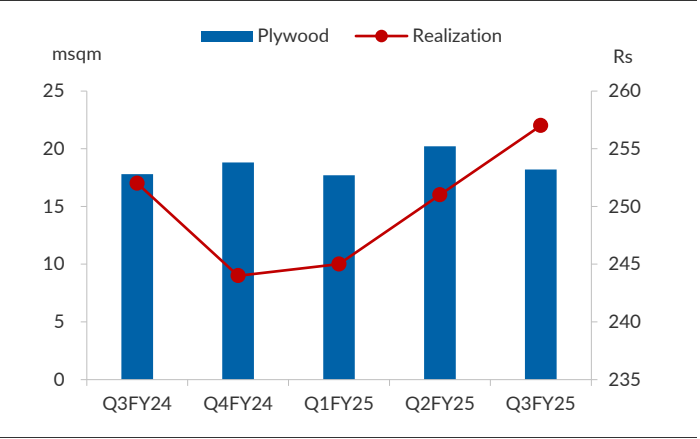
QUARTERLY TRENDS

Exhibit 4: Revenue up by 6%YoY...



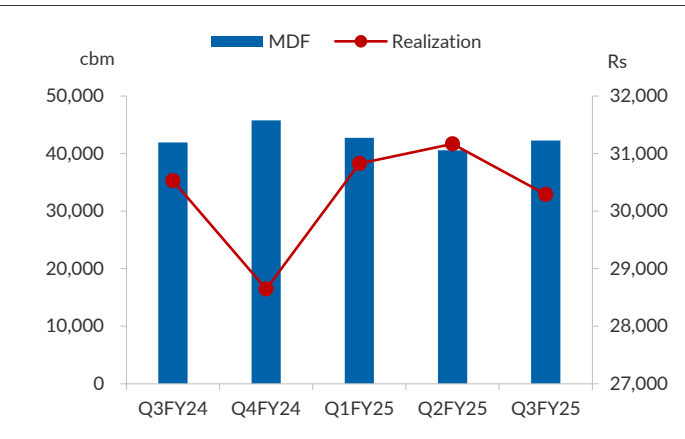
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Exhibit 5: Plywood ASP grew by 2% to Rs257/sqm...



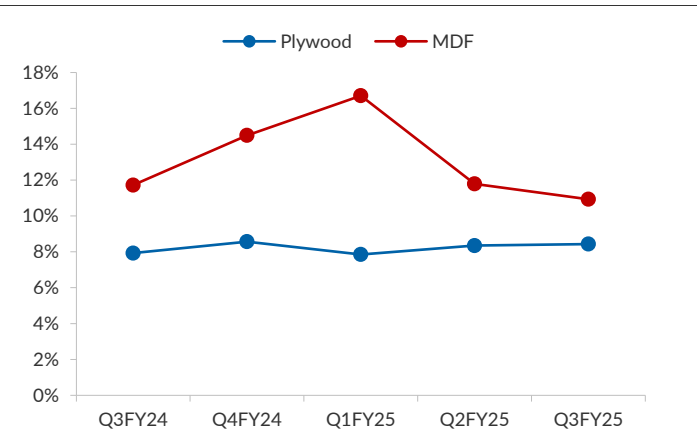
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Exhibit 6: MDF volumes was flattish YoY...



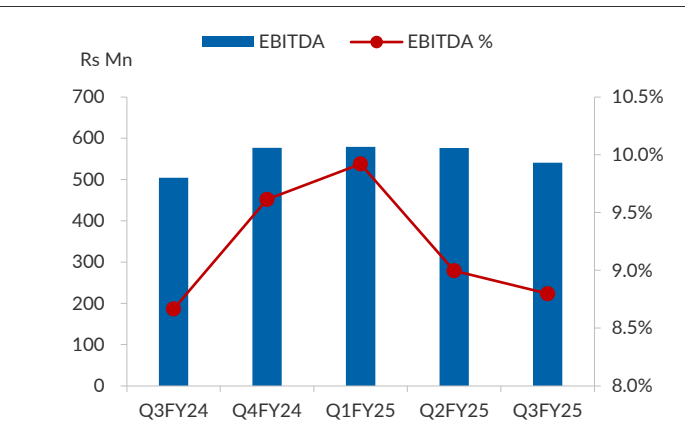
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Exhibit 7: Plywood & MDF margin was 8.4% & 10.9%...



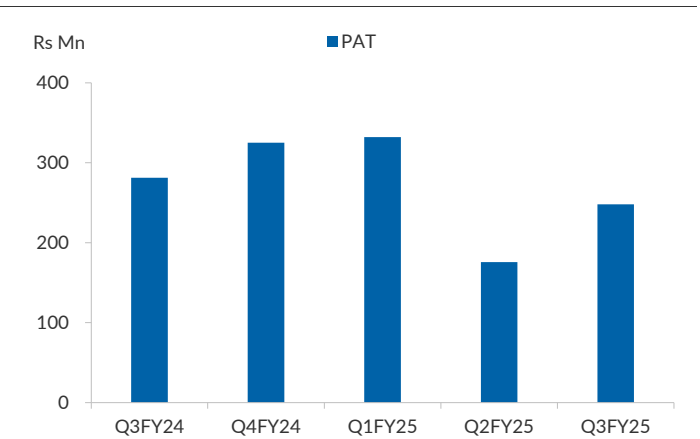
Source: Company, YES Sec

Exhibit 8: Blended margin came in at 8.8%...



Source: Company, YES Sec

Exhibit 9: Net profit stood at Rs248Mn...



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	24,752	28,019	31,674
Growth (%)	6.4%	31.1%	13.5%	13.2%	13.0%
EBITDA	1,541	1,868	2,279	3,109	3,609
EBITDA margin (%)	9.3%	8.6%	9.2%	11.1%	11.4%
Growth (%)	2.6%	21.2%	22.0%	36.5%	16.1%
Depreciation & Amortization	260	545	608	644	671
Other income	172	139	160	200	250
EBIT	1,454	1,461	1,831	2,666	3,188
EBIT margin (%)	8.7%	6.7%	7.4%	9.5%	10.1%
Interest	91	433	395	323	243
PBT	1,252	1,150	1,346	2,391	3,008
Tax	192	298	269	598	752
Net profit	1,060	853	1,077	1,793	2,256
Net profit margin (%)	6.4%	3.9%	4.3%	6.4%	7.1%
EPS	8.6	6.9	8.8	14.6	18.4
Growth (%)	11.7%	-19.9%	27.1%	66.6%	25.8%

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	123	124	124	124	124
Reserves	6,315	6,970	7,985	9,717	11,912
Equity	6,438	7,094	8,109	9,841	12,035
LT Borrowings	5,152	3,912	1,000	1,000	1,000
ST Borrowings	1,559	1,428	3,539	2,539	1,539
Payables	2,427	3,329	3,734	4,187	4,708
Other current Liab	843	606	606	606	606
Total Equity & Liab	16,810	16,639	17,259	18,443	20,159
Net Block	4,014	8,096	8,288	8,144	7,973
CWIP	5,130	124	124	124	124
Inventory	2,784	3,478	3,815	4,277	4,809
Receivables	2,287	2,490	2,713	3,071	3,471
Cash & Bank	314	224	92	600	1,554
Other	1,130	713	713	713	713
Total Assets	16,810	16,639	17,259	18,443	20,159

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,252	1,150	1,346	2,391	3,008
Depreciation & Amortization	365	636	608	644	671
Finance cost	262	661	395	323	243
(Incr)/Decr in Working Capital	(1,200)	(648)	(154)	(368)	(412)
Taxes	(36)	(376)	(269)	(598)	(752)
Cash from ops.	622	1,109	1,925	2,393	2,759
(Incr)/ Decr in PP&E	(4,153)	(1,428)	(800)	(500)	(500)
Cash Flow from Investing	(4,085)	(1,428)	(800)	(500)	(500)
(Decr)/Incr in Borrowings	3,640	1,204	(800)	(1,000)	(1,000)
Finance cost	(374)	(654)	(395)	(323)	(243)
Cash Flow from Financing	3,177	471	(1,257)	(1,385)	(1,305)
Incr/(Decr) in cash	(286)	153	(131)	508	954
Cash and cash equivalents at beg of year	380	70	224	92	600
Cash and cash equivalents at end of year	81	220	92	600	1,554

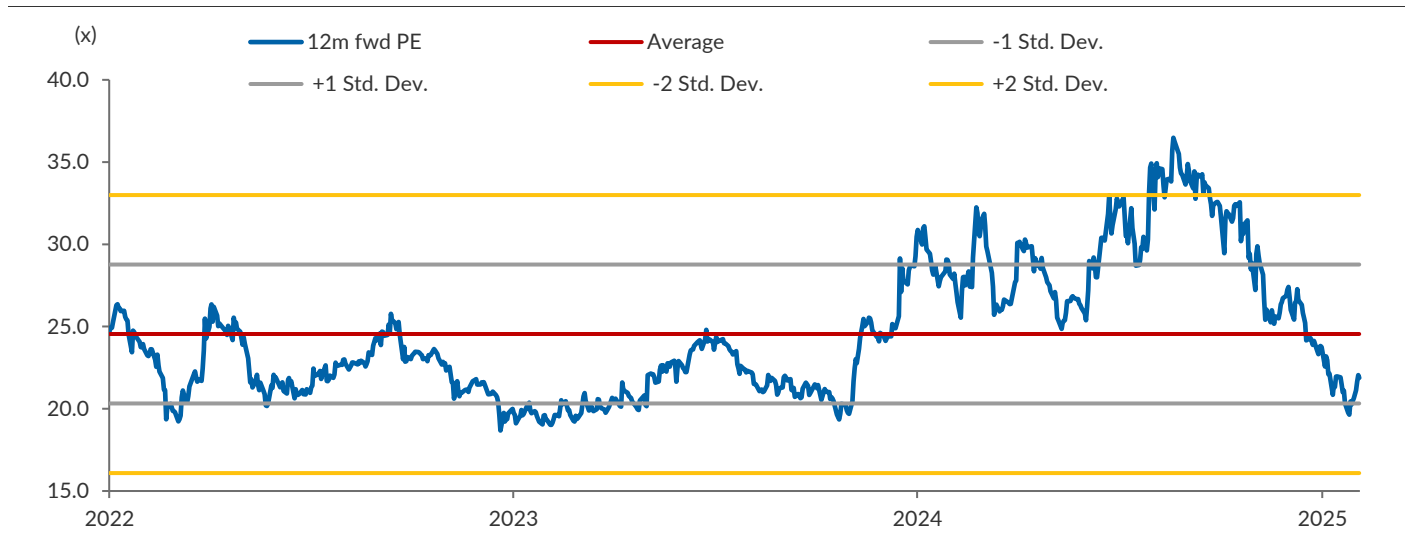
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue growth	6.4%	31.1%	13.5%	13.2%	13.0%
EBITDA growth	2.6%	21.2%	22.0%	36.5%	16.1%
EBIT growth	8.2%	0.5%	25.3%	45.6%	19.6%
PAT growth	-7.5%	13.9%	9.0%	66.6%	25.8%
Profitability ratios (%)					
GP margin	37.9%	39.7%	40.8%	41.3%	41.7%
EBITDA margin	9.3%	8.6%	9.2%	11.1%	11.4%
EBIT margin	8.7%	6.7%	7.4%	9.5%	10.1%
PAT margin	5.2%	4.5%	4.3%	6.4%	7.1%
RoCE	15.4%	12.6%	17.8%	26.1%	26.2%
RoE	14.7%	14.6%	14.2%	20.0%	20.6%
Per share values					
EPS	8.6	6.9	8.8	14.6	18.4
CEPS	10.8	11.4	13.7	19.9	23.9
BVPS	52.5	57.9	66.1	80.3	98.2
Valuation ratios (x)					
P/E	16.1	33.5	33.8	20.3	16.1
P/CEPS	12.9	20.3	21.6	14.9	12.4
P/B	2.6	4.0	4.5	3.7	3.0
EV/EBITDA	15.2	18.0	18.1	12.8	10.4
Leverage ratios (x)					
Debt/ Equity	1.0	0.8	0.6	0.4	0.2
Net debt/Equity	1.0	0.7	0.5	0.3	0.1
Net debt/EBITDA	4.2	2.7	2.0	0.9	0.3
Int coverage	16.0	3.4	4.6	8.2	13.1
NWC days					
Receivables	50	42	40	40	40
Inventory	98	96	95	95	95
Payables	86	92	93	93	93

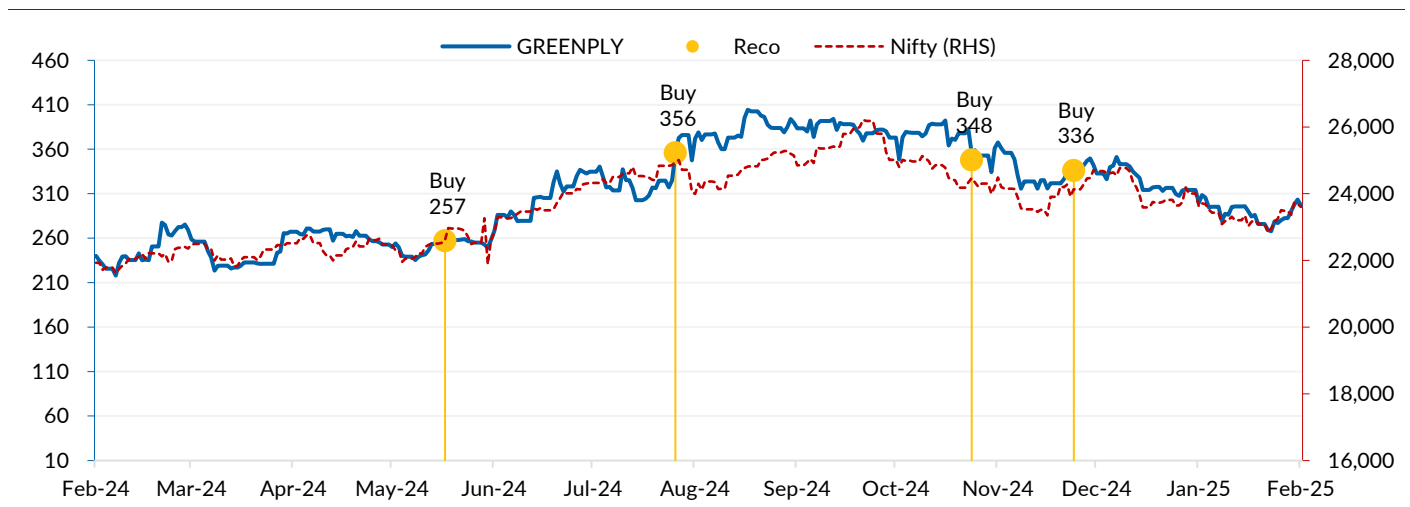
Source: Company, YES Sec

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



Source: Company, YES Sec

Recommendation Tracker



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Analyst signature

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