

November 6, 2023

RESULT REPORT Q2 FY24 | Sector: Building Materials

Greenply Industries Ltd

Record plywood volumes, MDF turns EBITDA positive!

Result Synopsis

Greenply Industries Ltd (GIL) reported a healthy quarter wherein revenue grew by 23%YoY & 28%QoQ to Rs6.07Bn. Plywood biz reported record volumes of 19.1msm, registering a strong growth of 11%YoY & 17%QoQ (2-year CAGR stood at 10%), largely driven by higher growth in value segment which constitutes 43% of plywood sales Vs 37% in Q2FY23. Management reiterated their volume growth guidance of 8-10% for plywood. Margins of Plywood segment were under pressure owing to higher input cost & change in product-mix. However, with stability in timber prices coupled with price hikes taken in Aug-Sep'23, management stated that margins will be better in H2FY24. Gabon biz continues to face headwinds due to on-going political challenges & company does not foresee any major turnaround in this fiscal.

MDF biz registered volumes of 31,019cbm for the quarter at an avg realization of Rs28,692/cbm, translating into revenue of Rs890Mn Vs Rs180Mn in Q1FY24. During the quarter, MDF biz turned EBITDA positive with margins of 16%. Company is all set to achieve their annual guidance of 100,000cbm for FY24. Moreover, management is focused on enhancing the contribution of value-added products which will expand the realizations & margins of this segment.

We continue to remain positive on company's growth, hence we expect Revenue/EBITDA/PAT growth of 20%/40%/36% respectively over FY23-FY25E. We expect plywood division to register steady growth of 9%CAGR over FY23-FY25E & with ramp-up in MDF segment, consolidated top-line of the company should accelerate. Moreover, with better margins in MDF biz & expected improvement in Plywood margins, blended operating margins are likely to come in at 12.3% by FY25E.

At CMP, the stock trades at lucrative P/E(x) of 12x on FY25E EPS of Rs13.9. We continue to value the company at P/E(x) of 18x on FY25E EPS & maintain our target price of Rs250 with a BUY rating.

Result Highlights

- Consol Revenue stood at Rs6.07Bn, a growth of 23%YoY & 28%QoQ.
- EBITDA margins came in at 8.4% Vs 9.9%/6.3% in Q2FY23/Q1FY24 respectively. Absolute EBITDA stood at Rs513Mn, a growth of 5%YoY & 72%QoQ.
- Net profit stood at Rs140Mn, a decline of 41%YoY largely owing to higher depreciation & finance cost related to MDF plant.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	6,077	5,183	5,311	17.3	14.4	
EBITDA	513	269	400	90.5	28.3	Revenue & margin better than expectations.
EBITDA Margin (%)	8.4	5.2	7.5	325 bps	91 bps	
Adjusted PAT	140	16	148	-	(5.6)	

Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 164
Target Price	: Rs 250
Potential Upside	: +53%

Stock data (as on Nov 6, 2023)

Nifty	19,412
52 Week h/l (Rs)	186 / 135
Market cap (Rs/USD mn)	19468 / 234
Outstanding Shares (mn)	123
6m Avg t/o (Rs mn):	33
Div yield (%):	0.3
Bloomberg code:	MTLM IN
NSE code:	GREENPLY

Stock performance



	1M	3M	1Y
Absolute return	-2.6%	-2.3%	-3.2%

Shareholding pattern (As of Sep'23 end)

Promoter	52.1%
FII+DII	35.2%
Others	12.7%

Δ in stance

	New	Old
Rating	BUY	BUY
Target Price	250	250

Δ in earnings estimates

	FY24E	FY25E	FY26E
EPS (New)	7.6	13.9	16.4
EPS (Old)	8.6	13.9	-
% change	-11.3%	0.0%	-

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Net Revenue	23,455	26,765	29,496
YoY Growth	27.1	14.1	10.2
EBIDTA	2,375	3,304	3,714
EBIDTA (%)	10.1	12.3	12.6
PAT	935	1,704	2,010
YoY Growth	2.2	82.3	17.9
ROE	13.6	21.0	20.2
EPS	7.6	13.9	16.4
P/E	21.5	11.8	10.0
BV/Share	59.6	73.0	88.9
P/BV	2.7	2.2	1.8

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- **Plywood (85% of Revenue):** Registered record volumes of 19.1msm, a growth of 11%YoY & 17%QoQ. Revenue increased by 5%YoY & 13%QoQ to Rs5.18Bn. ASP stood at Rs250 as compared to Rs248/Rs249 in Q2FY23/Q1FY24 respectively. GP margins came in at 36% Vs 38%/40% in Q2FY23/Q1FY24 respectively, the contraction is largely due to change in product-mix. EBITDA margins came in at 8% Vs 10.6%/8.7% in Q2FY23/Q1FY24 respectively.
- **MDF (15% of Revenue):** Vols came in at 31,019cbm Vs 6,062cbm in previous quarter. Revenue stood at Rs890Mn Vs Rs181Mn in previous which was the first full operational quarter. ASP came in at Rs28,692/cbm Vs Rs29,858/cbm. Segment reported EBITDA profit of Rs140Mn Vs loss of Rs73Mn in previous quarter.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
Revenue	4,535	4,947	4,282	4,692	4,761	6,077	22.8	27.6	9,483	10,839	14.3
Expenditure	4,134	4,458	3,956	4,216	4,463	5,564	24.8	24.7	8,593	10,027	16.7
- RM	2,780	2,990	2,609	2,886	2,784	3,657	22.3	31.3	5,771	6,441	11.6
- Staff Cost	561	637	604	629	710	780	22.5	9.9	1,198	1,489	24.3
- Other cost	793	831	743	701	969	1,127	35.6	16.3	1,624	2,097	29.1
Operating Profit	401	489	326	476	298	513	5.0	72.1	890	812	(8.8)
OPM(%)	8.8	9.9	7.6	10.1	6.3	8.4	-144 bps	218 bps	9.4	7.5	-190 bps
Other Income	16	14	31	93	14	37	157.0	160.7	30	51	70.0
Depreciation	76	89	96	103	133	162	82.0	21.4	165	295	78.6
Interest	51	73	62	76	130	178	142.2	37.0	124	307	147.1
Profit from JV/Associate	(6)	(14)	(22)	(166)	(3)	(1)	(90.4)	(60.6)	(19)	(5)	(76.2)
PBT	284	327	272	223	46	209	(36.1)	352.3	611	256	(58.2)
Tax	76	91	(88)	112	38	70	(23.8)	83.9	168	108	(35.8)
PAT	207	236	360	111	8	140	(40.8)	1,563.1	444	148	(66.6)

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
Standalone	3,946	4,360	4,050	4,270	4,120	4,780	9.6	16.0	8,306	8,900	7.2
Subsidiary	588	589	230	420	460	400	(32.1)	(13.0)	1,177	860	(26.9)
GP%											
Standalone	36.3	37.6	39.0	37.9	39.5	36.4	-121 bps	-314 bps	37.0%	37.9%	1 bps
Subsidiary	54.3	53.1	39.1	42.9	43.5	47.5	-564 bps	402 bps	53.7%	45.3%	-8 bps
EBITDA%											
Standalone	9.4	10.6	10.4	11.5	8.7	7.9	-260 bps	-76 bps	10.0%	8.3%	-2 bps
Subsidiary	13.1	10.0	1.3	4.8	6.1	7.5	-252 bps	141 bps	11.6%	6.7%	-5 bps
Volumes											
Production Vols (msqm)	7.9	8.8	9.0	9.0	8.9	10.1	14.8	13.5	16.7	19.0	13.8
Sales Vols (msqm)	16.0	17.2	16.0	17.0	16.3	19.1	11.0	17.2	33.2	35.4	6.6
Realizations (Rs/m)	242	248	249	246	249	245	(1.2)	(1.6)	245	247	0.8

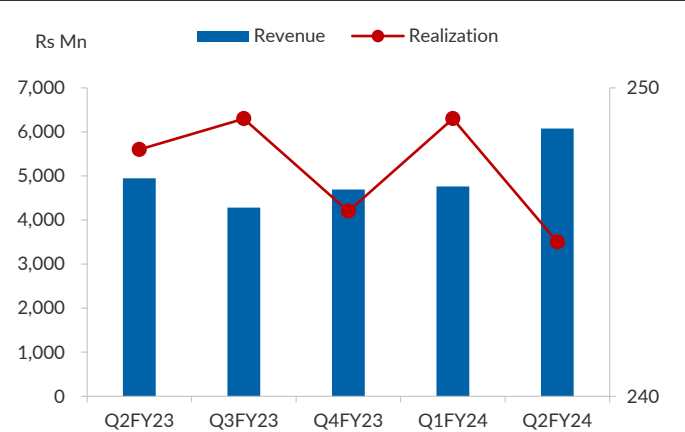
Source: Company, YES Sec

KEY HIGHLIGHTS FROM CONCALL

- Management reiterated their guidance of 8-10% volume growth in Plywoods & delivering 100,000cbm sales for MDFs in FY24.
- Company believes that timber prices should stabilize at these levels & with price hikes taken in Aug-Sep'23, the margins are likely to improve.
- Margins were further under pressure due to Rs32Mn one-time expense which is non-recurring. For MDFs, margins will improve sequentially for coming 2-quarters.
- Gabon biz continues to witness headwinds & management does not foresee any major turnaround in this fiscal.
- Company stated that peak debt will be Rs7.5B and management is comfortable with D/E at 1x.
- Plywood growth was largely in the Value segment while premium continued to remain subdued. Value segment contributed 43% of plywoods sales Vs 37% in Q2FY23.
- Management plans investment of Rs3-3.5Bn (50-50 JV with SAMET) over next 4-5 years for furniture hardware business. Company plans to commence plant by Q1FY25. At peak the margins will be in north of 20-25% & revenue will be Rs1Bn in first full year of operations. Hettich, HAFELE, Godrej are the key peers in domestic markets. Management stated that existing channel partners will also be selling these products.
- In MDFs, company will focus on West and North region (75% of this segment). Management eyes to grow the share of value added products materially.
- Current MDF prices are similar to organized peers. In some regions company is offering products at 2-3% lower prices, however from next fiscal the prices will be similar to industry levels. Import prices are 15-20% cheaper Vs company's prices.
- For MDFs, company has 300+ dealers. Only 20% are same dealers of plywoods while 80% are new partners.
- The cost of company's MDF manufacturing is similar to industry peers. In order to have sustainable supply of timber, Greenply have planted 27Mn saplings before commencing the plant & in this fiscal company has already planted 15mn saplings.
- Cost of timber in South are Re1/Kg lower Vs North (i.e 14-15%).
- Advertisement spends stood at 4.1% of sales in H1FY24 Vs 3.1% in FY23.
- Net debt stood at Rs7.13Bn & Net Debt/Equity came in at 1.09.
- WC-Days stood at 48 Vs 44/63 in Q2FY23/Q1FY24 respectively.
- Volume breakup- Own/JV/Outsourced constituted 53%/4%/43% Vs 50%/8%/42% in Q2FY23 & 55%/6%/39% in Q1FY24 respectively.
- Revenue breakup- For the quarter Own/JV/Outsourced contributed 63%/4%/33% as compared to 60%/7%/33% & 64%/5%/31% in Q2FY23 & Q1FY24 respectively.

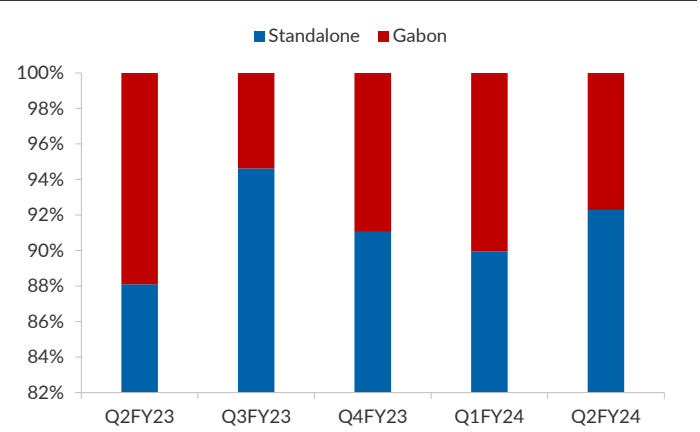
QUARTERLY TRENDS

Exhibit 4: Revenue up by 23%YoY...



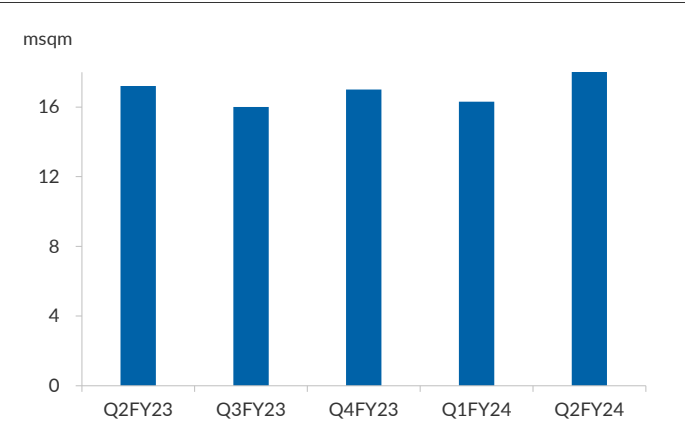
Source: Company, YES Sec

Exhibit 5: Plywood Revenue was up 10%YoY...



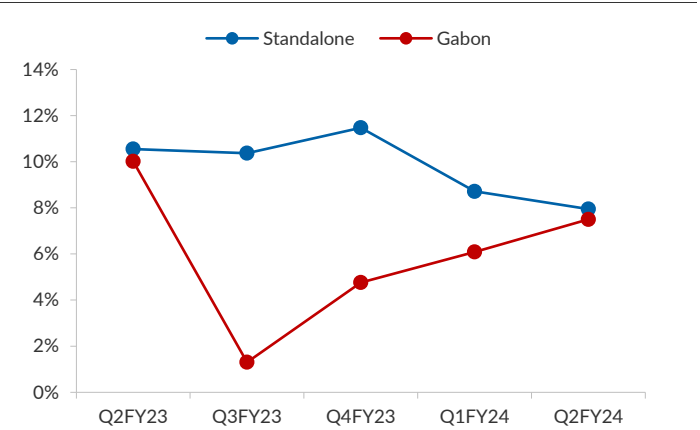
Source: Company, YES Sec

Exhibit 6: Plywood volume increased by 11%YoY...



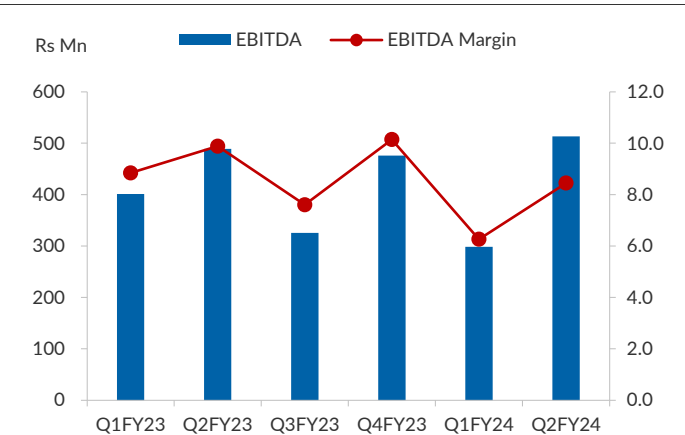
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Exhibit 7: Standalone margin declined...



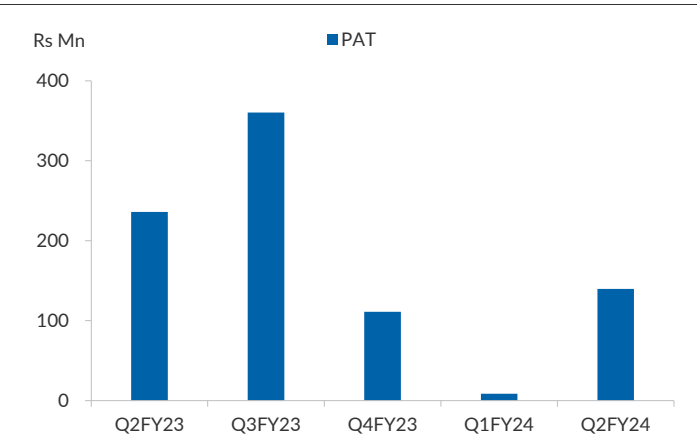
Source: Company, YES Sec

Exhibit 8: Blended margin came in at 8.4%...



Source: Company, YES Sec

Exhibit 9: Net profit stood at Rs140mn...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenues	15,628	18,456	23,455	26,765	29,496
Growth (%)	34.1%	18.1%	27.1%	14.1%	10.2%
EBITDA	1,503	1,691	2,375	3,304	3,714
EBITDA margin (%)	9.6%	9.2%	10.1%	12.3%	12.6%
Growth (%)	28.7%	12.5%	40.4%	39.1%	12.4%
Depreciation & Amortization	258	364	606	654	701
Other income	99	153	100	104	104
EBIT	1,343	1,480	1,869	2,755	3,117
EBIT margin (%)	8.6%	8.0%	8.0%	10.3%	10.6%
Interest	119	262	622	482	437
PBT	1,250	1,107	1,246	2,273	2,679
Tax	303	192	312	568	670
Net profit	948	915	935	1,704	2,010
Net profit margin (%)	6.1%	5.0%	4.0%	6.4%	6.8%
EPS	7.7	7.5	7.6	13.9	16.4
Growth (%)	55.4%	-3.4%	2.2%	82.3%	17.9%

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	5,259	6,315	7,189	8,832	10,780
Total Shareholders' Funds	5,382	6,438	7,311	8,955	10,903
Non-current liabilities					
Long term borrowings	1,431	5,152	1,100	1,000	1,000
Current liabilities					
Short term borrowings	1,533	1,573	5,205	4,745	4,185
Trade payables	2,164	2,427	2,998	3,301	3,631
Other financial liabilities	721	829	829	829	829
Total equity and liabilities	11,587	16,810	17,834	19,220	20,938
Non-current assets					
PPE	3,086	4,014	3,907	3,754	3,552
CWIP	1,096	5,130	5,130	5,130	5,130
Current assets					
Inventories	2,256	2,784	3,439	3,787	4,165
Trade receivables	1,864	2,287	2,907	3,317	3,655
Cash and cash equivalents	630	311	170	952	2,155
Other current assets	637	1,130	1,130	1,130	1,130
Total assets	11,587	16,810	17,834	19,220	20,938

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	1,250	1,106	1,246	2,273	2,679
Depreciation & Amortization	258	365	606	654	701
Finance cost	119	262	622	482	437
(Incr)/Decr in Working Capital	(445)	(1,200)	(703)	(455)	(387)
Taxes	(321)	(36)	(312)	(568)	(670)
Cash from ops.	916	622	1,460	2,385	2,761
(Incr)/ Decr in PP&E	(2,320)	(4,153)	(500)	(500)	(500)
Cash Flow from Investing	(1,294)	(4,085)	(500)	(500)	(500)
(Decr)/Incr in Borrowings	983	3,667	(420)	(560)	(560)
Finance cost	(113)	(374)	(622)	(482)	(437)
Cash Flow from Financing	804	3,178	(1,104)	(1,103)	(1,059)
Incr/(Decr) in cash	427	(286)	(144)	782	1,202
Cash and cash equivalents at beginning of year	(36)	380	314	170	952
Cash and cash equivalents at end of year	384	82	170	952	2,155

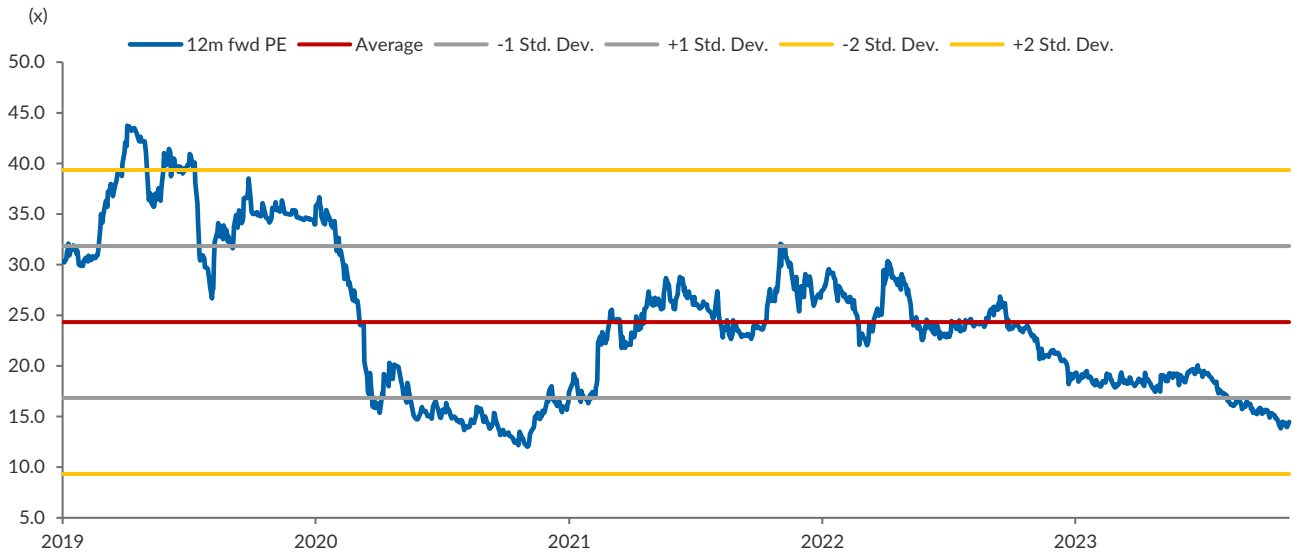
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY22	FY23	FY24E	FY25E	FY26E
Growth (%)					
Total Sales	34.1%	18.1%	27.1%	14.1%	10.2%
EBIDTA	28.7%	12.5%	40.4%	39.1%	12.4%
EBIT	33.8%	10.2%	26.2%	47.4%	13.1%
PAT	53.5%	-19.2%	23.4%	82.3%	17.9%
Profitability (%)					
GP Margin	40.2%	39.0%	40.7%	42.7%	42.9%
EBIDTA Margins	9.6%	9.2%	10.1%	12.3%	12.6%
EBIT Margins	8.6%	8.0%	8.0%	10.3%	10.6%
PAT Margins	6.0%	4.1%	4.0%	6.4%	6.8%
ROCE	22.0%	15.7%	18.1%	29.0%	27.7%
ROE	19.2%	12.8%	13.6%	21.0%	20.2%
Per Share Data (Rs)					
EPS	7.7	7.5	7.6	13.9	16.4
CEPS	9.8	10.4	12.6	19.2	22.1
BVPS	43.9	52.5	59.6	73.0	88.9
Valuations (x)					
P/E (x)	24.6	18.9	21.5	11.8	10.0
P/CEPS (x)	19.3	13.5	13.0	8.5	7.4
P/BV (x)	4.3	2.7	2.7	2.2	1.8
EV/EBIDTA	17.0	14.0	11.1	7.5	6.2
Gearing Ratios					
Debt/ Equity	0.6	1.0	0.9	0.6	0.5
Net Debt/Equity	0.4	1.0	0.8	0.5	0.3
Net Debt/EBIDTA	1.5	3.8	2.6	1.5	0.8
Int Coverage	11.3	5.6	3.0	5.7	7.1
WCC Days					
Debtors	44	45	45	45	45
Inventory	88	90	90	90	90
Creditors	84	79	79	79	79

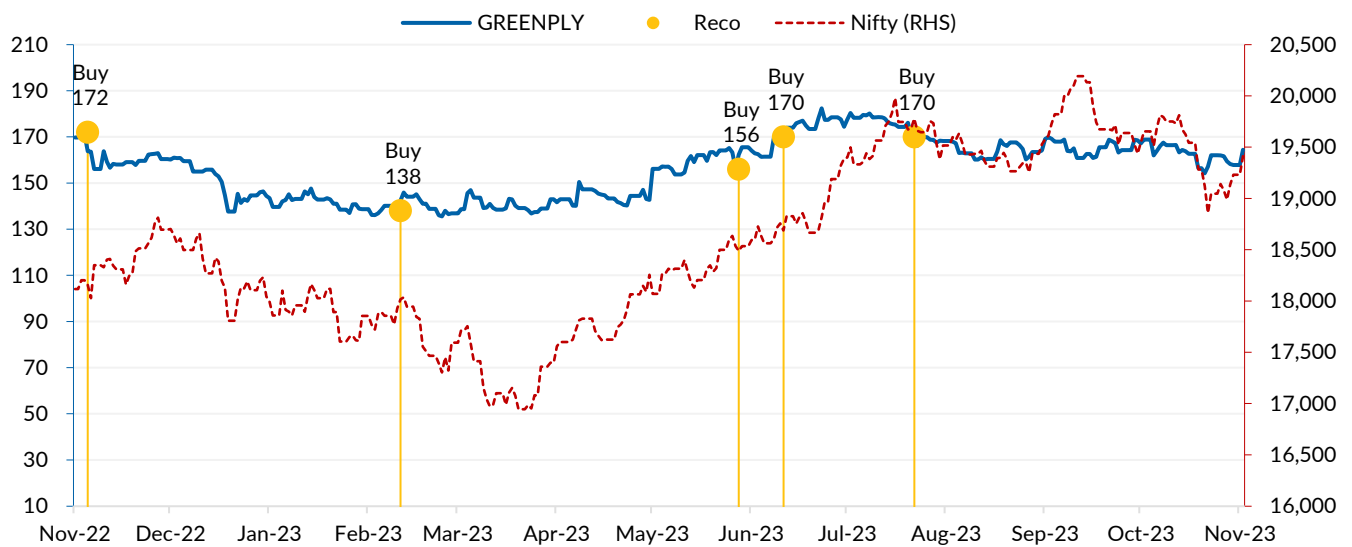
Source: Company, YES Sec

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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Name of the Research Analyst : Udit Gajiwala, Vicky Waghvani

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1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
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3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
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8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

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