

November 29, 2024

Sector Update | Sector: Building Materials

Woodpanel- Sector Update

Reiterating GREENPLY as top BUY!

Woodpanel demand to improve from hereon: In Q2FY25, we witnessed initial greenshoots in demand recovery, wherein volume growth was respectable for all categories viz. Plywood, MDF (domestic), & Laminates. However, during the quarter, elevated timber costs, increased domestic competition, and higher freight cost kept margins under pressure. Going ahead, we believe the demand should accelerate, given the “handover” of the large real-estate inventory to end user is due over FY26E-FY28E post the mammoth number of pre-sales & bookings over FY21-FY23. This should lead to sturdy demand for “furniture & interior” products which should result in strong demand for woodpanel industry. Moreover, with higher demand for branded products, organized manufacturers will outperform industry growth rate across product segments.

We prefer Plywood & MDFs over other segments: In domestic markets, plywood accounts for ~65-70% of woodpanel industry and owing to reasons mentioned above, the demand for this segment should improve. Higher timber prices and inadequate price hikes have kept the margins under pressure for all manufacturers. Notably, the rapid rise in timber cost has weighed more on the unorganized segment which constitutes ~75-80% of the plywood industry. Going ahead, with overall demand likely to improve & with higher preference for premium products, we reckon organized plywood manufacturers will continue to gain market share. Incrementally, timber cost should start to soften FY27E onwards as new logs would be available, and supply should get restored. Consequently, margins for ply manufacturers are expected to improve.

For MDFs, the domestic demand has been healthy as existing manufacturers have registered decent domestic growth and new capacities have also started to ramp-up. Currently, the major headwind is the oversupply of MDF as domestic capacity by FY25E end will be ~4mn cbm Vs demand of ~3mn cbm, which is leading to contraction in price realizations and impacting margins. Moreover, higher timber cost is further denting the margins. However, with major capex behind the industry and no new major capacity expected till FY27E, we expect pricing and margins to bottom-out by FY25E. Going ahead, MDF domestic demand should continue to grow by ~15% CAGR owing to higher demand for ready-made furniture and faster displacement of low-end plywood. Incrementally, timber price for MDFs should contract from FY26E which will further aid margin improvement.

Hence, we reiterate GREENPLY INDUSTRIES LTD as our top BUY: Owing to the reasons mentioned, we reiterate GREENPLY as our preferred pick from the segment. The company is one of the largest plywood manufacturers and has an extensive Pan-India distribution network. We reckon Greenply’s plywood volumes to grow by 8% CAGR over FY24-FY27E (in-our base case estimate) & we have built-up 1% improvement in realization as company will take price-hikes to pass-on the incremental timber cost. Hence, we expect revenue to grow by 9% CAGR over similar period. Incrementally, with expected contraction in timber prices & improvement in product-mix, we expect EBITDA margins for plywood segment to improve gradually to 10.0% by FY27E from 8.3% in FY24. Greenply’s MDF unit commenced in FY24 & in Year-1 of operations, company reported commendable performance, wherein sales stood 124,772cbm (~52% utilization) with an EBITDA of Rs400Mn (EBITDA/unit came in at Rs3,206/cbm). Going ahead, we believe company will gain market share largely in West, North, & Central region (only plant in West India), which should lead to volume growth of 29% CAGR over FY24-FY27E. Moreover, with major capacity addition likely to conclude by FY25E, we reckon pricing for the industry should improve FY26E onwards therefore, we expect ASP growth of 2% CAGR over FY24-FY27E. Consequently, EBITDA/cbm should inch-up from Rs4,800 in FY25E to Rs5,670 in FY27E. Notably, company has strengthened balance sheet by reducing gross debt from Rs6.71Bn in FY23 to Rs4.26Bn as on H1FY25, largely by selling-off controlling stake in Gabon subsidiary. Moreover, company is commencing a JV with SAMET for hardware business, however, we have not factored-in any major contribution from this JV in our estimates.

Reco	: BUY
CMP	: Rs 336
Target Price	: Rs 488
Potential Return	: +45.4%

Stock data (as on Nov 29, 2024)

Nifty	24,131
52 Week h/l (Rs)	412 / 194
Market cap (Rs/USD mn)	39,814 / 471
Outstanding Shares (mn)	124
6m Avg t/o (Rs mn):	133
Div yield (%):	0.2
Bloomberg code:	MTLM IN
NSE code:	GREENPLY

Stock performance



	1M	3M	1Y
Absolute return	-5.3%	-12.5%	69.4%

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	488	461

Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	10.6	15.9	19.5
EPS (Old)	10.2	15.3	18.4
% change	4.2%	3.6%	6.2%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	25,334	28,279	31,756
YoY Growth	16.2	11.6	12.3
EBITDA	2,617	3,368	3,856
EBITDA (%)	10.3	11.9	12.1
PAT	1,303	1,943	2,395
YoY Growth	53.9	49.1	23.3
ROE	16.7	20.9	21.0
EPS	10.6	15.9	19.5
P/E	31.6	21.2	17.2
BV/Share	68.0	83.3	102.4
P/BV	4.9	4.0	3.3

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SHALIN DAMANI, Associate

Overall, we expect Greenply's Revenue/EBITDA/PAT to register a strong CAGR of 13%/27%/41% respectively over FY24-FY27E. Given the sturdy growth, we believe Greenply is trading at lucrative P/E(x) of 17.2x on FY27E EPS of Rs19.5. We continue to value the company at P/E(x) of 25x on FY27E EPS, arriving at a target price of Rs488, implying an upside potential of 45% from CMP. Hence, we reiterate GREENPLY INDUSTRIES LTD as our top BUY.

GREENPLY SCENARIO ANALYSIS

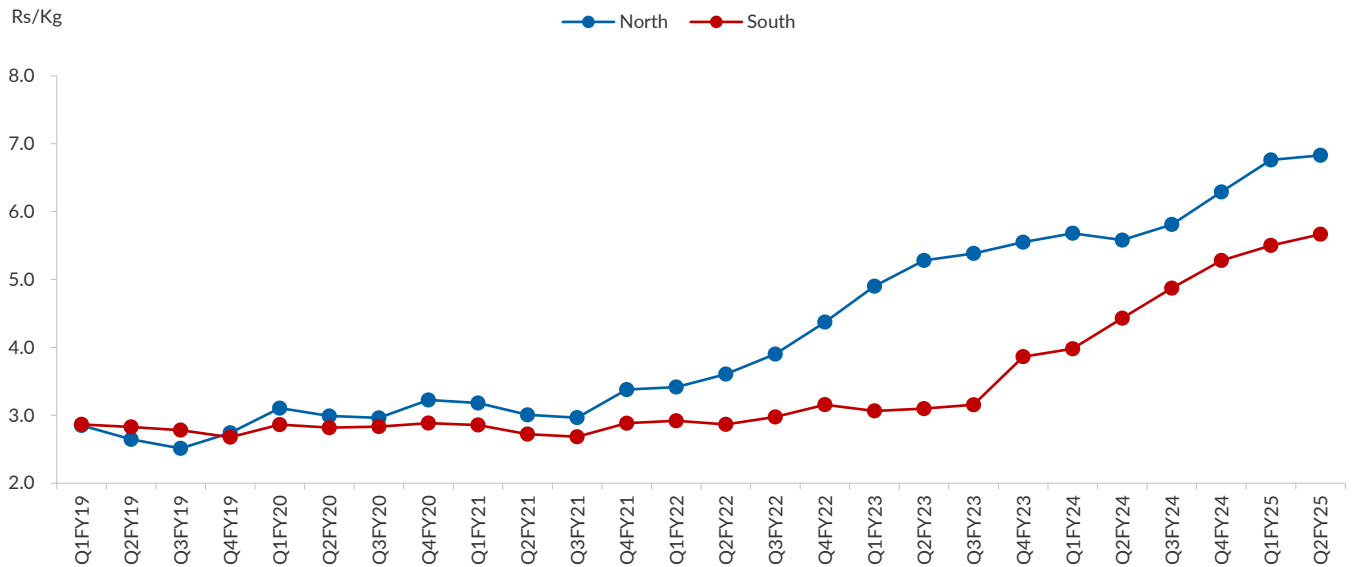
Rs mn	Base Case				Bull Case*			Bear Case**		
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	21,799	25,334	28,279	31,756	25,334	29,134	33,504	25,334	27,867	30,654
Growth (%)	31.1%	16.2%	11.6%	12.3%	16.2%	15.0%	15.0%	16.2%	10.0%	10.0%
EBITDA	1,868	2,617	3,368	3,856	2,617	3,761	4,403	2,617	2,787	3,065
Growth (%)	21.2%	40.1%	28.7%	14.5%	40.1%	43.7%	17.1%	40.1%	6.5%	10.0%
EBITDA (%)	8.6%	10.3%	11.9%	12.1%	10.3%	12.9%	13.1%	10.3%	10.0%	10.0%
Other Income	139	160	200	250	160	200	250	160	200	250
Depreciation	545	663	702	732	663	702	732	663	702	732
Finance Cost	433	395	323	243	395	323	243	395	323	243
Share of Ass.	122	(90)	49	63	(90)	49	63	(90)	49	63
PBT	1,150	1,629	2,591	3,194	1,629	2,984	3,741	1,629	2,010	2,403
Growth (%)	-8.1%	41.7%	59.0%	23.3%	41.7%	83.2%	25.4%	41.7%	23.4%	19.6%
Tax	298	326	648	798	326	746	935	326	503	601
ETR (%)	26%	20%	25%	25%	20%	25%	25%	20%	25%	25%
PAT	853	1,303	1,943	2,395	1,303	2,238	2,806	1,303	1,508	1,803
Growth (%)	-19.6%	52.9%	49.1%	23.3%	52.9%	71.7%	25.4%	52.9%	15.7%	19.6%
EPS (Rs)	7.0	10.6	15.9	19.5	10.6	18.3	22.9	10.6	12.3	14.7
Growth (%)	-19.6%	52.9%	49.1%	23.3%	52.9%	71.7%	25.4%	52.9%	15.7%	19.6%
P/E (x)			21	17		18	15		27	23
Assigned P/E (x)			25	25		30	30		20	20
Target (Rs)			396	488		548	687		246	294
Upside/Downside (%)			18%	45%		63%	104%		-27%	-12%

Source: Company, YES Sec

*Bull case- we have assumed better top-line growth driven by higher than expected demand which should lead to better margins. Hence, we have assigned P/E(x) of 30x.

**Bear case- we have assumed lower market share gain for MDF division which will also impact margins. Hence, we have assigned P/E(x) of 20x.

Exhibit 1: Timber prices remains elevated



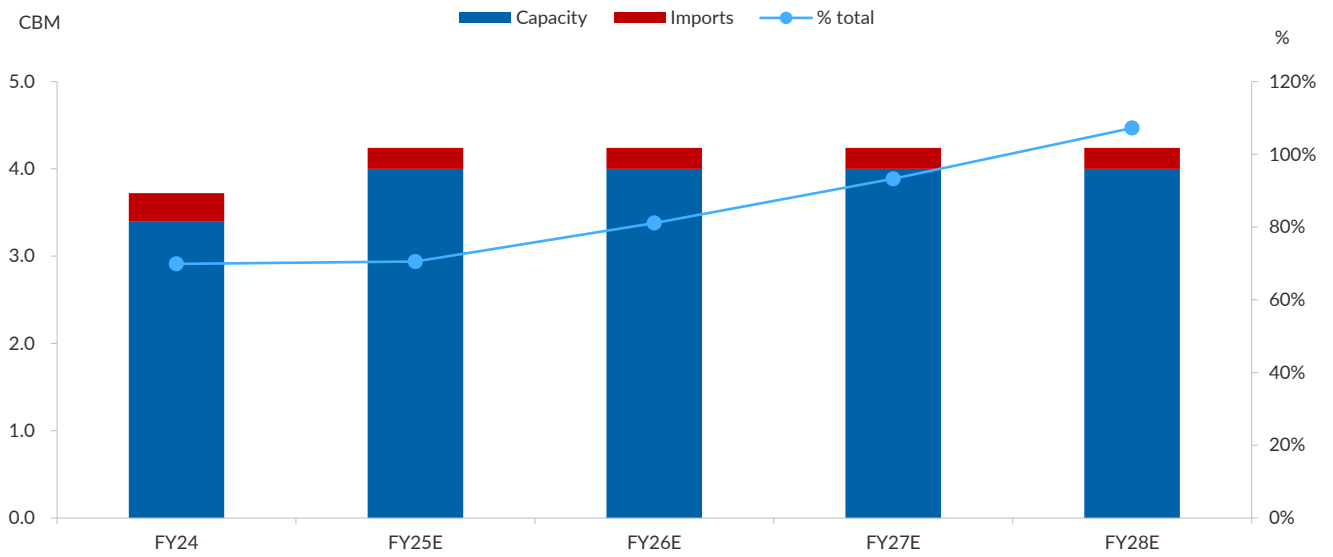
Source: Company, YES Sec

Exhibit 2: Rigorous capex done by all the companies

Company	Segment	Unit	FY24 Cap	Expansion	Total Cap	Location	Capex (Rs Bn)	Commissioning
Greenply	MDF	CBM	240,000	60,000	300,000	Gujarat	0.50	Q4FY25
Centuryply	Laminate	Mn Sheet	8.77	0.88	9.65	Andhra Pradesh	2.10	Q3FY24
Centuryply	MDF	CBM	313,500	313,500	627,000	Andhra Pradesh	7.30	Q4FY24
Centuryply	PVC Board	Te	-	15,000	15,000	Andhra Pradesh	0.30	Q4FY24
Centuryply	Particle Board	CBM	72,000	240,000	312,000	Tamil Nadu	5.50	Q4FY25
Greenpanel	MDF	CBM	660,000	231,000	891,000	Andhra Pradesh	6.00	Q4FY25
Greenlam	Particle Board	CBM	-	292,380	292,380	Andhra Pradesh	8.75	Q3FY25
Stylam	Laminate	Mn Sheet	16.00	NA	NA	Haryana	2.00-2.25	Q3FY25
Rushil	Laminate	Mn Sheet	3.49	2.80	6.29	Gujarat	0.90	Q4FY25
Rushil	Plywood	Boards/day	1,000	2,000	3,000	Karnataka	NA	Q2FY26

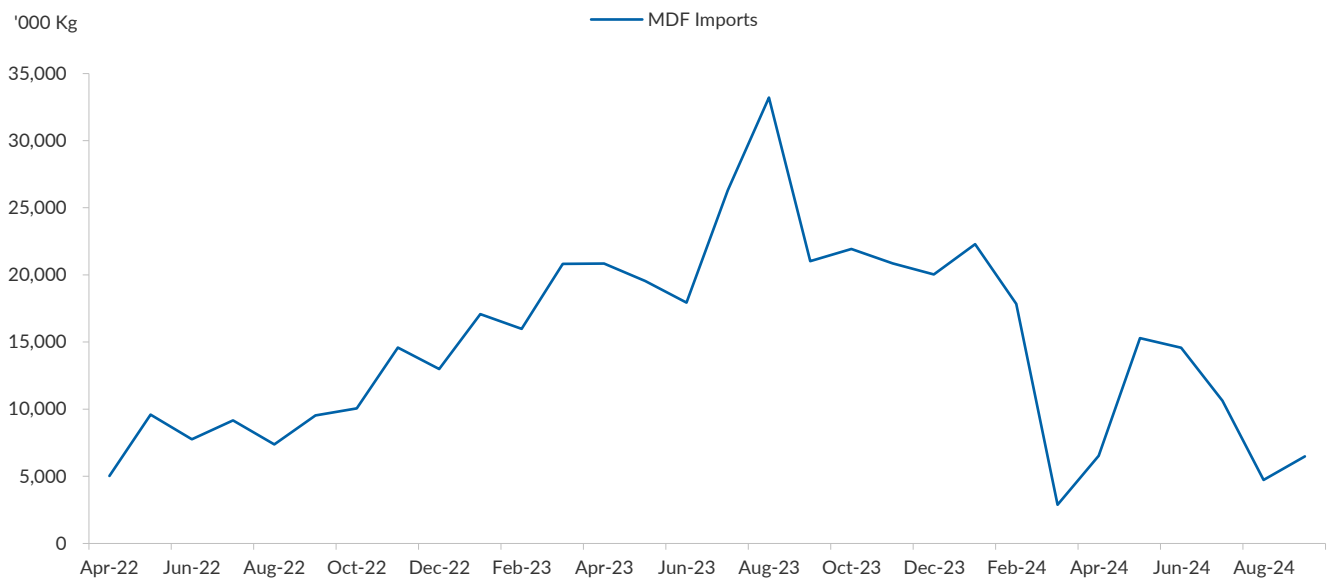
Source: Company, YES Sec

Exhibit 3: Major capex in MDF to conclude by FY25 end



Source: Company, YES Sec

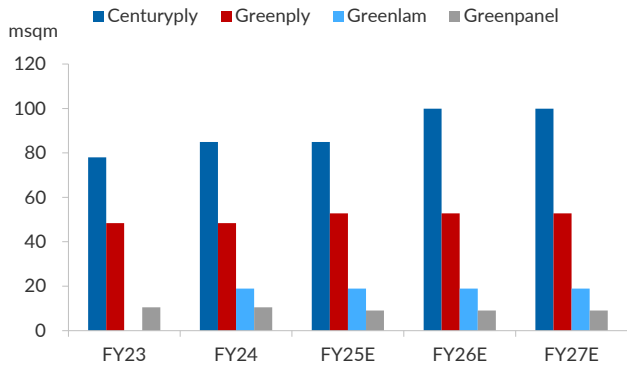
Exhibit 4: Higher freight & container costs have dented imports



Source: Company, YES Sec

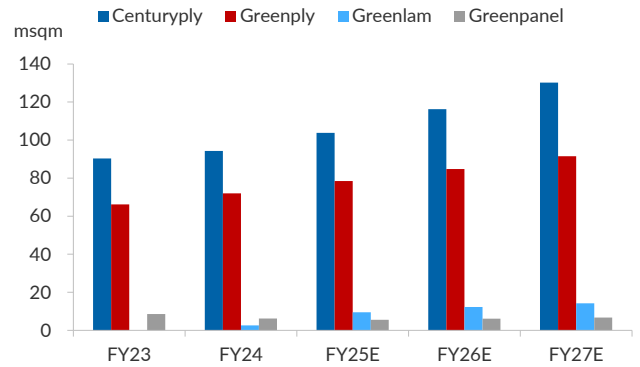
PEER ANALYSIS - PLYWOOD

Exhibit 5: Capacity



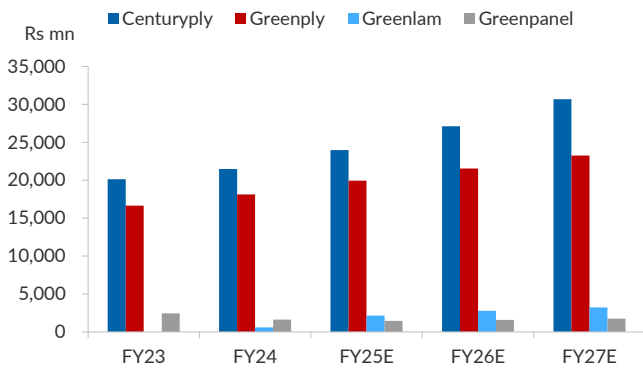
Source: Company, YES Sec

Exhibit 6: Volumes



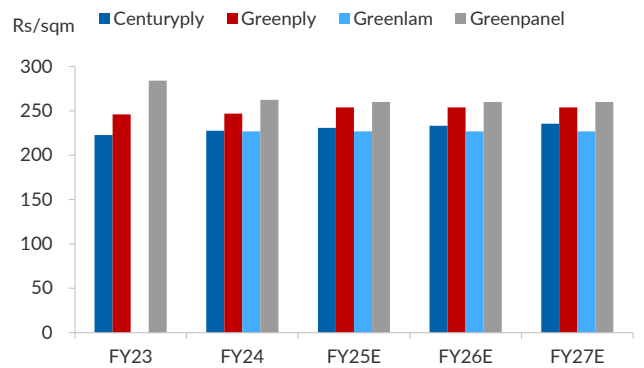
Source: Company, YES Sec

Exhibit 7: Revenue



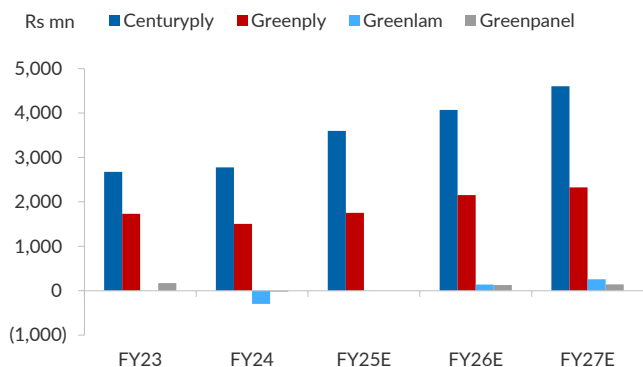
Source: Company, YES Sec

Exhibit 8: Realization



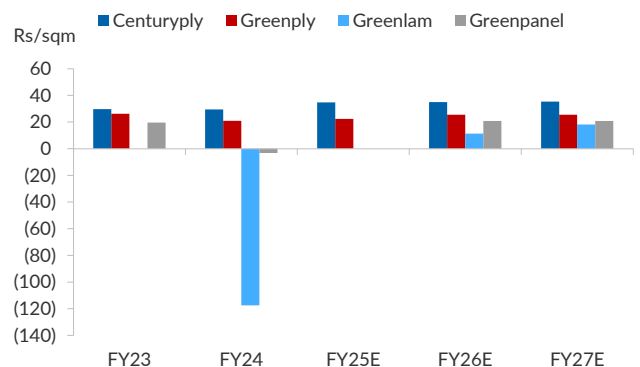
Source: Company, YES Sec

Exhibit 9: EBITDA



Source: Company, YES Sec

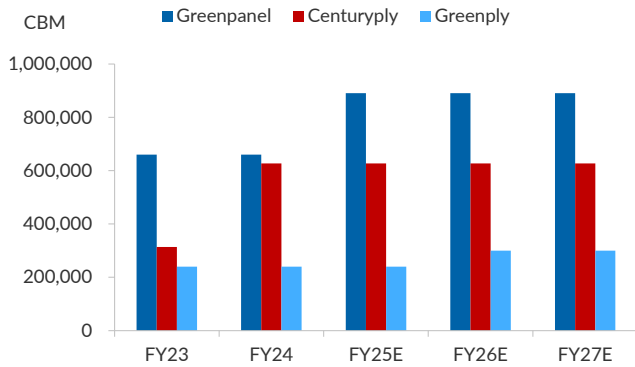
Exhibit 10: EBITDA/sqm



Source: Company, YES Sec

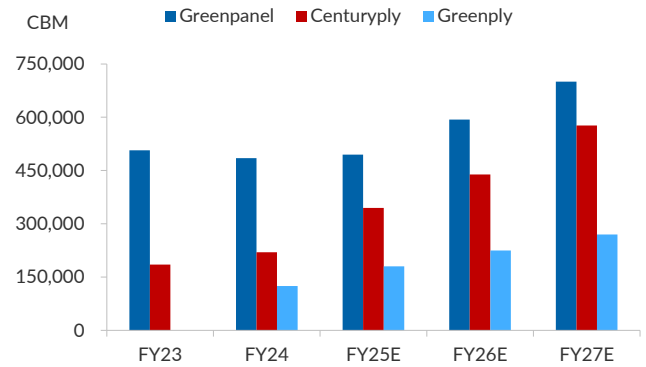
PEER ANALYSIS - MDF

Exhibit 11: Capacity



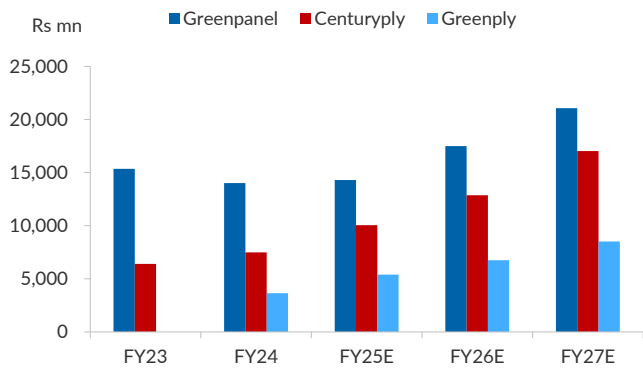
Source: Company, YES Sec

Exhibit 12: Volumes



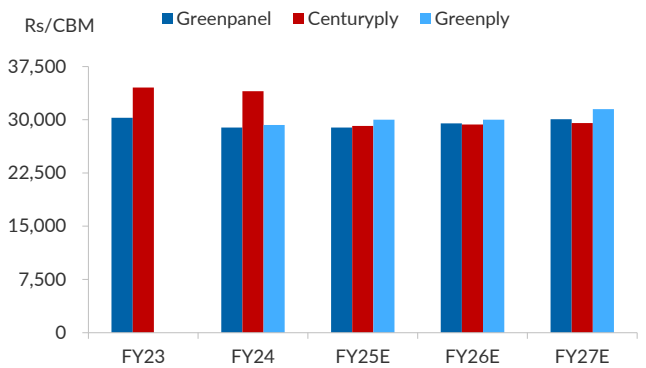
Source: Company, YES Sec

Exhibit 13: Revenue



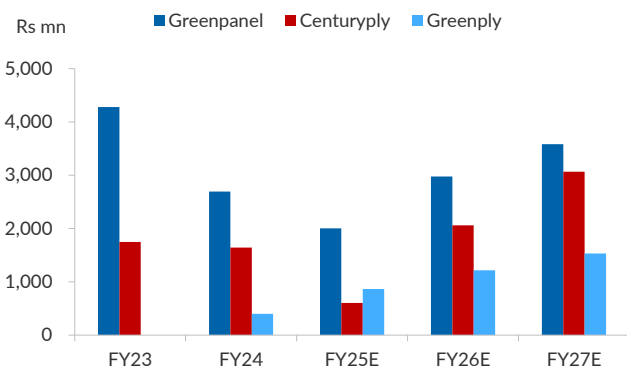
Source: Company, YES Sec

Exhibit 14: Realization



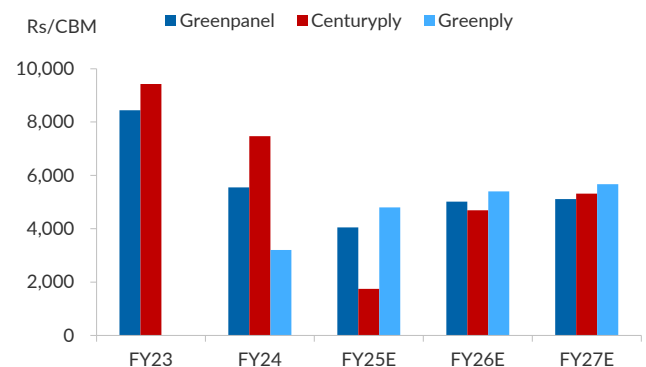
Source: Company, YES Sec

Exhibit 15: EBITDA



Source: Company, YES Sec

Exhibit 16: EBITDA/CBM



Source: Company, YES Sec

PEER ANALYSIS

Exhibit 17: Revenue

Rs mn	FY23	FY24	FY25E	FY26E	FY27E	FY24-27E CAGR
Centuryply	36,465	38,859	43,269	51,187	61,275	16.4%
Greenply	16,631	21,799	25,334	28,279	31,756	13.4%
Greenlam	20,260	23,063	27,568	33,867	39,512	19.7%
Greenpanel	17,828	15,672	15,744	19,091	22,813	13.3%
Stylam	9,521	9,141	10,748	12,388	14,290	16.1%

Source: Company, YES Sec

Exhibit 18: EBITDA

Rs mn	FY23	FY24	FY25E	FY26E	FY27E	FY24-27E CAGR
Centuryply	5,587	5,209	4,518	7,064	9,250	21.1%
Greenply	1,541	1,868	2,617	3,368	3,856	27.3%
Greenlam	2,329	2,947	3,261	4,396	5,238	21.1%
Greenpanel	4,166	2,465	2,002	3,102	3,721	14.7%
Stylam	1,548	1,845	2,096	2,478	2,858	15.7%

Source: Company, YES Sec

Exhibit 19: EBITDA margin

%	FY23	FY24	FY25E	FY26E	FY27E
Centuryply	15.3%	13.4%	10.4%	13.8%	15.1%
Greenply	9.3%	8.6%	10.3%	11.9%	12.1%
Greenlam	11.5%	12.8%	11.8%	13.0%	13.3%
Greenpanel	23.4%	15.7%	12.7%	16.3%	16.3%
Stylam	16.3%	20.2%	19.5%	20.0%	20.0%

Source: Company, YES Sec

Exhibit 20: Earnings per share

Rs	FY23	FY24	FY25E	FY26E	FY27E	FY24-27E CAGR
Centuryply	17.3	14.6	9.0	16.5	24.2	18.3%
Greenply	8.6	6.9	10.6	15.9	19.5	41.4%
Greenlam	10.3	10.8	10.4	15.8	19.9	22.4%
Greenpanel	20.9	11.6	9.0	14.5	18.0	15.7%
Stylam	56.7	75.9	81.4	100.2	116.3	15.3%

Source: Company, YES Sec

Exhibit 21: ROE%

%	FY23	FY24	FY25E	FY26E	FY27E
Centuryply	21.8%	15.8%	8.7%	14.3%	18.0%
Greenply	14.7%	14.6%	16.7%	20.9%	21.0%
Greenlam	15.9%	13.6%	11.6%	15.4%	16.5%
Greenpanel	23.9%	11.4%	8.1%	11.9%	13.2%
Stylam	26.4%	27.1%	22.9%	22.5%	21.1%

Source: Company, YES Sec

Exhibit 22: ROCE%

%	FY23	FY24	FY25E	FY26E	FY27E
Centuryply	29.7%	21.2%	12.5%	19.1%	23.4%
Greenply	15.4%	12.6%	20.3%	27.2%	26.7%
Greenlam	16.6%	14.2%	12.2%	15.8%	17.2%
Greenpanel	26.9%	12.4%	8.3%	13.6%	15.3%
Stylam	35.4%	34.4%	31.2%	29.9%	28.1%

Source: Company, YES Sec

Exhibit 23: Cash flow from operations

Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Centuryply	4,379	2,517	3,605	4,726	5,803
Greenply	622	1,109	2,142	2,637	2,979
Greenlam	1,693	1,936	2,140	2,752	3,660
Greenpanel	3,374	1,349	2,066	2,501	2,875
Stylam	662	1,129	1,122	1,426	1,628

Source: Company, YES Sec

Exhibit 24: Free cash flow

Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Centuryply	(452)	(5,929)	(2,395)	2,726	4,803
Greenply	(3,495)	(120)	1,342	2,137	2,479
Greenlam	(2,967)	(4,396)	1,140	1,752	2,660
Greenpanel	895	(235)	1,066	1,501	1,875
Stylam	404	986	872	1,176	1,378

Source: Company, YES Sec

Exhibit 25: Asset turnover ratio

	FY23	FY24	FY25E	FY26E	FY27E
Centuryply	2.6	1.9	1.6	1.6	1.8
Greenply	3.1	2.6	2.3	2.4	2.6
Greenlam	2.2	1.8	1.6	1.7	1.9
Greenpanel	1.2	1.0	1.0	1.1	1.3
Stylam	3.0	2.7	3.0	3.2	3.5

Source: Company, YES Sec

Exhibit 26: Net debt

Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Centuryply	373	6,514	9,237	7,411	3,368
Greenply	6,397	5,116	4,230	2,478	303
Greenlam	5,538	9,659	9,097	7,974	5,944
Greenpanel	(1,805)	1,276	528	(662)	(2,227)
Stylam	100	(720)	(1,512)	(2,668)	(4,026)

Source: Company, YES Sec

Exhibit 27: Working capital days

Days	FY23	FY24	FY25E	FY26E	FY27E
Centuryply	87	104	94	94	94
Greenply	63	46	42	42	42
Greenlam	106	112	112	112	112
Greenpanel	29	55	55	55	55
Stylam	131	147	147	147	147

Source: Company, YES Sec

Exhibit 28: P/E multiple

	FY23	FY24	FY25E	FY26E	FY27E
Centuryply	42.0	49.6	80.7	44.0	30.0
Greenply	39.0	48.7	31.6	21.2	17.2
Greenlam	55.6	52.8	54.8	36.1	28.8
Greenpanel	16.7	30.0	38.7	24.1	19.3
Stylam	44.4	33.2	31.0	25.2	21.7

Source: Company, YES Sec

FINANCIALS

Exhibit 29: Income Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	16,631	21,799	25,334	28,279	31,756
Growth (%)	6.4%	31.1%	16.2%	11.6%	12.3%
EBITDA	1,541	1,868	2,617	3,368	3,856
EBITDA margin (%)	9.3%	8.6%	10.3%	11.9%	12.1%
Growth (%)	2.6%	21.2%	40.1%	28.7%	14.5%
Depreciation & Amortization	260	545	663	702	732
Other income	172	139	160	200	250
EBIT	1,454	1,461	2,114	2,866	3,374
EBIT margin (%)	8.7%	6.7%	8.3%	10.1%	10.6%
Interest	91	433	395	323	243
PBT	1,252	1,150	1,629	2,591	3,194
Tax	192	298	326	648	798
Net profit	1,060	853	1,303	1,943	2,395
Net profit margin (%)	6.4%	3.9%	5.1%	6.9%	7.5%
EPS	8.6	6.9	10.6	15.9	19.5
Growth (%)	11.7%	-19.9%	53.9%	49.1%	23.3%

Source: Company, YES Sec

Exhibit 30: 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	8,212	10,094	12,428
Equity	6,438	7,094	8,336	10,218	12,552
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	3,818	4,234	4,718
Other current Liab	843	606	606	606	606
Total Equity & Liab	16,810	16,639	17,570	18,867	20,685
Net Block	4,014	8,096	8,232	8,030	7,798
CWIP	5,130	124	124	124	124
Inventory	2,784	3,478	3,900	4,325	4,819
Receivables	2,287	2,490	2,776	3,099	3,480
Cash & Bank	314	224	309	1,061	2,236
Other	1,130	713	713	713	713
Total Assets	16,810	16,639	17,570	18,867	20,685

Source: Company, YES Sec

Exhibit 31: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,252	1,150	1,629	2,591	3,194
Depreciation & Amortization	365	636	663	702	732
Finance cost	262	661	395	323	243
(Incr)/Decr in Working Capital	(1,200)	(648)	(220)	(332)	(391)
Taxes	(36)	(376)	(326)	(648)	(798)
Cash from ops.	622	1,109	2,142	2,637	2,979
(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	85	752	1,175
Cash and cash equivalents at beg of year	380	70	224	309	1,061
Cash and cash equivalents at end of year	81	220	309	1,061	2,236

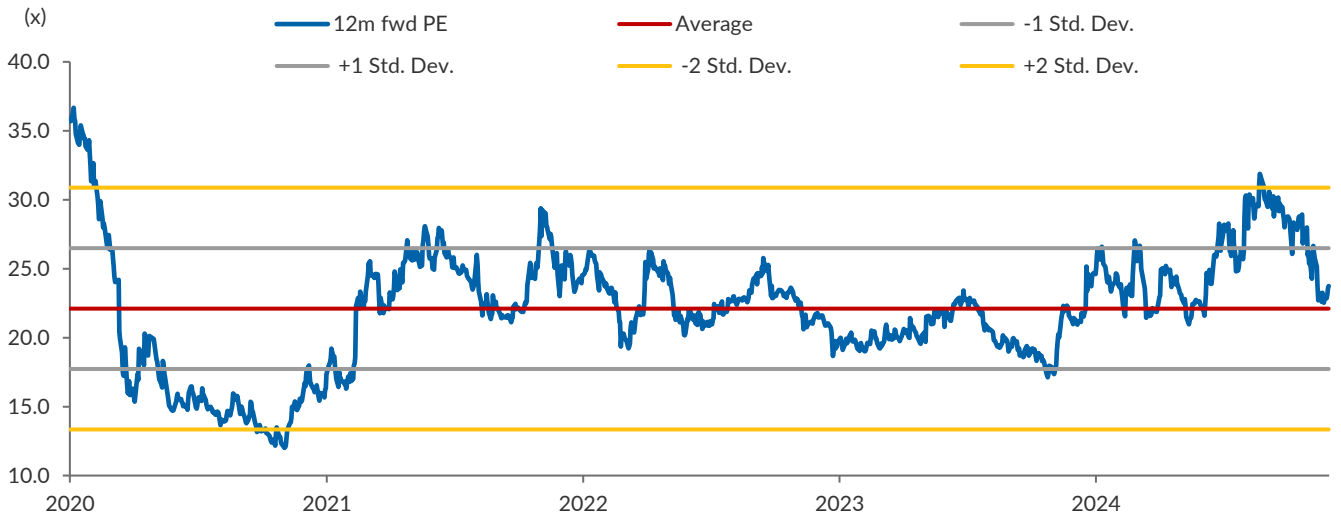
Source: Company, YES Sec

Exhibit 32: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue growth	6.4%	31.1%	16.2%	11.6%	12.3%
EBITDA growth	2.6%	21.2%	40.1%	28.7%	14.5%
EBIT growth	8.2%	0.5%	44.7%	35.6%	17.7%
PAT growth	-7.5%	13.9%	30.5%	50.7%	23.3%
Profitability ratios (%)					
GP margin	37.9%	39.7%	40.8%	41.2%	41.7%
EBITDA margin	9.3%	8.6%	10.3%	11.9%	12.1%
EBIT margin	8.7%	6.7%	8.3%	10.1%	10.6%
PAT margin	5.2%	4.5%	5.1%	6.9%	7.5%
RoCE	15.4%	12.6%	20.3%	27.2%	26.7%
RoE	14.7%	14.6%	16.7%	20.9%	21.0%
Per share values					
EPS	8.6	6.9	10.6	15.9	19.5
CEPS	10.8	11.4	16.0	21.6	25.5
BVPS	52.5	57.9	68.0	83.3	102.4
Valuation ratios (x)					
P/E	16.3	33.3	31.6	21.2	17.2
P/CEPS	13.1	20.2	20.9	15.6	13.2
P/B	2.7	4.0	4.9	4.0	3.3
EV/EBITDA	15.4	18.0	17.5	13.1	10.8
Leverage ratios (x)					
Debt/ Equity	1.0	0.8	0.5	0.3	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	8.9	13.9
NWC days					
Receivables	50	42	40	40	40
Inventory	98	96	95	95	95
Payables	86	92	93	93	93

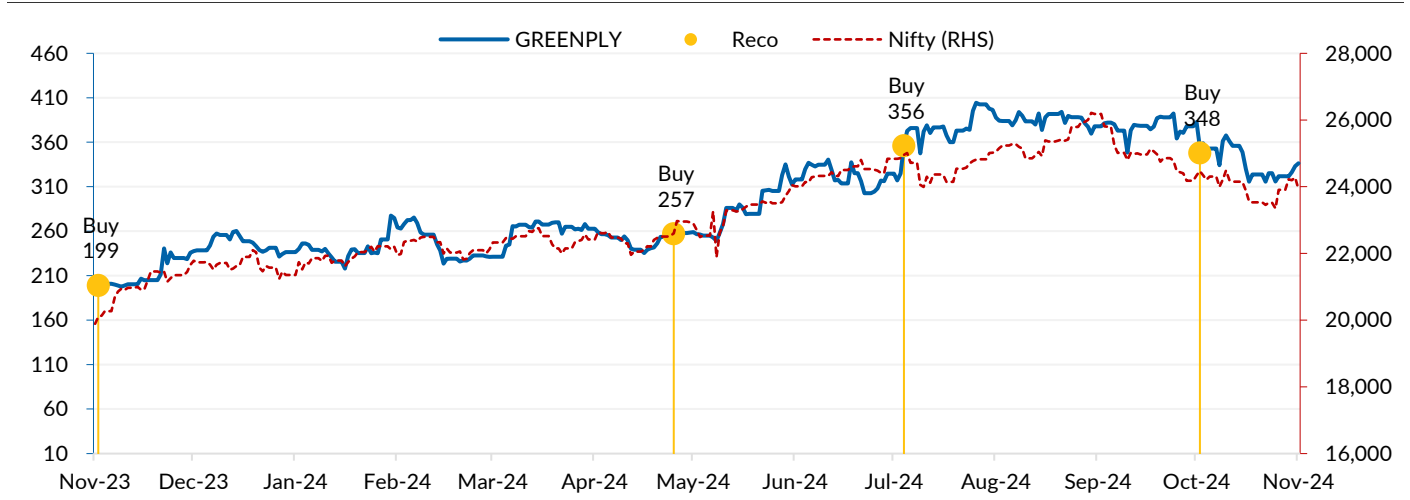
Source: Company, YES Sec

Exhibit 33: 1-year forward P/E (x) chart



Source: Company, YES Sec

Recommendation Tracker



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