

October 29, 2024

**RESULT REPORT Q2 FY25** | Sector: Building Materials

# Greenpanel Industries Ltd

**Performance to improve FY26 onwards; upgrade to BUY!**

## Result Synopsis

As expected, Greenpanel Industries (GREENP) registered weak performance in Q2FY25. The core segment, MDF (89% of revenue), reported a degrowth of 17%YoY & 11%QoQ, wherein volumes degrew by 18%YoY & 15%QoQ (2-year volume CAGR came in at -10%) and blended realizations improved by 2%YoY & 5%QoQ. Volumes declined owing to higher competitive intensity in domestic markets coupled with sharp degrowth of 55%YoY & 30%QoQ in exports (15% of vols) biz. Domestic ASP declined by 7%YoY but improved by 3%QoQ while export realizations grew by 24%YoY & 9%QoQ. Consequently, domestic sales degrew by 11%YoY & 9%QoQ while export sales declined by 43%YoY & 24%QoQ. Operating margins remained under pressure due to higher input costs and lower volumes. Hence, EBITDA margins for MDF stood at 13.1% Vs 21.2% in Q2FY24 and 12.1% in the previous quarter. EBITDA/cbm came in at Rs3,816 Vs Rs6,080/Rs3,372 in Q2FY24/Q1FY25 respectively. Plywood segment's volumes and revenue increased QoQ by 18% & 14% respectively. ASP stood at Rs256/sqm Vs Rs265/sqm in the previous quarter. EBITDA stood at Rs9.2Mn Vs Rs7.1Mn loss in Q1FY25. Net-working capital days stood at 40 while net borrowings came in at Rs970.8Mn.

## Management Guidance

Management expects domestic volumes to grow by 15-18%YoY in H2FY25, translating into 10%YoY growth for FY25. For exports, the company aims to achieve 6,000-8,000cbm/month run rate for H2FY25. EBITDA margins should improve by 150-200bps in H2FY25 Vs Q2FY25 base. For FY26, domestic MDF volumes should grow by 35%YoY and margins should expand by 150-250bps.

## Our View

We believe headwinds for GREENP should continue in FY25 as competitive intensity remains high in the industry and timber cost is likely to remain elevated. However, major domestic capacities are coming up by FY25 end post which no major capex is expected in MDF industry. Hence with demand likely to grow 15-20% CAGR, we believe competitive pressure will moderate and GREENP's performance should improve H2FY26E onwards. Moreover, timber prices are expected to contract from FY26 which will enable margin improvement. Also, GREENP aims to have 65% contribution from VAP at existing plant by FY27E which will further aid margin expansion. We have revised our FY25E/FY26E estimate downwards by 1% (including one-off tax refund)/3% respectively. We now value GREENP at P/E(x) of 25x on FY27E EPS of Rs18, arriving at a target price of Rs451. Hence, we upgrade the stock to BUY.

## Result Highlights

- Sales declined by 15.5%YoY & 7.7%QoQ to Rs3.37Bn (in-line with our estimates).

### Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	3,369	3,367	3,650	0.1	(7.7)	Broadly in line with estimates. PAT higher due to tax refund.
EBITDA	299	313	439	(4.6)	(31.9)	
EBITDA Margin (%)	8.9	9.3	12.0	(44 bps)	(315 bps)	
Adjusted PAT	185	125	213	47.9	(12.9)	

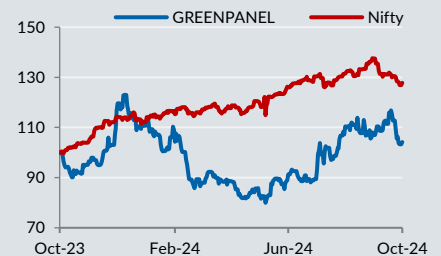
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 373
Target Price	: Rs 451
Potential Return	: +20.9%

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

Nifty	24,415
52 Week h/l (Rs)	450 / 268
Market cap (Rs/USD mn)	45,685 / 544
Outstanding Shares (mn)	123
6m Avg t/o (Rs mn):	103
Div yield (%):	0.4
Bloomberg code:	GREENP IN
NSE code:	GREENPANEL

### Stock performance



	1M	3M	1Y
Absolute return	-2.6%	11.8%	4.2%

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

Promoter	53.1%
FII+DII	30.4%
Others	16.5%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	REDUCE
Target Price	451	330

### Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	9.0	14.5	18.0
EPS (Old)	9.1	15.0	-
% change	-0.9%	-3.4%	-

### Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	15,744	19,091	22,813
YoY Growth	0%	21%	19%
EBIDTA	2,002	3,102	3,721
EBIDTA (%)	13%	16%	16%
PAT	1,106	1,777	2,211
YoY Growth	-23%	61%	24%
ROE	8%	12%	13%
EPS	9.0	14.5	18.0
P/E	41.3	25.7	20.7
BV/Share	115.0	127.9	144.5
P/BV	3.2	2.9	2.6

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- Higher input cost led to decline in operating margins from 17.3%/9.9% in Q2FY24/Q1FY25 respectively to 8.9% in Q2FY25 (Vs est of 9.3%). Absolute EBITDA degrew sharply by 57%YoY & 17%QoQ to Rs299Mn (4.6% below estimates).
- Net profit stood at Rs185Mn. Company received tax refund of Rs128.74Mn which resulted into higher PAT Vs estimate.

## Segmental Highlights for Q2FY25

### MDF

- Volumes stood at 101,546cbm, a decline of 18%YoY. Domestic sales (85% of volumes), degrew by 4%YoY & 11%QoQ. Export sales (15% of volumes), declined sharply by 55%YoY & 30%QoQ.
- ASP came in at 29,131/cbm, an improvement of 2%YoY & 5%QoQ. Domestic ASP declined by 7%YoY & increased by 3%QoQ while export realizations improved by 24%YoY & 9%QoQ.
- Revenue stood at Rs2.96Bn, a degrowth of 17%YoY & 11%QoQ. Domestic sales (89% of MDF), degrew by 11%YoY & 9%QoQ while export revenue (11% of MDF), degrew by 43%YoY & 24%QoQ.
- EBITDA margins came in at 13.1% (including other income) Vs 21.2%/12.1% in Q2FY24/Q1FY25 respectively. Consequently, EBITDA/cbm stood at Rs3,816 Vs Rs6,080/Rs3,372 in Q2FY24/Q1FY25 respectively.
- Capacity utilization stood at 62%.

### Plywood

- Volumes declined by 12%YoY to 1.44msqm.
- ASP contracted by 3%YoY & 4%QoQ to Rs256/sqm.
- Revenue stood at Rs369Mn, a decline of 15%YoY & increase of 14%QoQ.
- EBITDA margins came in at 2.5% Vs 1.6% in Q2FY24.
- Capacity utilization stood at 50% for 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	3,862	3,987	3,857	3,966	3,650	3,369	(15.5)	(7.7)	7,849	7,018	(10.6)
Expenditure	3,204	3,296	3,254	3,453	3,289	3,070	(6.9)	(6.7)	6,500	6,359	(2.2)
- RM	1,612	1,770	1,692	1,834	1,785	1,711	(3.3)	(4.1)	3,382	3,496	3.4
- Staff Cost	333	354	335	385	362	354	0.1	(2.2)	686	716	4.3
- Other Cost	1,259	1,173	1,228	1,234	1,142	1,005	(14.3)	(12.1)	2,432	2,147	(11.7)
Operating Profit	658	691	603	513	361	299	(56.8)	(17.1)	1,349	659	(51.1)
OPM (%)	17.0	17.3	15.6	12.9	9.9	8.9	(846 bps)	(101 bps)	17.2	9.4	(779 bps)
Other Income	64	68	13	74	45	62	(8.7)	37.8	132	107	(18.7)
Depreciation	182	185	179	182	189	193	4.4	2.0	367	382	4.2
Interest	40	19	62	2	2	34	77.0	1,369.6	59	36	(38.4)
PBT	500	555	374	403	214	134	(75.8)	(37.3)	1,055	348	(67.0)
Tax	127	145	28	105	57	(51)	(135.3)	(189.9)	272	6	(97.9)
PAT	373	410	346	298	157	185	(54.9)	17.7	783	342	(56.3)
OCI	(0)	3	(2)	(11)	-	-	-	-	2	-	-
Reported PAT	373	413	344	287	157	185	(55.2)	17.7	786	342	(56.4)

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>Revenue (Rs mn)</b>											
MDF	3,402	3,545	3,466	3,604	3,318	2,958	(16.6)	(10.8)	6,947	6,276	(9.7)
Plywood	450	432	384	357	324	369	(14.7)	13.9	882	692	(21.5)
<b>EBITDA</b>											
MDF	694	752	679	591	401	388	(48.4)	(3.5)	1,445	789	(45.4)
Plywood	27	7	(16)	(37)	(7)	9	33.3	(229.4)	33	2	(93.7)
<b>EBITDA%</b>											
MDF	20.4	21.2	19.6	16.4	12.1	13.1	(810 bps)	100 bps	20.8	12.6	(824 bps)
Plywood	5.9	1.6	(4.1)	(10.5)	(2.2)	2.5	90 bps	470 bps	3.8	0.3	(349 bps)
<b>Volume</b>											
MDF (cbm)	115,798	123,615	118,301	127,239	119,071	101,546	(17.9)	(14.7)	239,413	220,617	(7.9)
Plywood (msqm)	1.6	1.6	1.5	1.4	1.2	1.4	(12.2)	18.0	3.2	2.7	(17.4)
<b>Avg Realizations</b>											
MDF (Rs/cbm)	29,375	28,679	29,300	28,325	27,864	29,131	1.6	4.5	29,015	28,447	(2.0)
Plywood (Rs/sqm)	285	263	249	251	265	256	(2.8)	(3.5)	274	260	(5.0)

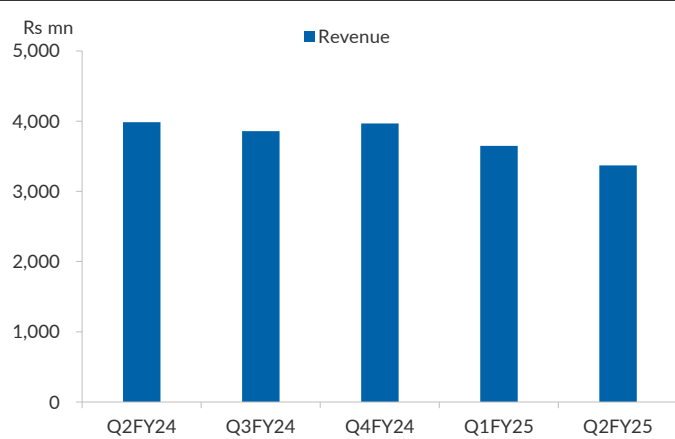
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- Management has guided for 15-18%YoY growth in H2FY25 that would result in ~10%YoY growth for FY25 with 14-15% margins. The margin for H2FY25 should be higher than Q2FY25 by 150-200bps. MDF domestic volumes for FY26 are expected to grow by ~35% including new lines with margins increasing further by 150-200bps.
- Industry demand is growing at a rate of 13-16%. Company expects large domestic players to enjoy increase in market share going ahead as all additional MDF capacities have come in, imports have already reduced sharply and are expected to reduce further with BIS norms that are expected to be implemented early next year. Currently, the landed cost for MDF including freight (US\$25-30/CBM) for imports is US\$195-200/CBM.
- Domestic capacity for MDF has increased from 2.5Mn CBM to 4.1Mn CBM in last 2 years. Domestic consumption was 2.7Mn CBM for FY24. However, competitive intensity has increased as new players have entered the segment and have been gaining market share which has impacted company's volumes.
- Company has introduced a new 4% scheme for dealers in Q2FY25 to compete with the price action taken by competitors whose additional capacity came online. This resulted in a reduction in ASP by ~2%. The above scheme is still active.
- New MDF plant is expected to commence by Q3FY25. The new plant is expected to have 2 large lines of thin MDF whose ASP is higher than thick by 5-7% but the cost is also slightly higher, Company expects a utilization of 50% in FY26 & 75-80% in FY27. 30-35% of the total MDF market is thin panels that is majorly catered to by domestic players where some unorganized players specialize in the segment. GREENP is on par in terms of price with unorganized but with lower costs expects better margins.
- Timber prices have increased by 5-6% in Q2FY25 but for the company on a blended basis the same has gone down by 1.5%QoQ. Average timber price in North/South is Rs6.63/Rs5.32 respectively and Rs 5.86 on a blended basis. Currently, South has seen an increase of another 5-6% and North prices have increased by 4% (North may see a correction in November). Company is considering a price hike in current quarter. Company believes there should be a moderation in timber prices in FY26 and a sharp reduction in FY27.
- Company believes unorganized segment may take a 6% price hike in Nov'24.
- OEMs contribute 16% of domestic volumes but at a price that is at a discount of 5-6% Vs retail. Margins are lower than retail by 350-400bps.
- Company has consciously stopped exports to customers who were not ready to compensate for the increase in freight prices. Company plans to target 6,000-8,000CBM per month for H2FY25 only to customers who contribute positively to the fixed costs after accounting for freight rates and increase in wood prices. Export margins have fallen to 1-2% from 3-4% earlier. Only GREENP & RUSHIL that have plants in the south export MDF as for other north based players, cost is too high.
- Ratio of VAP has increased from 47% in Q1FY25 to 54% in Q2FY25 with a target of 65% by FY27.
- Lead time for a new plant is 2.5-3 years from conception to production of 1st board. The time would reduce by 6 months in case a 2nd hand plant is acquired.
- NWC has increased by 14 days to 40 days. Inventory/receivable/payable days are 56/8/24 respectively. Inventory days are expected to moderate while the other 2 will remain stable.
- Capex of Rs800Mn is pending of which Rs300Mn would be incurred in FY25 & Rs400-500Mn in FY26.

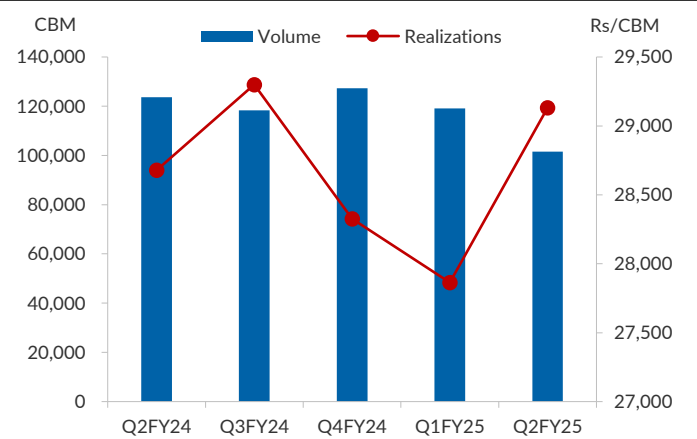
## QUARTERLY TRENDS

**Exhibit 4: Revenue decreased by 16%YoY...**



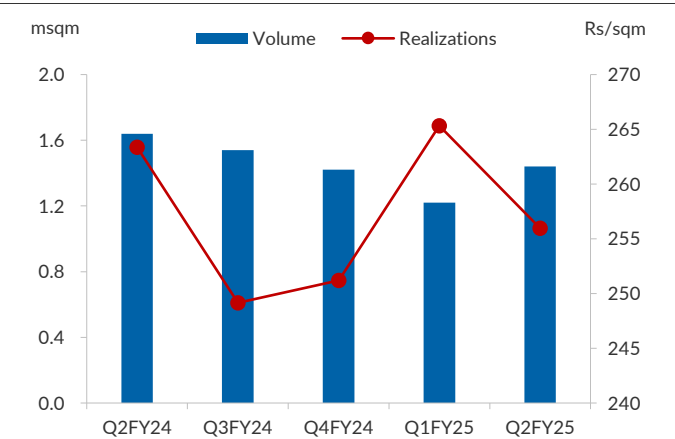
Source: Company, YES Sec

**Exhibit 5: MDF ASP grew by 2%YoY to Rs29,131/cbm...**



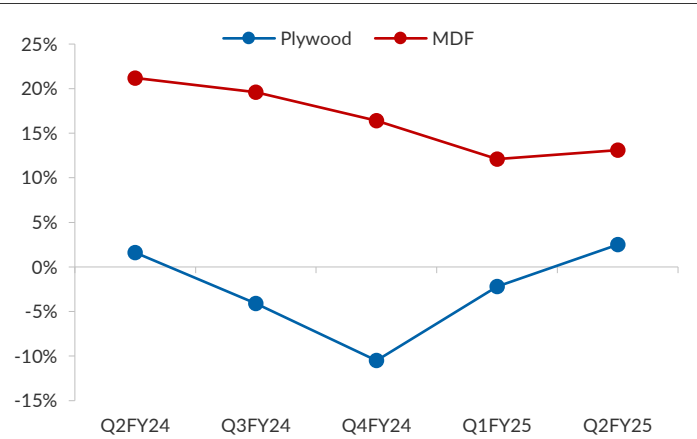
Source: Company, YES Sec

**Exhibit 6: Plywood volume declined by 12%YoY...**



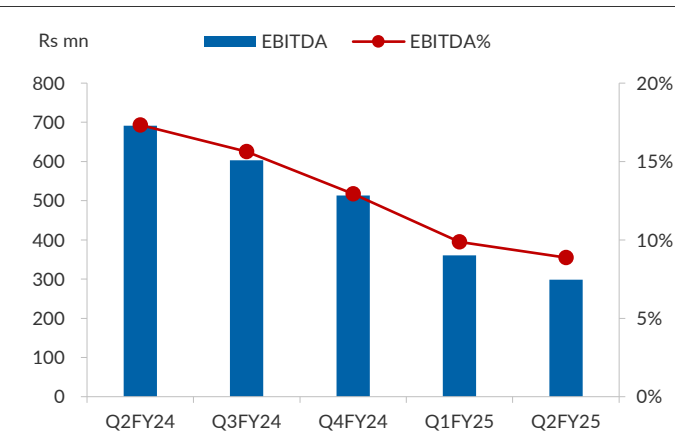
Source: Company, YES Sec

**Exhibit 7: Margins improved sequentially...**



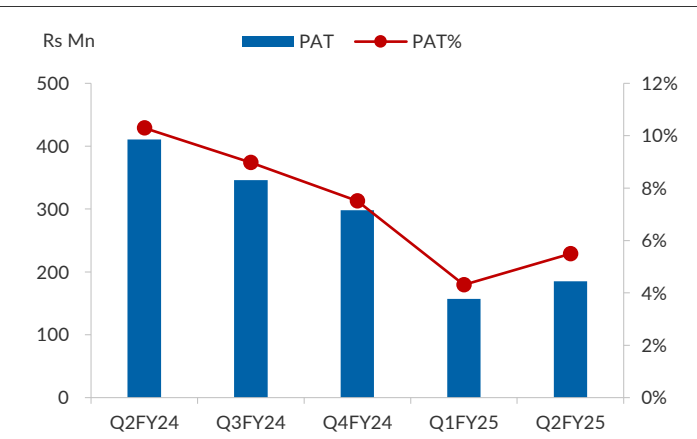
Source: Company, YES Sec

**Exhibit 8: Blended margin reduced to 9%...**



Source: Company, YES Sec

**Exhibit 9: Net profit stood at Rs185Mn...**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	17,828	15,672	15,744	19,091	22,813
Growth (%)	9.7%	12.1%	0.5%	21.3%	19.5%
EBITDA	4,166	2,465	2,002	3,102	3,721
EBITDA margin (%)	23.4%	15.7%	12.7%	16.3%	16.3%
Growth (%)	(3.2%)	(40.8%)	(18.8%)	55.0%	19.9%
Depreciation & Amortization	719	729	805	855	905
Other income	194	219	239	249	259
EBIT	3,640	1,955	1,435	2,496	3,074
EBIT margin (%)	20.4%	12.5%	9.1%	13.1%	13.5%
Interest	190	123	134	127	127
PBT	3,511	1,832	1,301	2,369	2,947
Tax	944	405	195	592	737
Net profit	2,566	1,428	1,106	1,777	2,211
Net profit margin (%)	14.4%	9.1%	7.0%	9.3%	9.7%
EPS	20.9	11.6	9.0	14.5	18.0
Growth (%)	6.7%	(44.4%)	(22.5%)	60.6%	24.4%

Source: Company, YES Sec

### Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
Equity Share Capital	123	123	123	123	123	123
Reserves	11,816	13,049	13,391	13,971	15,564	17,590
Total Shareholders' Funds	11,939	13,171	13,513	14,093	15,686	17,713
Non-current liabilities						
Long term borrowings	1,271	2,375	2,582	2,136	2,136	2,136
Deferred Tax liabilities	1,020	1,010	979	1,010	1,010	1,010
Current liabilities						
Short term borrowings	702	304	392	274	274	274
Trade payables	1,111	1,094	852	1,067	1,299	1,653
Other current liabilities	526	647	914	647	647	647
<b>Total equity and liabilities</b>	<b>17,048</b>	<b>18,907</b>	<b>19,527</b>	<b>19,533</b>	<b>21,358</b>	<b>23,738</b>
Non-current assets						
PPE	9,453	9,447	9,291	9,642	9,787	9,882
CWIP	49	3,127	4,680	3,127	3,127	3,127
Current assets						
Inventories	1,525	2,016	2,043	1,967	2,395	3,046
Trade receivables	444	290	302	292	354	423
Cash and cash equivalents	133	401	836	1,881	3,072	4,636
Loans and advances	5	5	7	5	5	5
Other current assets	587	1,580	1,534	1,580	1,580	1,580
<b>Total assets</b>	<b>17,048</b>	<b>18,907</b>	<b>19,527</b>	<b>19,533</b>	<b>21,358</b>	<b>23,738</b>

Source: Company, YES Sec

## Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
PBT	3,510	1,832	348	1,301	2,369	2,947
Depreciation & Amortization	720	729	382	805	855	905
Finance cost	190	123	36	134	127	127
(Incr)/Decr in Working Capital	(254)	(662)	(215)	21	(258)	(367)
Taxes	(623)	(369)	(35)	(195)	(592)	(737)
<b>Cash from ops.</b>	<b>3,374</b>	<b>1,349</b>	<b>493</b>	<b>2,066</b>	<b>2,501</b>	<b>2,875</b>
(Incr)/ Decr in PP&E	(803)	(3,441)	(1,066)	(1,000)	(1,000)	(1,000)
<b>Cash Flow from Investing</b>	<b>(2,478)</b>	<b>(1,585)</b>	<b>(191)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>
(Decr)/Incr in Borrowings	(1,002)	(968)	(133)	(270)	-	-
Finance cost	(85)	(264)	(6)	(134)	(127)	(127)
<b>Cash Flow from Financing</b>	<b>(1,336)</b>	<b>503</b>	<b>133</b>	<b>(588)</b>	<b>(311)</b>	<b>(311)</b>
Incr/(Decr) in cash	(441)	268	436	478	1,190	1,565
Cash and cash equivalents at beg of year	574	133	401	1,404	1,881	3,072
<b>Cash and cash equivalents at end of year</b>	<b>133</b>	<b>401</b>	<b>836</b>	<b>1,881</b>	<b>3,072</b>	<b>4,636</b>

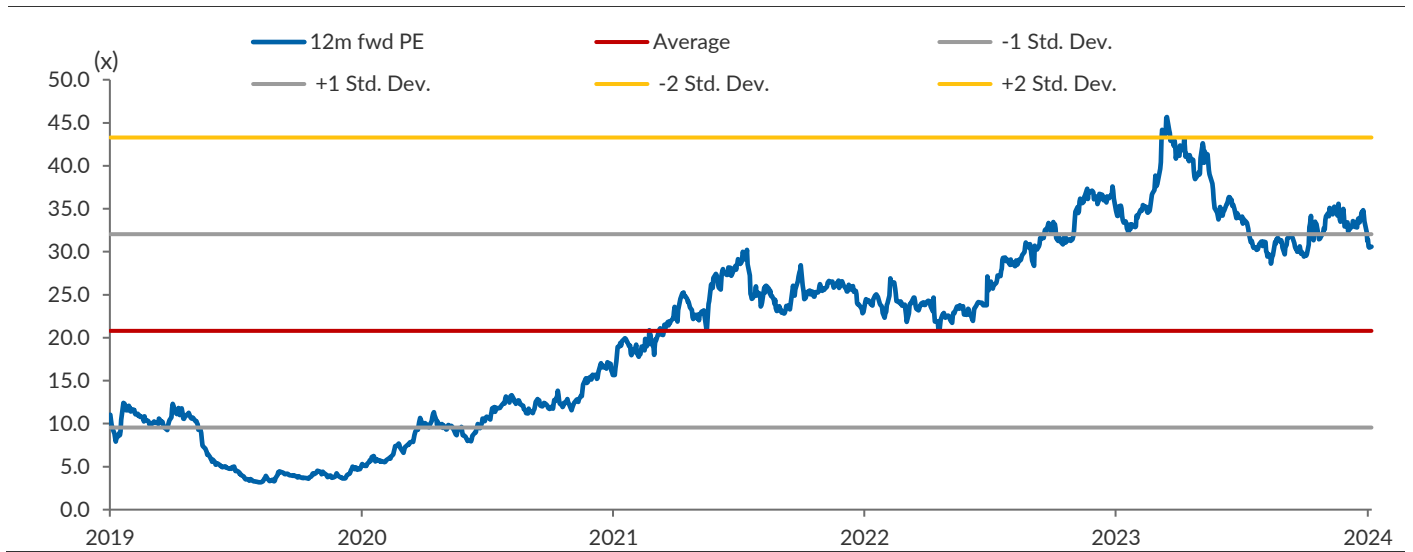
Source: Company, YES Sec

## Exhibit 13: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Matrix (%)</b>					
Revenue growth	9.7%	(12.1%)	0.5%	21.3%	19.5%
EBITDA growth	(3.2%)	(40.8%)	(18.8%)	55.0%	19.9%
EBIT growth	(0.6%)	(46.3%)	(26.6%)	73.9%	23.2%
PAT growth	6.7%	(44.4%)	(22.5%)	60.6%	24.4%
<b>Profitability ratios (%)</b>					
EBITDA margin	23.4%	15.7%	12.7%	16.3%	16.3%
EBIT margin	20.4%	12.5%	9.1%	13.1%	13.5%
PAT margin	14.4%	9.1%	7.0%	9.3%	9.7%
RoCE	26.9%	12.4%	8.3%	13.6%	15.3%
RoE	23.9%	11.4%	8.1%	11.9%	13.2%
<b>Per share values</b>					
EPS	20.9	11.6	9.0	14.5	18.0
CEPS	27.0	17.5	15.6	21.5	25.4
BVPS	97.4	107.4	115.0	127.9	144.5
<b>Valuation ratios (x)</b>					
P/E	13.0	27.5	41.3	25.7	20.7
P/CEPS	10.1	18.3	23.9	17.4	14.7
P/B	2.8	3.0	3.2	2.9	2.6
EV/EBITDA	7.6	14.1	17.0	10.6	8.4
<b>Leverage ratios (x)</b>					
Net debt/Equity	(0.2)	0.1	0.0	(0.0)	(0.1)
Net debt/EBITDA	(0.4)	0.5	0.3	(0.2)	(0.6)
Int coverage	19.1	16.0	10.7	19.7	24.2
<b>NWC days</b>					
Receivables	9	7	7	7	7
Inventory	75	107	107	107	107
Payables	54	58	58	58	58

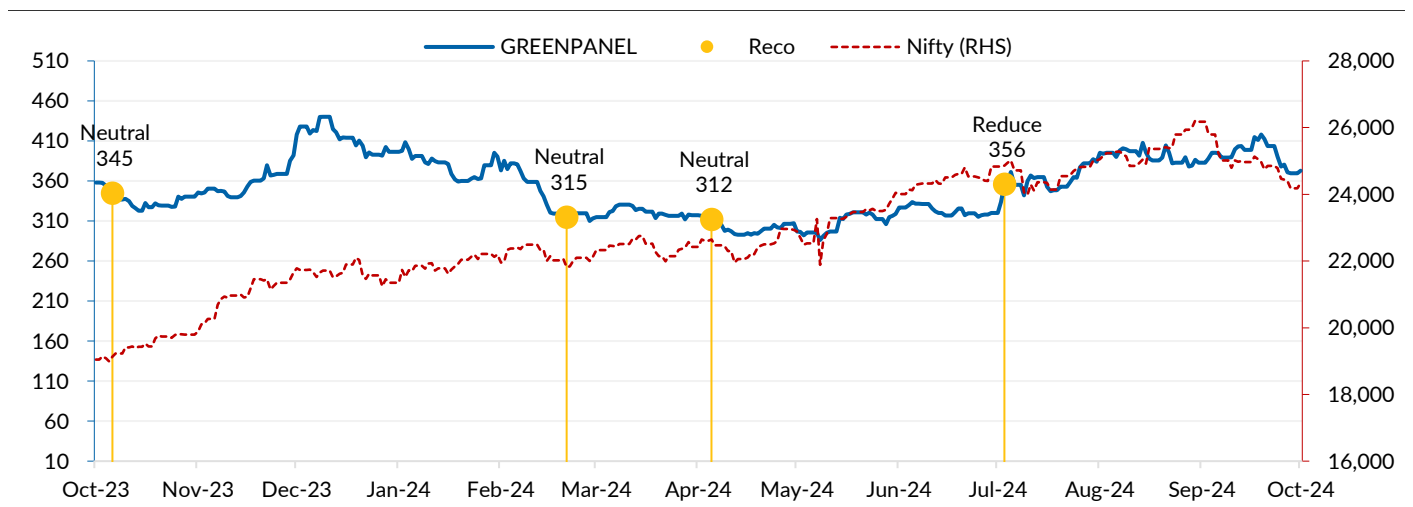
Source: Company, YES Sec

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



Source: Company, YES Sec

## Recommendation Tracker





## STANDARD DISCLAIMER:

**YES Securities (India) Limited, Registered Address:** 2<sup>nd</sup> Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400055. Maharashtra, India | **Correspondence Add:** 7<sup>th</sup> Floor, Urmi Estate Tower A, Ganpatrao Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West), Mumbai - 400 013, Maharashtra, India. | Website: [www.yesinvest.in](http://www.yesinvest.in) | Email: [customer.service@ysil.in](mailto:customer.service@ysil.in)

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Analyst signature

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