

BUY Greenpanel Industries

Your success is our success

Near-term challenges to persist

Building Materials ▶ Result Update ▶ November 1, 2023

TARGET PRICE (Rs): 410

Greenpanel's consol. EBITDA dropped 41% YoY (up 5% QoQ) to Rs691mn, with margin shrinking by 820bps YoY/up 30bps QoQ to 17.3%, broadly in line with our estimate. Volume for MDF de-grew 2% YoY to 123K CBM, with domestic volume falling 9% YoY due to significant rise in MDF imports and higher competitive intensity. Company resorted to higher exports (up 24% YoY) in a bid to boost utilization rate. Given subdued operational performance, the management has cut its MDF volume guidance to 3-5% YoY for FY24 (earlier 12-15%), with 22-23% margin guidance (earlier 23-25%). Factoring-in the near-term challenges, we cut our EBITDA by 9-16% for FY24E-26E and revise Sep-24E TP to Rs410/sh (18x P/E). Company's leadership position in the MDF segment, lean working capital, and strong balance sheet would help it to weather the near-term headwinds. Hence, we maintain our BUY rating.

Greenpanel Industries: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	16,250	17,829	17,491	19,801	24,461
EBITDA	4,304	4,165	3,337	3,984	5,299
Adj. PAT	2,405	2,504	1,987	2,314	3,271
Adj. EPS (Rs)	19.6	20.4	16.2	18.9	26.7
EBITDA margin (%)	26.5	23.4	19.1	20.1	21.7
EBITDA growth (%)	111.7	(3.2)	(19.9)	19.4	33.0
Adj. EPS growth (%)	321.9	4.1	(20.7)	16.5	41.3
RoE (%)	28.6	23.3	15.5	15.6	18.9
RoIC (%)	21.3	22.1	15.4	15.5	19.1
P/E (x)	17.6	16.9	21.3	18.3	12.9
EV/EBITDA (x)	10.0	9.7	12.1	10.3	7.3
P/B (x)	4.4	3.5	3.1	2.7	2.3
FCFF yield (%)	7.7	6.4	0.2	(1.4)	6.5

Source: Company, Emkay Research

Result Summary

Revenue declined 13% YoY (up 3% QoQ) to Rs4bn, with MDF revenue declining 10% YoY to Rs3.6bn and the plywood segment registering 29% YoY de-growth to Rs432mn. Domestic MDF volume fell 9% YoY to 90K CBM, whereas exports (low-margin profile) witnessed growth of 24% YoY to 33K CBM. Blended MDF realization sharply fell 8% YoY/2.4% QoQ to Rs28,763, owing to material increase in exports (realization in domestic markets declined 2% YoY to Rs32,771, while that in the exports market declined 23% YoY to Rs17,538). Volume in the plywood segment dropped 20% YoY to 1.6mn sqmtr, while realization de-grew 12% YoY. Gross margin deteriorated by 310bps YoY to 55.6% due to rise in timber prices in the South (up 11% YoY). Further, owing to negative operating leverage, EBITDA margin contracted by 820bps YoY (up 30bps QoQ) to 17.3%. Subsequently, absolute EBITDA declined 40% YoY to Rs691mn.

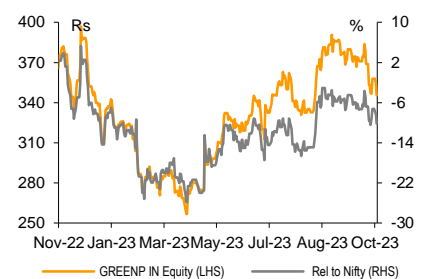
What we liked: Controlled WC days**What we did not like:** Cut in volume and margin guidance for FY24**Key Concall takeaways:**

1) Management anticipates the domestic MDF industry to have grown in double-digits in Q2FY24. 2) Monthly MDF import run-rate has sharply risen by over 50%, as import prices are lower by 18-20% currently. 3) In October, Company sold 34K CBM in the domestic market, suggesting a 9% YoY growth. 4) Company expects the new MDF plant to be commissioned by Q3FY25 (delayed by a quarter). 5) Company has witnessed 11% increase in wood prices in South India and broadly flat prices in North India, on QoQ basis. 6) Current MDF industry capacity stands at 2.7mn CBM, which the company expects will rise to 3.5mn CBM by the end of FY25. Majority of the capacity expansion is happening in South India. 7) Company has restructured its plywood sales team, to regain market share. 8) It re-iterated brand spends at 2-2.5% of sales for FY24; ad-spends in Q2 were low at 0.8%. 10) Company recorded Q2FY24 volume of 12K CBM in the new OEM category, and targets 46K-48K volume over the next six months.

Target Price – 12M	Sep-24
Change in TP (%)	(6.8)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	18.9
CMP (01-Nov-23) (Rs)	345.1

Stock Data	Ticker
52-week High (Rs)	402
52-week Low (Rs)	255
Shares outstanding (mn)	122.6
Market-cap (Rs bn)	42
Market-cap (USD mn)	508
Net-debt, FY24E (Rs mn)	-1,881
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	126.8
ADTV-3M (USD mn)	1.5
Free float (%)	-
Nifty-50	18,989
INR/USD	83.3
Shareholding, Sep-23	
Promoters (%)	53.1
FPIs/MFs (%)	4.4/22.8

Price Performance			
(%)	1M	3M	12M
Absolute	(9.2)	1.0	(6.6)
Rel. to Nifty	(6.1)	4.9	(10.7)

1-Year share price trend (Rs)**Dharmesh Shah**dharmesh.shah@emkayglobal.com
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Quarterly Analysis

Exhibit 1: Quarterly Analysis

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)	H1FY23	H1FY24	YoY (%)
Revenue	4,573	4,202	4,414	3,862	3,987	(12.8)	3.2	9,213	7,849	(14.8)
Expenditure	3,406	3,281	3,652	3,204	3,296	(3.2)	2.9	6,730	6,500	(3.4)
Total RM	1,887	1,753	2,040	1,612	1,770	(6.2)	9.8	3,665	3,382	(7.7)
Staff cost	361	353	319	333	354	(2.0)	6.4	726	687	(5.4)
Other expenditure	1,157	1,176	1,293	1,259	1,173	1.3	(6.9)	2,339	2,432	4.0
EBITDA	1,167	920	762	658	691	(40.8)	5.0	2,483	1,349	(45.7)
Depreciation	182	183	172	182	185	1.5	1.5	365	367	0.7
EBIT	985	737	590	476	506	(48.6)	6.3	2,118	982	(53.7)
Other Income	76	(40)	85	64	68	(10.9)	6.7	149	132	(11.5)
Interest	18	114	32	40	19	6.7	(51.7)	44	59	32.8
PBT	1,043	583	643	500	555	(46.8)	11.0	2,222	1,055	(52.6)
Total Tax	380	208	(46)	127	145	(61.9)	13.7	783	272	(65.3)
Adjusted PAT	664	375	689	373	410	(38.2)	10.0	1,440	783	(45.6)
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	664	375	689	373	410	(38.2)	10.0	1,440	783	(45.6)
Extra ordinary items	61	-	-	-	-	-	-	61	-	-
Reported PAT	725	375	689	373	410	(43.4)	10.0	1,501	783	(47.8)
Adjusted EPS (Rs)	5.4	3.1	5.6	3.0	3.3	(38.2)	10.0	11.7	6.4	(45.6)

(%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (bps)	QoQ (bps)	H1FY23	H1FY24	YoY (bps)
EBITDAM	25.5	21.9	17.3	17.0	17.3	(820)	29	26.9	17.2	(976)
EBITM	21.5	17.5	13.4	12.3	12.7	(885)	37	23.0	12.5	(1,048)
EBTM	22.8	13.9	14.6	12.9	13.9	(890)	97	24.1	13.4	(1,069)
PATM	14.5	8.9	15.6	9.6	10.3	(423)	63	15.6	10.0	(565)
Effective Tax rate	36.4	35.6	(7.2)	25.5	26.1	-	-	35.2	25.8	-

MDF	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)	H1FY23	H1FY24	YoY (%)
Sales Volume (K CBM)	126	118	137	116	124	(2.1)	6.8	251	239	(4.7)
- Domestic	99	93	94	88	90	(9.1)	2.3	198	179	(9.7)
- Exports	27	25	43	27	33	24.2	21.1	53	61	13.7
Capacity utilization (%)	74	76	80	74	73	-	-	-	-	-
Realization (Rs/CBM)	31,299	30,585	28,122	29,456	28,679	(8.4)	(2.6)	31,322	29,016	(7.4)
- Domestic	33,554	33,854	32,978	32,925	32,771	(2.3)	(0.5)	33,451	32,847	(1.8)
- Exports	22,906	18,643	17,450	17,945	17,538	(23.4)	(2.3)	23,422	17,722	(24.3)
Net sales	3,962	3,626	3,870	3,412	3,556	(10.3)	4.2	7,893	6,967	(11.7)
EBITDA	1,204	928	847	696	754	(37.4)	8.3	2,514	1,450	(42.3)
EBITDA margin (%)	30.4	25.6	21.9	20.4	21.2	-	-	31.84	20.81	-
EBITDA/CBM	9,542	7,851	6,174	6,011	6,098	(36.1)	1.4	10,004	6,056	(39.5)

Plywood	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)	H1FY23	H1FY24	YoY (%)
Sales Volumes (mn CBM)	2.0	2.0	2.0	1.6	1.6	(19.6)	3.8	4.6	3.2	(29)
Realization (Rs/CBM)	299	289	267	285	263	(12.0)	(7.5)	290	274	(6)
Net sales	611	576	545	450	432	(29.3)	(4.0)	1,320	882	(33)
EBITDA	45	40	2	27	7	(84.5)	(74.0)	126	33	(73)
EBITDA margin (%)	7.3	7.0	0.4	5.9	1.6	(570)	(430)	9.6	3.8	(576)

Source: Company, Emkay Research

Exhibit 2: We have revised down our EBITDA by 9-16% for FY24-26E

(Rs mn)	FY24E			FY25E			FY26E		
	Old	New	Chg. (%)	Old	New	Chg. (%)	Old	New	Chg. (%)
Revenue	19,137	17,491	(8.6)	21,240	19,801	(6.8)	25,358	24,461	(3.5)
EBITDA	4,010	3,337	(16.8)	4,647	3,984	(14.3)	5,827	5,299	(9.1)
PAT	2,434	1,987	(18.4)	2,779	2,314	(16.7)	3,698	3,271	(11.6)

Source: Emkay Research

Exhibit 3: We maintain BUY on Greenpanel, with new TP of Rs410/sh, based on 18x Sep-25E P/E

P/E-based methodology	
Sep-25E EPS (Rs/share)	22.8
P/E (x)	18.0
Target Price (Rs/share)	410
CMP (Rs/share)	345
Upside (%)	19

Source: Emkay Research

Exhibit 4: Key Assumptions

Segmental performance (Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR (%)	
									FY19-23	FY23-26E
MDF										
Sales volume (K CBM)	198	316	380	495	507	528	602	743	26.5	13.6
YoY (%)		59.8	20.4	30.1	2.4	4.1	14.1	23.4		
Revenue	4.5	6.4	8.0	13.7	15.4	15.3	17.4	21.8	36.3	12.3
YoY (%)		44.4	24.7	70.5	12.5	-0.3	13.5	25.2		
Realization (Rs/CBM)	22,543	20,374	21,097	27,638	30,367	29,076	28,918	29,329	7.7	-1.2
YoY (%)		-9.6	3.5	31.0	9.9	-4.3	-0.5	1.4		
EBITDA	0.5	1.2	1.8	4.2	4.2	3.2	3.8	5.0	67.8	6.0
YoY (%)		120.9	57.5	129.0	-0.6	-23.3	17.6	32.1		
Margin (%)	11.9	18.2	23.0	30.9	27.3	21.0	21.8	23.0		
Rs/CBM	2,683	3,708	4,852	8,540	8,290	6,106	6,290	6,731	32.6	-6.7
Plywood										
Sales volume (MSM)	5.7	8.5	8.5	9.3	8.6	7.7	8.5	9.3	10.9	2.9
YoY (%)		49.8	-0.4	9.7	-7.7	-10.0	10.0	10.0		
Revenue	1.4	2.2	2.2	2.6	2.4	2.2	2.4	2.7	14.6	3.0
YoY (%)		52.6	0.7	17.9	-4.8	-11.8	11.1	11.4		
Realization (Rs/MSM)	249	254	256	276	284	279	282	285	3.4	0.1
YoY (%)		1.9	1.0	7.5	3.2	-2.0	1.0	1.3		
EBITDA	0.12	0.25	0.27	0.28	0.17	0.09	0.17	0.27	8.8	16.5
YoY (%)		111.9	5.8	4.6	-40.3	-48.9	94.4	59.1		
Margin (%)	8.5	11.8	12.4	11.0	6.9	4.0	7.0	10.0		

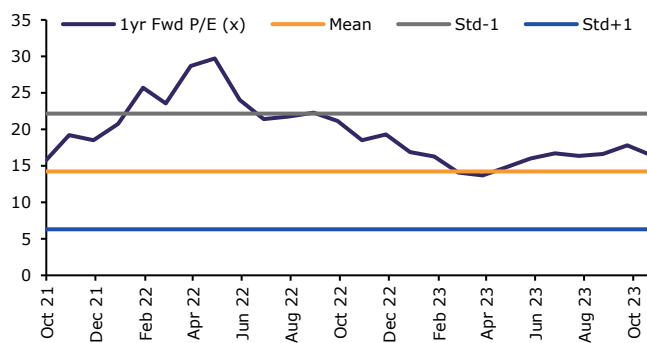
Source: Company, Emkay Research

Exhibit 5: Annual analysis

Consolidated	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR (%)	
								FY19-23	FY23-25E
P&L (Rs bn)									
Revenue	8.8	10.2	16.3	17.8	17.5	19.8	24.5	31.3	11.1
EBITDA	1.4	2.0	4.3	4.2	3.3	4.0	5.3	52.3	8.4
Adj. Net Profit	0.0	0.7	2.4	2.5	2.0	2.3	3.3	64.0	9.3
Balance Sheet (Rs bn)									
Equity	6.6	7.3	9.5	11.9	13.8	15.8	18.8		
Net Debt (Rs bn)	5.5	3.7	0.6	-1.9	-1.9	(1.1)	(3.5)		
Net Debt:EBITDA (x)	4.0	1.8	0.1	(0.4)	-0.6	(0.3)	(0.7)		
Net Debt:Equity (x)	0.8	0.5	0.1	-0.2	-0.1	(0.1)	(0.2)		
Cash Flow (Rs bn)									
OCF before NWC change	0.7	1.2	3.1	3.6	2.7	3.2	4.4		
Change in NWC	0.0	0.6	0.4	(0.3)	(0.0)	(0.3)	(0.2)		
Capex	(0.2)	(0.1)	(0.3)	(0.8)	(2.5)	(3.5)	(1.5)		
FCF	0.5	1.7	3.2	2.5	0.2	(0.5)	2.7		
Return ratios (%)									
RoE	0.6	9.9	28.6	23.3	15.5	15.6	18.9		
RoCE	4.9	7.4	19.3	18.3	12.9	13.8	17.0		
RoIC	6.6	7.4	21.3	22.1	15.4	15.5	19.1		
Valuations (x)									
PER					21.2	18.2	12.9		
EV/EBITDA					12.1	10.3	7.3		
P/B					3.1	2.7	2.2		

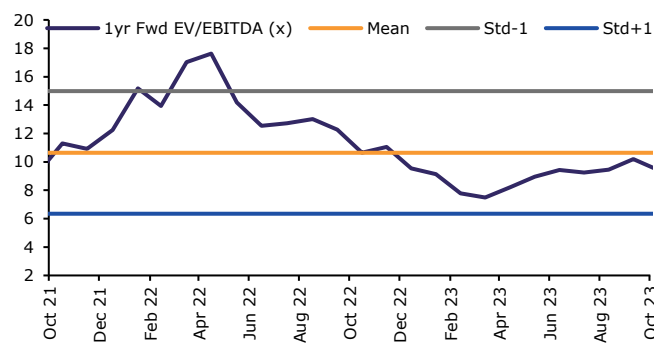
Source: Company, Emkay Research

Exhibit 6: One-year forward P/E



Source: Company, Emkay Research

Exhibit 7: One-year forward EV/EBITDA



Source: Company, Emkay Research

Greenpanel Industries: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	16,250	17,829	17,491	19,801	24,461
Revenue growth (%)	59.2	9.7	(1.9)	13.2	23.5
EBITDA	4,304	4,165	3,337	3,984	5,299
EBITDA growth (%)	111.7	(3.2)	(19.9)	19.4	33.0
Depreciation & Amortization	734	720	769	917	1,067
EBIT	3,571	3,445	2,568	3,067	4,232
EBIT growth (%)	165.0	(3.5)	(25.5)	19.4	38.0
Other operating income	0	0	0	0	0
Other income	90	194	242	181	188
Financial expense	171	190	154	154	47
PBT	3,489	3,449	2,656	3,094	4,373
Extraordinary items	0	0	0	0	0
Taxes	1,085	944	669	780	1,102
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	2,405	2,504	1,987	2,314	3,271
PAT growth (%)	321.9	4.1	(20.7)	16.5	41.3
Adjusted PAT	2,405	2,504	1,987	2,314	3,271
Diluted EPS (Rs)	19.6	20.4	16.2	18.9	26.7
Diluted EPS growth (%)	321.9	4.1	(20.7)	16.5	41.3
DPS (Rs)	1.5	1.5	1.3	1.9	2.7
Dividend payout (%)	7.6	7.3	8.0	10.0	10.0
EBITDA margin (%)	26.5	23.4	19.1	20.1	21.7
EBIT margin (%)	22.0	19.3	14.7	15.5	17.3
Effective tax rate (%)	31.1	27.4	25.2	25.2	25.2
NOPLAT (pre-IndAS)	2,461	2,502	1,921	2,294	3,166
Shares outstanding (mn)	122.6	122.6	122.6	122.6	122.6

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	3,489	3,449	2,656	3,094	4,373
Others (non-cash items)	(559)	(169)	0	0	0
Taxes paid	(580)	(623)	669	780	1,102
Change in NWC	402	(254)	(39)	(251)	(152)
Operating cash flow	3,657	3,374	2,629	2,953	4,045
Capital expenditure	(336)	(803)	(2,530)	(3,530)	(1,530)
Acquisition of business	0	0	0	0	0
Interest & dividend income	30	120	242	181	188
Investing cash flow	(1,364)	(2,478)	(2,288)	(3,349)	(1,342)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(1,468)	(1,002)	0	(1,300)	(100)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(115)	(85)	(154)	(154)	(47)
Dividend paid (incl tax)	(184)	(184)	(158)	(231)	(326)
Others	(82)	(66)	(21)	16	72
Financing cash flow	(1,849)	(1,336)	(334)	(1,669)	(402)
Net chg in Cash	443	(441)	8	(2,065)	2,302
OCF	3,657	3,374	2,629	2,953	4,045
Adj. OCF (w/o NWC chg.)	3,255	3,628	2,668	3,204	4,197
FCFF	3,320	2,571	99	(577)	2,515
FCFE	1,852	1,568	99	(1,877)	2,415
OCF/EBITDA (%)	84.9	81.0	78.8	74.1	76.3
FCFE/PAT (%)	77.0	62.6	5.0	(81.1)	73.8
FCFF/NOPLAT (%)	134.9	102.8	5.2	(25.2)	79.5

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	123	123	123	123	123
Reserves & Surplus	9,394	11,816	13,638	15,716	18,654
Net worth	9,516	11,939	13,761	15,839	18,777
Minority interests	0	0	0	0	0
Deferred tax liability (net)	682	1,020	1,020	1,020	1,020
Total debt	3,965	3,403	3,388	2,110	2,089
Total liabilities & equity	14,164	16,362	18,169	18,968	21,885
Net tangible fixed assets	9,948	9,453	9,114	13,727	13,190
Net intangible assets	2	3	3	3	3
Net ROU assets	432	459	459	459	459
Capital WIP	0	49	2,149	149	1,149
Goodwill	0	0	0	0	0
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	2,226	3,778	3,786	1,721	4,023
Current assets (ex-cash)	2,816	3,305	3,436	3,887	4,493
Current Liab. & Prov.	1,942	1,706	1,798	1,998	2,452
NWC (ex-cash)	1,556	2,619	2,658	2,909	3,061
Total assets	14,164	16,362	18,169	18,968	21,885
Net debt	600	(1,874)	(1,881)	(1,117)	(3,519)
Capital employed	13,025	14,863	16,685	17,462	20,301
Invested capital	11,938	12,535	12,234	17,099	16,713
BVPS (Rs)	77.6	97.4	112.2	129.2	153.1
Net Debt/Equity (x)	0.1	(0.2)	(0.1)	(0.1)	(0.2)
Net Debt/EBITDA (x)	0.1	(0.4)	(0.6)	(0.3)	(0.7)
Interest coverage (x)	21.4	19.1	18.2	21.1	93.3
RoCE (%)	29.3	26.1	17.8	19.0	23.4

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	17.6	16.9	21.3	18.3	12.9
P/CE(x)	13.5	13.1	15.4	13.1	9.8
P/B (x)	4.4	3.5	3.1	2.7	2.3
EV/Sales (x)	2.6	2.3	2.3	2.1	1.6
EV/EBITDA (x)	10.0	9.7	12.1	10.3	7.3
EV/EBIT(x)	12.0	11.7	15.7	13.4	9.2
EV/IC (x)	3.6	3.2	3.3	2.4	2.3
FCFF yield (%)	7.7	6.4	0.2	(1.4)	6.5
FCFE yield (%)	4.3	3.9	0.2	(4.6)	6.2
Dividend yield (%)	0.4	0.4	0.4	0.5	0.8
DuPont-RoE split					
Net profit margin (%)	14.8	14.0	11.4	11.7	13.4
Total asset turnover (x)	1.3	1.3	1.1	1.2	1.3
Assets/Equity (x)	1.5	1.3	1.2	1.2	1.1
RoE (%)	28.6	23.3	15.5	15.6	18.9
DuPont-RoIC					
NOPLAT margin (%)	15.1	14.0	11.0	11.6	12.9
IC turnover (x)	1.4	1.5	1.4	1.4	1.4
RoIC (%)	21.3	22.1	15.4	15.5	19.1
Operating metrics					
Core NWC days	35.0	53.6	55.5	53.6	45.7
Total NWC days	35.0	53.6	55.5	53.6	45.7
Fixed asset turnover	1.1	1.2	1.2	1.1	1.2
Opex-to-revenue (%)	32.2	34.8	38.9	36.9	36.3

Source: Company, Emkay Research

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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
26-Sep-23	369	440	Buy	Dharmesh Shah
28-Jul-23	341	440	Buy	Dharmesh Shah
04-Jul-23	339	450	Buy	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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