

October 29, 2024

Q2FY25 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	450		450	
Sales (Rs. m)	20,645	24,347	20,296	23,706
% Chng.	1.7	2.7		
EBITDA (Rs. m)	3,402	4,401	3,405	4,428
% Chng.	(0.1)	(0.6)		
EPS (Rs.)	16.6	22.1	16.6	22.3
% Chng.	(0.1)	(0.7)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	15,673	15,994	20,645	24,347
EBITDA (Rs. m)	2,465	2,087	3,402	4,401
Margin (%)	15.7	13.0	16.5	18.1
PAT (Rs. m)	1,427	1,223	2,038	2,710
EPS (Rs.)	11.6	10.0	16.6	22.1
Gr. (%)	(43.0)	(14.3)	66.7	32.9
DPS (Rs.)	0.3	0.3	0.3	0.3
Yield (%)	0.1	0.1	0.1	0.1
RoE (%)	11.4	9.0	13.7	16.1
RoCE (%)	13.2	9.7	16.2	19.3
EV/Sales (x)	3.0	2.9	2.2	1.7
EV/EBITDA (x)	18.8	22.5	13.2	9.6
PE (x)	32.3	37.7	22.6	17.0
P/BV (x)	3.5	3.3	2.9	2.6

Key Data

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52-W High / Low	Rs.450 / Rs.268
Sensex / Nifty	80,369 / 24,467
Market Cap	Rs.46bn/ \$ 548m
Shares Outstanding	123m
3M Avg. Daily Value	Rs.147.7m

Shareholding Pattern (%)

Promoter's	53.10
Foreign	4.43
Domestic Institution	21.18
Public & Others	21.29
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.8)	18.7	5.0
Relative	4.5	10.3	(16.6)

Praveen Sahay

praveensahay@plindia.com | 91-22-66322369

Rahul Shah

rahulshah@plindia.com | 91-22-66322274

Disappointing performance continues

We downward revise our FY25 earnings estimates by 6.9% to account for weak performance in Q2FY25 and rising domestic competition, impacting MDF realization. GREENP has guided for domestic MDF volume growth of 15-18% (YoY) in H2FY25. However, we have considered MDF volume growth at 16% for H2FY25. MDF domestic realization decreased 4.4% YoY in Q2FY25 due to competitive pricing. MDF exports were also impacted by lower availability of containers and increased freight cost. We believe consolidated low EBITDA margin will continue in FY25 at 13.0% with 1) steep increase in timber prices, 2) higher OEM vol in the MDF segment, 3) lower domestic volumes, and 4) lower realization with competition in MDF. Timber prices will continue to impact margins in coming quarters. The management has indicated moderation in timber prices only with new crop arrival from FY26. We estimate revenue/EBITDA/PAT CAGR of 15.9%/21.3%/23.8% over FY24-27E with MDF volume CAGR of 15.2%. We maintain 'Accumulate' rating with a TP to Rs450, based on 20x FY27E earnings.

Revenue declines by 15.5%, PAT declines 54.9%: Revenue was down 15.5% YoY to ~Rs3.4bn (PLe: Rs3.5bn). MDF segment declined 15.6% YoY to Rs3.0bn. MDF volume declined by 17.9% YoY to 101kCBM (domestic volume decreased 4.4%, export volume declined 54.5%), blended realization stood at Rs29,120/CBM (+1.5% YoY), and domestic realization was Rs30,404/CBM (-7.2% YoY) due to increased wood prices and lower volumes. Plywood segment reported revenue of Rs368.6mn, down 14.7% YoY. Plywood volume declined by 10.4% YoY and reported realization was Rs250/sqm, down 5.1% YoY due to lower volumes. EBITDA declined by 56.8% YoY to Rs299mn (PLe: Rs428mn). EBITDA margin contracted by ~850bps YoY to 8.9% (PLe: 12.2%). In MDF segment, EBITDA margin contracted to 13.1% as exports were impacted by lower availability of containers and increased freight cost. PBT declined by 75.9% YoY to Rs134mn (PLe: Rs310mn). PAT declined by 54.9% YoY to Rs185mn (PLe: Rs230mn).

Concall highlights: **1)** The management has guided for domestic volume growth of 15-18% YoY in H2FY25 and targets exports of 6,000-7,000CBM/month depending on ocean freight rates and wood prices. **2)** It is targeting volume growth of more than 35% in MDF domestic volumes for FY26. **3)** Compared to Q2, overall margin is likely to expand by 150-200bps in H2. **4)** Q2 plywood realization was impacted by the shutdown of decorative veneers business due to lower operating margins and high working capital intensity. **5)** VAP contribution stood at 54% in volume terms, and is expected to increase to 65% over the next 1-2 years. **6)** The company launched a 4% incentive scheme for dealers to soften the impact of price action by competitors. **7)** OEM volume stood at 16% of domestic segment with a decline in a margin of 400bps. **8)** In Q2FY25, North timber prices stood at Rs6.6/kg (vs Rs5.7/kg), up 16.7% YoY, and South prices at Rs5.3/kg (vs Rs4.4/kg), up 20.4% YoY. Blended prices stood at Rs5.86/kg. **9)** Cost of importing MDF to India, including freight charges, is ~USD195-200/CBM, and freight charges are USD25-30/CBM. **10)** GREENP is likely to spend Rs800mn for capex, over two years: Rs300mn for H2FY25 and remaining for FY26. **11)** The company is commencing new plant by Q3 end, which will have a capacity of 50%/80% by FY26/27. **12)** Domestic MDF capacity stands at 4.1mnCBM and demand at 2.7mnCBM.

Exhibit 1: Q2FY25 Result Overview: Revenue declines by 15.5% YoY, adj PAT declines by 54.9% YoY

Y/e March (Rs mn)	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Sales	3,369	3,987	(15.5)	3,650	(7.7)	7,018	7,849	(10.6)
Gross Profit	1,658	2,218	(25.3)	1,865	(11.1)	3,522	4,468	(21.2)
% of N S	49.2	55.6	-6.41	51.1		50.2	56.9	
Other Expenses	1,005	1,173	(14.3)	1,142	(12.1)	2,863	3,119	(8.2)
% of N S	29.8	29.4		31.3		40.8	39.7	
EBITDA	299	691	(56.8)	360	(17.1)	659	1,349	(51.1)
Margin (%)	8.9	17.3	-8.46	9.9		9.4	17.2	
Depreciation	193	185	4.3	189	1.9	382	367	4.2
Interest	34	19	76.9	2	1,340.5	36	59	(38.3)
Other income	62	68	(8.7)	45	37.7	107	132	82.8
PBT	134	555	(75.9)	214	(37.3)	348	1,055	(67.0)
Tax	-51	145	(135.3)	57	(190.2)	6	272	(95.8)
ETR (%)	-38.1	26.1		26.5		1.6	25.8	
Adj. PAT	185	410	(54.9)	157	17.7	342	783	(56.3)

Source: Company, PL

Exhibit 2: Segmental Breakup: MDF vol declines by 17.9% YoY with EBIT margin of 11.8%

Y/e March (Rs mn)	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Revenues								
Plywood	368.6	432	(14.7)	324	13.9	692	882	(21.5)
MDF	3,000.2	3,555	(15.6)	3,326	(9.8)	6,326	6,967	(9.2)
EBIT								
Plywood	22.7	24	(3.5)	15	51.7	38	78	(51.6)
EBIT margin (%)	6.2	5.4		4.6		5.4	8.8	
MDF	352.8	790	(55.3)	557	(36.6)	910	1,592	(42.9)
EBIT margin (%)	11.8	22.2		16.7		14.4	22.9	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	15,673	15,994	20,645	24,347
YoY gr. (%)	(12.1)	2.1	29.1	17.9
Cost of Goods Sold	9,196	9,196	11,318	13,348
Gross Profit	6,477	6,798	9,327	10,999
Margin (%)	41.3	42.5	45.2	45.2
Employee Cost	1,406	1,508	1,920	2,191
Other Expenses	2,252	2,643	3,283	3,628
EBITDA	2,465	2,087	3,402	4,401
YoY gr. (%)	(40.8)	(15.3)	63.0	29.4
Margin (%)	15.7	13.0	16.5	18.1
Depreciation and Amortization	729	733	816	948
EBIT	1,736	1,354	2,586	3,454
Margin (%)	11.1	8.5	12.5	14.2
Net Interest	123	100	130	114
Other Income	219	219	219	219
Profit Before Tax	1,832	1,472	2,675	3,558
Margin (%)	11.7	9.2	13.0	14.6
Total Tax	405	250	636	848
Effective tax rate (%)	22.1	17.0	23.8	23.8
Profit after tax	1,427	1,223	2,038	2,710
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,427	1,223	2,038	2,710
YoY gr. (%)	(43.0)	(14.3)	66.7	32.9
Margin (%)	9.1	7.6	9.9	11.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,427	1,223	2,038	2,710
YoY gr. (%)	(44.4)	(14.3)	66.7	32.9
Margin (%)	9.1	7.6	9.9	11.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,427	1,223	2,038	2,710
Equity Shares O/s (m)	123	123	123	123
EPS (Rs)	11.6	10.0	16.6	22.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	15,471	16,971	18,971	20,571
Tangibles	15,097	16,597	18,597	20,197
Intangibles	375	375	375	375
Acc: Dep / Amortization	5,204	5,937	6,753	7,700
Tangibles	5,204	5,937	6,753	7,700
Intangibles	-	-	-	-
Net fixed assets	10,267	11,034	12,219	12,871
Tangibles	9,892	10,660	11,844	12,496
Intangibles	375	375	375	375
Capital Work In Progress	3,127	3,627	1,627	527
Goodwill	-	-	-	-
Non-Current Investments	218	218	218	218
Net Deferred tax assets	(1,010)	(1,010)	(1,010)	(1,010)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	975	975	975	975
Inventories	2,016	2,203	2,673	3,182
Trade receivables	290	296	383	451
Cash & Bank Balance	1,404	748	2,637	4,754
Other Current Assets	610	615	689	748
Total Assets	18,907	19,718	21,421	23,727
Equity				
Equity Share Capital	123	123	123	123
Other Equity	13,049	13,903	15,574	17,916
Total Networth	13,171	14,026	15,696	18,038
Non-Current Liabilities				
Long Term borrowings	2,375	2,305	2,005	1,705
Provisions	89	89	89	89
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	304	304	304	304
Trade payables	1,094	1,118	1,444	1,702
Other current liabilities	647	647	655	660
Total Equity & Liabilities	18,907	19,718	21,421	23,727

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	1,832	1,472	2,675	3,558
Add. Depreciation	729	733	816	948
Add. Interest	123	100	130	114
Less Financial Other Income	219	219	219	219
Add. Other	(303)	(189)	(189)	(189)
Op. profit before WC changes	2,380	2,116	3,431	4,431
Net Changes-WC	(662)	(173)	(297)	(372)
Direct tax	(369)	(250)	(636)	(848)
Net cash from Op. activities	1,349	1,693	2,498	3,211
Capital expenditures	(3,474)	(2,000)	-	(500)
Interest / Dividend Income	189	189	189	189
Others	1,700	-	-	-
Net Cash from Inv. activities	(1,585)	(1,811)	189	(311)
Issue of share cap. / premium	-	-	-	-
Debt changes	1,054	(70)	(300)	(300)
Dividend paid	(184)	(368)	(368)	(368)
Interest paid	(264)	(100)	(130)	(114)
Others	(103)	-	-	-
Net cash from Fin. activities	503	(538)	(798)	(782)
Net change in cash	268	(656)	1,889	2,118
Free Cash Flow	(2,124)	(307)	2,498	2,711

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	11.6	10.0	16.6	22.1
CEPS	17.6	15.9	23.3	29.8
BVPS	107.4	114.4	128.0	147.1
FCF	(17.3)	(2.5)	20.4	22.1
DPS	0.3	0.3	0.3	0.3
Return Ratio(%)				
RoCE	13.2	9.7	16.2	19.3
ROIC	10.8	7.7	14.4	19.8
RoE	11.4	9.0	13.7	16.1
Balance Sheet				
Net Debt : Equity (x)	0.0	0.1	(0.1)	(0.2)
Net Working Capital (Days)	28	32	28	29
Valuation(x)				
PER	32.3	37.7	22.6	17.0
P/B	3.5	3.3	2.9	2.6
P/CEPS	21.4	23.6	16.2	12.6
EV/EBITDA	18.8	22.5	13.2	9.6
EV/Sales	3.0	2.9	2.2	1.7
Dividend Yield (%)	0.1	0.1	0.1	0.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	3,857	3,966	3,650	3,369
YoY gr. (%)	(8.2)	(10.2)	(5.5)	(15.5)
Raw Material Expenses	1,692	1,834	1,785	1,711
Gross Profit	2,166	2,132	1,865	1,658
Margin (%)	56.1	53.8	51.1	49.2
EBITDA	603	513	360	299
YoY gr. (%)	(34.5)	(32.7)	(45.2)	(56.8)
Margin (%)	15.6	12.9	9.9	8.9
Depreciation / Depletion	179	182	189	193
EBIT	424	331	171	106
Margin (%)	11.0	8.3	4.7	3.1
Net Interest	62	2	2	34
Other Income	13	74	45	62
Profit before Tax	374	403	214	134
Margin (%)	9.7	10.2	5.9	4.0
Total Tax	28	105	57	(51)
Effective tax rate (%)	7.6	26.0	26.5	(38.1)
Profit after Tax	346	298	157	185
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	346	298	157	185
YoY gr. (%)	(7.8)	(56.8)	(57.9)	(54.9)
Margin (%)	9.0	7.5	4.3	5.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	346	298	157	185
YoY gr. (%)	(7.8)	(56.8)	(57.9)	(54.9)
Margin (%)	9.0	7.5	4.3	5.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	346	298	157	185
Avg. Shares O/s (m)	123	123	123	123
EPS (Rs)	2.8	2.4	1.3	1.5

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-24	Accumulate	450	390
2	31-Jul-24	Accumulate	390	356
3	07-Jul-24	Accumulate	359	330
4	03-May-24	Accumulate	355	310
5	11-Apr-24	BUY	420	325
6	02-Feb-24	BUY	481	388
7	02-Jan-24	BUY	498	424
8	02-Nov-23	BUY	464	345

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	2,214	1,888
2	Bajaj Electricals	Hold	980	923
3	Century Plyboard (I)	Hold	881	851
4	Cera Sanitaryware	Accumulate	9,190	7,746
5	Crompton Greaves Consumer Electricals	BUY	536	430
6	Finolex Industries	Hold	302	284
7	Greenpanel Industries	Accumulate	450	390
8	Havells India	Accumulate	2,036	1,845
9	Kajaria Ceramics	Accumulate	1,604	1,259
10	KEI Industries	BUY	5,265	4,058
11	Polycab India	BUY	8,741	7,120
12	R R Kabel	BUY	2,151	1,505
13	Supreme Industries	BUY	5,752	4,593
14	Voltas	Accumulate	1,945	1,801

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com