

July 30, 2024

RESULT REPORT Q1 FY25 | Sector: Building Materials

Greenpanel Industries Ltd

Big miss on margin front; assign REDUCE!

Result Synopsis

Greenpanel Industries Ltd (GREENP) reported benign performance in Q1FY25 wherein revenue was in-line with our estimates at Rs3.65Bn, EBITDA margins were steeply lower at 9.9% Vs our estimate of 13.6%. Margins were under pressure due to higher timber cost, low volume off take and higher contribution of exports to total MDF volumes which came in at 18% Vs 8% in previous quarter & margins in export markets are mere 1-2%. To mitigate the rise in timber prices & cushion the impact on margins, management is mixing various species (low cost) of timber to bring the cost lower and focusing on enhancing the mix of value-added products along with reducing the overhead cost. Imports during the quarter were lower due to higher freight cost and management believe that imports will be lower for coming 2-quarters.

Management has maintained their MDF volume growth guidance of 15% and operating margins at ~16% for FY25E and plywoods volumes to grow by 8%YoY with positive EBITDA. Notably, management stated that margins have bottomed out and should improve from hereon on the back of better volumes & improved product-mix.

We reckon, MDF volumes to grow by 12%YoY (previous 15%) in FY25E and EBITDA margins to come in at 14.5% (Vs earlier estimate of 16%). We believe, higher timber cost and new capex cost will keep margins under pressure for this fiscal. However, with major capex in industry likely to conclude by FY25E end, timber prices likely to contract from FY26E, and better volume trajectory for GREENP, we believe margins to improve in FY26E to 16.5% (Rs4,670/cbm). Overall, we expect Revenue/EBITDA/PAT growth of 14% each over FY24-FY26E. Hence, we have valued the stock at P/E(x) of 22x on FY26E EPS of Rs19, arriving at a target price of Rs330 and revising our rating to REDUCE from NEUTRAL.

Result Highlights

- Revenue stood at Rs3.65Bn (est of Rs3.64Bn), a decline of 5.5%YoY & 8%QoQ.
- EBITDA margins contracted to 9.9% (est 13.6%) as compared to 17%/12.9% in Q1FY24/Q4FY24 respectively, largely owing to higher RM cost which came in at 49% of sales Vs 42%/46% in Q1FY24/Q4FY24 respectively. Absolute EBITDA stood at Rs361Mn, a degrowth of 45%YoY & 30%QoQ.
- Net profit stood at Rs157Mn, a decline of 58%YoY & 47%QoQ.

Segmental Highlights for Q1FY25

MDF

- Revenue (91% of sales), declined by 2%YoY & 8%QoQ to Rs3.32Bn. Volumes stood at 119,071cbm, a marginal growth of 3%YoY & decline of 6%QoQ (2-year CAGR -2%). Blended ASP came in at Rs27,864/cbm Vs Rs29,375/Rs28,325 in Q1FY24/Q4FY24 respectively.

Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	3,650	3,635	3,818	0.4	(4.4)	Revenue in line but profitability below estimates
EBITDA	361	494	506	(27.1)	(28.8)	
EBITDA Margin (%)	9.9	13.6	13.3	-372 bps	-337 bps	
Adjusted PAT	157	243	270	(35.4)	(41.8)	

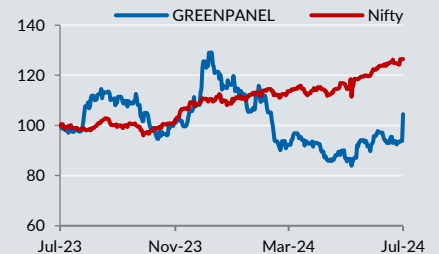
Source: Company, YES Sec

Reco	: REDUCE
CMP	: Rs 356
Target Price	: Rs 330
Potential Return	: -7.3%

Stock data (as on July 30, 2024)

Nifty	24,857
52 Week h/l (Rs)	450 / 268
Market cap (Rs/USD mn)	39,229 / 469
Outstanding Shares (mn)	123
6m Avg t/o (Rs mn):	112
Div yield (%):	0.5
Bloomberg code:	GREENP IN
NSE code:	GREENPANEL

Stock performance



	1M	3M	1Y
Absolute return	9.0%	12.8%	4.4%

Shareholding pattern (As of Jun'24 end)

Promoter	53.1%
FII+DII	28.9%
Others	18.0%

Δ in stance

(1-Yr)	New	Old
Rating	REDUCE	NEUTRAL
Target Price	330	310

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	9.1	15.0
EPS (Old)	11.8	15.5
% change	-22.9%	-3.2%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Net Revenue	15,672	16,693	20,232
YoY Growth	-12%	7%	21%
EBIDTA	2,465	2,185	3,187
EBIDTA (%)	16%	13%	16%
PAT	1,428	1,114	1,840
YoY Growth	-44%	-22%	65%
ROE	11%	8%	12%
EPS	11.6	9.1	15.0
P/E	27.5	39.2	23.7
BV/Share	107.4	115.0	128.5
P/BV	3.0	3.1	2.8

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- Domestic vols (82% of MDF vols), grew by 10% YoY & degrew by 16%QoQ (2-year CAGR stood at -1%) & ASP declined by 10%YoY and remained flattish on sequential basis. Export volumes declined by 21%YoY to 21,671cbm & ASP increased by 12%YoY.
- EBITDA margins came in at 12.1% as compared to 20.4%/16.4% in Q1FY24/Q4FY24 respectively. EBITDA/cbm stood at Rs3,372 as against Rs5,993/Rs4,645 in Q1FY24/Q4FY24 respectively.

Plywood

- Revenue stood at Rs324Mn, a degrowth of 28%YoY & 9%QoQ.
- Volumes came in at 1.22msqm, a steep decline of 23%YoY & 14%QoQ while ASP declined 7%YoY & grew by 6%QoQ.
- EBITDA loss stood at Rs7Mn Vs loss of Rs37Mn in previous quarter and profit of Rs27Mn in Q1FY24.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	% yoy	% qoq
Revenue	4,414	3,862	3,987	3,857	3,966	3,650	(5.5)	(8.0)
Expenditure	3,652	3,204	3,296	3,254	3,453	3,289	2.7	(4.7)
- RM	2,040	1,612	1,770	1,692	1,834	1,785	10.7	(2.7)
- Staff Cost	319	333	354	335	385	362	8.8	(6.0)
- Other Cost	1,293	1,259	1,173	1,228	1,234	1,142	(9.3)	(7.4)
Operating Profit	763	658	691	603	513	361	(45.2)	(29.7)
OPM (%)	17.3	17.0	17.3	15.6	12.9	9.9	-716 bps	-306 bps
Other Income	85	64	68	13	74	45	(29.4)	(39.1)
Depreciation	172	182	185	179	182	189	4.0	3.7
Interest	32	40	19	62	2	2	(94.2)	31.6
PBT	644	500	555	374	403	214	(57.2)	(46.9)
Tax	(46)	127	145	28	105	57	(55.4)	(45.8)
PAT	690	373	410	346	298	157	(57.8)	(47.3)
OCI	25	(0)	3	(2)	(11)	-	-	-
Reported PAT	714	373	413	344	287	157	(57.8)	(45.3)

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Particulars	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	% yoy	% qoq
Revenue (Rs mn)								
MDF	3,860	3,402	3,545	3,466	3,604	3,318	(2.5)	(7.9)
Plywood	546	450	432	384	357	324	(28.1)	(9.3)
EBITDA								
MDF	845	694	752	679	591	401	(42.1)	(32.1)
Plywood	2	27	7	(16)	(37)	(7)	(126.8)	(81.0)
EBITDA%								
MDF	21.9	20.4	21.2	19.6	16.4	12.1	-830 bps	-430 bps
Plywood	0.4	5.9	1.6	(4.1)	(10.5)	(2.2)	-810 bps	830 bps
Volume								
MDF (cbm)	137,265	115,798	123,615	118,301	127,239	119,071	2.8	(6.4)
Plywood (msqm)	2.0	1.6	1.6	1.5	1.4	1.2	(22.8)	(14.1)
Avg Realizations								
MDF (Rs/cbm)	28,122	29,375	28,679	29,300	28,325	27,864	(5.1)	(1.6)
Plywood (Rs/sqm)	267	285	263	249	251	265	(6.8)	5.6

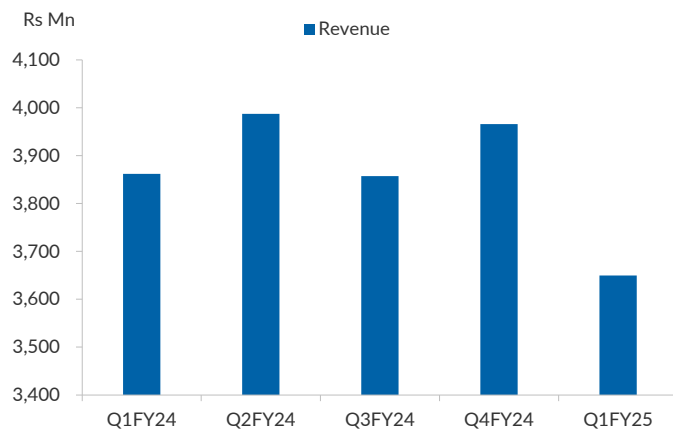
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Management maintained MDF volume growth guidance of 15%YoY and margins at ~16% for FY25E. Volumes and margins in Q2FY25 will be better than Q1FY25.
- Margins during the quarter were impacted due to higher timber cost and lower volume off-take. Moreover, higher contribution from exports lead to further reduction in margins where margins are ~1-2%.
- Management stated that margins are near-bottom and should improve from hereon on the back of higher volumes and better product mix. Moreover, company is using different species of timber to save on timber cost.
- Timber cost for Q1FY25 in North and South was Rs6.75/kg and Rs5.50/kg respectively. Blended cost was Rs6/kg. Company expects timber prices to correct from FY26E with higher supply of new plantation.
- Imports have dropped to 17-18,000cbm/month Vs average of 35,000cbm/month in FY24 due to higher freight cost. Management does not foresee imports coming back substantially for next 2-quarters.
- Pricing in domestic markets will not see contraction from hereon as major capacities have been established.
- Current domestic capacity is ~3.5mn cbm which will grow to 4mn cbm by FY25E end and domestic demand is ~2.5-2.6mn cbm as on FY24.
- OEM mix stood at 25% of domestic volumes.
- New plant will commence in Q3FY25E, and this plant will be EBITDA positive at 55% utilization.
- VAP constitutes 47%/59% in vol/value terms where volumes are expected to increase to 60%+ in 1-1.5 years.
- Of total domestic volumes, industrial/commercial grade products ASP was Rs22,697/cbm while VAP products ASP was Rs37,482/cbm.
- Net debt stood at Rs1.03Bn, including expansion project gross debt of Rs2.14Bn.
- Working capital days increased by 8-days Vs March'24 due to higher inventory of wood to prepare for monsoon season.
- MDF Uttarakhand/Andhra pant operated at 76%/74% respectively. Blended utilization was 75%. Plywood utilization stood at 52%.

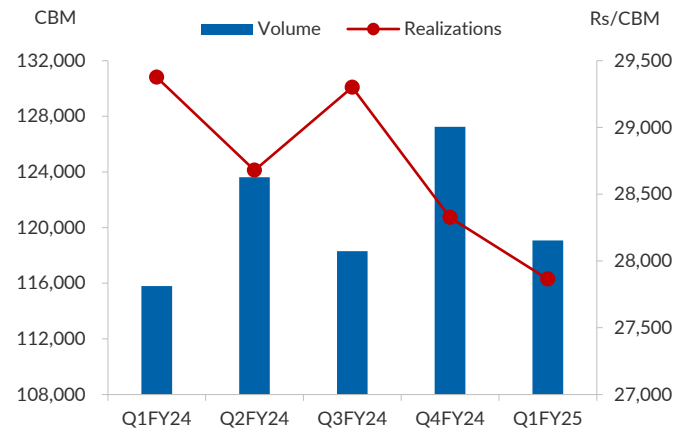
QUARTERLY TRENDS

Exhibit 4: Revenue decreased by 5%YoY...



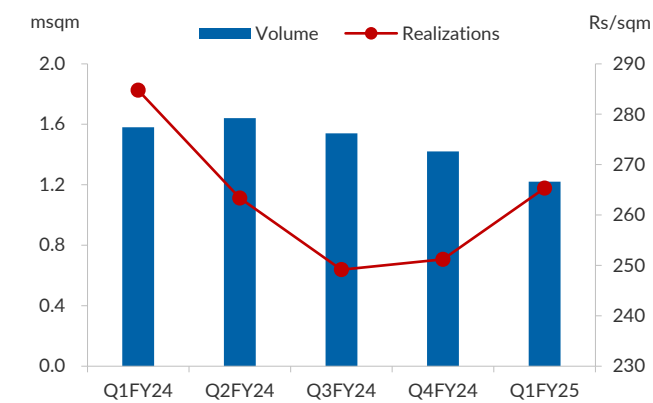
Source: Company, YES Sec

Exhibit 5: MDF ASP fell by 5%YoY to Rs27,864/cbm ...



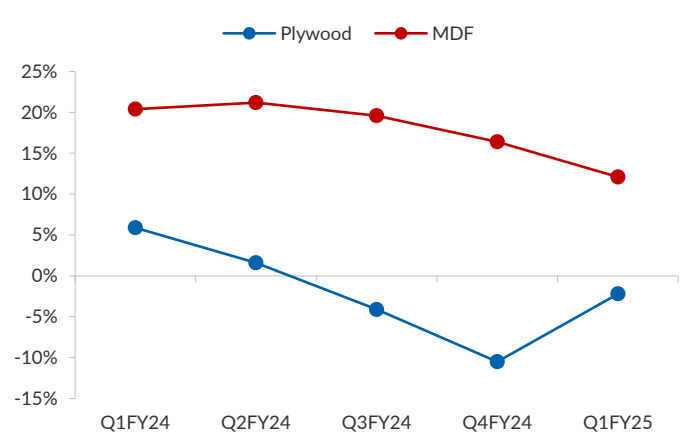
Source: Company, YES Sec

Exhibit 6: Plywood volume declined by 23%YoY...



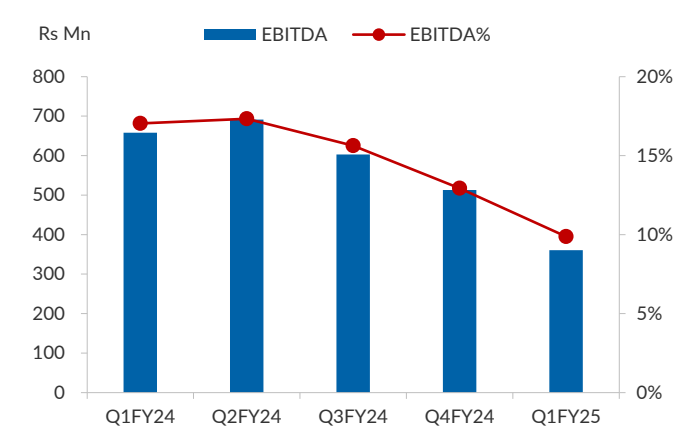
Source: Company, YES Sec

Exhibit 7: Margins weakened for MDF...



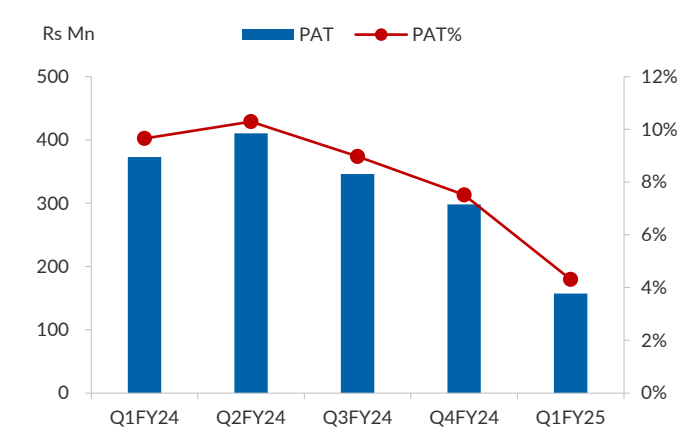
Source: Company, YES Sec

Exhibit 8: Blended margin came in at 9.9%...



Source: Company, YES Sec

Exhibit 9: Net profit decreased to Rs157Mn...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenues	16,250	17,828	15,672	16,693	20,232
Growth (%)	59.2%	9.7%	-12.1%	6.5%	21.2%
EBITDA	4,304	4,166	2,465	2,185	3,187
EBITDA margin (%)	26.5%	23.4%	15.7%	13.1%	15.8%
Growth (%)	111.7%	-3.2%	-40.8%	-11.3%	45.8%
Depreciation & Amortization	734	719	729	805	855
Other income	90	194	219	239	249
EBIT	3,660	3,640	1,955	1,619	2,580
EBIT margin (%)	22.5%	20.4%	12.5%	9.7%	12.8%
Interest	171	190	123	134	127
PBT	3,490	3,511	1,832	1,485	2,453
Tax	1,085	944	405	371	613
Net profit	2,405	2,566	1,428	1,114	1,840
Net profit margin (%)	14.8%	14.4%	9.1%	6.7%	9.1%
EPS	19.6	20.9	11.6	9.1	15.0
Growth (%)	249.5%	6.7%	-44.4%	-22.0%	65.2%

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	123	123	123	123	123
Reserves	9,394	11,816	13,049	13,978	15,635
Total Shareholders' Funds	9,516	11,939	13,171	14,101	15,757
Non-current liabilities					
Long term borrowings	1,652	1,271	2,375	2,136	2,136
Deferred Tax liabilities	682	1,020	1,010	1,010	1,010
Current liabilities					
Short term borrowings	1,245	702	304	274	274
Trade payables	1,378	1,111	1,094	1,189	1,467
Other current liabilities	494	526	647	647	647
Total equity and liabilities	15,423	17,048	18,907	19,662	21,596
Non-current assets					
PPE	9,948	9,453	9,447	9,642	9,787
CWIP	-	49	3,127	3,127	3,127
Current assets					
Inventories	1,658	1,525	2,016	2,191	2,703
Trade receivables	414	444	290	309	375
Cash and cash equivalents	2,226	3,778	1,404	1,769	2,980
Loans and advances	7	5	5	5	5
Other current assets	557	587	1,580	1,580	1,580
Total assets	15,423	17,048	18,907	19,662	21,596

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	3,490	3,510	1,832	1,485	2,453
Depreciation & Amortization	734	720	729	805	855
Finance cost	171	190	123	134	127
(Incr)/Decr in Working Capital	402	(254)	(662)	(99)	(300)
Taxes	(580)	(623)	(369)	(371)	(613)
Cash from ops.	3,657	3,374	1,349	1,954	2,522
(Incr)/ Decr in PP&E	(337)	(803)	(3,441)	(1,000)	(1,000)
Cash Flow from Investing	(1,364)	(2,478)	(1,585)	(1,000)	(1,000)
(Decr)/Incr in Borrowings	(1,468)	(1,002)	(968)	(270)	-
Finance cost	(115)	(85)	(264)	(134)	(127)
Cash Flow from Financing	(1,849)	(1,336)	503	(588)	(311)
Incr/(Decr) in cash	443	(441)	268	366	1,211
Cash and cash equivalents at beginning of year	131	574	133	1,404	1,769
Cash and cash equivalents at end of year	574	133	401	1,769	2,980

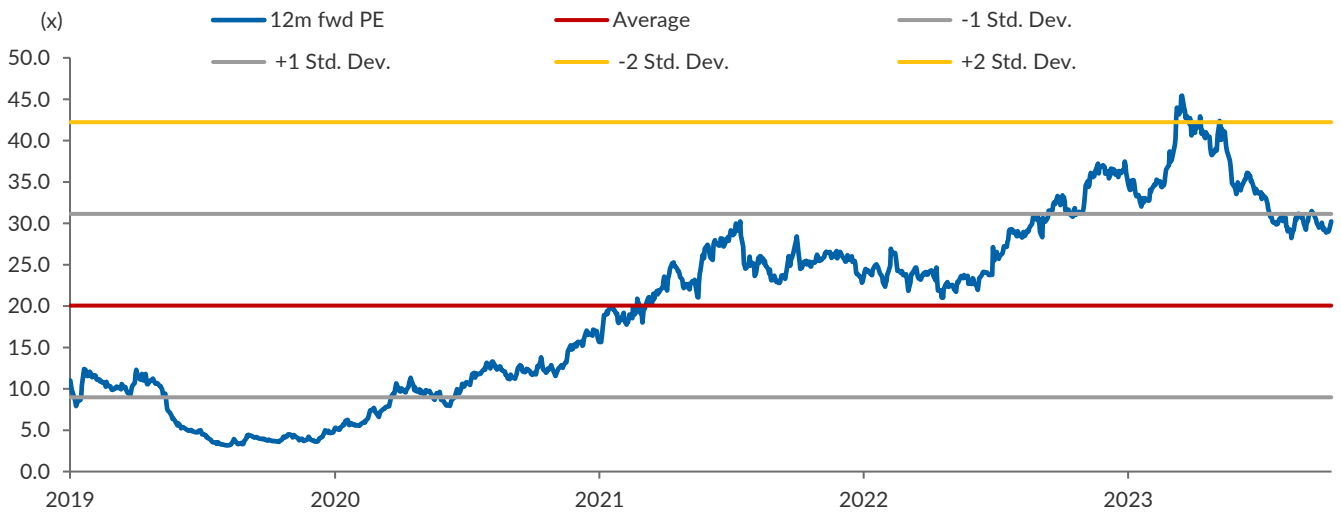
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
Growth Matrix (%)					
Revenue growth	59.2%	9.7%	-12.1%	6.5%	21.2%
EBITDA growth	111.7%	-3.2%	-40.8%	-11.3%	45.8%
EBIT growth	164.9%	-0.6%	-46.3%	-17.2%	59.4%
PAT growth	249.5%	6.7%	-44.4%	-22.0%	65.2%
Profitability ratios (%)					
EBITDA margin	26.5%	23.4%	15.7%	13.1%	15.8%
EBIT margin	22.5%	20.4%	12.5%	9.7%	12.8%
PAT margin	14.8%	14.4%	9.1%	6.7%	9.1%
RoCE	30.5%	26.9%	12.4%	9.4%	14.0%
RoE	28.6%	23.9%	11.4%	8.2%	12.3%
Per share values					
EPS	19.6	20.9	11.6	9.1	15.0
CEPS	25.5	27.0	17.5	15.6	22.0
BVPS	77.6	97.4	107.4	115.0	128.5
Valuation ratios (x)					
P/E	29.8	13.0	27.5	39.2	23.7
P/CEPS	22.9	10.1	18.3	22.7	16.2
P/B	7.5	2.8	3.0	3.1	2.8
EV/EBITDA	16.8	7.6	14.1	15.6	10.3
Leverage ratios (x)					
Net debt/Equity	0.1	(0.2)	0.1	0.0	(0.0)
Net debt/EBITDA	0.2	(0.4)	0.5	0.3	(0.2)
Int coverage	21.4	19.1	16.0	12.1	20.3
NWC days					
Receivables	9	9	7	7	7
Inventory	90	75	107	107	107
Payables	75	54	58	58	58

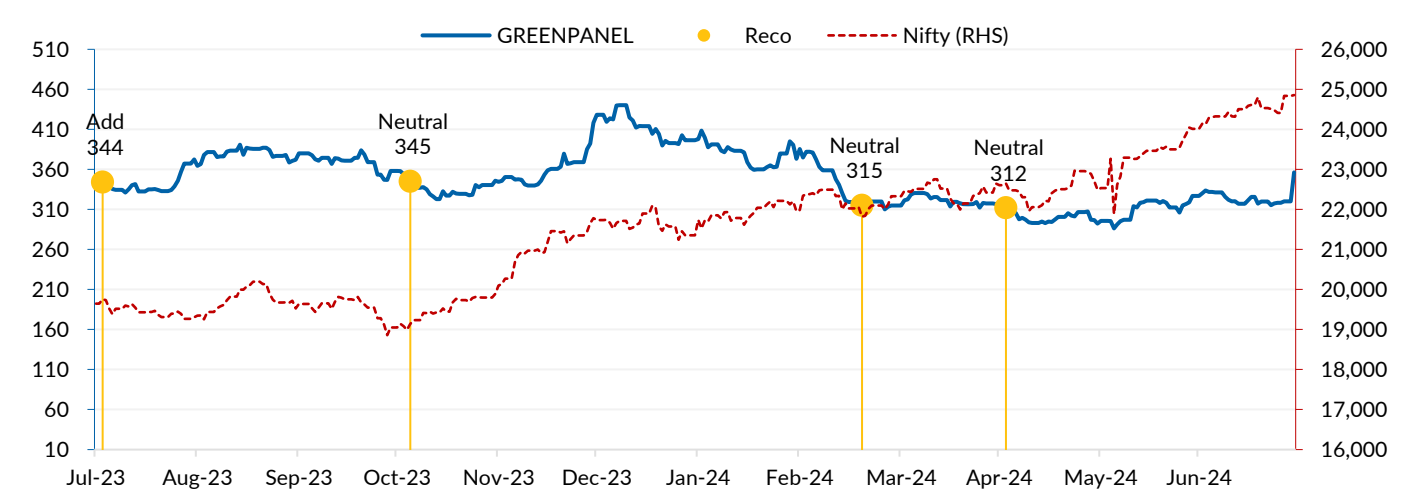
Source: Company, YES Sec

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



Source: Company, YES Sec

Recommendation Tracker



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