

Greenpanel Industries

BUY

Weak performance amid elevated input cost

Summary

Greenpanel Q4FY24 revenue was broadly in line with our estimate, while EBITDA was significantly below our expectations. Sales decreased by 10% YoY to Rs3.9 bn and EBITDA fell by 33% YoY to Rs513 mn. EBITDA margin contracted by 433bps YoY to 12.9% on elevated wood prices and increased competitive intensity. Net profit declined by 57% YoY to Rs298 mn. For FY25, Greenpanel has guided for 15% volume growth in MDF segment and expect EBITDA margin to remain above 16% unless it is forced to cut MDF prices. We revise downwards our FY25 & FY26 EPS estimates by 31% & 21%, respectively. We now value the stock at PER of 20x FY26 EPS and derive a target price of Rs371 (earlier Rs472) and maintain our BUY rating on the stock.

Key Highlights and Investment Rationale

- **Weak MDF and Plywood Volumes:** During the quarter MDF volumes were down by 7% YoY and up 8% QoQ to 1,27,239 CBM. Segment EBITDA margin contracted by 550bps YoY to 16.4% led by higher raw material cost. MDF capacity utilization stood at 78%. Also, plywood volumes decreased by 8% QoQ and 30% YoY to 1.42 Mn SQM on conscious reduction in exports due to uneconomic viability. Further, Greenpanel aims to achieve 15% volume growth in MDF segment and 8% volume growth in Plywood for FY25.
- **Pressure on Realizations:** MDF realizations were flat YoY and lower by 3% QoQ to 28,325 Rs/CBM, mainly due to introduction of volume based schemes for MDF and change in product mix. On the other hand, plywood realizations fell by 7% YoY to 250 Rs/SQM.
- **Outlook:** We believe Greenpanel is a re-rating candidate given that its expansion of MDF is likely to be completed in Q3FY25. With higher free cash flows over FY25-26, we expect increase in dividend payouts.

TP	Rs371
CMP	Rs310
Potential upside	20%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	(3.2)	(19.9)	4.0
Rel to Sensex	(4.0)	(24.0)	(18.1)

V/s Consensus		
EPS (Rs)	FY25E	FY26E
IDBI Capital	12	19
Consensus	17	23
% difference	(27.7)	(15.9)

Key Stock Data	
Bloomberg / Reuters	GREENP IN/GREP.BO
Sector	Plywood Boards/Laminates
Shares o/s (mn)	123
Market cap. (Rs mn)	38,057
3-m daily average value (Rs mn)	8.5
52-week high / low	Rs450 / 296
Sensex / Nifty	74,611 / 22,648

Shareholding Pattern (%)	
Promoters	53.1
FII	3.0
DII	25.6
Public	18.3

Financial snapshot

	(Rs mn)				
Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	16,250	17,829	15,673	17,750	20,531
Change (yoy, %)	59	10	-12	13	16
EBITDA	4,304	4,165	2,465	2,645	3,593
Change (yoy, %)	112	-3	-41	7	36
EBITDA Margin(%)	26.5	23.4	15.7	14.9	17.5
Adj.PAT	2405	2504	1427	1523	2274
EPS (Rs)	20	20	12	12	19
Change (yoy, %)	249	4	-43	7	49
PE(x)	15.9	15.2	26.7	25.0	16.8
Dividend Yield (%)	0.5	0.5	0.5	0.5	0.6
EV/EBITDA (x)	8.9	8.6	16.0	14.1	9.7
RoE (%)	28.6	23.3	11.4	11.0	14.6
RoCE (%)	28.9	24.9	10.9	10.7	15.2

Source: IDBI Capital Research

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Exhibit 1: Quarterly Snapshot (Consolidated)

(Rs mn)

Year-end: March	Q4FY24	Q3FY24	QoQ (%)	Q4FY23	YoY (%)
Net sales	3,966	3,857	2.8%	4,414	-10.2%
Expenditure	1,834	1,692	8.4%	2,040	-10.1%
EBITDA	513	603	-14.9%	762	-32.7%
<i>EBITDA margin (%)</i>	<i>12.9</i>	<i>15.6</i>	<i>-269 bps</i>	<i>17.3</i>	<i>-433 bps</i>
Interest	2	62	-97.2%	32	-94.6%
Depreciation	182	179	1.8%	172	6.2%
PBT	403	374	7.5%	643	-37.4%
Tax	105	28	269.4%	-46	-327.5%
Reported PAT	298	346	-13.9%	689	-56.8%
Adjusted PAT	298	346	-13.9%	689	-56.8%
Diluted EPS	2.4	2.8	-13.9%	5.6	-56.8%

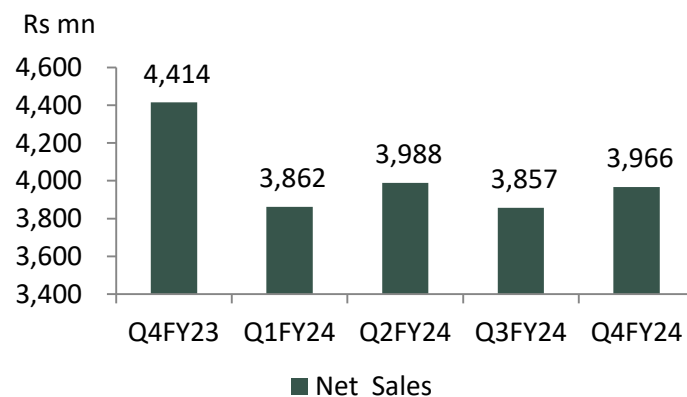
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. Estimates

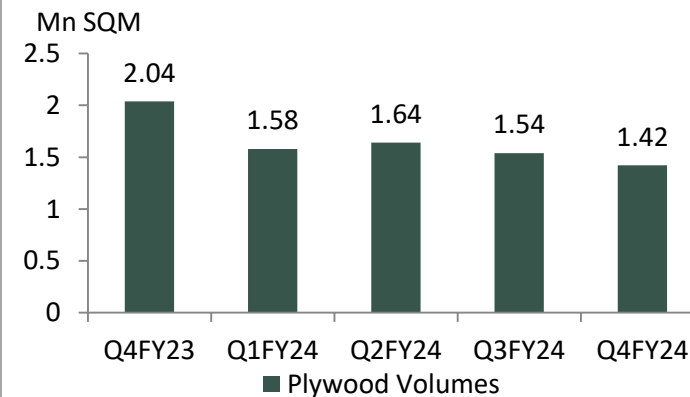
(Rs mn)

	Q4FY24E	Q4FY24A	Variance (%)
Net sales	3,899	3,966	1.7
EBTIDA	618	513	(17.0)
Margin (%)	15.9	12.9	-296bps
Adj. PAT	268	298	11.2
Adj. diluted EPS (Rs)	2.2	2.4	10.5

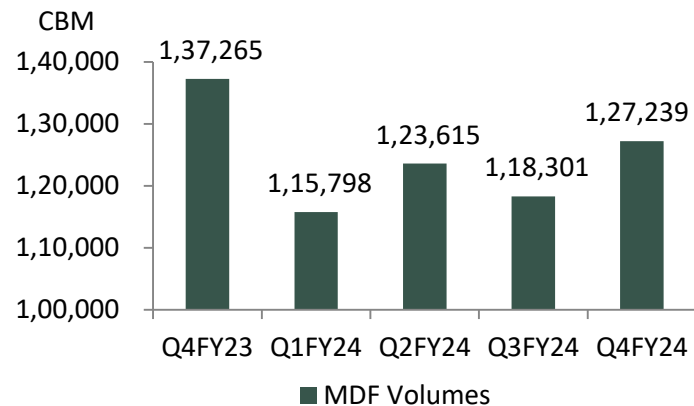
Source: Company; IDBI Capital Research

Exhibit 3: Net Sales fell by 10% YoY

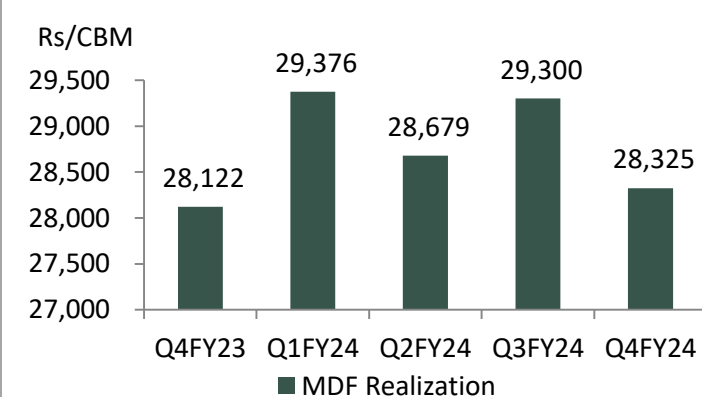
Source: Company; IDBI Capital Research

Exhibit 4: Plywood Volumes declined by 35% YoY

Source: Company; IDBI Capital Research

Exhibit 5: MDF volumes drop by 7% YoY

Source: Company; IDBI Capital Research

Exhibit 6: MDF realization remained flat YoY

Source: Company; IDBI Capital Research

Exhibit 7: Change in estimates (Rs bn)

	FY25E			FY26E		
	Old	New	(%) Chg	Old	New	(%) Chg
Revenue (Rs bn)	18,186	17,750	(2.4)	21,166	20,531	(3.0)
EBITDA (Rs bn)	3,965	2,645	(33.3)	4,950	3,593	(27.4)
EBITDA margin (%)	21.8	14.9	-690bps	23.4	17.5	-590bps
Adj. Net profit (Rs bn)	2,217	1,523	(31.3)	2,896	2,274	(21.5)
Adj. EPS (Rs)	18.1	12.4	(31.4)	23.6	18.5	(21.4)

Source: Company; IDBI Capital Research

Con-Call takeaways:

- The company expects headwinds faced in FY24, to continue in FY25.
- Domestic demand remains healthy for MDF and company aims to achieve domestic volume growth of 18% in FY25, while 15% overall MDF volume growth.
- In FY24, MDF capacity in India increased by 40% and imports increased over 100% in FY24.
- Greenpanel is not expecting pricing to improve as new capacities are coming up in FY25.
- Greenpanel expect MDF margins for FY25 to be similar to Q4FY24 provided company is not forced cut prices.
- Management expects wood prices to remain stable until June/July 2025, with no significant reduction expected.
- The company expects imports to resume in May 2024, and the impact on domestic pricing is uncertain.
- New plant of thin MDF to start commercial production in Q3FY25, which is primarily imported in India.
- No plans for further MDF capacity expansion in the next 2-3 years. Plywood capacity expansion may be considered if optimal capacity utilization is achieved.
- The company intends to limit the OEM business contribution to around 20% of the domestic MDF volume.
- Negative margins and volume decline in the plywood segment remain a concern. Improvement in plywood volumes is expected from Q2FY25.
- The management is restructuring the plywood and MDF sales teams to leverage the larger MDF team and reduce costs
- The company does not plan to change pricing strategy to gain market share, but will react to competitor pricing actions

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	10,208	16,250	17,829	15,673	17,750	20,531
<i>Change (yoy,%)</i>	16.4	59	10	(12)	13	16
Operating expenses	(8,174)	(11,946)	(13,663)	(13,208)	(15,105)	(16,938)
EBITDA	2,034	4,304	4,165	2,465	2,645	3,593
<i>Change (yoy,%)</i>	47.6	112	(3)	(41)	7	36
<i>Margin (%)</i>	19.9	26.5	23.4	15.7	14.9	17.5
Depreciation	(686)	(734)	(720)	(729)	(797)	(823)
EBIT	1,347	3,571	3,445	1,736	1,848	2,770
Interest paid	(372)	(171)	(190)	(123)	(114)	(74)
Other income	34	90	194	219	219	219
Pre-tax profit	1,010	3,489	3,510	1,832	1,952	2,915
Tax	(322)	(1,085)	(944)	(405)	(430)	(641)
Effective tax rate (%)	31.9	31.1	26.9	22.1	22.0	22.0
Minority Interest	-	-	-	-	-	-
Net profit	688	2,405	2,565	1,427	1,523	2,274
Exceptional items	-	-	61	-	-	-
Adjusted net profit	688	2,405	2,504	1,427	1,523	2,274
<i>Change (yoy,%)</i>	172.0	249	4	(43)	7	49
EPS	5.6	19.6	20.4	11.6	12.4	18.5
Dividend per sh	-	1.5	1.5	(1.5)	(1.6)	(1.7)
<i>Dividend Payout (%)</i>	-	7.6	7.3	(13)	(13)	(9)

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Shareholders' funds	7,304	9,516	11,939	13,171	14,501	16,561
Share capital	123	123	123	123	123	123
Reserves & surplus	7,181	9,394	11,816	13,049	14,378	16,438
Total Debt	3,722	2,372	1,419	2,680	1,880	1,080
Other liabilities	745	1,028	1,390	1,227	1,227	1,227
Curr Liab & prov	2,781	2,507	2,300	1,829	1,974	2,168
Current liabilities	2,659	2,348	2,163	1,715	1,860	2,054
Provisions	122	159	136	114	114	114
Total liabilities	7,249	5,907	5,109	5,736	5,081	4,475
Total equity & liabilities	14,552	15,424	17,048	18,907	19,582	21,036
Net fixed assets	10,778	10,382	9,965	12,949	12,151	11,829
Investments	-	-	-	975	975	975
Other non-curr assets	6	0	-	-	-	-
Current assets	3,768	5,042	7,083	4,984	6,455	8,232
Inventories	1,494	1,658	1,525	2,016	1,945	1,969
Sundry Debtors	778	414	444	290	389	450
Cash & Liquid	725	2,226	3,778	1,404	2,847	4,539
Other Curr Assets	771	743	1,336	1,274	1,274	1,274
Total assets	14,552	15,424	17,048	18,907	19,582	21,036

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	1,010	3,489	3,510	1,832	1,952	2,915
Depreciation	479	628	420	729	797	823
Tax paid	(189)	(604)	(607)	(414)	(430)	(641)
Chg in working capital	566	(70)	(698)	(592)	117	110
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	1,866	3,443	2,624	1,554	2,437	3,206
Capital expenditure	(89)	(231)	(3)	(3,712)	-	(500)
Chg in investments	-	-	-	(975)	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(89)	(231)	(3)	(4,687)	-	(500)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	(1,356)	(1,350)	(953)	1,260	(800)	(800)
Dividend (incl. tax)	-	(184)	(184)	184	193	214
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	(1,356)	(1,534)	(1,137)	1,444	(607)	(586)
Net chg in cash (a+b+c)	421	1,678	1,484	(1,689)	1,830	2,120

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	59.6	78	97	107	118	135
Adj EPS (Rs)	5.6	19.6	20.4	11.6	12.4	18.5
Adj EPS growth (%)	172.0	249	4	-43	7	49
EBITDA margin (%)	19.9	26.5	23.4	15.7	14.9	17.5
Pre-tax margin (%)	9.9	21.5	19.7	11.7	11.0	14.2
Net Debt/Equity (x)	0.4	0.0	-0.2	0.1	-0.1	-0.2
ROCE (%)	11.2	29	25	11	11	15
ROE (%)	9.9	29	23	11	11	15
DuPont Analysis						
Asset turnover (x)	0.7	1.1	1.1	0.9	0.9	1.0
Leverage factor (x)	2.1	1.8	1.5	1.4	1.4	1.3
Net margin (%)	6.7	14.8	14.0	9.1	8.6	11.1
Working Capital & Liquidity ratio						
Inventory days	53	37	31	47	40	35
Receivable days	28	9	9	7	8	8
Payable days	58	42	30	30	30	31

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	55.4	15.9	15.2	26.7	25.0	16.8
Price/Book value (x)	5.2	4.0	3.2	2.9	2.6	2.3
EV/Net sales (x)	4.0	2.4	2.0	2.5	2.1	1.7
EV/EBITDA (x)	20.2	8.9	8.6	16.0	14.1	9.7
Dividend Yield (%)	0.0	0.5	0.5	0.5	0.5	0.6

Source: Company; IDBI Capital Research



Notes

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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