

May 22, 2024

**RESULT REPORT Q4 FY24** | Sector: Building Materials

# Greenply Industries Ltd.

**Healthy growth trajectory to continue; maintain BUY rating!**

## Result Synopsis

Greenply Ltd reported decent set of numbers, revenue grew by 40.4%YoY & 3%QoQ to Rs6.0Bn. EBITDA margins came in at 9.6% Vs 10.5%/8.7% in Q4FY23/Q3FY24, respectively. The Plywood division (78% of total revenue) sales grew by 10.6%YoY & 5.6%QoQ to 18.8msqm (2-year CAGR stood at 5%), largely driven by growth in mid-segment while premium-segment remained flattish. Plywood realizations declined to Rs244/sqm Vs Rs246/Rs252 in Q4FY23/Q3FY24, respectively. Owing to higher timber cost, GP margins contracted to 140bps YoY to 36.5%. Consequently, EBITDA margins declined to 8.5% in Q4FY24 Vs 11.5% in Q4FY23 (EBITDA/Sqm stood at Rs21.3 Vs Rs28.8 in Q4FY23). Volume mix for Own/JV/Outsources stood at 57%/3%/40% respectively & value-mix came in at 65%/2%/33%, respectively.

MDF division (22% of revenue), delivered a net profit of Rs24Mn in 3rd quarter of operations. Volumes for the quarter stood at 45,764cm, a 9% sequential growth, while ASP declined by 6%QoQ to Rs28,625/cbm. EBITDA/cbm came in at Rs4,152 for Q4FY24. For FY24, company surpassed their guidance of 100,000cbm in Year-1 of operations by selling 124,772cbm of MDF.

Going ahead, management is confident of growing plywood volumes by 8-10% and with price rationalization, higher growth from premium products, the margins are likely to improve by 50-75bps in FY25E. For MDFs, company aims to deliver sales volumes of 200,000cbm with an EBITDA margin of ~16% for FY25E. Incrementally, debt should reduce by Rs500Mn in FY25E. The Samet-JV's (furniture biz) phase-1 will be operational from July'24.

We continue to remain bullish on company's growth plans and expect Plywood biz to grow by 10%CAGR with steady realizations over FY24-FY26E. We reckon with better operating utilizations and higher growth in premium segment, operating margins should grow gradually to 9.3% by FY26E, translating into an EBITDA growth of 15%CAGR. For MDFs we expect Volume/Value growth of 30%/27% CAGR over next 2-years. EBITDA/Cbm should improve to Rs4,450/Rs5,563 over FY25E/FY26E, respectively. Moreover, we have factored a debt reduction of Rs1.5Bn in next 2-years, which will further strengthen the balance sheet. At CMP, the stock trades at P/E(x) of 19x on FY26E EPS. We have valued the company at P/E(x) of 25x on FY26E EPS, arriving at a target price of Rs343. Hence, we retain our BUY rating on the stock.

## Result Highlights

- Consolidated Revenue stood at Rs6.0 Bn for Q4FY24, a growth of 40.4%YoY & 3%QoQ. FY24 revenue improved by 31%YoY to Rs21.8Bn.
- EBITDA margins for Q4FY24 came in at 9.6% Vs 10.5%/8.7% in Q4FY23/Q3FY24, respectively. Absolute EBITDA for the quarter stood at Rs577Mn, a growth of 28%YoY & 14%QoQ. EBITDA margin for FY24 is 8.6% Vs 9.3% in FY23.

## Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	5,998	6,273	6,407	(4.4)	(6.4)	
EBITDA	577	566	647	1.8	(10.9)	
EBITDA Margin (%)	9.6	9.0	10.1	59 bps	-49 bps	Revenue below estimates but beat on profitability front.
Adjusted PAT	279	207	237	34.4	17.4	

Source: Company, YES Sec

Reco	: <b>BUY</b>
CMP	: Rs 257
Target Price	: Rs 343
Potential Return	: +33.3%

## Stock data (as on May 22, 2024)

Nifty	22,598
52 Week h/l (Rs)	285 / 149
Market cap (Rs/USD mn)	31525 / 379
Outstanding Shares (mn)	124
6m Avg t/o (Rs mn):	100
Div yield (%):	0.2
Bloomberg code:	MTLM IN
NSE code:	GREENPLY

## Stock performance



	1M	3M	1Y
Absolute return	-1.7%	9.4%	61.3%

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

Promoter	52.0%
FII+DII	34.8%
Others	13.2%

## Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	343	250

## Δ in earnings estimates

	FY25E	FY26E
EPS (New)	8.9	13.7
EPS (Old)	10.4	15.4
% change	-14.9%	-11.0%

## Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Net Revenue	21,799	23,937	27,246
YoY Growth	31.1	9.8	13.8
EBIDTA	1,868	2,442	3,158
EBIDTA (%)	8.6	10.2	11.6
PAT	853	1,090	1,680
YoY Growth	(19.6)	27.8	54.2
ROE	14.6	14.3	18.8
EPS	6.9	8.9	13.7
P/E	33.3	28.9	18.8
BV/Share	57.9	66.2	79.4
P/BV	4.0	3.9	3.2

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- Net profit stood at Rs325Mn, a steep increase of 97%YoY & 16%QoQ in Q4FY24. For FY24, net profit declined by 19.6% to Rs852Mn.

## Segmental Highlights for Q4FY24

### Plywood (78% of Revenue):

- Company registered volumes of 18.8msm, a growth of 10.6%YoY & 5.6%QoQ.
- Revenue increased by 9.6%YoY & 3%QoQ to Rs4.7Bn. ASP stood at Rs244 as compared to Rs246/Rs252 in Q4FY23/Q3FY24, respectively.
- GP margin came in at 36.5% Vs 38%/38% in Q4FY23/Q3FY24, respectively.
- EBITDA margin came in at 8.5% Vs 11.5%/8% in Q4FY23/Q3FY24, respectively. Absolute EBITDA degrew by 18.4%YoY and grew by 11%QoQ to Rs400Mn.
- EBIT margin came in at 7.8% Vs 7.2%/7.7% in Q4FY23/Q3FY24, respectively.
- PAT improved steeply by 65%YoY & remained flattish QoQ to Rs290Mn.

### MDF (22% of Revenue):

- Registered volumes of 45,764cbm, a growth of 9%QoQ.
- Revenue increased marginally by 2%QoQ to Rs1.3Bn. ASP stood at Rs28,640 as compared to Rs30,629 in Q3FY24.
- GP margin came in at 45% Vs 47% in the previous quarter.
- EBITDA margin improved sequentially from 13% in Q3FY24 to 14.1%. Absolute EBITDA grew by 12%QoQ to Rs190Mn.
- EBIT margin declined from 8.4% in Q3FY24 to 6.2% in Q4FY24.
- The segment PAT turned positive with it amounting to Rs24Mn in Q4FY24.

## Exhibit 2: Quarterly Snapshot:

Rs mn	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	% yoy	% qoq	FY23	FY24	% yoy
Revenue	4,282	4,272	4,761	6,077	5,821	5,998	40.4	3.0	16,631	21,799	31.1
Expenditure	3,956	3,822	4,463	5,564	5,316	5,421	41.9	2.0	15,090	19,931	32.1
- RM	2,609	2,644	2,784	3,657	3,495	3,686	39.4	5.5	10,328	13,155	27.4
- Staff Cost	604	570	710	780	734	681	19.6	(7.2)	2,175	2,791	28.3
- Other cost	743	608	969	1,127	1,088	1,054	73.3	(3.1)	2,588	3,985	54.0
Operating Profit	326	450	298	513	504	577	28.0	14.3	1,541	1,868	21.2
OPM(%)	7.6	10.5	6.3	8.4	8.7	9.6	-93 bps	95 bps	9.3	8.6	-70 bps
Other Income	31	97	14	37	83	38	(61.1)	(54.3)	172	139	(19.7)
Depreciation	96	75	133	162	149	145	94.1	(2.5)	260	545	109.9
Interest	62	28	130	178	147	90	221.4	(38.9)	91	433	377.8
P/L from JV/Ass.	(22)	(166)	(3)	(1)	(2)	(7)	(95.9)	325.0	(208)	(13)	(93.7)
Exceptional	96	-	-	-	89	47		(47.4)	96	135	40.5
PBT	272	278	46	209	378	419	50.5	10.9	1,252	1,150	(8.1)
Tax	(88)	112	38	70	96	94	(16.7)	(2.8)	192	298	55.1
PAT	360	166	8	140	281	325	96.0	15.6	1,060	853	(19.6)

Source: Company, YES Sec

## Exhibit 3: Operational Numbers:

Particulars	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	% yoy	% qoq	FY23	FY24	% yoy
<b>Plywood</b>											
Standalone Sales (Rs Mn)	4,050	4,270	4,120	4,780	4,540	4,680	9.6	3.1	16,634	18,118	8.9
Volumes (msqm)	16.0	17.0	16.3	19.1	17.8	18.8	10.6	5.6	66.2	72.0	8.8
Realizations (Rs/sqm)	249	246	249	245	252	244	(0.8)	(3.2)	246	247	0.4
Gross Margin (%)	39.0%	37.9%	39.5%	36.4%	37.9%	36.5%	-1 bps	-1 bps	37.8%	37.6%	0 bps
EBITDA (Rs Mn)	420	490	359	380	360	400	(18.4)	11.1	1,731	1,503	(13.2)
EBITDA/sqm	26.3	28.8	22.0	19.9	20.2	21.3	(26.2)	5.2	26.1	20.9	(20.2)
<b>MDF</b>											
Sales (Rs Mn)			181	890	1,280	1,310		2.3		3,650	
Volumes (cbm)			6,062	31,019	41,928	45,764		9.1		124,772	
Realizations (Rs/cbm)			29,858	28,692	30,629	28,640		(6.5)		29,279	
EBITDA (Rs Mn)			(73)	140	170	190		11.8		400	

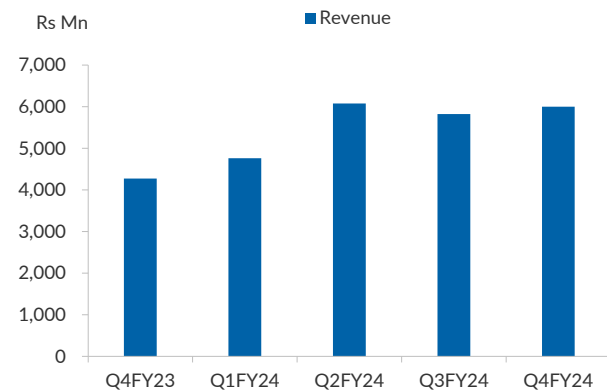
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- **Guidance:** On plywood, company maintained their volume growth guidance of 8-10% and with multiple-corrective actions, management expects 50-80bps expansion in margins. For MDFs, company aims to sell 200,000cbm in FY25E with an EBITDA margin of 15-16%.
- On timber prices, management expects prices to remain elevated for 12-15months. Post this, prices should soften with improving supply. Timber prices stood at Rs9.5/kg for plywoods and Rs6/Kg for MDFs.
- In Samet JV, company invested Rs250Mn till date and will invest Rs150-200Mn more in coming fiscal. This project will deliver Rs8Bn revenue at peak and once company achieves turnover of Rs5Bn, the margins will be 25%+. For Year-1 there will be marginal losses, in Year-2 it will break-even and from Year-3 the revenue should be more than Rs2Bn and should deliver profits. The Phase-1 of this project will be operational from July'24.
- Net debt stood at Rs5.02Bn (under the guided peak Net Debt of Rs5.4Bn). Management plans to reduce the same by Rs500Mn in FY25E.
- Volume/Value mix of premium plywoods stood at 43%/57% in FY24 Vs 48%/61% in FY23.
- For MDFs, the industry is expected to grow by 15%, and with elevated timber prices, management believes that realization is unlikely to contract from hereon. Company will focus to grow the contribution of VAP in this product segment.
- Advertisement spends for FY24 stood at 4% and should be at similar levels for FY25E.
- For MDFs, de-bottleneck will be done with an investment of Rs500Mn.
- North & West constituted 70-75% of MDF biz in FY24.
- ESOP cost for FY24 stood at Rs35Mn & for Q4FY24 the same was Rs3Mn.

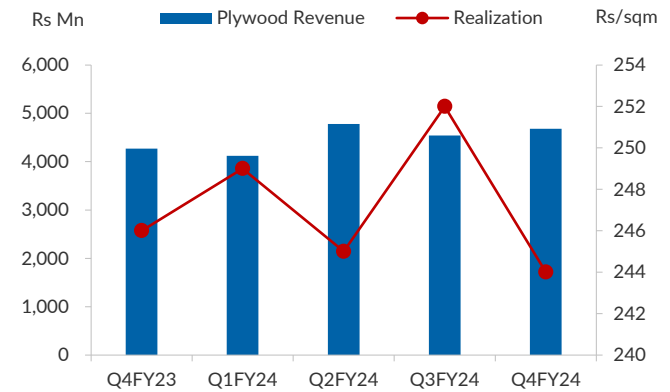
## QUARTERLY TRENDS

**Exhibit 4: Revenue up by 40.4%YoY...**



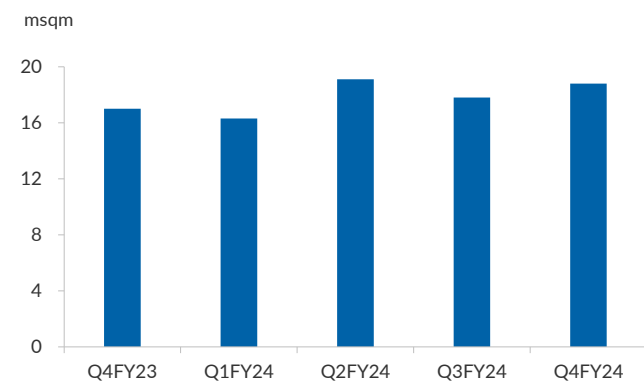
Source: Company, YES Sec

**Exhibit 5: Plywood ASP declined to Rs244/sqm...**



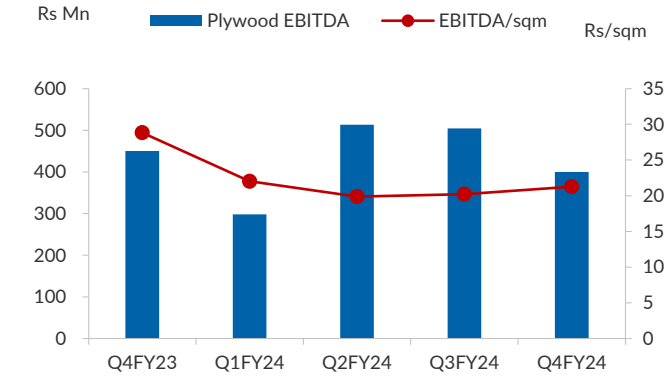
Source: Company, YES Sec

**Exhibit 6: Plywood volume increased by 10.6%YoY...**



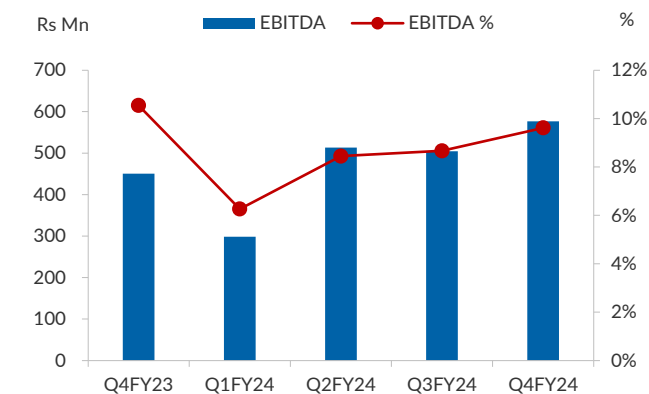
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**Exhibit 7: Plywood EBITDA/sqm stood at Rs21...**



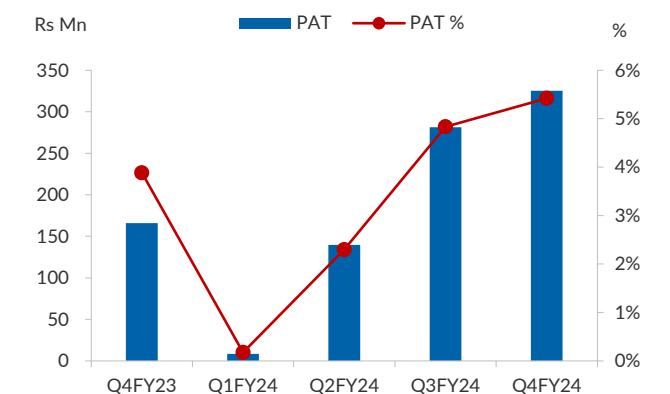
Source: Company, YES Sec

**Exhibit 8: Blended margin came in at 9.6%...**



Source: Company, YES Sec

**Exhibit 9: Net profit stood at Rs325Mn...**



Source: Company, YES Sec

## FINANCIALS

**Exhibit 10: Income Statement**

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenues	15,628	16,631	21,799	23,937	27,246
Growth (%)	34.1%	6.4%	31.1%	9.8%	13.8%
EBITDA	1,503	1,541	1,868	2,442	3,158
EBITDA margin (%)	9.6%	9.3%	8.6%	10.2%	11.6%
Growth (%)	28.7%	2.6%	21.2%	30.7%	29.3%
Depreciation & Amortization	258	260	545	722	765
Other income	99	172	139	140	146
EBIT	1,343	1,454	1,461	1,860	2,539
EBIT margin (%)	8.6%	8.7%	6.7%	7.8%	9.3%
Interest	119	91	433	407	347
PBT	1,250	1,252	1,150	1,453	2,240
Tax	303	192	298	363	560
Net profit	948	1,060	853	1,090	1,680
Net profit margin (%)	6.1%	6.4%	3.9%	4.6%	6.2%
EPS	7.7	8.6	6.9	8.9	13.7
Growth (%)	55.4%	11.7%	-19.9%	28.6%	54.2%

Source: Company, YES Sec

**Exhibit 11: Balance Sheet**

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	123	123	124	124	124
Reserves	5,259	6,315	6,970	7,998	9,617
Equity	5,382	6,438	7,094	8,122	9,741
LT Borrowings	1,431	5,152	3,912	1,000	1,000
ST Borrowings	1,533	1,559	1,428	3,839	2,839
Payables	2,164	2,427	3,329	3,481	3,945
Other current Liab	721	843	606	606	606
<b>Total Equity &amp; Liab</b>	<b>11,587</b>	<b>16,810</b>	<b>16,639</b>	<b>17,318</b>	<b>18,401</b>
Net Block	3,086	4,014	8,096	8,173	7,908
CWIP	1,096	5,130	124	124	124
Inventory	2,256	2,784	3,478	3,636	4,121
Receivables	1,864	2,287	2,490	2,734	3,112
Cash & Bank	630	311	220	423	908
Other	637	1,130	713	713	713
<b>Total Assets</b>	<b>11,587</b>	<b>16,810</b>	<b>16,639</b>	<b>17,318</b>	<b>18,401</b>

Source: Company, YES Sec

## Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	1,250	1,252	1,150	1,453	2,240
Depreciation & Amortization	258	365	636	722	765
Finance cost	119	262	661	407	347
(Incr)/Decr in Working Capital	(445)	(1,200)	(648)	(251)	(399)
Taxes	(321)	(36)	(376)	(363)	(560)
Cash from ops.	916	622	1,109	1,968	2,394
(Incr)/ Decr in PP&E	(2,320)	(4,153)	(1,428)	(800)	(500)
Cash Flow from Investing	(1,294)	(4,085)	(1,428)	(800)	(500)
(Decr)/Incr in Borrowings	983	3,640	1,204	(500)	(1,000)
Finance cost	(113)	(374)	(654)	(407)	(347)
Cash Flow from Financing	804	3,177	471	(969)	(1,409)
Incr/(Decr) in cash	427	(286)	153	199	485
Cash and cash equivalents at beginning of year	(36)	380	70	224	423
Cash and cash equivalents at end of year	384	81	220	423	908

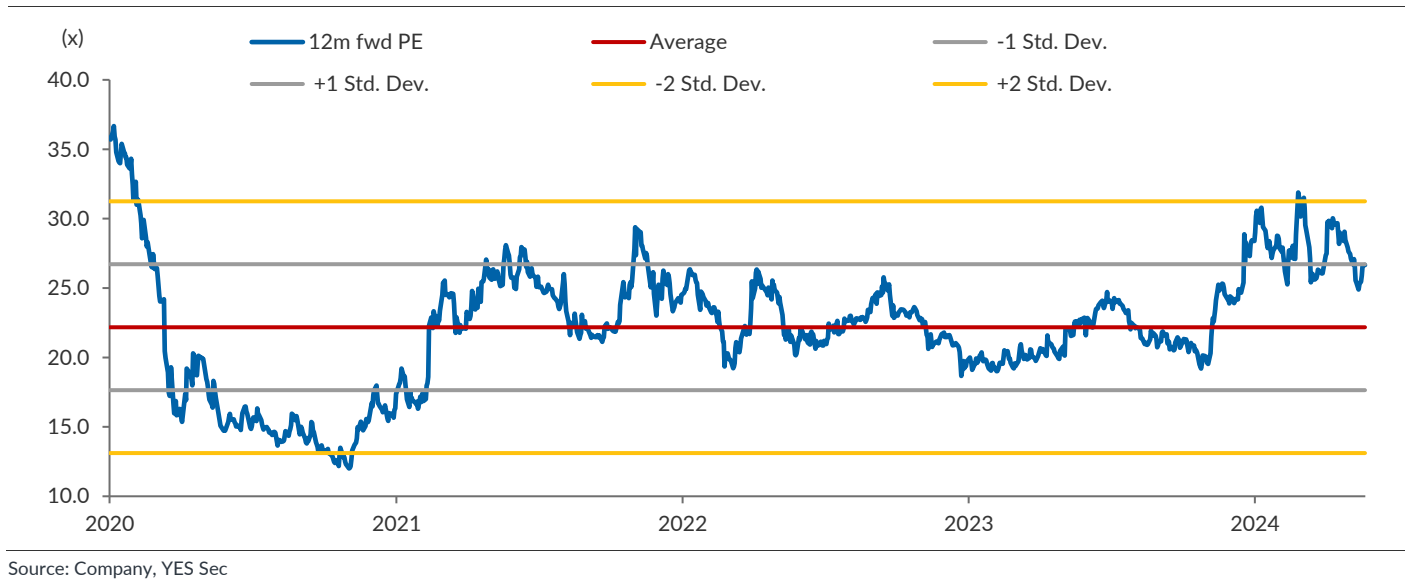
Source: Company, YES Sec

## Exhibit 13: Ratios

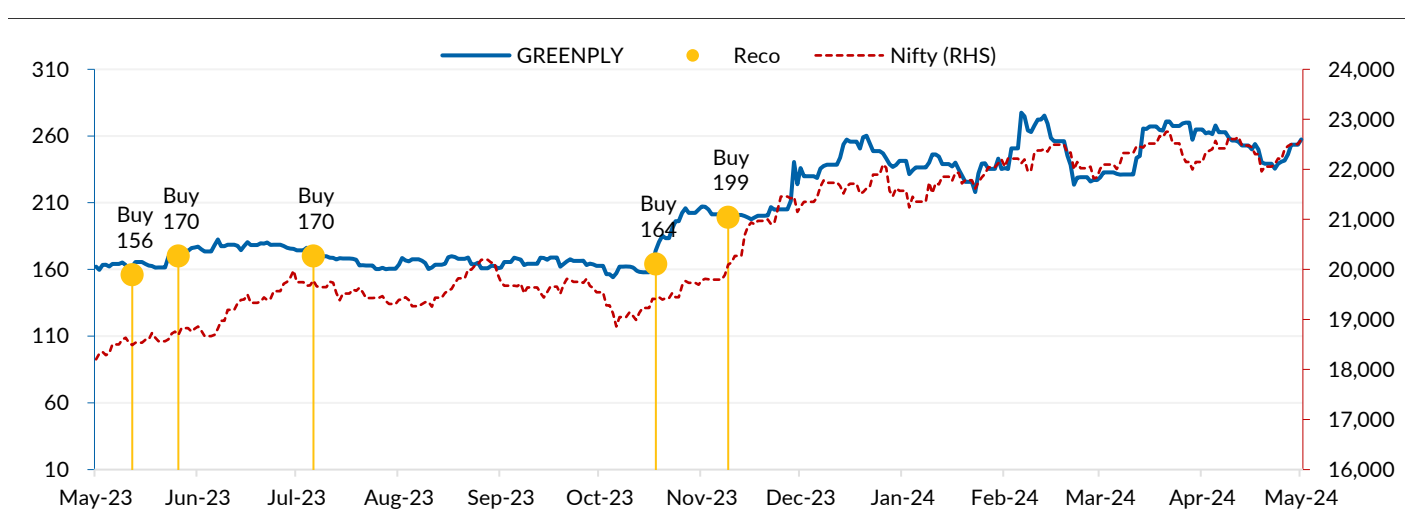
Key Ratios	FY22	FY23	FY24	FY25E	FY26E
<b>Growth Matrix (%)</b>					
Revenue growth	34.1%	6.4%	31.1%	9.8%	13.8%
EBITDA growth	28.7%	2.6%	21.2%	30.7%	29.3%
EBIT growth	33.8%	8.2%	0.5%	27.3%	36.5%
PAT growth	55.4%	11.9%	-19.6%	27.8%	54.2%
<b>Profitability ratios (%)</b>					
GP margin	40.2%	37.9%	39.7%	42.5%	42.8%
EBITDA margin	9.6%	9.3%	8.6%	10.2%	11.6%
EBIT margin	8.6%	8.7%	6.7%	7.8%	9.3%
PAT margin	6.0%	5.2%	4.5%	4.6%	6.2%
RoCE	22.0%	15.4%	12.6%	18.0%	24.9%
RoE	19.2%	14.7%	14.6%	14.3%	18.8%
<b>Per share values</b>					
EPS	7.7	8.6	6.9	8.9	13.7
CEPS	9.8	10.8	11.4	14.8	19.9
BVPS	43.9	52.5	57.9	66.2	79.4
<b>Valuation ratios (x)</b>					
P/E	24.6	16.3	33.3	28.9	18.8
P/CEPS	19.3	13.1	20.2	17.4	12.9
P/B	4.3	2.7	4.0	3.9	3.2
EV/EBITDA	17.0	15.4	18.0	14.8	11.0
<b>Leverage ratios (x)</b>					
Debt/ Equity	0.6	1.0	0.8	0.6	0.4
Net debt/Equity	0.4	1.0	0.7	0.5	0.3
Net debt/EBITDA	1.5	4.2	2.7	1.8	0.9
Int coverage	11.3	16.0	3.4	4.6	7.3
<b>NWC days</b>					
Receivables	44	50	42	42	42
Inventory	88	98	96	96	96
Payables	84	86	92	92	92

Source: Company, YES Sec

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



## Recommendation Tracker





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Name of the Research Analyst : Udit Gajiwala, Shalin Damani

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

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