

# Greenpanel Industries

## Weak performance to continue

We recently interacted with the Greenpanel Industries management. Management mentioned MDF prices are stable and demand is muted in Q4, with January imports showing an increase. However, the implementation of BIS standards is expected to decrease MDF imports. Currently, northern timber prices have cooled by ~10%, while southern timber prices have seen marginal reductions. Due to high timber cost inventory, management anticipates a slight QoQ increase in timber prices for Q4. However, they expect prices to begin cooling in FY26, as increased timber supply from Q2FY26 onwards is anticipated to reduce costs. Greenpanel is expanding its Andhra Pradesh MDF capacity by 231K CBM (a 35% increase) at a capital expenditure of INR 6bn. Trial production has commenced, with commercial production expected in April. We anticipate MDF volume growth to accelerate in FY26, driven by the new plant's ramp-up. Given the existing industry capacity expansions, we expect improved industry capacity utilisation, leading to enhanced pricing and margins. We forecast an 8% EBITDA margin for the MDF segment in FY25E, rising to 14% and 18% in FY26E and FY27E, respectively. Our topline and bottomline estimates are ~7-9% and ~30-40% below consensus for FY25E to FY27E. We are forecasting a slower new plant ramp-up and margin recovery than consensus. Therefore, we maintain a REDUCE rating on Greenpanel Industries with a lowered target price of INR 210 per share (20x Sep-26E EPS).

- **MDF prices are stable, demand remains muted:** Management mentioned MDF prices are stable, and demand is muted in Q4, with January imports showing an increase. However, the implementation of BIS standards is expected to decrease MDF imports. We believe the structural shift from plywood to MDF supports ~15% CAGR for the MDF industry this decade. Additionally, the robust real estate market of the last few years will bolster MDF demand in the coming years. Management is targeting 8-10% volume growth from existing plants and 40-50% capacity utilization for the new plant in FY26. Despite current plant utilization of approximately 65-70%, management is confident of rapidly ramping up the new plant, which specializes in thin MDF production.
- **Timber price remains elevated:** Timber prices have increased by 17% QoQ in Q3. Currently, the northern timber prices have cooled off ~10%, while the southern timber prices have cooled off marginally. Owing to high timber cost inventory, as per management's assessment, timber prices will marginally increase QoQ in Q4. However, they will start to cool off from FY26. Management is confident timber supply will increase from Q2FY26, which will lead to a decrease in timber costs.
- **Andhra Pradesh expansion trial production started:** Greenpanel Industries is expanding its Andhra Pradesh MDF capacity by 231K CBM (a 35% increase) at a capital expenditure of INR 6bn, with a revenue potential of INR 7.7bn. Trial production has commenced, and commercial operations are expected to begin in April. The company anticipates no significant overhead increases, projecting that even at low utilization, this new plant will generate operating leverage gains and contribute to operating margin recovery.

## REDUCE

|                         |         |
|-------------------------|---------|
| CMP (as on 21 Mar 2025) | INR 232 |
| Target Price            | INR 210 |
| NIFTY                   | 23,350  |

| KEY CHANGES  | OLD     | NEW     |
|--------------|---------|---------|
| Rating       | REDUCE  | REDUCE  |
| Price Target | INR 255 | INR 210 |
| EPS          | FY25E   | FY26E   |
| revision %   | (36.9)  | (18.4)  |

### KEY STOCK DATA

|                              |             |
|------------------------------|-------------|
| Bloomberg code               | GREENP IN   |
| No. of Shares (mn)           | 123         |
| MCap (INR bn) / (\$ mn)      | 28/331      |
| 6m avg traded value (INR mn) | 71          |
| 52 Week high / low           | INR 427/223 |

### STOCK PERFORMANCE (%)

|              | 3M     | 6M     | 12M    |
|--------------|--------|--------|--------|
| Absolute (%) | (36.2) | (39.5) | (25.5) |
| Relative (%) | (34.8) | (30.4) | (31.4) |

### SHAREHOLDING PATTERN (%)

|                 | Sep-24 | Dec-24 |
|-----------------|--------|--------|
| Promoters       | 53.13  | 53.13  |
| FIs & Local MFs | 27.71  | 28.46  |
| FPIs            | 2.70   | 3.00   |
| Public & Others | 16.46  | 15.41  |
| Pledged Shares  | -      | -      |

Source : BSE

Pledged shares as % of total shares

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- Ply segmental performance is improving, still sub-optimal:** Greenpanel's plywood business, representing ~10% of revenue, continues to experience market share loss, with volume declines of 8% and 28% YoY in FY23 and FY24, respectively. We project a further 13% volume decline in FY25E. While margins have improved in recent quarters, they remain below optimal levels. The company targets 15-20% volume growth in FY2026. For the first time in FY24, the plywood segment reported operating losses (-1% OPM), a significant shift from the 10-12% OPM achieved during FY20-22. We have modelled operating margins of 2%, 5%, and 6% for this segment in FY25E, FY26E, and FY27E, respectively.
- Outlook:** We anticipate MDF volume growth to pick up in FY26, driven by the new plant's ramp-up, projecting an 8% MDF volume CAGR from FY24-27E (17% CAGR from FY25-27E). With significant industry capacity expansion already observed, we expect improved industry capacity utilization in the coming years, leading to better pricing and margins. We forecast an 8% EBITDA margin for the MDF segment in FY25E, increasing to 14% and 18% in FY26E and FY27E, respectively. However, considering below-average market demand and elevated timber prices, we have reduced our APAT estimates by 37%, 18%, and 18% for FY25E, FY26E, and FY27E, respectively, placing our topline and bottomline estimates ~7-9% and ~30-40% below consensus for FY25-27E. We are forecasting slower new plant ramp-up and margin recovery than consensus. Consequently, we maintain a REDUCE rating on Greenpanel Industries with a lower target price of INR 210 per share (20x Sep-26E EPS).

#### Key operating assumptions

| Segmental performance | FY20  | FY21  | FY22   | FY23   | FY24   | FY25E  | FY26E  | FY27E  |
|-----------------------|-------|-------|--------|--------|--------|--------|--------|--------|
| <b>MDF</b>            |       |       |        |        |        |        |        |        |
| Sales Vol (K CBM)     | 316   | 380   | 495    | 507    | 485    | 447    | 533    | 608    |
| Revenue (INR mn)      | 6,137 | 7,831 | 13,292 | 15,346 | 14,017 | 12,633 | 15,790 | 18,577 |
| OPM %                 | 18.7  | 23.0  | 31.0   | 27.8   | 19.4   | 8.1    | 14.1   | 18.3   |
| <b>Plywood</b>        |       |       |        |        |        |        |        |        |
| Sales Vols (mn sqm)   | 8.5   | 8.5   | 9.3    | 8.6    | 6.2    | 5.4    | 5.9    | 6.2    |
| Revenue (INR mn)      | 2,155 | 2,171 | 2,559  | 2,440  | 1,622  | 1,397  | 1,568  | 1,679  |
| OPM %                 | 11.8  | 12.4  | 10.9   | 6.9    | -1.2   | 1.8    | 4.7    | 5.7    |

Source: Company, HSIE Research

### Estimates revision summary

Considering below-average market demand and elevated timber prices, we have reduced our APAT estimates by 37%, 18%, and 18% for FY25E, FY26E, and FY27E.

| INR mn    | FY25E<br>Old | FY25E<br>Revised | Change<br>% | FY26E<br>Old | FY26E<br>Revised | Change<br>% | FY27E<br>Old | FY27E<br>Revised | Change<br>% |
|-----------|--------------|------------------|-------------|--------------|------------------|-------------|--------------|------------------|-------------|
| Net Sales | 14,913       | 14,063           | -5.7        | 18,438       | 17,391           | -5.7        | 21,506       | 20,289           | -5.7        |
| EBITDA    | 1,171        | 948              | -19.1       | 2,574        | 2,303            | -10.6       | 3,869        | 3,492            | -9.7        |
| APAT      | 543          | 343              | -36.9       | 1,069        | 873              | -18.4       | 2,034        | 1,674            | -17.7       |

Source: Company, HSIE Research

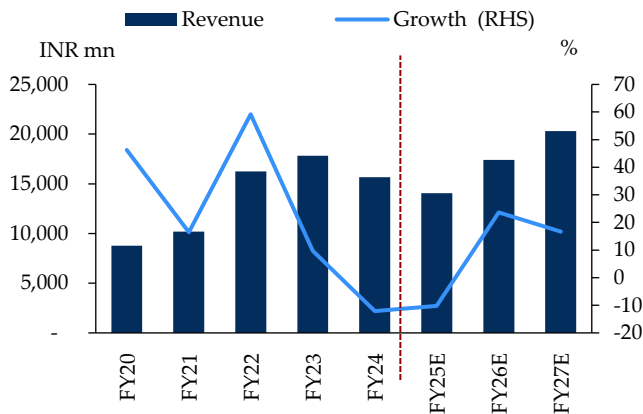
### HSIE vs consensus estimates

Our topline and bottomline estimates are far below consensus. We are forecasting slower new plant ramp-up and margin recovery than consensus.

| INR mn    | HSIE<br>estimates<br>FY25E | Consensus<br>estimates<br>FY25E | Deviation% | HSIE<br>estimates<br>FY26E | Consensus<br>estimates<br>FY26E | Deviation% | HSIE<br>estimates<br>FY27E | Consensus<br>estimate<br>FY27E | Change % |
|-----------|----------------------------|---------------------------------|------------|----------------------------|---------------------------------|------------|----------------------------|--------------------------------|----------|
| Net Sales | 14,063                     | 15,059                          | -6.6       | 17,391                     | 18,910                          | -8.0       | 20,289                     | 22,330                         | -9.1     |
| EBITDA    | 948                        | 1,335                           | -29.0      | 2,303                      | 2,601                           | -11.5      | 3,492                      | 3,920                          | -10.9    |
| APAT      | 343                        | 591                             | -42.0      | 873                        | 1,333                           | -34.5      | 1,674                      | 2,291                          | -26.9    |

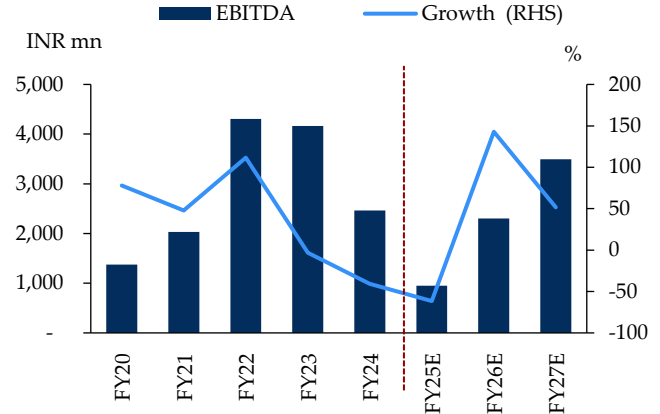
Source: Bloomberg, Company, HSIE Research

## We expect 9% revenue CAGR during FY24-27E (MDF volume led)



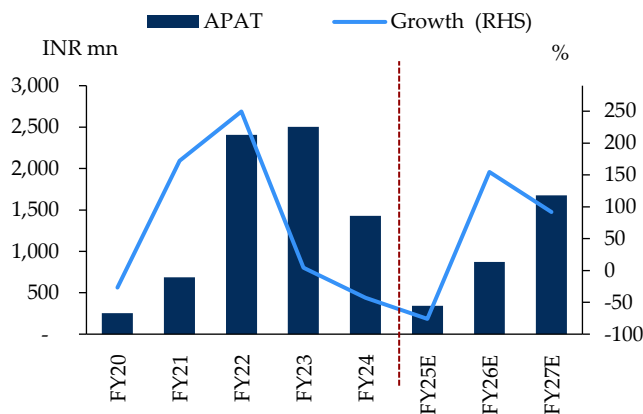
Source: Company, HSIE Research

## 12% EBITDA CAGR during FY24-27E (higher volume)



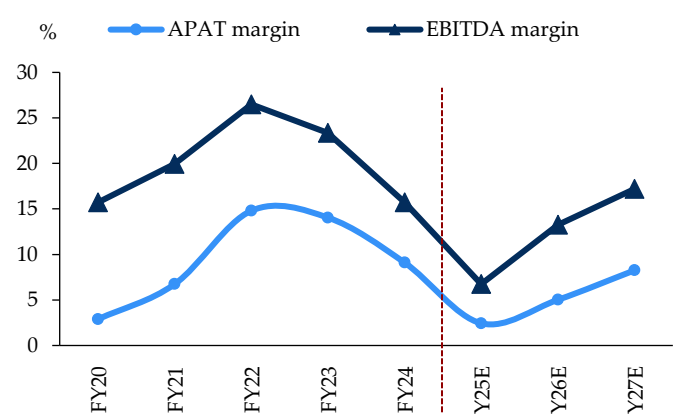
Source: Company, HSIE Research

## APAT to grow by 5% CAGR only (high capital charges and lower other income)



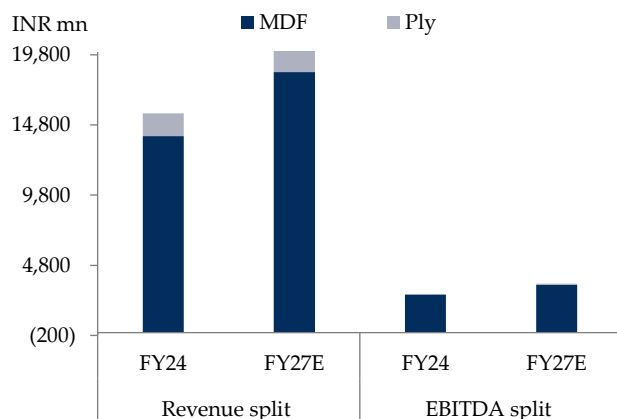
Source: Company, HSIE Research

## Margins are expected to improve from FY26 onwards



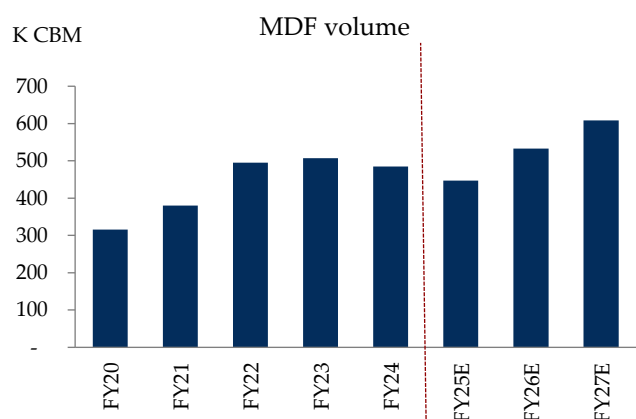
Source: Company, HSIE Research

## MDF Revenue/EBITDA mix is expected to be 92/97% in FY27E



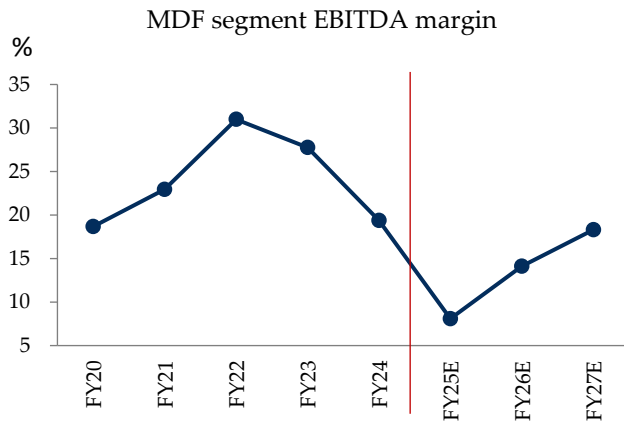
Source: Company, HSIE Research

## MDF volume to grow at 8% CAGR during FY24-27E



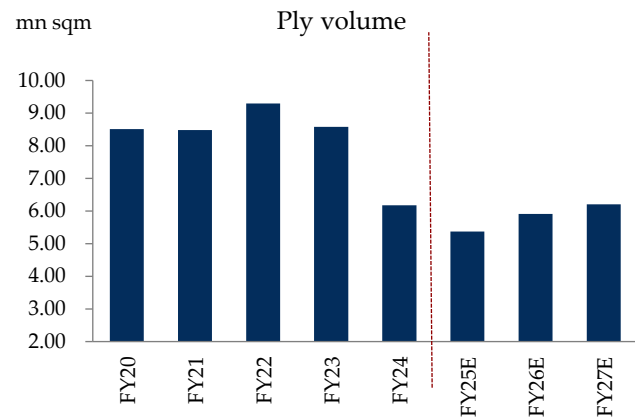
Source: Company, HSIE Research

## MDF margin to improve FY26 onwards



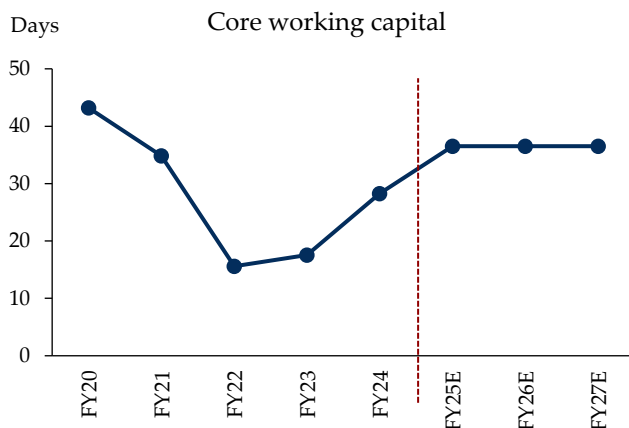
Source: Company, HSIE Research

## We build ply volume will recover in FY27 to similar FY24 level



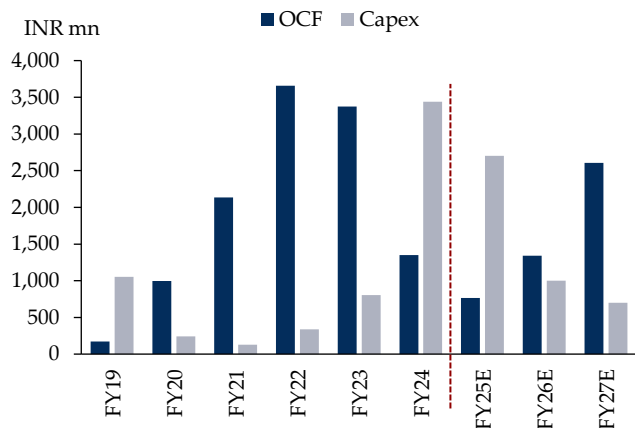
Source: Company, HSIE Research

## It will continue to maintain industry-leading working capital cycle



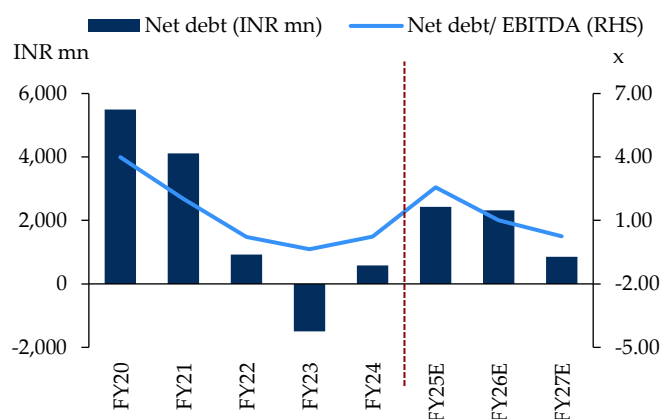
Source: Company, HSIE Research

## Capex pace to slow down in FY26/27, OCF will be higher than capex during this time



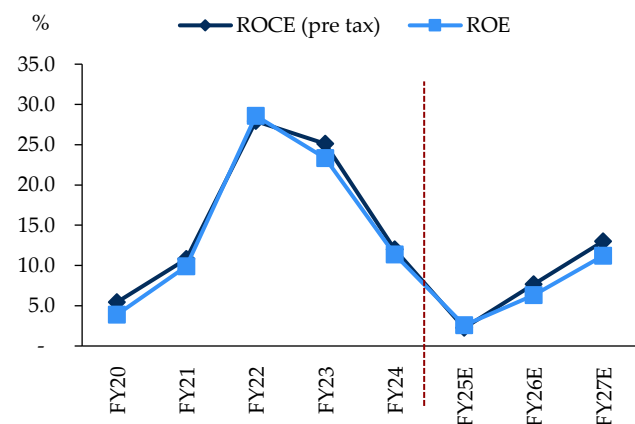
Source: Company, HSIE Research

## We expect net debt/EBITDA will cool in substantially in FY26/27E



Source: Company, HSIE Research

## Return ratios will recover to double digit in FY27E



Source: Company, HSIE Research

## Financials (consolidated)

### Income Statement

| YE Mar (INR mn)                 | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenues</b>                 | <b>16,250</b> | <b>17,829</b> | <b>15,673</b> | <b>14,063</b> | <b>17,391</b> | <b>20,289</b> |
| <b>Growth %</b>                 | <b>59.2</b>   | <b>9.7</b>    | <b>(12.1)</b> | <b>(10.3)</b> | <b>23.7</b>   | <b>16.7</b>   |
| Raw Material                    | 6,709         | 7,458         | 6,907         | 6,329         | 7,391         | 8,623         |
| Power & Fuel                    | 1,423         | 1,920         | 2,081         | 1,547         | 1,913         | 2,232         |
| Freight Expense                 | 800           | 844           | 865           | 703           | 870           | 1,014         |
| Employee cost                   | 1,284         | 1,397         | 1,406         | 1,758         | 1,899         | 2,373         |
| Other Expenses                  | 1,730         | 2,044         | 1,948         | 2,779         | 3,016         | 2,554         |
| <b>EBITDA</b>                   | <b>4,304</b>  | <b>4,165</b>  | <b>2,465</b>  | <b>948</b>    | <b>2,303</b>  | <b>3,492</b>  |
| <b>EBITDA Margin (%)</b>        | <b>26.5</b>   | <b>23.4</b>   | <b>15.7</b>   | <b>6.7</b>    | <b>13.2</b>   | <b>17.2</b>   |
| <b>EBITDA Growth %</b>          | <b>111.7</b>  | <b>(3.2)</b>  | <b>(40.8)</b> | <b>(61.5)</b> | <b>142.9</b>  | <b>51.7</b>   |
| Depreciation                    | 734           | 720           | 729           | 772           | 998           | 1,148         |
| EBIT                            | 3,571         | 3,445         | 1,736         | 177           | 1,305         | 2,344         |
| Other Income                    | 90            | 194           | 219           | 214           | 68            | 61            |
| Interest                        | 171           | 190           | 123           | 91            | 209           | 172           |
| PBT                             | 3,489         | 3,449         | 1,832         | 300           | 1,164         | 2,233         |
| Tax                             | 1,085         | 944           | 405           | (43)          | 291           | 558           |
| <b>RPAT</b>                     | <b>2,405</b>  | <b>2,565</b>  | <b>1,427</b>  | <b>343</b>    | <b>873</b>    | <b>1,674</b>  |
| EO (Loss) / Profit (Net Of Tax) | -             | 61            | -             | -             | -             | -             |
| <b>APAT</b>                     | <b>2,405</b>  | <b>2,504</b>  | <b>1,427</b>  | <b>343</b>    | <b>873</b>    | <b>1,674</b>  |
| <b>APAT Growth (%)</b>          | <b>249.5</b>  | <b>4.1</b>    | <b>(43.0)</b> | <b>(76.0)</b> | <b>154.8</b>  | <b>91.8</b>   |
| AEPS                            | 19.6          | 20.4          | 11.6          | 2.8           | 7.1           | 13.7          |
| <b>AEPS Growth %</b>            | <b>249.5</b>  | <b>4.1</b>    | <b>(43.0)</b> | <b>(76.0)</b> | <b>154.8</b>  | <b>91.8</b>   |

Source: Company, HSIE Research

### Balance Sheet

| YE Mar (INR mn)                    | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>SOURCES OF FUNDS</b>            |               |               |               |               |               |               |
| Share Capital                      | 123           | 123           | 123           | 123           | 123           | 123           |
| Reserves And Surplus               | 9,394         | 11,816        | 13,049        | 13,357        | 14,143        | 15,482        |
| <b>Total Equity</b>                | <b>9,516</b>  | <b>11,939</b> | <b>13,171</b> | <b>13,480</b> | <b>14,265</b> | <b>15,605</b> |
| Long-term Debt                     | 2,365         | 2,059         | 2,896         | 2,646         | 2,646         | 1,846         |
| Short-term Debt                    | 791           | 217           | 65            | 465           | 215           | 215           |
| <b>Total Debt</b>                  | <b>3,156</b>  | <b>2,276</b>  | <b>2,961</b>  | <b>3,111</b>  | <b>2,861</b>  | <b>2,061</b>  |
| Deferred Tax Liability             | 682           | 1,020         | 1,010         | 1,010         | 1,010         | 1,010         |
| Long-term Liab+ Provisions         | 197           | 176           | 89            | 89            | 89            | 89            |
| <b>TOTAL SOURCES OF FUNDS</b>      | <b>13,552</b> | <b>15,411</b> | <b>17,232</b> | <b>17,690</b> | <b>18,226</b> | <b>18,766</b> |
| <b>APPLICATION OF FUNDS</b>        |               |               |               |               |               |               |
| Net Block                          | 10,382        | 9,916         | 9,821         | 9,250         | 14,752        | 14,304        |
| Capital WIP                        | -             | 49            | 3,127         | 5,627         | 127           | 127           |
| Other Non-current Assets           | 179           | 744           | 664           | 686           | 710           | 737           |
| <b>Total Non-current Assets</b>    | <b>10,561</b> | <b>10,709</b> | <b>13,613</b> | <b>15,563</b> | <b>15,589</b> | <b>15,168</b> |
| Inventories                        | 1,658         | 1,525         | 2,016         | 1,828         | 2,261         | 2,638         |
| Debtors                            | 414           | 444           | 290           | 422           | 522           | 609           |
| Cash and Cash Equivalents          | 2,226         | 3,778         | 2,379         | 683           | 544           | 1,203         |
| Other Current Assets (& Loans/adv) | 564           | 592           | 610           | 670           | 737           | 810           |
| <b>Total Current Assets</b>        | <b>4,863</b>  | <b>6,339</b>  | <b>5,294</b>  | <b>3,603</b>  | <b>4,064</b>  | <b>5,260</b>  |
| Creditors                          | 1,378         | 1,111         | 1,094         | 844           | 1,043         | 1,217         |
| Other Current Liabilities & Provns | 494           | 526           | 582           | 632           | 384           | 445           |
| <b>Total Current Liabilities</b>   | <b>1,872</b>  | <b>1,638</b>  | <b>1,676</b>  | <b>1,476</b>  | <b>1,427</b>  | <b>1,662</b>  |
| <b>Net Current Assets</b>          | <b>2,991</b>  | <b>4,702</b>  | <b>3,619</b>  | <b>2,127</b>  | <b>2,636</b>  | <b>3,598</b>  |
| <b>TOTAL APPLICATION OF FUNDS</b>  | <b>13,552</b> | <b>15,411</b> | <b>17,232</b> | <b>17,690</b> | <b>18,226</b> | <b>18,766</b> |

Source: Company, HSIE Research

### Cash Flow

| YE Mar (INR mn)                       | FY22           | FY23           | FY24           | FY25E          | FY26E        | FY27E          |
|---------------------------------------|----------------|----------------|----------------|----------------|--------------|----------------|
| Reported PBT                          | 3,489          | 3,510          | 1,832          | 300            | 1,164        | 2,233          |
| Non-operating & EO Items              | (559)          | (169)          | (303)          | (214)          | (68)         | (61)           |
| Interest Expenses                     | 171            | 190            | 123            | 91             | 209          | 172            |
| Depreciation                          | 734            | 720            | 729            | 772            | 998          | 1,148          |
| Working Capital Change                | 402            | (254)          | (662)          | (226)          | (672)        | (328)          |
| Tax Paid                              | (580)          | (623)          | (369)          | 43             | (291)        | (558)          |
| <b>OPERATING CASH FLOW ( a )</b>      | <b>3,657</b>   | <b>3,374</b>   | <b>1,349</b>   | <b>765</b>     | <b>1,339</b> | <b>2,606</b>   |
| Capex                                 | (336)          | (803)          | (3,441)        | (2,700)        | (1,000)      | (700)          |
| Free Cash Flow (FCF)                  | 3,320          | 2,571          | (2,092)        | (1,935)        | 339          | 1,906          |
| Investments                           | (1,058)        | (1,795)        | 1,667          | -              | -            | -              |
| Non-operating Income                  | 30             | 120            | 189            | 214            | 68           | 61             |
| <b>INVESTING CASH FLOW ( b )</b>      | <b>(1,364)</b> | <b>(2,478)</b> | <b>(1,585)</b> | <b>(2,486)</b> | <b>(932)</b> | <b>(639)</b>   |
| Debt Issuance/(Repaid)                | (1,535)        | (1,002)        | 1,054          | 150            | (250)        | (800)          |
| Interest Expenses                     | (130)          | (85)           | (264)          | (91)           | (209)        | (172)          |
| FCFE                                  | 1,655          | 1,484          | (1,302)        | (1,876)        | (120)        | 934            |
| Dividend                              | (184)          | (184)          | (184)          | (34)           | (87)         | (335)          |
| <b>FINANCING CASH FLOW ( c )</b>      | <b>(1,849)</b> | <b>(1,271)</b> | <b>606</b>     | <b>25</b>      | <b>(546)</b> | <b>(1,307)</b> |
| <b>NET CASH FLOW (a+b+c)</b>          | <b>443</b>     | <b>(375)</b>   | <b>371</b>     | <b>(1,696)</b> | <b>(139)</b> | <b>659</b>     |
| <b>Closing Cash &amp; Equivalents</b> | <b>1,168</b>   | <b>1,851</b>   | <b>4,149</b>   | <b>683</b>     | <b>544</b>   | <b>1,203</b>   |

Source: Company, HSIE Research

### Key Ratios

|                                    | FY22 | FY23  | FY24  | FY25E  | FY26E | FY27E |
|------------------------------------|------|-------|-------|--------|-------|-------|
| <b>PROFITABILITY %</b>             |      |       |       |        |       |       |
| EBITDA Margin                      | 26.5 | 23.4  | 15.7  | 6.7    | 13.2  | 17.2  |
| EBIT Margin                        | 22.0 | 19.3  | 11.1  | 1.3    | 7.5   | 11.6  |
| APAT Margin                        | 14.8 | 14.0  | 9.1   | 2.4    | 5.0   | 8.3   |
| RoE                                | 28.6 | 23.3  | 11.4  | 2.6    | 6.3   | 11.2  |
| RoIC Pre tax                       | 30.7 | 30.1  | 14.9  | 1.5    | 9.0   | 13.3  |
| RoCE (pre-tax)                     | 27.9 | 25.1  | 12.0  | 2.2    | 7.6   | 13.0  |
| <b>EFFICIENCY</b>                  |      |       |       |        |       |       |
| Tax Rate %                         | 31.1 | 27.4  | 22.1  | (14.4) | 25.0  | 25.0  |
| Fixed Asset Turnover (x)           | 1.1  | 1.2   | 1.1   | 0.9    | 0.9   | 0.9   |
| Inventory (days)                   | 37   | 31    | 47    | 47     | 47    | 47    |
| Debtors (days)                     | 9    | 9     | 7     | 11     | 11    | 11    |
| Other Current Assets (days)        | 17   | 27    | 30    | 35     | 30    | 28    |
| Payables (days)                    | 31   | 23    | 25    | 22     | 22    | 22    |
| Other Current Liab & Provns (days) | 16   | 14    | 16    | 19     | 10    | 10    |
| Cash Conversion Cycle (days)       | 17   | 31    | 42    | 53     | 57    | 55    |
| Net Debt/EBITDA (x)                | 0.2  | (0.4) | 0.2   | 2.6    | 1.0   | 0.2   |
| Net D/E                            | 0.1  | (0.1) | 0.0   | 0.2    | 0.2   | 0.1   |
| Interest Coverage                  | 20.9 | 18.1  | 14.2  | 1.9    | 6.2   | 13.6  |
| <b>PER SHARE DATA (Rs)</b>         |      |       |       |        |       |       |
| EPS                                | 19.6 | 20.4  | 11.6  | 2.8    | 7.1   | 13.7  |
| CEPS                               | 25.6 | 26.3  | 17.6  | 9.1    | 15.3  | 23.0  |
| Dividend                           | 1.5  | 1.5   | 1.5   | 0.3    | 0.7   | 2.7   |
| Book Value                         | 77.6 | 97.4  | 107.4 | 109.9  | 116.3 | 127.3 |
| <b>VALUATION</b>                   |      |       |       |        |       |       |
| P/E (x)                            | 11.7 | 11.3  | 19.8  | 82.3   | 32.3  | 16.8  |
| P/Cash EPS (x)                     | 9.0  | 8.6   | 13.1  | 25.3   | 15.1  | 10.0  |
| P/BV (x)                           | 3.0  | 2.4   | 2.1   | 2.1    | 2.0   | 1.8   |
| EV/EBITDA (x)                      | 6.8  | 6.4   | 11.7  | 32.3   | 13.3  | 8.3   |
| EV/ sales (x)                      | 1.79 | 1.50  | 1.84  | 2.18   | 1.75  | 1.43  |
| Dividend Yield (%)                 | 0.7  | 0.7   | 0.7   | 0.1    | 0.3   | 1.2   |
| OCF/EV (%)                         | 12.6 | 12.6  | 4.7   | 2.5    | 4.4   | 9.0   |
| FCFF/EV (%)                        | 11.4 | 9.6   | (7.3) | (6.3)  | 1.1   | 6.6   |

Source: Company, HSIE Research

## 1 Yr Price History



## Rating Criteria

BUY: >+15% return potential  
ADD: +5% to +15% return potential  
REDUCE: -10% to +5% return potential  
SELL: >10% Downside return potential



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