

# Greenpanel Industries

## Headwinds in near term; long-run prospects intact

We recently interacted with the Greenpanel Industries management. Considering the national election, MDF domestic demand remained healthy in Q1FY25. Owing to the large capacity addition in the last few quarters, MDF pricing remains weak in the market. A few players have increased dealer discounts in Q1FY25 to push volumes. However, Greenpanel has maintained its realisation during the ongoing quarter. Timber prices continue to soar, rising by 7% MoM in Apr-24. So, we expect FY25 to remain a challenging year for the industry (weak realisation and rising cost). We believe ply segment pain will also continue in FY25 (low volume and margin). We have modelled in 14/21/21% consolidated revenue/EBITDA/APAT CAGR for FY24-27E. Our APAT estimates are 31/24% below consensus estimates for FY25/26E. We expect the MDF margin to bottom out in FY25E and gradually improve during FY26/27E. We maintain our ADD rating on the company, with a revised target price of INR 345/sh (20x Sep'25E EPS). We continue to like Greenpanel because it leads the high-growth Indian MDF market with a strong trade presence and robust balance sheet.

- MDF demand remains healthy; margin under pressure:** Wood panel (ply, laminates) demand remained subdued in FY24. However, MDF's domestic demand remained healthy (~20% growth YoY), as mostly low-end ply is being replaced by MDF. We believe ply conversion to MDF is a structural story, and hence MDF industry can grow by 15-20% CAGR in this decade. However, sensing strong future demand, large capacities are being added by existing as well as new players. This is driving down industry utilisation and lowering MDF selling prices. The weak global MDF market is further increasing supply in India (rising imports). We expect Century Plyboard and Greenply to focus on ramping up their large MDF capacities this year, which will lead to weak MDF pricing this year. On the other hand, timber prices are also rising which will further depress MDF margin. So, FY25 will remain a challenging year for the industry. We expect wood panel industry demand to pick up in the next two years and during that time we expect timber prices also to cool off (higher plantation in the last two years). So, we expect the MDF margin to gradually recover in FY27 from FY25 low. We have modelled in 14% MDF volume CAGR during FY24-27E with 15/18/20% margin for this segment during FY25/26/27E.
- Ply pain to continue:** Greenpanel has a small ply business (10% of revenue in FY24), where it continues to lose market share. Its volume declined 8/28% YoY in FY23/24. To revive this segment, it hired a new sales head in FY24. However, there has been no progress. For the first time in FY24, this segment suffered operating losses (-1% OPM). We have modelled EBITDA breakeven for ply in FY25 and 4/6% OPM in FY26/27E. Earlier, this segment used to operate at 10-12% OPM during FY20-22.
- Outlook:** Management is aiming for 15% MDF volume growth (Domestic +18%, export flat) and 8% ply volume growth in FY25. The company is expanding its MDF capacity by 231K CBM (35% increase in capacity) at a capex of INR 6bn at the Andhra plant. The expansion is expected to be completed in Q3FY25. We have modelled in 14/21/21% revenue/EBITDA/APAT CAGR during FY24-27E. Our APAT estimates are 31/24% below consensus estimates for FY25/26E. We cut our FY25/26 APAT estimates by 18% each and introduce FY27 numbers. We are rolling forward our valuation to Sep-26E (vs Mar-26E currently) and maintaining our ADD rating with a revised TP of INR 345/sh (20x Sep-26E EPS).

## ADD

CMP (as on 27 Jun 2024)	INR 319
Target Price	INR 345
NIFTY	24,045

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 335	INR 345
EPS	FY25E	FY26E
revision %	(18.4)	(18.0)

### KEY STOCK DATA

Bloomberg code	GREENP IN
No. of Shares (mn)	123
MCap (INR bn) / (\$ mn)	39/468
6m avg traded value (INR mn)	129
52 Week high / low	INR 450/268

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	1.7	(18.7)	(5.8)
Relative (%)	(6.9)	(28.7)	(30.7)

### SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	53.12	53.12
FIs & Local MFs	24.53	25.81
FPIs	3.22	2.99
Public & Others	19.13	18.08
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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### 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	529	632	722
Revenue (INR mn)	6,137	7,831	13,292	15,346	14,017	15,215	18,541	21,439
OPM %	18.7	23.0	31.0	27.8	19.4	14.8	17.5	20.1
<b>Plywood</b>								
Sales Vols (mn sqm)	8.5	8.5	9.3	8.6	6.2	5.9	6.5	6.8
Revenue (INR mn)	2,155	2,171	2,559	2,440	1,622	1,510	1,694	1,815
OPM %	11.8	12.4	10.9	6.9	-1.2	-0.2	3.7	5.6

Source: Company, HSIE Research

### Estimates revision summary

INR bn	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Net Sales	17,187	16,759	-2.5	20,867	20,268	-2.9
EBITDA	2,457	2,149	-12.5	3,818	3,300	-13.6
APAT	1,257	1,025	-18.4	2,069	1,697	-18.0

Source: Company, HSIE Research

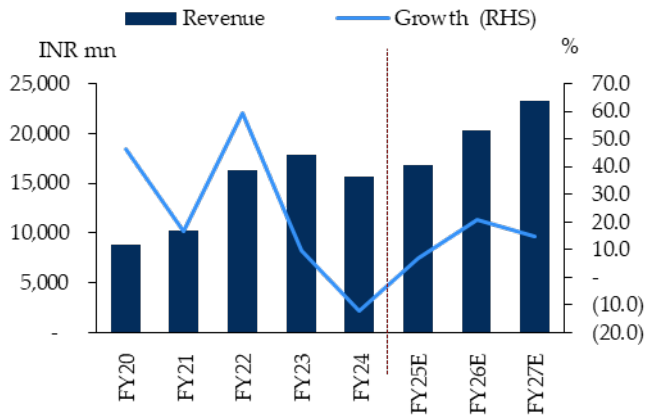
### HSIE vs consensus estimates

We have modelled in lower estimates vs consensus estimates for FY25/26. Our APAT estimates are 31/24% below consensus estimates for FY25/26E (mainly owing to the lower margin projected for the MDF segment).

INR bn	HSIE estimate	Consensus estimate	Change %	HSIE estimate	Consensus estimate	Change %
Net Sales	16,759	17,283	-3.0	20,268	20,796	-2.5
EBITDA	2,149	2,711	-20.7	3,300	3,831	-13.9
APAT	1,025	1,491	-31.2	1,697	2,223	-23.7

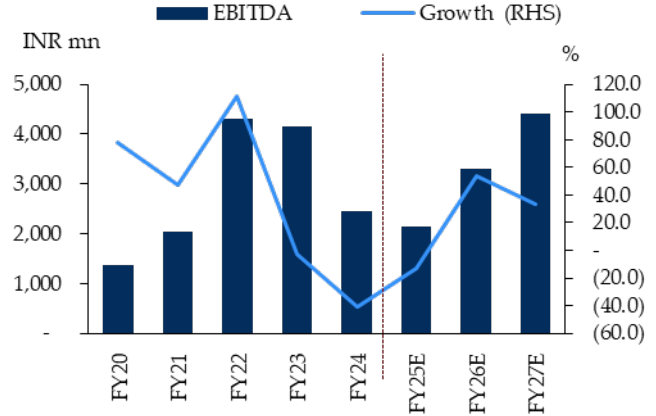
Source: Company, HSIE Research

**We expect 14% revenue CAGR during FY24-27E (MDF volume led)**



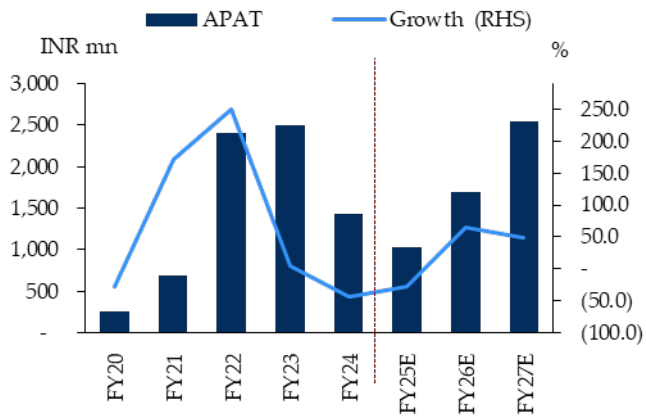
Source: Company, HSIE Research

**21% EBITDA CAGR during FY24-27E (higher volume and improvement in margins)**



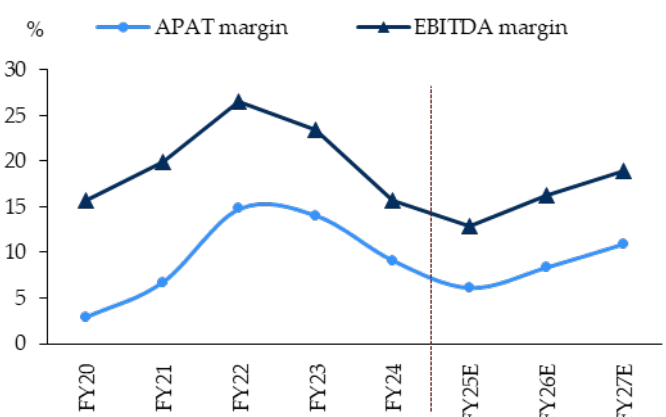
Source: Company, HSIE Research

**APAT to grow strongly in line with EBITDA margins (21% CAGR during FY24-27E)**



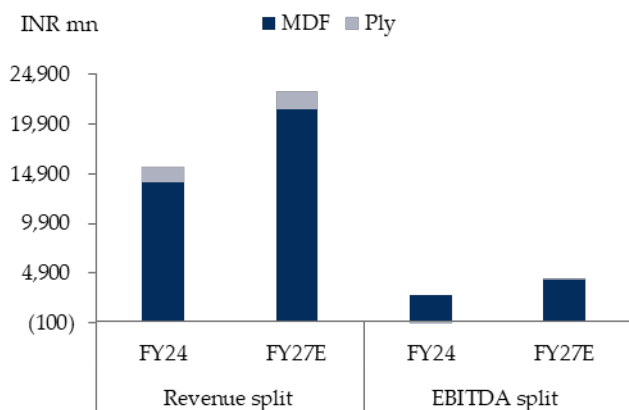
Source: Company, HSIE Research

**Margins are expected to improve from FY26 onwards**



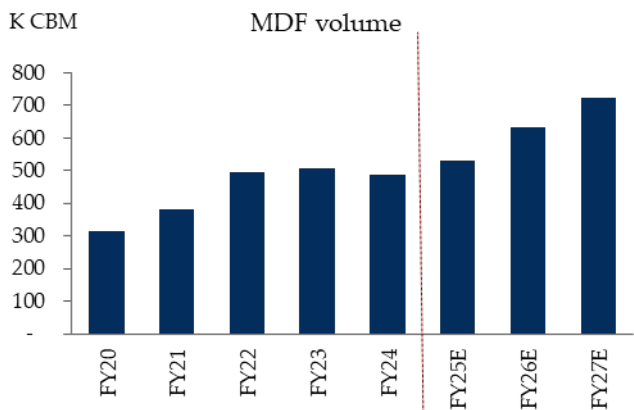
Source: Company, HSIE Research

**MDF Revenue/EBITDA mix is expected to be 92/98% in FY27E**



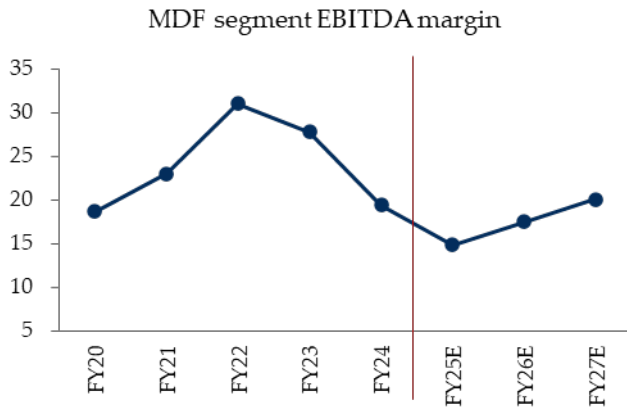
Source: Company, HSIE Research

**MDF volume to grow at 14% CAGR during FY24-27E**



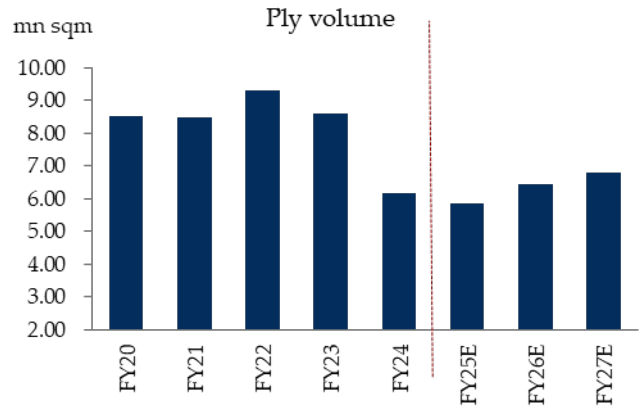
Source: Company, HSIE Research

**MDF margin to improve FY26 onwards**



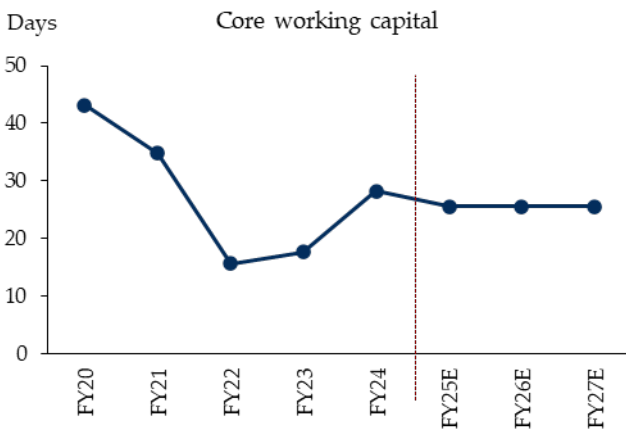
Source: Company, HSIE Research

**We build in 3% ply volume CAGR during FY24-27E**



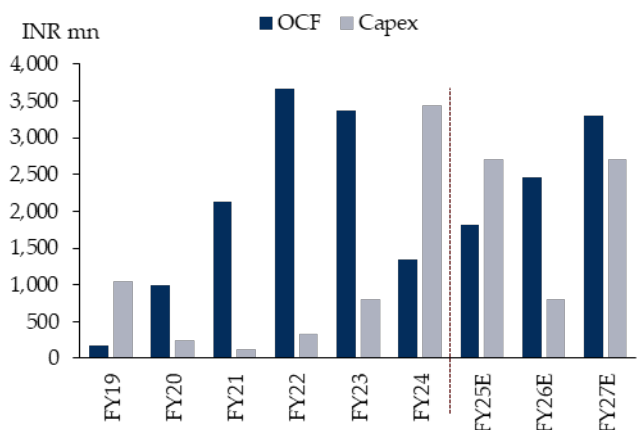
Source: Company, HSIE Research

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



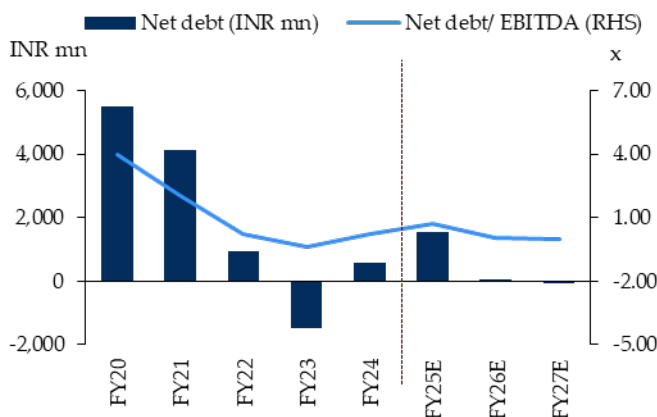
Source: Company, HSIE Research

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



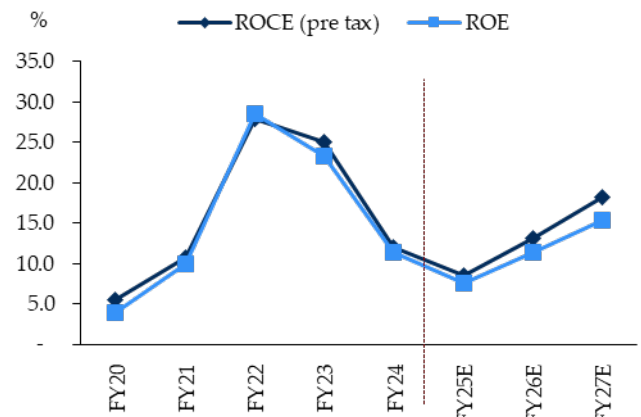
Source: Company, HSIE Research

**We expect net cash balance sheet in FY27E**



Source: Company, HSIE Research

**Return ratios will reduce to high single-digit in FY25; then it will improve in FY26/27**



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>16,759</b>	<b>20,268</b>	<b>23,287</b>
<i>Growth %</i>	59.2	9.7	(12.1)	6.9	20.9	14.9
Raw Material	6,709	7,458	6,907	7,541	8,614	9,897
Power & Fuel	1,423	1,920	2,081	1,843	2,230	2,562
Freight Expense	800	844	865	838	1,013	1,164
Employee cost	1,284	1,397	1,406	1,758	1,899	2,373
Other Expenses	1,730	2,044	1,948	2,629	3,213	2,890
<b>EBITDA</b>	<b>4,304</b>	<b>4,165</b>	<b>2,465</b>	<b>2,149</b>	<b>3,300</b>	<b>4,401</b>
<i>EBITDA Margin (%)</i>	26.5	23.4	15.7	12.8	16.3	18.9
<i>EBITDA Growth %</i>	111.7	(3.2)	(40.8)	(12.8)	53.5	33.4
Depreciation	734	720	729	804	1,033	1,067
EBIT	3,571	3,445	1,736	1,345	2,267	3,334
Other Income	90	194	219	167	126	136
Interest	171	190	123	144	131	78
PBT	3,489	3,449	1,832	1,367	2,262	3,392
Tax	1,085	944	405	342	566	848
<b>RPAT</b>	<b>2,405</b>	<b>2,565</b>	<b>1,427</b>	<b>1,025</b>	<b>1,697</b>	<b>2,544</b>
EO (Loss) / Profit (Net Of Tax)	-	61	-	-	-	-
<b>APAT</b>	<b>2,405</b>	<b>2,504</b>	<b>1,427</b>	<b>1,025</b>	<b>1,697</b>	<b>2,544</b>
<i>APAT Growth (%)</i>	249.5	4.1	(43.0)	(28.1)	65.4	49.9
AEPS	19.6	20.4	11.6	8.4	13.8	20.7
<i>AEPS Growth %</i>	249.5	4.1	(43.0)	(28.1)	65.4	49.9

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	13,972	15,498	17,534
<b>Total Equity</b>	<b>9,516</b>	<b>11,939</b>	<b>13,171</b>	<b>14,094</b>	<b>15,621</b>	<b>17,656</b>
Long-term Debt	2,365	2,059	2,896	2,342	1,342	842
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>2,807</b>	<b>1,557</b>	<b>1,057</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>18,000</b>	<b>18,277</b>	<b>19,812</b>
<b>APPLICATION OF FUNDS</b>						
Net Block	10,382	9,916	9,821	14,717	14,384	14,017
Capital WIP	-	49	3,127	127	227	2,227
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>15,530</b>	<b>15,321</b>	<b>16,981</b>
Inventories	1,658	1,525	2,016	2,011	2,432	2,794
Debtors	414	444	290	335	405	466
Cash and Cash Equivalents	2,226	3,778	2,379	1,259	1,488	1,141
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>4,276</b>	<b>5,063</b>	<b>5,211</b>
Creditors	1,378	1,111	1,094	1,173	1,419	1,630
Other Current Liabilities & Provns	494	526	582	632	688	749
<b>Total Current Liabilities</b>	<b>1,872</b>	<b>1,638</b>	<b>1,676</b>	<b>1,806</b>	<b>2,107</b>	<b>2,379</b>
<b>Net Current Assets</b>	<b>2,991</b>	<b>4,702</b>	<b>3,619</b>	<b>2,470</b>	<b>2,956</b>	<b>2,832</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>13,552</b>	<b>15,411</b>	<b>17,232</b>	<b>18,000</b>	<b>18,277</b>	<b>19,812</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	1,367	2,262	3,392
Non-operating & EO Items	(559)	(169)	(303)	(167)	(126)	(136)
Interest Expenses	171	190	123	144	131	78
Depreciation	734	720	729	804	1,033	1,067
Working Capital Change	402	(254)	(662)	7	(281)	(250)
Tax Paid	(580)	(623)	(369)	(342)	(566)	(848)
<b>OPERATING CASH FLOW ( a )</b>	<b>3,657</b>	<b>3,374</b>	<b>1,349</b>	<b>1,815</b>	<b>2,454</b>	<b>3,303</b>
Capex	(336)	(803)	(3,441)	(2,700)	(800)	(2,700)
Free Cash Flow (FCF)	3,320	2,571	(2,092)	(885)	1,654	603
Non-operating Income	30	120	189	167	126	136
<b>INVESTING CASH FLOW ( b )</b>	<b>(306)</b>	<b>(683)</b>	<b>(1,585)</b>	<b>(2,533)</b>	<b>(674)</b>	<b>(2,564)</b>
Debt Issuance/(Repaid)	(1,535)	(1,002)	1,054	(154)	(1,250)	(500)
Interest Expenses	(130)	(85)	(264)	(144)	(131)	(78)
FCFE	1,655	1,484	(1,302)	(1,183)	273	25
Dividend	(184)	(184)	(184)	(103)	(170)	(509)
<b>FINANCING CASH FLOW ( c )</b>	<b>(1,849)</b>	<b>(1,271)</b>	<b>606</b>	<b>(401)</b>	<b>(1,551)</b>	<b>(1,087)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>1,501</b>	<b>1,420</b>	<b>371</b>	<b>(1,119)</b>	<b>229</b>	<b>(348)</b>
<b>Closing Cash &amp; Equivalents</b>	<b>2,226</b>	<b>3,646</b>	<b>4,149</b>	<b>1,259</b>	<b>1,488</b>	<b>1,141</b>

Source: Company, HSIE Research

### Key Ratios

	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>PROFITABILITY %</b>						
EBITDA Margin	26.5	23.4	15.7	12.8	16.3	18.9
EBIT Margin	22.0	19.3	11.1	8.0	11.2	14.3
APAT Margin	14.8	14.0	9.1	6.1	8.4	10.9
RoE	28.6	23.3	11.4	7.5	11.4	15.3
RoIC Pre tax	30.7	30.1	14.9	9.5	13.6	18.8
RoCE (pre-tax)	27.9	25.1	12.0	8.6	13.2	18.2
<b>EFFICIENCY</b>						
Tax Rate %	31.1	27.4	22.1	25.0	25.0	25.0
Fixed Asset Turnover (x)	1.1	1.2	1.1	0.9	1.0	1.1
Inventory (days)	37	31	47	44	44	44
Debtors (days)	9	9	7	7	7	7
Other Current Assets (days)	17	27	30	30	26	24
Payables (days)	31	23	25	26	26	26
Other Current Liab & Provns (days)	16	14	16	16	14	13
Cash Conversion Cycle (days)	17	31	42	39	38	37
Net Debt/EBITDA (x)	0.2	(0.4)	0.2	0.7	0.02	(0.02)
Net D/E	0.1	(0.1)	0.0	0.1	0.0	(0.0)
Interest Coverage	20.9	18.1	14.2	9.3	17.3	42.5
<b>PER SHARE DATA (Rs)</b>						
EPS	19.6	20.4	11.6	8.4	13.8	20.7
CEPS	25.6	26.3	17.6	14.9	22.3	29.4
Dividend	1.5	1.5	1.5	0.8	1.4	4.1
Book Value	77.6	97.4	107.4	114.9	127.4	144.0
<b>VALUATION</b>						
P/E (x)	17.9	17.2	30.2	38.1	23.1	15.4
P/Cash EPS (x)	13.7	13.1	20.0	21.4	14.3	10.8
P/BV (x)	4.5	3.6	3.3	2.8	2.5	2.2
EV/EBITDA (x)	10.2	10.0	17.7	18.9	11.9	8.9
EV/ sales (x)	2.71	2.33	2.79	2.43	1.93	1.68
Dividend Yield (%)	0.5	0.5	0.5	0.3	0.4	1.3
OCF/EV (%)	8.3	8.1	3.1	4.5	6.3	8.5
FCFF/EV (%)	7.5	6.2	(4.8)	(2.2)	4.2	1.5

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



## Disclosure:

We, **Rajesh Ravi, MBA, Keshav Lahoti, CA & Riddhi Shah, MBA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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