



Expect gradual recovery

Greenpanel Industries Q1FY24 performance was largely impacted due to production halt for 19 days as the plant was under maintenance.

Key business highlights

- The company reported a 7.5% volume degrowth YoY in the MDF segment and a 15% volume degrowth QoQ largely due to decrease in export volumes.
- Plywood segment saw a 550bps improvement in plywood margins sequentially
- Overall at the company level Gross margins expanded by 448bps and expects that to continue

Key Financial Highlights:

- Revenue at Rs 3,862Mn, -13% qoq/-16.8% yoy
- EBITDA (excl OI) at Rs 658Mn, -14% qoq/-50% yoy
- EBITDA margin at 17.04% vs 17.27% vs 28.35% in Q4FY23/Q1FY23
- PAT at Rs 373Mn, -46% qoq/-52% yoy
- EPS at Rs 3.04 vs 5.62/6.33 in Q4FY23/Q1FY23

Outlook:

- MDF Volume guidance of +12 to 15% over FY23, with increased focus on Domestic volumes
- MDF margins in the range of 23-25% (Q4 - 22%)
- No price cuts planned in domestic MDF segment
- Plywood ~ 10% volume growth and margins (8 to 10% from current levels of 6.9%)
- Gross margins to be maintained at ~58% for FY24

Financial Summary

| Y/E Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|---------------------|--------|--------|--------|--------|--------|
| Net sales | 10,208 | 16,250 | 17,829 | 19,352 | 22,022 |
| EBIDTA | 2,034 | 4,304 | 4,165 | 3,744 | 4,397 |
| Margins (%) | 19.9 | 26.5 | 23.4 | 19.3 | 20.0 |
| Adjusted net profit | 688 | 2,405 | 2,565 | 2,177 | 2,600 |
| EPS (Rs) | 5.6 | 19.6 | 20.9 | 17.75 | 21.19 |
| P/E (x) | 53 | 15 | 14 | 17 | 14 |
| EV/EBITDA (x) | 20 | 9 | 8 | 11 | 10 |
| RoCE (%) | 11.44% | 28.93% | 24.89% | 17.40% | 19.23% |
| RoE (%) | 9.42% | 25.27% | 21.49% | 15.63% | 15.90% |

Source: Company, Dalal & Broacha Research

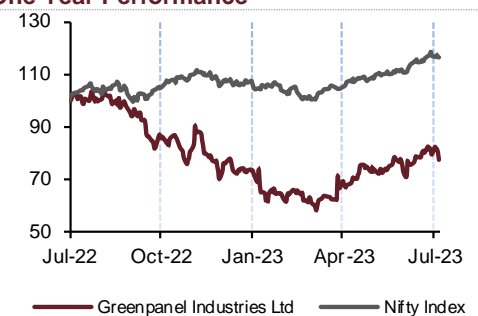
| Rating | TP (Rs) | Up/Dn (%) |
|-------------------|------------|-----------|
| ACCUMULATE | 381 | 12 |

Market data

| | | |
|----------------------|-----------|--------------|
| Current price | Rs | 341 |
| Market Cap (Rs.Bn) | (Rs Bn) | 42 |
| Market Cap (US\$ Mn) | (US\$ Mn) | 510 |
| Face Value | Rs | 1 |
| 52 Weeks High/Low | Rs | 465.45 / 255 |
| Average Daily Volume | ('000) | 406 |
| BSE Code | | 542857 |
| Bloomberg | | GREENP.IN |

Source: Bloomberg

One Year Performance



Source: Bloomberg

| % Shareholding | Jun-23 | Mar-23 |
|----------------|--------|--------|
| Promoters | 53.1 | 53.1 |
| Public | 46.9 | 46.9 |
| Total | 100 | 100 |

Source: Bloomberg

Harsh Shah
+91 22 67141496

harsh.shah@dalal-broacha.com

Concall Highlights:

- Due to maintenance the plant was shutdown for 19 days which lead to a volume loss of 6000 CBM.
- Uttrakhand plant capacity utilisation at 69% & Andhra Pradesh at 76%
- Ad spends at 14.9 crs (3.9% of sales) mainly due to IPL sponsorship
- Inventory of timber had been increased for the quarter before the monsoons to be prepared as harvest is lower during the season.
- Working capital has increased by 9 days at 27 days vs 16 days in Q1FY23.
- Value add volume mix for the quarter is 49%, aim is to reach 65% in the medium term
- Timber cost has increased 2% in North and 3% in South sequentially but in the current month it is up by 10% in South
- The company has changed their strategy by lowering the export volumes and replacing them with more volumes directed towards OEM's in the domestic markets. The company has introduced Industrial Grade MDF specifically for the OEM's with better realisations and margins than the export markets. Target sales volume to OEM's is 8000 to 10000 CBM/month.
- The new capacity addition happening in FY25 will be for thin MDF which the company is not currently selling. Thin MDF market is 35 to 40% of the total MDF volumes.
- Import volumes in the last 3 months have stabilised and the import prices have likely to be bottomed out
- Net cash positive at Rs ~165 crs
- Capex of 600 crs will be funded by 250 crs of borrowings
- Tax rate of 25% going forward (27% in FY23)

Valuations and Outlook:

We believe that all the negatives have been factored in the stock price and from here on expect gradual recovery. MDF margins have bottomed out (Q1FY24 - 20.4%) and expect to inch up gradually towards 23 to 25%. We remain constructive on the company from a medium to long term perspective. We believe the downside in the stock is limited and therefore recommend the investors should **ACCUMULATE the stock for a target price of Rs 381 valuing the company at 18x FY25E EPS of Rs 21.19. We continue with are target multiple of 18x and will revisit the mutiple once the company starts delivering better operational performance.** At CMP of Rs 344, the company is trading at 19x FY24E EPS of Rs 17.75 and 16x FY25E EPS of Rs 21.19.

Quarterly Snapshot

| Greenpanel Industries | | | | | |
|-----------------------------------|----------------|----------------|-------------------|----------------|-------------------|
| Particulars (Rs Mns) | Q1 FY24 | Q1 FY23 | YoY Growth | Q4 FY23 | QoQ Growth |
| Revenue from operations | 3,862 | 4,640 | -16.8% | 4,414 | -13% |
| Other income | 64 | 72 | -12.1% | 85 | -25% |
| Total Income | 3,926 | 4,713 | | 4,499 | |
| Cost of goods sold | 1,612 | 1,778 | -9.3% | 2,040 | -21% |
| Employee Benefit expenses | 333 | 365 | -8.8% | 319 | 4% |
| Other Expenses | 1,259 | 1,182 | 6.6% | 1,293 | -3% |
| EBITDA (excl other income) | 658 | 1,315 | -50.0% | 762 | -14% |
| Less : Depreciation | 182 | 182 | -0.2% | 172 | 6% |
| PBIT | 476 | 1,133 | | 590 | |
| Less: Interest cost | 40 | 26 | 50.6% | 32 | 22% |
| PBT (before exceptional) | 500 | 1,179 | -57.6% | 643 | -22% |
| Exceptional | - | - | | - | |
| PBT (after exceptional) | 500 | 1,179 | -57.6% | 643 | -22% |
| Less : Tax | 127 | 403 | | (46) | |
| PAT | 373 | 776 | -52.0% | 689 | -46% |
| EPS | 3.04 | 6.33 | -52.0% | 5.62 | -46% |
| Gross Margins | 58.26% | 61.68% | | 53.78% | |
| EBITDA (excl OI) Margins | 17.04% | 28.35% | | 17.27% | |
| Net profit Margin | 9.49% | 16.47% | | 15.32% | |
| MDF utilisation | | | | | |
| Capacity (CBM) | 660,000 | 660,000 | | 660,000 | |
| Sales | 115,798 | 125,029 | -7.4% | 137,265 | -15.6% |
| Utilisation % | 70% | 76% | | 83% | |
| Ply utilisation | | | | | |
| Capacity (mn sqm) | 10.5 | 10.5 | | 10.5 | |
| Production | 1.58 | 2.51 | -37.1% | 2.04 | -22.5% |
| Utilisation % | 60% | 96% | | 78% | |
| Average Realisation | | | | | |
| MDF (per cbm) | 29,376 | 31,345 | -6.3% | 28,122 | 4.5% |
| Plywood (per sqm) | 285 | 282 | 1.1% | 268 | 6.3% |
| Revenue segment wise | | | | | |
| MDF | 3,412 | 3,919 | -12.9% | 3,870 | -11.8% |
| Plywood | 450 | 709 | -36.5% | 545 | -17.4% |
| EBITDA margins | | | | | |
| MDF | 20.40% | 33.30% | | 21.90% | |
| Plywood | 5.90% | 11.50% | | 0.40% | |

* Consolidated P/L

FINANCIALS

| P&L (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 10,208 | 16,250 | 17,829 | 19,352 | 22,022 |
| Total Operating Expenses | 4,629 | 6,709 | 7,458 | 8,128 | 9,249 |
| Employee Cost | 979 | 1,284 | 1,397 | 1,481 | 1,659 |
| Other Expenses | 2,566 | 3,953 | 4,808 | 5,999 | 6,717 |
| Operating Profit | 2,034 | 4,304 | 4,165 | 3,744 | 4,397 |
| Depreciation | 686 | 734 | 720 | 763 | 950 |
| PBIT | 1,347 | 3,571 | 3,446 | 2,981 | 3,448 |
| Other income | 34 | 90 | 194 | 129 | 129 |
| Interest | 372 | 171 | 190 | 208 | 111 |
| PBT (Before exceptional) | 1,010 | 3,489 | 3,449 | 2,903 | 3,467 |
| Exceptional | - | - | 61 | - | - |
| PBT (post exceptional) | 1,010 | 3,489 | 3,510 | 2,903 | 3,467 |
| Provision for tax | 322 | 1,085 | 944 | 726 | 867 |
| Reported PAT | 688 | 2,405 | 2,565 | 2,177 | 2,600 |
| MI | - | - | - | - | - |
| Net Profit | 688 | 2,405 | 2,565 | 2,177 | 2,600 |
| Adjusted Profit | 688 | 2,405 | 2,565 | 2,177 | 2,600 |
| Balance Sheet (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
| Equity capital | 123 | 123 | 123 | 123 | 123 |
| Reserves | 7,181 | 9,394 | 11,816 | 13,810 | 16,226 |
| Net worth | 7,304 | 9,516 | 11,939 | 13,932 | 16,348 |
| Non Current Liabilites | 4,388 | 2,790 | 2,770 | 4,321 | 2,833 |
| Current Liabilites | 2,860 | 3,117 | 2,340 | 2,134 | 2,213 |
| TOTAL LIABILITIES | 14,552 | 15,424 | 17,048 | 20,341 | 21,010 |
| Non Current Assets | 11,000 | 10,561 | 10,709 | 16,491 | 15,930 |
| Fixed Assets | 10,778 | 10,382 | 9,965 | 15,725 | 15,141 |
| Goodwill | - | - | - | - | - |
| Non Current Investments | - | - | - | - | - |
| Deferred Tax Asset | - | - | - | - | - |
| Other Financial Assets | 146 | 170 | 215 | 237 | 260 |
| Other Non Current Assets | 76 | 9 | 529 | 529 | 529 |
| Current Assets | 3,553 | 4,863 | 6,339 | 3,850 | 5,080 |
| Current investments | - | - | - | - | - |
| Inventories | 1,494 | 1,658 | 1,525 | 1,656 | 1,884 |
| Trade Receivables | 778 | 414 | 444 | 493 | 553 |
| Cash and Bank Balances | 725 | 2,226 | 3,778 | 1,090 | 2,034 |
| Short Term Loans and Advances | 4 | 7 | 5 | 10 | 10 |
| Other Current Assets | 552 | 557 | 587 | 603 | 628 |
| TOTAL ASSETS | 14,552 | 15,424 | 17,048 | 20,341 | 21,010 |

Source: Company, Dalal & Broacha Research

FINANCIALS

| Cash Flow St. (Rs. mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|----------------------------------|--------------|----------------|----------------|----------------|----------------|
| Net Profit | 688 | 2,405 | 2,565 | 2,177 | 2,600 |
| Add: Dep. & Amort. | 686 | 734 | 720 | 763 | 950 |
| Cash profits (Inc)/Dec in | 1,374 | 3,138 | 3,285 | 2,940 | 3,550 |
| Sundry debtors | (72) | 363 | (30) | (49) | (60) |
| Inventories | 45 | (165) | 133 | (130) | (228) |
| Other financial assets | 81 | 99 | (556) | (22) | (24) |
| Other Current Assets | 273 | (64) | (36) | (21) | (25) |
| Current Liab and Provisions | (274) | 220 | 391 | (47) | 69 |
| Sundry Creditors | 90 | 81 | (267) | 93 | 147 |
| Change in working capital | 142 | 534 | (365) | (174) | (95) |
| CF from Oper. activities | 1,517 | 3,672 | 2,920 | 2,719 | 3,118 |
| CF from Inv. activities | (297) | (337) | (303) | (6,523) | (365) |
| CF from Fin. activities | (610) | (1,834) | (1,065) | 1,116 | (1,809) |
| Cash generated/(utilised) | 610 | 1,501 | 1,552 | (2,688) | 944 |
| Cash at start of the year | 115 | 725 | 2,226 | 3,778 | 1,090 |
| Cash at end of the year | 725 | 2,226 | 3,778 | 1,090 | 2,034 |
| Balance sheet | 725 | 2,226 | 3,778 | 1,090 | 2,034 |
| Ratios | FY21 | FY22 | FY23 | FY24E | FY25E |
| OPM | 19.92% | 26.49% | 23.36% | 19.35% | 19.97% |
| NPM | 6.72% | 14.72% | 14.23% | 11.18% | 11.74% |
| Tax Rate | 31.85% | 31.09% | 26.91% | 25.00% | 25.00% |
| Growth Ratios (%) | | | | | |
| Net Sales | 16.45% | 59.20% | 9.71% | 8.54% | 13.80% |
| Operating Profit | 47.61% | 111.65% | -3.23% | -10.12% | 17.45% |
| PBIT | 347.81% | 245.58% | -1.16% | -15.83% | 19.42% |
| PAT | 375.84% | 249.47% | 6.68% | -15.13% | 19.42% |
| Per Share (Rs.) | | | | | |
| Net Earnings (EPS) | 5.61 | 19.61 | 20.92 | 17.75 | 21.19 |
| Cash Earnings (CPS) | 11.21 | 25.60 | 26.79 | 23.98 | 28.95 |
| Dividend | 0.00 | 0.15 | 0.15 | 0.15 | 0.15 |
| Book Value | 59.57 | 77.62 | 97.38 | 113.64 | 133.35 |
| Free Cash Flow | 14.16 | 28.93 | 22.30 | -19.98 | 23.45 |
| Valuation Ratios | | | | | |
| P/E(x) | 53.45 | 15.30 | 14.34 | 16.90 | 14.16 |
| P/B(x) | 5.04 | 3.86 | 3.08 | 2.64 | 2.25 |
| EV/EBIDTA(x) | 19.93 | 8.68 | 8.38 | 11.30 | 9.89 |
| Div. Yield(%) | - | 0.05 | 0.05 | 0.05 | 0.05 |
| FCFF Yield(%) | 4.72 | 9.64 | 7.43 | (6.21) | 7.28 |
| Return Ratios (%) | | | | | |
| ROE | 9.42% | 25.27% | 21.49% | 15.63% | 15.90% |
| ROCE | 11.44% | 28.93% | 24.89% | 17.40% | 19.23% |

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

| | |
|--|----|
| Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: | No |
| Whether the Research Analyst or his/her relative's financial interest in the subject company. | No |
| Whether the research Analyst has served as officer, director or employee of the subject company | No |
| Whether the Research Analyst has received any compensation from the subject company in the past twelve months | No |
| Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months | No |
| Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months | No |
| Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months | No |
| Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report | No |

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: equity.research@dalal-broacha.com