



Challenges still persist

Greenpanel Industries Q4FY24 performance was largely impacted by elevated imports of MDF, increased domestic supply and sudden rise in timber costs in the month of March.

We do not expect material improvement in the performance of the company in the near term and therefore expect the stock to remain reangebound. We had given a NEUTRAL call in Q2FY24 and maintain that stance.

Q4 Segmental Performance:

MDF

- Sales at 3604 Mn (+4% QoQ) (-6.6% YoY)
- Volumes at 1,27,239 CBM (+8% QoQ) (-7.3% YoY)
- Blended Realisations at 28,235/CBM (-3% QoQ) (+0.7% YoY)
- EBITDA margins at 16.4% (-320 bps QoQ) (-550bps YoY)

Plywood

- Sales at 356.7 Mn (-7% QoQ) (-35% YoY)
- Volumes at 1.42 Mn Sqm (-8% QoQ) (-30% YoY)
- Blended Realisations at 250/sqm (flat QoQ) (-7% YoY)
- EBITDA margins at -10.5% (-640bps QoQ) (-1090bps YoY)

Key Financial Highlights:

- Revenue at Rs 3,966Mn, +2.8% qoq/-10.2% yoy
- EBITDA (excl OI) at Rs 513Mn, -8.4% qoq/-10.1% yoy
- EBITDA margin at 12.94% vs 15.63% vs 17.27% in Q3FY24/Q4FY23
- PAT at Rs 298Mn, -13.9% qoq/-56.8% yoy
- EPS at Rs 2.43 vs 2.82/5.62 in Q3FY24/Q4FY23

Financial Summary

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---------------------|--------|--------|--------|--------|--------|
| Net sales | 16,250 | 17,829 | 15,673 | 17,496 | 20,799 |
| EBIDTA | 4,304 | 4,165 | 2,465 | 2,724 | 3,724 |
| Margins (%) | 26.5 | 23.4 | 15.7 | 15.6 | 17.9 |
| Adjusted net profit | 2,405 | 2,565 | 1,427 | 1,424 | 2,133 |
| EPS (Rs) | 19.6 | 20.9 | 11.64 | 11.61 | 17.40 |
| P/E (x) | 16 | 15 | 27 | 27 | 18 |
| EV/EBITDA (x) | 9 | 9 | 16 | 15 | 10 |
| RoCE (%) | 28.93% | 24.89% | 10.95% | 10.86% | 14.89% |
| RoE (%) | 25.27% | 21.49% | 10.83% | 9.88% | 13.04% |

Source: Company, Dalal & Broacha Research

| Rating | TP (Rs) | Up/Dn (%) |
|----------------|------------|-----------|
| NEUTRAL | 313 | 1 |

Market data

| | | |
|----------------------|-----------|------------|
| Current price | Rs | 311 |
| Market Cap (Rs.Bn) | (Rs Bn) | 38 |
| Market Cap (US\$ Mn) | (US\$ Mn) | 457 |
| Face Value | Rs | 1 |
| 52 Weeks High/Low | Rs | 450 / 296 |
| Average Daily Volume | ('000) | 235 |
| BSE Code | | 542857 |
| Bloomberg | | GREENP.IN |

Source: Bloomberg

One Year Performance



Source: Bloomberg

| % Shareholding | Mar-23 | Dec-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

Outlook:

- MDF overall volume guidance for FY25 is targeted at 15%
- Plywood volume guidance for FY25 is targeted at 8%
- The management refrained from giving any margin guidance due to further supply coming in the domestic market and rising timber costs
- The management is working on consolidating the sales team in the plywood and MDF division

Valuations and Outlook:

Based on how Q4 has panned out coupled with the fact that almost 8,50,000 CBM of capacity is getting added in FY25, possibility of increase in imported MDF from May (due to delay in implementation of BIS norms) and the rising timber costs would restrict any major improvement in performance of the company.

We expect the company to have a challenging year in terms of maintaining its realization and margins in the MDF segment which is a major contributor to the overall topline & bottomline which should keep the earnings muted in FY25 and therefore expect the stock to remain rangebound. ***We cut our EPS estimates by 34%/27% for FY25/26 and continue with our NEUTRAL call on the company which we had given it in Q2FY24.***

At CMP of Rs 311, the company is trading at 27x FY25E EPS of Rs 11.61 and 18x FY26E EPS of Rs 17.4. **We value the company at 18x FY26E and arrive at a target price of Rs 313.**

Concall Highlights:

MDF Division

- **The industry for FY24 has grown in double digits**
- New MDF plant will start commercial production at the end of Q3FY25
- Demand in this segment continues to be robust but imports & increased domestic supply have taken away market share
- Have consciously reduced exports as it was not viable in such rising timber costs
- **Delay in Implementation of BIS norms: The company expects that imports will bounce back from the month of May**
- The volume based incentive scheme was mainly for the value added products and it will continue in Q1 as well in order to maintain volume trajectory.
- Value add mix is unlikely to change in the foreseeable future which will prevent any improvement in the margins
- Management is targeting ~20% low cost domestic MDF volumes (35% in Q4) so that the blended realisations upholds
- The company has ruled out any further capex in the MDF segment till the new plant stabilizes and better capacity utilization is achieved.
- The management do not see any scenario of increasing the selling price inspite of higher raw material prices.
- The company has already clocked 43600 CBM in the month of April

Ply Division

- The management alluded that this segment will take a couple of quarters till recovery starts
- Plywood realisations were lower due to lower Deco Veneers sales volume
- Any further capex would be done only when the existing plywood plant reached 85 to 90% capacity utilisation

Timber prices

- Timber prices increased 10% sequentially in North and 19% in South region. Already in the month of April the timber prices has increased by 7%.
- The new plantation will see its output in June/July'25 wherein the timber supply might improve and the gross margins could see an improvement.

Working Capital

- Working capital days increased by 11 days to 28 days mainly due to increase in inventory days (at 47days vs 31days YoY)

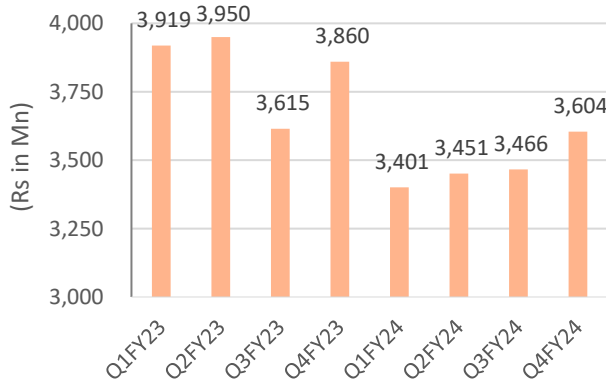
Quarterly Snapshot

| Greenpanel Industries | | | | YoY | | |
|-----------------------------------|---------------|---------------|---------------|---------------|------------|---------------|
| Particulars (Rs Mns) | Q4FY24 | Q4FY23 | Growth | Q3FY24 | QoQ | Growth |
| Revenue from operations | 3,966 | 4,414 | -10.2% | 3,857 | 2.8% | |
| Other income | 74 | 85 | -13.3% | 13 | 465.9% | |
| Total Income | 4,040 | 4,499 | | 3,870 | | |
| Cost of goods sold | 1,834 | 2,040 | -10.1% | 1,692 | 8.4% | |
| Employee Benefit expenses | 385 | 319 | 20.8% | 335 | 15.1% | |
| Other Expenses | 1,234 | 1,293 | -4.6% | 1,228 | 0.5% | |
| EBITDA (excl other income) | 513 | 762 | -32.7% | 603 | -14.9% | |
| Less : Depreciation | 182 | 172 | 6.2% | 179 | 1.8% | |
| PBIT | 331 | 590 | | 424 | | |
| Less: Interest cost | 2 | 32 | -94.6% | 62 | -97.2% | |
| PBT (before exceptional) | 403 | 643 | -37.4% | 374 | 7.5% | |
| Exceptional | - | - | | - | | |
| PBT (after exceptional) | 403 | 643 | -37.4% | 374 | 7.5% | |
| Less : Tax | 105 | (46) | | 28 | | |
| PAT | 298 | 689 | -56.8% | 346 | -13.9% | |
| EPS | 2.43 | 5.62 | -56.8% | 2.82 | -13.8% | |
| Gross Margins | 53.75% | 53.78% | | 56.15% | | |
| EBITDA (excl OI) Margins | 12.94% | 17.27% | | 15.63% | | |
| Net profit Margin | 7.38% | 15.32% | | 8.94% | | |
| Revenue segment wise | | | | | | |
| MDF | 3,604 | 3,860 | -6.6% | 3,474 | 3.8% | |
| Plywood | 357 | 546 | -34.6% | 384 | -7.0% | |
| EBITDA margins | | | | | | |
| MDF | 16.40% | 21.70% | | 19.60% | | |
| Plywood | -10.50% | 0.40% | | -4.10% | | |

* Consolidated P/L

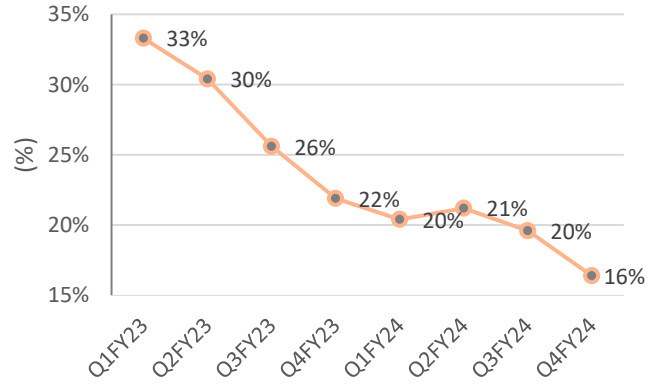
Focus Charts

Exhibit 1: MDF sales



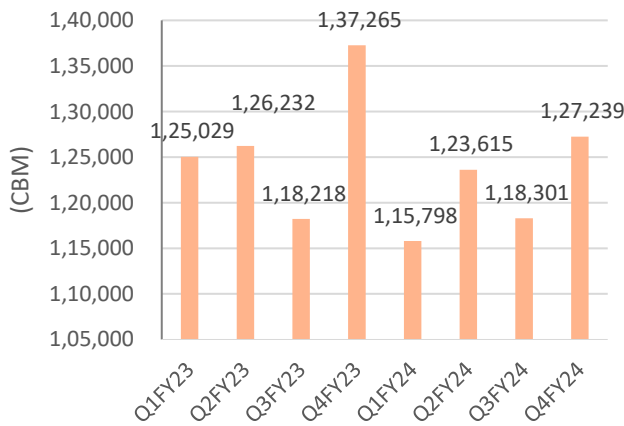
Source: Company, Dalal & Broacha Research

Exhibit 2: MDF EBITDA margins



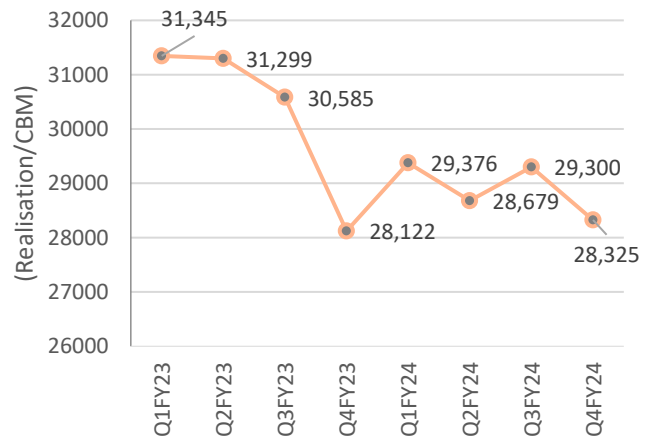
Source: Company, Dalal & Broacha Research

Exhibit 3: MDF Sales volume



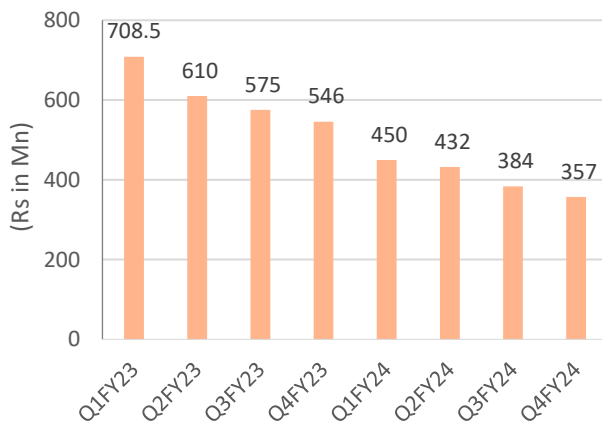
Source: Company, Dalal & Broacha Research

Exhibit 4: MDF Blended Realisation



Source: Company, Dalal & Broacha Research

Exhibit 5: Plywood Sales



Source: Company, Dalal & Broacha Research

Exhibit 6: Plywood EBITDA margins

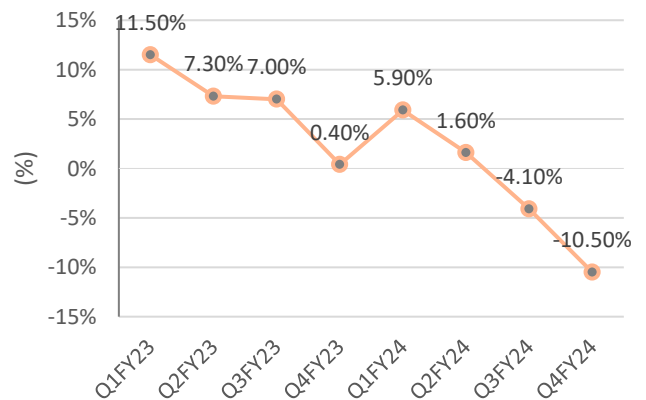
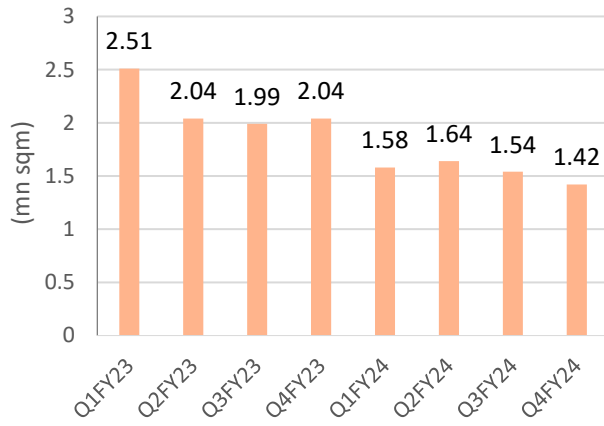
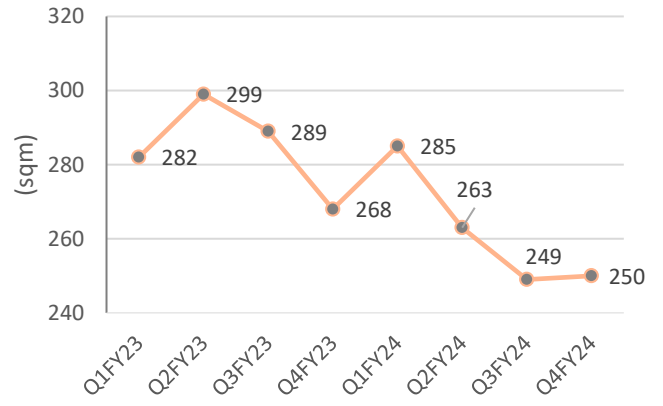


Exhibit 7: Plywood Sales volume



Source: Company, Dalal & Broacha Research

Exhibit 8: Plywood Realisation



Source: Company, Dalal & Broacha Research

FINANCIALS

| P&L (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 10,208 | 16,250 | 17,829 | 15,673 | 17,496 | 20,799 |
| Total Operating Expenses | 4,629 | 6,709 | 7,458 | 6,907 | 8,092 | 9,360 |
| Employee Cost | 979 | 1,284 | 1,397 | 1,406 | 1,519 | 1,580 |
| Other Expenses | 2,566 | 3,953 | 4,808 | 4,894 | 5,161 | 6,136 |
| Operating Profit | 2,034 | 4,304 | 4,165 | 2,465 | 2,724 | 3,724 |
| Depreciation | 686 | 734 | 720 | 729 | 898 | 964 |
| PBIT | 1,347 | 3,571 | 3,446 | 1,736 | 1,826 | 2,760 |
| Other income | 34 | 90 | 194 | 219 | 219 | 219 |
| Interest | 372 | 171 | 190 | 123 | 146 | 134 |
| PBT (Before exceptional) | 1,010 | 3,489 | 3,449 | 1,832 | 1,899 | 2,845 |
| Exceptional | - | - | 61 | - | - | - |
| PBT (post exceptional) | 1,010 | 3,489 | 3,510 | 1,832 | 1,899 | 2,845 |
| Provision for tax | 322 | 1,085 | 944 | 405 | 475 | 711 |
| Reported PAT | 688 | 2,405 | 2,565 | 1,427 | 1,424 | 2,133 |
| MI | - | - | - | - | - | - |
| Net Profit | 688 | 2,405 | 2,565 | 1,427 | 1,424 | 2,133 |
| Adjusted Profit | 688 | 2,405 | 2,565 | 1,427 | 1,424 | 2,133 |
| Balance Sheet (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
| Equity capital | 123 | 123 | 123 | 123 | 123 | 123 |
| Reserves | 7,181 | 9,394 | 11,816 | 13,049 | 14,289 | 16,238 |
| Net worth | 7,304 | 9,516 | 11,939 | 13,171 | 14,411 | 16,361 |
| Non Current Liabilities | 4,388 | 2,790 | 2,770 | 3,692 | 3,528 | 3,440 |
| Current Liabilities | 2,860 | 3,117 | 2,340 | 2,044 | 2,077 | 2,207 |
| TOTAL LIABILITIES | 14,552 | 15,424 | 17,048 | 18,907 | 20,016 | 22,007 |
| Non Current Assets | 11,000 | 10,561 | 10,709 | 13,613 | 15,791 | 15,054 |
| Fixed Assets | 10,778 | 10,382 | 9,965 | 12,949 | 15,104 | 14,290 |
| Goodwill | - | - | - | - | - | - |
| Non Current Investments | - | - | - | - | - | - |
| Deferred Tax Asset | - | - | - | - | - | - |
| Other Financial Assets | 146 | 170 | 215 | 218 | 240 | 264 |
| Other Non Current Assets | 76 | 9 | 529 | 446 | 446 | 499 |
| Current Assets | 3,553 | 4,863 | 6,339 | 5,294 | 4,226 | 6,953 |
| Current investments | - | - | - | 975 | - | - |
| Inventories | 1,494 | 1,658 | 1,525 | 2,016 | 2,253 | 2,678 |
| Trade Receivables | 778 | 414 | 444 | 290 | 336 | 399 |
| Cash and Bank Balances | 725 | 2,226 | 3,778 | 1,404 | 999 | 3,169 |
| Short Term Loans and Advances | 4 | 7 | 5 | 5 | 10 | 10 |
| Other Current Assets | 552 | 557 | 587 | 605 | 629 | 697 |
| TOTAL ASSETS | 14,552 | 15,424 | 17,048 | 18,907 | 20,016 | 22,007 |

FINANCIALS

| Cash Flow St. (Rs. mn) | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|---|--------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Cash flow from operating activities | | | | | | | |
| Profit before tax | 225 | 1,010 | 3,489 | 3,449 | 1,832 | 1,899 | 2,845 |
| Depreciation & Amortization | 692 | 686 | 734 | 720 | 729 | 898 | 964 |
| Interest expenses | 483 | 372 | 171 | 190 | 123 | 146 | 134 |
| Operating profit before working capital change | 1,400 | 2,068 | 4,394 | 4,359 | 2,683 | 2,943 | 3,943 |
| Working capital adjustment | (52) | 63 | 280 | (163) | (354) | (178) | (262) |
| Gross cash generated from operations | 1,348 | 2,131 | 4,674 | 4,195 | 2,329 | 2,765 | 3,680 |
| Net Direct taxes paid | (61) | (164) | (580) | (623) | (405) | (475) | (711) |
| Others | 289 | 421 | 436 | 198 | 22 | 11 | (106) |
| Cash generated from operations | 998 | 1,546 | 3,657 | 3,374 | 1,946 | 2,302 | 2,864 |
| Cash flow from investing activities | | | | | | | |
| Capex | (242) | (127) | (336) | (803) | (3,712) | (3,054) | (150) |
| Investment | - | - | - | - | (975) | 975 | - |
| Others | 19 | 18 | (1,028) | (1,675) | - | - | - |
| Cash generated from investment activities | (223) | (109) | (1,364) | (2,478) | (4,687) | (2,078) | (150) |
| Cash flow from financing activities | | | | | | | |
| Proceeds from issue of share | - | - | - | - | - | - | - |
| Borrowings/ (Repayments) | (545) | (1,117) | (1,468) | (1,002) | 685 | (298) | (225) |
| Interest paid | (253) | (222) | (115) | (85) | (123) | (146) | (134) |
| Dividend paid | - | - | (184) | - | (184) | (184) | (184) |
| Others | (60) | (80) | (82) | (249) | - | - | - |
| Cash generated from financing activities | (858) | (1,419) | (1,849) | (1,336) | 367 | (628) | (543) |
| Net cash increase/ (decrease) | (83) | 18 | 444 | (440) | (2,375) | (405) | 2,171 |
| Ratios | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
| OPM | 15.72% | 19.92% | 26.49% | 23.36% | 15.73% | 15.57% | 17.91% |
| NPM | 1.65% | 6.72% | 14.72% | 14.23% | 8.98% | 8.04% | 10.15% |
| Tax Rate | -12.20% | 31.85% | 31.09% | 26.91% | 22.10% | 25.00% | 25.00% |
| Growth Ratios (%) | | | | | | | |
| Net Sales | 46.31% | 16.45% | 59.20% | 9.71% | -12.09% | 11.63% | 18.88% |
| Operating Profit | 78.10% | 47.61% | 111.65% | -3.23% | -40.83% | 10.52% | 36.73% |
| PBIT | 82.06% | 347.81% | 245.58% | -1.16% | -46.89% | 3.65% | 49.83% |
| PAT | -58.18% | 375.84% | 249.47% | 6.68% | -44.38% | -0.21% | 49.83% |
| Per Share (Rs.) | | | | | | | |
| Net Earnings (EPS) | 1.18 | 5.61 | 19.61 | 20.92 | 11.64 | 11.61 | 17.40 |
| Cash Earnings (CPS) | 6.82 | 11.21 | 25.60 | 26.79 | 17.58 | 18.94 | 25.27 |
| Dividend | 0.00 | 0.00 | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 |
| Book Value | 53.97 | 59.57 | 77.62 | 97.38 | 107.43 | 117.55 | 133.45 |
| Free Cash Flow | 4.27 | 11.57 | 27.08 | 20.97 | -14.41 | -6.13 | 22.13 |
| Valuation Ratios | | | | | | | |
| P/E(x) | 263.67 | 55.41 | 15.86 | 14.86 | 26.72 | 26.78 | 17.87 |
| P/B(x) | 5.76 | 5.22 | 4.01 | 3.19 | 2.89 | 2.65 | 2.33 |
| EV/EBIDTA(x) | 31.28 | 20.59 | 9.00 | 8.70 | 15.99 | 14.51 | 9.97 |
| Div. Yield(%) | - | - | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 |
| FCFF Yield(%) | 1.37 | 3.72 | 8.71 | 6.74 | (4.63) | (1.97) | 7.12 |
| Return Ratios (%) | | | | | | | |
| ROE | 2.19% | 9.42% | 25.27% | 21.49% | 10.83% | 9.88% | 13.04% |
| ROCE | 5.87% | 11.44% | 28.93% | 24.89% | 10.95% | 10.86% | 14.89% |

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