



Near term headwinds persist

Greenpanel Industries Q2FY24 performance was largely impacted higher imports, increased competition and slight slowness in overall demand.

Key business highlights

- The company reported a 2% volume degrowth YoY in the MDF segment and a 7% volume growth QoQ
- Plywood segment saw a 430bps dip in plywood margins sequentially
- Overall at the company level Gross margins took a hit of 264bps on account of increase in timber prices

Key Financial Highlights:

- Revenue at Rs 3,987Mn, +3.2% qoq/-12.8% yoy
- EBITDA (excl OI) at Rs 691Mn, +5% qoq/-41% yoy
- EBITDA margin at 17.33% vs 17.04% vs 25.52% in Q1FY24/Q2FY23
- PAT at Rs 410Mn, +10% qoq/-44% yoy
- EPS at Rs 3.34 vs 5.91/3.04 in Q2FY23/Q1FY24

Outlook:

- MDF Volume guidance reduced to 3 to 5% over FY23 (down from 12 to 15%) mainly due to increased competition and excessive imports
- MDF margins in the range of 22-23% (down from 23 to 25%)
- Plywood segment to remain flattish on a YoY basis (down from 8 to 10% volume growth)

Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	316	-9

Market data

Current price	Rs	346
Market Cap (Rs.Bn)	(Rs Bn)	42
Market Cap (US\$ Mn)	(US\$ Mn)	509
Face Value	Rs	1
52 Weeks High/Low	Rs	401.75 / 255
Average Daily Volume	('000)	85
BSE Code		542857
Bloomberg		GREENP.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-23	Jun-23
Promoters	53.13	53.13
Public	46.87	46.87
Total	100	100

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	10,208	16,250	17,829	17,473	19,506
EBIDTA	2,034	4,304	4,165	3,324	3,754
Margins (%)	19.9	26.5	23.4	19.0	19.2
Adjusted net profit	688	2,405	2,565	1,862	2,157
EPS (Rs)	5.6	19.6	20.9	15.19	17.59
P/E (x)	62	18	17	23	20
EV/EBITDA (x)	23	10	10	13	11
RoCE (%)	11.44%	28.93%	24.89%	15.23%	16.64%
RoE (%)	9.42%	25.27%	21.49%	13.68%	13.83%

Source: Company, Dalal & Broacha Research

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Concall Highlights:

MDF Division

- The industry has grown in double digits in H1FY24 vs H1FY23
- Market share in retail segment was maintained
- The new MDF facility will now be commissioned in Q3FY25 (delayed by 3 months) due to delay in machinery supply. Expecting ~45000 CBM volume from the new plant
- 43000CBM of MDF (+9% YoY growth) already sold in month of October
- Management is expecting strong volumes from the OEM segment for their new product in the coming quarters
- Peer companies are offering higher credit days impacting sales to some extent but the management want to maintain their working capital cycle.
- 18 to 20% price cheaper for imported MDF compared to domestic MDF
- There were no price cuts in domestic market but the product mix has altered the realisation on a blended basis

Ply Division

- The performance was impacted due to lower volumes in Deco Veneer
- Margins were impacted due to increase in timber prices
- Management is expecting H2 to be stronger due to realignment of the sales team and expectation of pick up in demand
- Timber prices increased 11% QoQ in South India and remained flattish in North. Timber prices would see some moderation from FY26 onwards

Valuations and Outlook:

Based on how Q2 has panned out coupled with management lowering their guidance for FY24 in both the segments we expect the stock to remain sideways/correct in the near term till the company delivers better operational performance.

Although the management has guided for sequential improvement we remain cautious in the near term.

At CMP of Rs 345, the company is trading at 23x FY24E EPS of Rs 15.19 and 20x FY25E EPS of Rs 17.59. We value the company at 18x FY25E and arrive at a **target price of Rs 316 (cut by ~17% from last quarterly result)** therefore **change our recommendation from ACCUMULATE to NEUTRAL** although we remain constructive on the company from a medium to long term perspective.

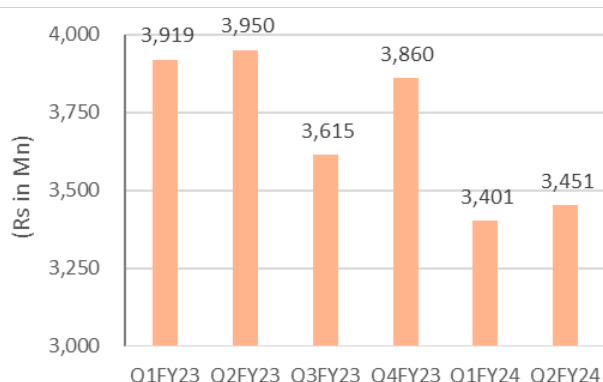
Quarterly Snapshot

Greenpanel Industries Particulars (Rs Mns)	Q2FY24	Q2FY23	YoY Growth	Q1FY24	QoQ Growth
Revenue from operations	3,987	4,573	-12.8%	3,862	3.2%
Other income	68	76	-10.9%	64	6.7%
Total Income	4,055	4,649		3,926	
Cost of goods sold	1,770	1,887	-6.2%	1,612	9.8%
Employee Benefit expenses	354	361	-2.0%	333	6.4%
Other Expenses	1,173	1,157	1.3%	1,259	-6.9%
EBITDA (excl other income)	691	1,167	-40.8%	658	5.0%
Less : Depreciation	185	182	1.5%	182	1.5%
PBIT	506	985		476	
Less: Interest cost	19	18	6.7%	40	-51.7%
PBT (before exceptional)	555	1,043	-46.8%	500	11.0%
Exceptional	-	61		-	
PBT (after exceptional)	555	1,104	-49.8%	500	11.0%
Less : Tax	145	380		127	
PAT	410	725	-43.4%	373	10.0%
EPS	3.34	5.91	-43.5%	3.04	9.9%
Gross Margins	55.61%	58.74%		58.26%	
EBITDA (excl OI) Margins	17.33%	25.52%		17.04%	
Net profit Margin	10.11%	15.58%		9.49%	

Source: Company, Dalal & Broacha Research

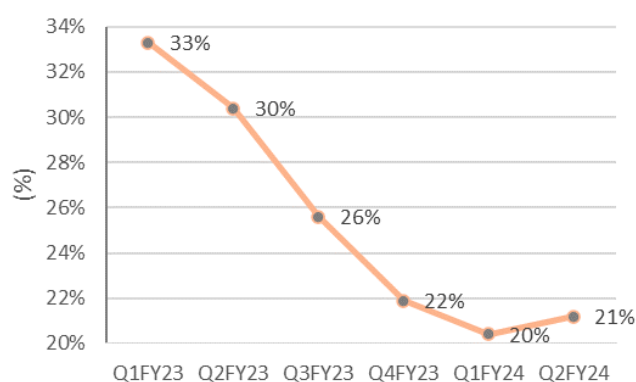
Focus Charts

Exhibit 1: MDF sales



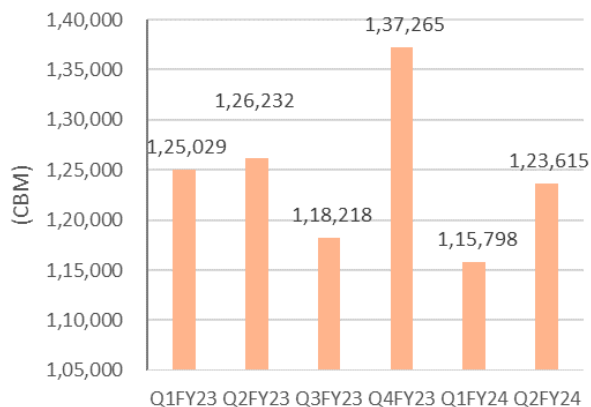
Source: Company, Dalal & Broacha Research

Exhibit 2: MDF EBITDA margins



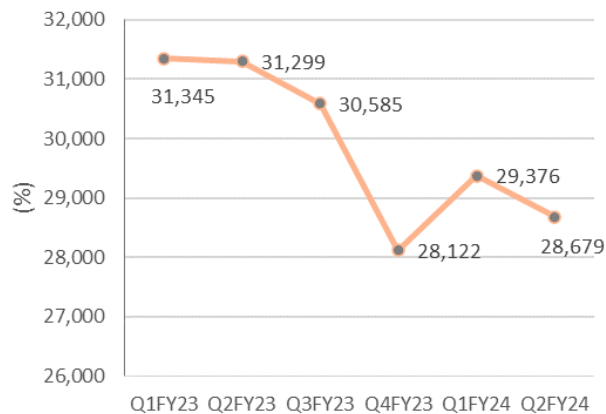
Source: Company, Dalal & Broacha Research

Exhibit 3: MDF Sales volume



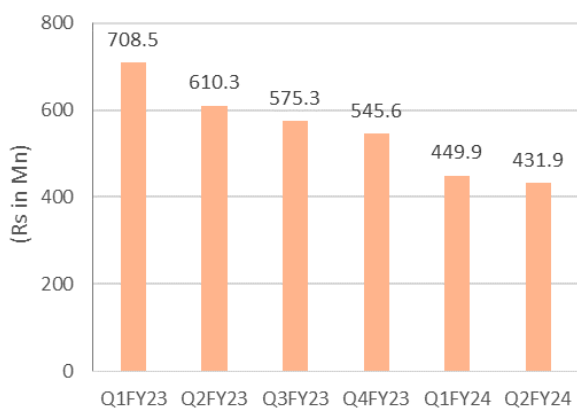
Source: Company, Dalal & Broacha Research

Exhibit 4: MDF Blended Realisation



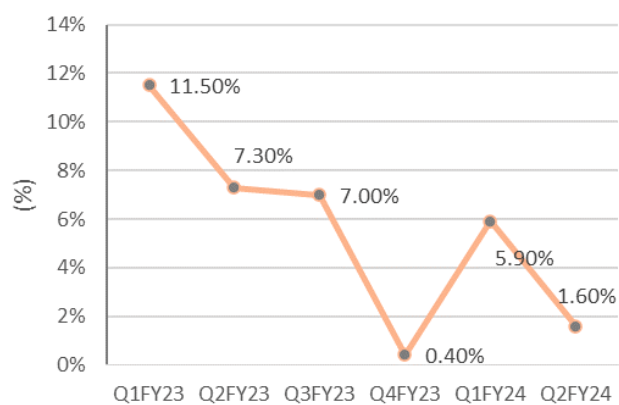
Source: Company, Dalal & Broacha Research

Exhibit 5: Plywood Sales



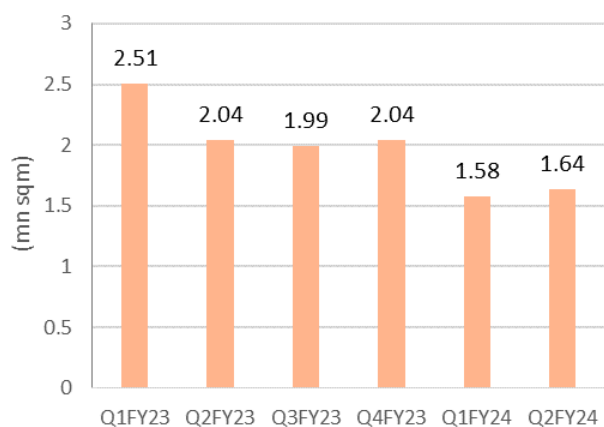
Source: Company, SSL

Exhibit 6: Plywood EBITDA margins



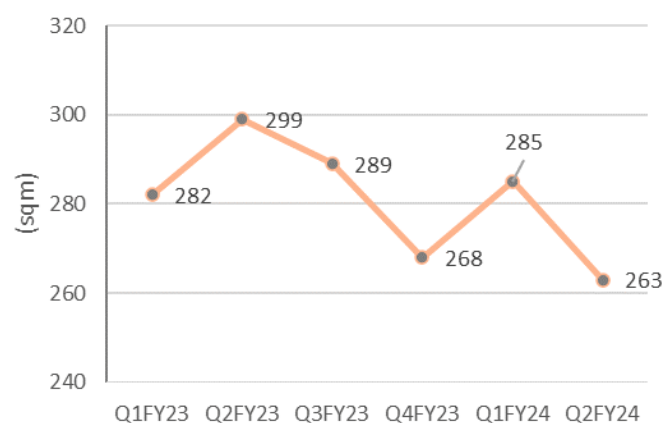
Source: Company, SSL

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
Net Sales	10,208	16,250	17,829	17,473	19,506
Total Operating Expenses	4,629	6,709	7,458	7,513	8,290
Employee Cost	979	1,284	1,397	1,481	1,659
Other Expenses	2,566	3,953	4,808	5,155	5,803
Operating Profit	2,034	4,304	4,165	3,324	3,754
Depreciation	686	734	720	763	898
PBIT	1,347	3,571	3,446	2,561	2,857
Other income	34	90	194	129	129
Interest	372	171	190	208	111
PBT (Before exceptional)	1,010	3,489	3,449	2,483	2,875
Exceptional	-	-	61	-	-
PBT (post exceptional)	1,010	3,489	3,510	2,483	2,875
Provision for tax	322	1,085	944	621	719
Reported PAT	688	2,405	2,565	1,862	2,157
MI	-	-	-	-	-
Net Profit	688	2,405	2,565	1,862	2,157
Adjusted Profit	688	2,405	2,565	1,862	2,157
Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Equity capital	123	123	123	123	123
Reserves	7,181	9,394	11,816	13,495	15,467
Net worth	7,304	9,516	11,939	13,617	15,590
Non Current Liabilites	4,388	2,790	2,770	4,321	2,833
Current Liabilites	2,860	3,117	2,340	2,019	2,077
TOTAL LIABILITIES	14,552	15,424	17,048	19,957	20,500
Non Current Assets	11,000	10,561	10,709	16,491	15,982
Fixed Assets	10,778	10,382	9,965	15,725	15,193
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	3,466	4,519
Current investments	-	-	-	-	-
Inventories	1,494	1,658	1,525	1,495	1,669
Trade Receivables	778	414	444	446	498
Cash and Bank Balances	725	2,226	3,778	912	1,714
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	19,957	20,500

FINANCIALS

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	688	2,405	2,565	1,862	2,157
Add: Dep. & Amort.	686	734	720	763	898
Cash profits (Inc)/Dec in	1,374	3,138	3,285	2,625	3,054
Sundry debtors	(72)	363	(30)	(2)	(52)
Inventories	45	(165)	133	30	(174)
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)	(22)	127
Change in working capital	142	534	(365)	(84)	(79)
CF from Oper. activities	1,517	3,672	2,920	2,541	2,975
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	(2,866)	802
Cash at start of the year	115	725	2,226	3,778	912
Cash at end of the year	725	2,226	3,778	912	1,714
Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	19.92%	26.49%	23.36%	19.02%	19.25%
NPM	6.72%	14.72%	14.23%	10.58%	10.98%
Tax Rate	31.85%	31.09%	26.91%	25.00%	25.00%
Growth Ratios (%)					
Net Sales	16.45%	59.20%	9.71%	-1.99%	11.63%
Operating Profit	47.61%	111.65%	-3.23%	-20.20%	12.94%
PBIT	347.81%	245.58%	-1.16%	-28.01%	15.81%
PAT	375.84%	249.47%	6.68%	-27.41%	15.81%
Per Share (Rs.)					
Net Earnings (EPS)	5.61	19.61	20.92	15.19	17.59
Cash Earnings (CPS)	11.21	25.60	26.79	21.41	24.91
Dividend	0.00	0.15	0.15	0.15	0.15
Book Value	59.57	77.62	97.38	111.07	127.16
Free Cash Flow	14.16	28.93	22.30	-21.43	22.29
Valuation Ratios					
P/E(x)	61.47	17.59	16.49	22.71	19.61
P/B(x)	5.79	4.44	3.54	3.11	2.71
EV/EBIDTA(x)	22.64	9.97	9.70	13.41	11.23
Div. Yield(%)	-	0.04	0.04	0.04	0.04
FCFF Yield(%)	4.11	8.38	6.47	(6.21)	6.46
Return Ratios (%)					
ROE	9.42%	25.27%	21.49%	13.68%	13.83%
ROCE	11.44%	28.93%	24.89%	15.23%	16.64%

Source: Company, Dalal & Broacha Research

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