



Subdued performance continues

Greenpanel Industries Q3FY24 performance was largely impacted by elevated imports, increased competition and increase in timber costs.

Key business highlights

- The company reported a flattish volume degrowth YoY in the MDF segment and a 4% volume de-growth QoQ and the EBITDA margins got impacted due to higher ad spends (2.2% of sales vs 1% in Q3FY23), higher wood prices and increased competition.
- Plywood segment saw a 570bps dip in plywood margins sequentially

Key Financial Highlights:

- Revenue at Rs 3,857Mn, -3.3% qoq/-8.2% yoy
- EBITDA (excl OI) at Rs 603Mn, -12.7% qoq/-34.5% yoy
- EBITDA margin at 15.63% vs 17.33% vs 21.91% in Q2FY24/Q3FY23
- PAT at Rs 346Mn, -7.8% qoq/-15.6% yoy
- EPS at Rs 2.82 vs 3.34/3.06 in Q2FY24/Q3FY23

Outlook:

- MDF volume guidance for FY24 tuned down from 3-5% over FY23 to similar levels or slight de-growth. Targeting ~15% volume growth in FY25
- MDF margins to improve sequentially
- Plywood division will take a couple of quarters to deliver as currently realignment of distribution channel is in process thereby impacting the overall segment

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

Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	406	5

Market data

Current price	Rs	388
Market Cap (Rs.Bn)	(Rs Bn)	48
Market Cap (US\$ Mn)	(US\$ Mn)	572
Face Value	Rs	1
52 Weeks High/Low	Rs	449.9 / 255
Average Daily Volume	('000)	631
BSE Code		542857
Bloomberg		GREENP.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	53.1	53.1
Public	46.9	46.9
Total	100	100

Source: Bloomberg

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Concall Highlights:

MDF Division

- New MDF plant will start commercial production at the end of Q3FY25 or start of Q4FY5 (expecting 20,000 CBM to 30,000 CBM from the new plant)
- Demand in this segment continues to be robust but imports have taken away market share
- Strategy is that the exports will be a balancing figure as it is not EBITDA accretive
- **Implementation of BIS norms:** The impact on volumes is difficult to quantify however the industry should benefit as the non-compliant imported MDF will be reduced
- Peer companies are offering higher credit days impacting sales to some extent but the management want to maintain their working capital cycle.
- There were no price cuts in domestic market but the product mix has altered the realisation on a blended basis
- Launched various promotional schemes in Q4FY24 to retain market share
- Dealers are being added on a quarterly basis
- Distribution network is majorly different for MDF and plywood, 15 to 20% network is common

Ply Division

- The performance was impacted due to realignment of distribution channel where focus is to have a concentrated distribution network
- Management remains optimistic for a much improved performance in FY25
- Target is to reach similar volumes as FY23 (+15 to 20% est growth over FY24)

Timber prices

- Timber prices increased 2 to 4% sequentially and 6 to 40% YoY across North and South plant

Valuations and Outlook:

Based on how Q3 has panned out coupled with management lowering their guidance for FY24 in both the segments we expect the stock to remain sideways in the near term unless the BIS norms implementation will lead to a substantial change in market dynamics in the MDF industry.

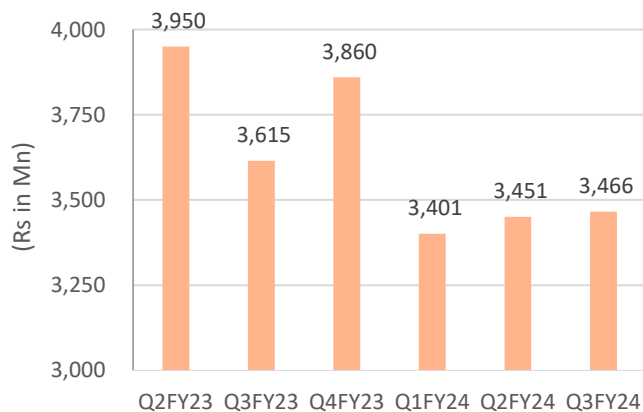
Although the management has guided for sequential improvement we remain cautious in the near term. At CMP of Rs 388, the company is trading at 23x FY25E EPS of Rs 16.53 and 17x FY25E EPS of Rs 22.56. **We maintain NEUTRAL call on the company and roll forward our estimates to FY26 and arrive at a target price of Rs 406 (an upside of 4%).**

Quarterly Snapshot

Greenpanel Industries Particulars (Rs Mns)	Q3FY24	Q3FY23	YoY Growth	Q2FY24	QoQ Growth
Revenue from operations	3,857	4,202	-8.2%	3,987	-3.3%
Other income	13	(40)	-132.3%	68	-80.8%
Total Income	3,870	4,161		4,055	
Cost of goods sold	1,692	1,753	-3.5%	1,770	-4.4%
Employee Benefit expenses	335	353	-5.1%	354	-5.4%
Other Expenses	1,228	1,176	4.4%	1,173	4.7%
EBITDA (excl other income)	603	920	-34.5%	691	-12.7%
Less : Depreciation	179	183	-2.1%	185	-3.1%
PBIT	424	737		506	
Less: Interest cost	62	114	-45.4%	19	225.1%
PBT (before exceptional)	374	583	-35.8%	555	-32.5%
Exceptional	-	-		-	
PBT (after exceptional)	374	583	-35.8%	555	-32.5%
Less : Tax	28	208		145	
PAT	346	375	-7.8%	410	-15.6%
EPS	2.82	3.06	-7.8%	3.34	-15.6%
Gross Margins	56.15%	58.29%		55.61%	
EBITDA (excl OI) Margins	15.63%	21.91%		17.33%	
Net profit Margin	8.94%	9.02%		10.11%	
Revenue segment wise					
MDF	3,474	3,962	-12.3%	3,555	-2.3%
Plywood	384	611	-37.2%	432	-11.2%
EBIT margins					
MDF	20.22%	21.23%		22.28%	
Plywood	0.45%	9.46%		5.45%	

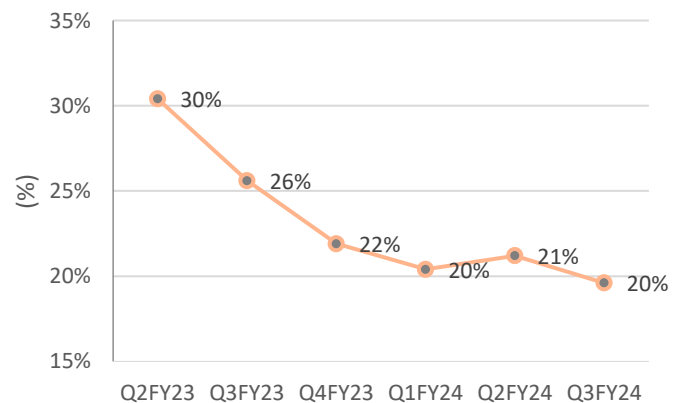
Focus Charts

Exhibit 1: MDF sales



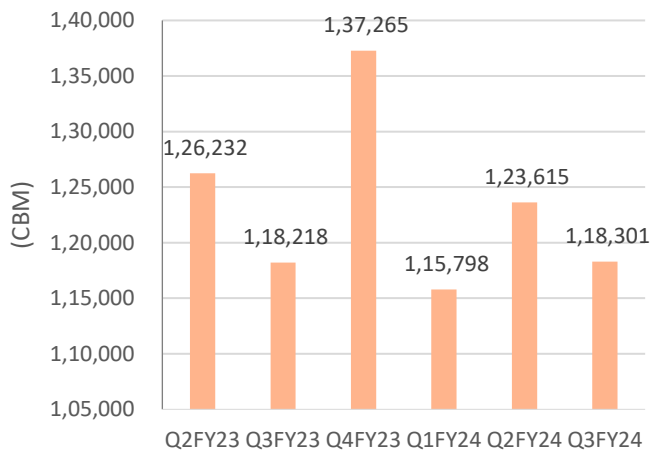
Source: Company, Dalal & Broacha Research

Exhibit 2: MDF EBITDA margins



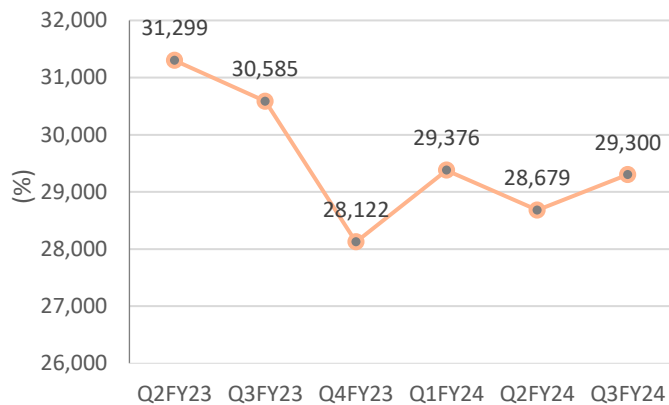
Source: Company, Dalal & Broacha Research

Exhibit 3: MDF Sales volume



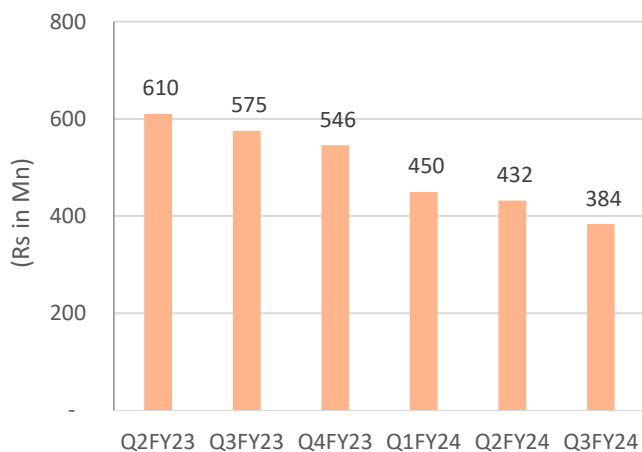
Source: Company, Dalal & Broacha Research

Exhibit 4: MDF Blended Realisation



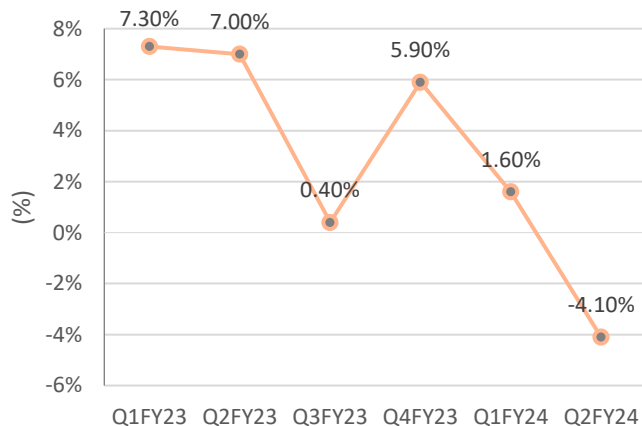
Source: Company, Dalal & Broacha Research

Exhibit 5: Plywood Sales



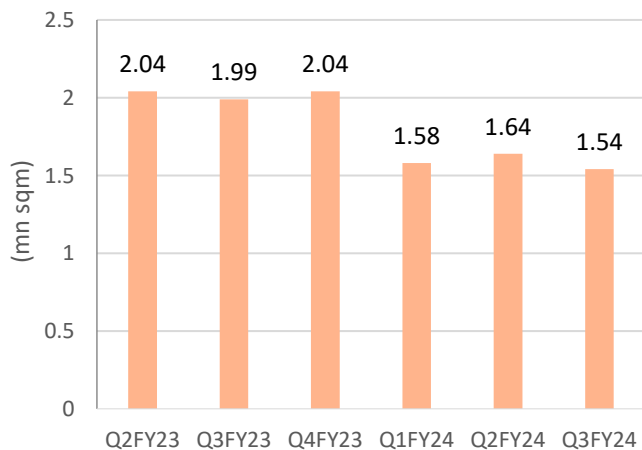
Source: Company, SSL

Exhibit 6: Plywood EBITDA margins



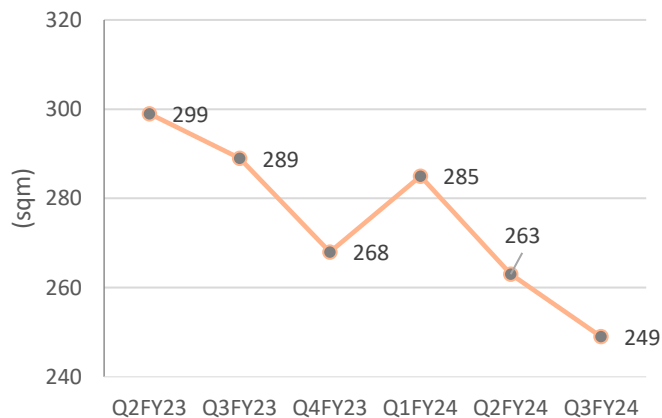
Source: Company, SSL

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	FY26E
Net Sales	10,208	16,250	17,829	15,872	18,625	21,785
Total Operating Expenses	4,629	6,709	7,458	6,872	8,009	9,149
Employee Cost	979	1,284	1,397	1,467	1,643	1,709
Other Expenses	2,566	3,953	4,808	4,682	5,308	6,209
Operating Profit	2,034	4,304	4,165	2,850	3,665	4,718
Depreciation	686	734	720	763	898	964
PBIT	1,347	3,571	3,446	2,087	2,768	3,753
Other income	34	90	194	129	129	129
Interest	372	171	190	208	195	195
PBT (Before exceptional)	1,010	3,489	3,449	2,009	2,702	3,688
Exceptional	-	-	61	-	-	-
PBT (post exceptional)	1,010	3,489	3,510	2,009	2,702	3,688
Provision for tax	322	1,085	944	502	676	922
Reported PAT	688	2,405	2,565	1,507	2,027	2,766
MI	-	-	-	-	-	-
Net Profit	688	2,405	2,565	1,507	2,027	2,766
Adjusted Profit	688	2,405	2,565	1,507	2,027	2,766
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	13,139	14,982	17,564
Net worth	7,304	9,516	11,939	13,262	15,105	17,687
Non Current Liabilites	4,388	2,790	2,770	4,321	4,233	4,149
Current Liabilites	2,860	3,117	2,340	1,919	2,023	2,145
TOTAL LIABILITIES	14,552	15,424	17,048	19,502	21,360	23,981
Non Current Assets	11,000	10,561	10,709	16,491	15,982	15,257
Fixed Assets	10,778	10,382	9,965	15,725	15,193	14,378
Goodwill	-	-	-	-	-	-
Non Current Investments	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-
Other Financial Assets	146	170	215	237	260	286
Other Non Current Assets	76	9	529	529	529	593
Current Assets	3,553	4,863	6,339	3,011	5,378	8,723
Current investments	-	-	-	-	-	-
Inventories	1,494	1,658	1,525	1,358	1,594	1,864
Trade Receivables	778	414	444	405	475	556
Cash and Bank Balances	725	2,226	3,778	635	2,672	5,598
Short Term Loans and Advances	4	7	5	10	10	10
Other Current Assets	552	557	587	603	628	696
TOTAL ASSETS	14,552	15,424	17,048	19,502	21,360	23,981

FINANCIALS

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Profit	688	2,405	2,565	1,507	2,027	2,766
Add: Dep. & Amort.	686	734	720	763	898	964
Cash profits (Inc)/Dec in	1,374	3,138	3,285	2,269	2,924	3,730
Sundry debtors	(72)	363	(30)	39	(70)	(81)
Inventories	45	(165)	133	167	(236)	(270)
Other financial assets	81	99	(556)	(22)	(24)	(125)
Other Current Assets	273	(64)	(36)	(21)	(25)	(33)
Current Liab and Provisions	(274)	220	391	(47)	69	66
Sundry Creditors	90	81	(267)	(122)	172	197
Change in working capital	142	534	(365)	(6)	(114)	(246)
CF from Oper. activities	1,517	3,672	2,920	2,264	2,811	3,485
CF from Inv. activities	(297)	(337)	(303)	(6,523)	(365)	(150)
CF from Fin. activities	(610)	(1,834)	(1,065)	1,116	(409)	(409)
Cash generated/(utilised)	610	1,501	1,552	(3,143)	2,037	2,926
Cash at start of the year	115	725	2,226	3,778	635	2,672
Cash at end of the year	725	2,226	3,778	635	2,672	5,598
Balance sheet	725	2,226	3,778	635	2,672	5,598
Ratios	FY21	FY22	FY23	FY24E	FY25E	FY26E
OPM	19.92%	26.49%	23.36%	17.96%	19.68%	21.66%
NPM	6.72%	14.72%	14.23%	9.42%	10.81%	12.62%
Tax Rate	31.85%	31.09%	26.91%	25.00%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	16.45%	59.20%	9.71%	-10.98%	17.35%	16.96%
Operating Profit	47.61%	111.65%	-3.23%	-31.58%	28.60%	28.72%
PBIT	347.81%	245.58%	-1.16%	-41.75%	34.53%	36.48%
PAT	375.84%	249.47%	6.68%	-41.27%	34.53%	36.48%
Per Share (Rs.)						
Net Earnings (EPS)	5.61	19.61	20.92	12.29	16.53	22.56
Cash Earnings (CPS)	11.21	25.60	26.79	18.51	23.85	30.43
Dividend	0.00	0.15	0.15	0.15	0.15	0.15
Book Value	59.57	77.62	97.38	108.17	123.20	144.27
Free Cash Flow	14.16	28.93	22.30	-23.70	21.46	0.00
Valuation Ratios						
P/E(x)	69.13	19.78	18.54	31.57	23.47	17.20
P/B(x)	6.51	5.00	3.98	3.59	3.15	2.69
EV/EBIDTA(x)	25.23	11.19	10.97	17.59	13.06	9.48
Div. Yield(%)	-	0.04	0.04	0.04	0.04	0.04
FCFF Yield(%)	3.65	7.46	5.75	(6.11)	5.53	-
Return Ratios (%)						
ROE	9.42%	25.27%	21.49%	11.36%	13.42%	15.64%
ROCE	11.44%	28.93%	24.89%	12.68%	15.30%	18.36%

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