



Expect gradual recovery

Greenpanel Industries Q4FY23 performance was largely impacted by increase in timber prices, increased export volumes where the realisations are significantly lower and higher advertisement expenses.

Key Business Highlights

- The company reported a 12% volume growth YoY in the MDF segment and a 16% volume growth QoQ largely due to increase in export volumes.
- Plywood segment continued its lacklustre performance reporting a 13% volume growth YoY and 6% volume degrowth YoY.
- At the distributor level both in the MDF and plywood segment certain restructuring is done to ensure only quality and active distributors are associated with the company

Key Financial Highlights:

- Revenue at Rs 4,414Mn, +5% qoq/-6.1% yoy
- EBITDA (excl OI) at Rs 762.27Mn, -14% qoq/-44.7% yoy
- EBITDA margin at 17.27% vs 21.91% vs 29.32% in Q3FY23/Q4FY22
- PAT at Rs 689Mn, +84% qoq/-14.5% yoy
- EPS at Rs 5.62 vs 3.06/6.57 in Q3FY23/Q4FY22

Outlook:

- MDF Volume guidance of +12 to 15% over FY23, Domestic volumes – low double digit growth and exports of over +20%
- MDF margins in the range of 23-25% (Q4 – 22%) without factoring any benefit of duty if levied on the imported MDF.
- No price cuts planned in domestic MDF segment
- Plywood – ~ 10% volume growth and margins (8 to 10% from current levels of 6.9%)

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	10,208	16,250	17,829	19,348	22,743
EBIDTA	2,034	4,304	4,165	3,687	4,336
Margins (%)	19.9	26.5	23.4	19.1	19.1
Adjusted net profit	688	2,405	2,565	2,134	2,554
EPS (Rs)	5.6	19.6	20.9	17.41	20.83
P/E (x)	53	15	14	17	14
EV/EBITDA (x)	20	9	8	11	10
RoCE (%)	11.44%	28.93%	24.89%	17.11%	18.98%
RoE (%)	9.42%	25.27%	21.49%	15.37%	15.71%

Source: Company, Dalal & Broacha Research

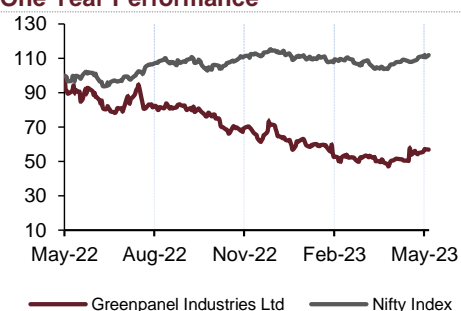
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	375	21

Market data

Current price	Rs	309
Market Cap (Rs.Bn)	(Rs Bn)	38
Market Cap (US\$ Mn)	(US\$ Mn)	463
Face Value	Rs	1
52 Weeks High/Low	Rs	579.65 / 255
Average Daily Volume	('000)	363
BSE Code		542857
Bloomberg		GREENP.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-23	Dec-22
Promoters	53.1	53.1
Public	46.9	46.9
Total	100	100

Source: Bloomberg

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Concall Highlights:

- Margins saw a dip due to increase in timber cost, export volumes going up and branding expenses
- At the distributor level both in the MDF and plywood segment certain restructuring is done to ensure only quality and active distributors are associated with the company
- Brand spends to be in the range of ~2.5%
- Current difference in imported and domestic prices of Plain MDF is close to 18 to 20% (on landed cost basis)
- Industry consumption grew by 13% in FY23 to 19,75,000 CBM
- Timber prices in North have gone up by 28% to Rs 5.5/kg in the last one year
- Capex amount to be spent in FY24 is ~500 crs
- Total imports approx 2 to 2.5 lac CBM
- Prices in exports markets has gone higher. Greenpanel has increased realisations in export markets by 8 to 10% which should be reflected from Q2FY24
- Value add products contributed 51% to volumes and 62% to revenue
- Looking at capacity utilisation of ~85% in FY24
- Gross debt by end of FY24 ~Rs 300 crs, aims to be net debt free by FY25

Valuations and Outlook:

We believe the all the negatives have been factored in the stock price and from here on expect gradual recovery. Any positive move by the government to levy duty on the imported MDF will act a trigger for the entire industry. Expect the stock to be under pressure for a quarter but 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 375 valuing the company at 18x FY25E EPS of Rs 20.83**. At CMP of Rs 300, the company is trading at 18x FY24E EPS of Rs 17.81 and 14x FY25E EPS of Rs 20.83. **We have changed our rating from BUY to ACCUMULATE and reduce our Target price to Rs 375 (from 424, -12%)*.**

Quarterly Snapshot

Greenpanel Industries					
Particulars (Rs Mns)	Q4FY23	Q4FY22	YoY Growth	Q3FY23	QoQ Growth
Revenue from operations	4,414.11	4,700.77	-6.1%	4,201.59	5%
Other income	85.23	36.71	132.2%	(40.45)	-311%
Total Income	4,499.34	4,737.47		4,161.14	
Cost of goods sold	2,040.22	1,826.73	11.7%	1,786.60	14%
Employee Benefit expenses	318.76	353.06	-9.7%	352.54	-10%
Other Expenses	1,292.86	1,142.74	13.1%	1,176.02	10%
EBITDA (excl other income)	762.27	1,378.24	-44.7%	886.43	-14%
Less : Depreciation	171.88	183.22	-6.2%	183.09	-6%
PBIT	590.39	1,195.02		737.33	
Less: Interest cost	32.37	33.87	-4.4%	113.86	-72%
PBT (before exceptional)	558.02	1,161.16	-51.9%	623.47	-10%
Exceptional	-	-		-	
PBT (after exceptional)	558.02	1,161.16	-51.9%	623.47	-10%
Less : Tax	(46.01)	391.94		207.55	
PAT	689.26	805.92	-14.5%	375.47	84%
EPS	5.62	6.57	-14.5%	3.06	84%
Gross Margins	53.78%	61.14%		57.48%	
EBITDA (excl OI) Margins	17.27%	29.32%		21.91%	
Net profit Margin	15.32%	17.01%		10.00%	
MDF utilisation					
Capacity (CBM)	660,000	563,000		660,000	
Production	137,265	122,718	11.9%	118,218	16%
Utilisation %	83%	87%		72%	
Ply utilisation					
Capacity (mn sqm)	10.5	10.5		10.5	
Production	1.84	2.12	-13.2%	1.73	6%
Utilisation %	70%	81%		66%	
Average Realisation					
MDF (per cbm)	28,122	31,300	-10.2%	30,585	-8%
Plywood (per sqm)	268	286	-6.3%	289	-7%
Revenue segment wise					
MDF	3,869.57	3,994.87	-3.1%	3,625.68	7%
Plywood	544.53	705.90	-22.9%	575.91	-5%
EBITDA margins					
MDF	21.90%	34.60%		25.60%	
Plywood	0.40%	9.20%		7.00%	

* Consolidated P/L

FINANCIALS

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	10,208	16,250	17,829	19,348	22,743
Total Operating Expenses	4,629	6,709	7,458	8,706	10,234
Employee Cost	979	1,284	1,397	1,537	1,691
Other Expenses	2,566	3,953	4,808	5,417	6,482
Operating Profit	2,034	4,304	4,165	3,687	4,336
Depreciation	686	734	720	763	950
PBIT	1,347	3,571	3,446	2,924	3,387
Other income	34	90	194	129	129
Interest	372	171	190	208	111
PBT (Before exceptional)	1,010	3,489	3,449	2,846	3,406
Exceptional	-	-	61	-	-
PBT (post exceptional)	1,010	3,489	3,510	2,846	3,406
Provision for tax	322	1,085	944	711	851
Reported PAT	688	2,405	2,565	2,134	2,554
MI	-	-	-	-	-
Net Profit	688	2,405	2,565	2,134	2,554
Adjusted Profit	688	2,405	2,565	2,134	2,554
Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Equity capital	123	123	123	123	123
Reserves	7,181	9,394	11,816	13,767	16,137
Net worth	7,304	9,516	11,939	13,890	16,260
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	1,655	1,946
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

FINANCIALS

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	688	2,405	2,565	2,134	2,554
Add: Dep. & Amort.	686	734	720	763	950
Cash profits	1,374	3,138	3,285	2,897	3,504
(Inc)/Dec in					
Sundry debtors	(72)	363	(30)	(49)	(60)
Inventories	45	(165)	133	(130)	(291)
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
Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	19.92%	26.49%	23.36%	19.06%	19.07%
NPM	6.72%	14.72%	14.23%	10.96%	11.17%
Tax Rate	31.85%	31.09%	26.91%	25.00%	25.00%
Growth Ratios (%)					
Net Sales	16.45%	59.20%	9.71%	8.52%	17.55%
Operating Profit	47.61%	111.65%	-3.23%	-11.48%	17.61%
PBIT	347.81%	245.58%	-1.16%	-17.48%	19.67%
PAT	375.84%	249.47%	6.68%	-16.80%	19.67%
Per Share (Rs.)					
Net Earnings (EPS)	5.61	19.61	20.92	17.41	20.83
Cash Earnings (CPS)	11.21	25.60	26.79	23.63	28.58
Dividend	0.00	0.15	0.15	0.15	0.15
Book Value	59.57	77.62	97.38	113.29	132.63
Free Cash Flow	14.16	28.93	22.30	-19.98	23.45
Valuation Ratios					
P/E(x)	53.45	15.30	14.34	17.23	14.40
P/B(x)	5.04	3.86	3.08	2.65	2.26
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%	15.37%	15.71%
ROCE	11.44%	28.93%	24.89%	17.11%	18.98%

Source: Company, Dalal & Broacha Research

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