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Q1FY21 result review
and earnings revision

Wood Panel

Target price: Rs39

Earnings revision

(%)	FY21E	FY22E
Sales	-	-
EBITDA	-	-
EPS	↓ 6.8	↓ 9.3

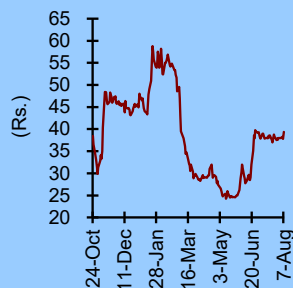
Target price revision

Rs39 from Rs35

Shareholding pattern

	Dec '19	Mar '20	Jun '20
Promoters	52.3	52.1	52.1
Institutional investors	30.0	29.3	29.2
MFs and others	17.4	16.8	16.4
FIs/Banks	0.1	0.0	0.0
FIs	12.5	12.5	12.8
Others	17.7	17.6	17.7

Price chart



Listed on Oct 23, 2019

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INDIA

ICICI Securities

Greenpanel Industries

HOLD

Maintained

Rs39

Encouraging outlook

Greenpanel Industries (GNPL) has reported better-than-expected revenue at Rs902mn (I-Sec: Rs835mn), down 57% YoY due to 62% YoY decline in plywood segment and 55.7% YoY decline in MDF segment. Gross margin fell sharply by 510bps YoY on higher mix of low-margin MDF exports and operating deleverage. However, with sharp recovery being witnessed in Jun'20 and Jul'20 (achieving ~90% of sales compared to same months last year), management expects a mere 10% decline in MDF revenue for FY21. The encouraging outlook in GNPL's MDF segment is largely driven by higher demand prospects in domestic modular furniture space post Covid-19 breakout and likely faster recovery in MDF exports. **Maintain Hold.**

- **Valuation and outlook:** Factoring in Q1FY21 performance, we cut our PAT estimates by 6.8%/9.3% for FY21/FY22E, respectively, while maintaining our revenue estimates. We now expect GNPL to report revenue and adjusted PAT CAGR of 5.8% and 37.8%, respectively, over FY20-22E. We expect GNPL's RoCE to improve from 5.6% in FY20 to 8.4% in FY22E. We now value GNPL at 10x FY22E earnings on account of improving demand visibility in its core MDF segment (8x earlier) to arrive at a revised target price of Rs39 (Rs35 earlier). **Maintain HOLD.**
- **MDF segment fares better than plywood with lower-than-expected decline:** GNPL reported revenue decline of 62.3%/55.7% in plywood/MDF segment, respectively, leading to 57.3% YoY decline in its overall Q1FY21 revenue. MDF realisation, however, declined 8.9%/3.4% YoY/QoQ due to higher mix of MDF exports. GNPL saw sharp recovery in Jun'20 and Jul'20 achieving 90% of sales of last year. With this swift recovery in revenue, we expect GNPL to post revenue CAGR of 5.8% over FY20-22E.
- **GNPL reports EBITDA margin in negative terrain due to sharp operating deleverage.** The company reported EBITDA margin of -9.2% (I-Sec: -15%) as against 13.1% YoY due to lower capacity utilisation in both segments and higher sales of lower margin MDF exports. While MDF EBITDA margin for the quarter stood at -4.3% (adjusted for forex gain, MDF margin stood at -10.4%), plywood margins were down to -18.5% driven by operating deleverage and lower decorative veneer sales. With stable input cost and utilisation levels expected to improve going forward, we expect overall EBITDA margin to improve to 17.2% in FY22E from 15.7% in FY20.
- **Reported PBT at -Rs383mn vs our estimate of -Rs430mn.** GNPL reported better-than-expected PBT at -Rs383mn. Forex loss continued to impact interest cost which stood higher by 60% YoY (forex loss at Rs65mn). We expect GNPL to report adjusted PAT CAGR of 37.8% over FY20-22E.
- **RoCE to improve post FY21.** We expect GNPL to be a big beneficiary of the likely imposition of anti-dumping duty (ADD) on thin MDF and CVD on any MDF imported into the country over the next couple of quarters. This would help gain traction in its volumes and profitability going forward. Strong traction in profitability, minimal capex and expected debt repayment over the next two years would drive its RoCEs higher to 8.4% in FY22E vs 5.6% in FY20.

Market Cap	Rs4.8bn/US\$64mn	Year to Mar	FY19	FY20	FY21E	FY22E
Bloomberg	GREENP IN	Revenue (Rs bn)	5,991	8,766	7,560	9,803
Shares Outstanding (mn)	122.6	Rec. Net Income (Rs bn)	346	361	77	480
52-week Range (Rs)	59/24	EPS (Rs)	2.8	2.1	0.6	3.9
Free Float (%)	47.7	% Chg YoY	(61.4)	(26.8)	(69.5)	521.8
FII (%)	12.8	P/E (x)	14.0	33.5	62.7	10.1
Daily Volume (US\$/'000)	57	P/B (x)	7.1	6.8	6.0	9.3
Absolute Return 3m (%)	58.9	EV/E (x)	13.6	7.4	8.2	5.4
Absolute Return 12m (%)	NA	Dividend yield (%)	0.0	0.0	0.0	0.0
Sensex Return 3m (%)	21.7	RoCE (%)	3.0	5.6	4.1	8.4
Sensex Return 12m (%)	4.9	RoE (%)	5.5	3.9	1.2	7.2

Please refer to important disclosures at the end of this report

Table 1: Q1FY21 result review (consolidated)

(Rs mn)

	Q1FY21A	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Net Sales	901.6	835.0	2,111.2	(57.3)	2,377.7	(62.1)
Other Op. Income	0.0	0.0	0.0		0.0	
Total Op. Income	901.6	835.0	2,111.2	(57.3)	2,377.7	(62.1)
Expenditure	984.4	960.0	1,833.7	(46.3)	1,924.2	(48.8)
Raw Materials	476.4	450.0	1,009.5	(52.8)	933.2	(49.0)
Cost of traded goods	4.1	10.0	9.1	(55.2)	29.3	(86.1)
Staff Cost	209.9	200.0	235.2	(10.8)	250.4	(16.2)
Other Expenditure	294.1	300.0	580.0	(49.3)	711.2	(58.7)
Operating Profit	(82.8)	(125.0)	277.5	(129.8)	453.5	(118.3)
OPM (%)	(9.2)	(15.0)	13.1	NA	19.1	NA
Other Income	8.5	5.0	5.2	62.9	9.8	(13.5)
Interest	139.3	130.0	87.1	60.0	167.9	(17.0)
Depreciation	169.4	180.0	160.6	5.5	179.2	(5.5)
Extraord inc/(exp)	0.0	0.0			(108.4)	
PBT	(383.0)	(430.0)	35.0	(1,193.2)	7.9	(4,965.4)
Tax	(18.1)	(110.0)	8.5	(313.4)	(67.6)	(73.3)
Reported PAT	(364.9)	(320.0)	26.6	(1,473.8)	75.5	(583.2)
Share of profit/(loss) from JV	0.0	0.0	0.0	#DIV/0!	0.0	#DIV/0!
Adj. PAT	(364.9)	(320.0)	26.6	(1,473.8)	183.9	(298.4)
Reported NPM (%)	(40.5)	(38.3)	1.3	NA	3.2	NA

Source: Company data, I-Sec research

Table 2: Change in estimates

(Rs mn)

	Old		New		% change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	7,559.6	9,803.4	7,559.6	9,803.4	0.0%	0.0%
EBITDA	1,153.8	1,685.9	1,153.8	1,685.9	0.0%	0.0%
PAT	82.8	529.2	77.2	480.2	-6.8%	-9.3%
EPS	0.7	4.3	0.6	3.9	-6.8%	-9.3%

Source: Company data, I-Sec research

Greenpanel Q1FY21 result conference call takeaways

- **Guidance for FY21:** Company expects MDF to decline around 10% in FY21 while plywood revenue to be around Rs1.5-1.6bn.
Q2FY21 guidance: Company expects overall revenue to be around Rs1.8bn with EBITDA margin at 15-16%.

MDF and allied products:

- In Q1FY21, MDF segment reported 54.3%/54.5% YoY volume/revenue decline, respectively.
- Domestic-export mix in MDF was 55%-45% in Q1FY21 vs 68%-32% in Q4FY20.
- Value-added products in MDF were at 13% vs 11% YoY. Jun'20 saw sales of Rs510mn vs Rs570mn YoY. Jul'20 saw sales of Rs600mn vs Rs660mn YoY. Export shipment of Rs130mn got delayed and could not be accounted in Jul'20.
- MDF domestic sales in Jul'20 were at Rs360mn vs Rs355mn YoY, MDF exports were Rs65mn vs Rs125mn while plywood revenues were Rs165mn vs Rs180mn.
- Overall MDF prices were more or less stable. GNPL, however, took a small price increase in its OEM segment.

- MDF market mix: 60-70% sales derived from commercial segment while the balance from residential real estate segment.
- Domestic EBITDA margin stood at 20% while exports margin was at 7-8%.
- Price difference between MDF domestic and imports: 25% in case of thin MDF and 6-8% in case of thick MDF.
- Investigation for CVD and ADD is on but the result or findings have been delayed due to Covid-19 pandemic.
- Majority of GNPL's export sales are to the Middle East, Sri Lanka and South East Asia. It has recently received a large order from Iran.

Plywood & allied products:

- Plywood volume/revenue decline for the quarter was at 62.9%/62.2% YoY, respectively.
- EBITDA margin came in at -4.3%, down from 13% YoY, due to operating deleverage, adverse product mix with lower sales of decorative veneers. Timber cost remains stable.
- DV sales was at 55,000SQM vs 187,000SQM YoY;
- Plywood peak revenue to be around Rs3.2bn.

Others:

- Company's gross debt stood at Rs5.27bn.
- Company is likely to repay debt worth Rs520mn in FY21. Interest cost in Q1FY21 was at Rs65mn and is likely to be similar for the rest of the quarters in this fiscal.
- Blended rate of interest to be at 5%.
- Of the long-term debt outstanding, 38mn EUR loan is unhedged (interest rate at 0.5%), while US\$9.9mn is hedged (interest rate at 9.25%).
- Company is likely to incur maintenance capex to the tune of Rs50mn in FY21.
- Company has taken a few cost saving initiatives with manpower cost cuts of Rs60mn and overall cost savings are likely to be in the range of Rs180-240mn for FY21.
- Company reported forex loss to the tune of Rs65mn in Q1FY21, which was reported below the EBITDA level.
- Net working capital days were higher at the end of Q1FY21 due to lockdown and are likely to come back to normalcy by end-Q2FY21.

Financial summary

Table 3: Profit & loss statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Net Revenues	5,991	8,766	7,560	9,803
Operating Expenses	5,218	7,388	6,406	8,117
EBITDA	774	1,378	1,154	1,686
% margins	12.9%	15.7%	15.3%	17.2%
Depreciation & Amortisation	530	692	652	659
Gross Interest	246	483	401	351
Other Income	127	22	10	10
Recurring PBT	124	226	110	686
Less: Taxes	(222)	(28)	33	206
Less: Minority Interest	-	-	-	-
Add: Share of Profit of Associates	-	-	-	-
Net Income (Reported)	346	253	77	480
Extraordinaries (Net)	-	(108)	-	-
Recurring Net Income	346	361	77	480

Source: Company data, I-Sec research

Table 4: Balance sheet

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Assets				
Total Current Assets	3,167	3,490	4,877	5,332
of which cash & cash eqv.	199	115	264	123
Total Current Liabilities & Provisions	2,139	2,573	4,047	4,440
Net Current Assets	1,028	918	830	892
Investments	-	-	-	-
Net Fixed Assets	11,375	11,111	10,715	10,356
Capital Work-in-Progress	38	57	-	-
Goodwill	-	-	-	-
Total Assets	12,441	12,085	11,545	11,248
Liabilities				
Borrowings	5,865	5,400	4,930	4,300
Deferred Tax Liability	121	69	69	69
Minority Interest	-	-	-	-
Equity Share Capital	123	123	123	123
Face Value per share (Rs)	1	1	1	1
Reserves & Surplus*	6,332	6,494	6,424	6,757
Less: Misc. Exp. n.w.o.	-	-	-	-
Net Worth	6,455	6,616	6,547	6,880
Total Liabilities	12,441	12,085	11,545	11,248

Source: Company data, I-Sec research

Table 5: Quarterly trends

(Rs mn, year ending March 31)

	Sep-19	Dec-19	Mar-20	Jun-20
Total Income	18,066	19,266	15,447	8,778
% growth (YoY)	2.8%	4.3%	-5.8%	-56.5%
EBITDA	3,682	4,632	3,009	664
Margin (%)	20.4	24.0	19.5	7.6
Other income	558	398	140	200
Add: Extraordinaries	(222)	-	(330)	-
Net profit	3,445	3,418	1,575	268

Source: Company data, I-Sec research

Table 6: Cashflow statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Operating Cashflow	7,048	903	1,130	1,139
Working Capital Changes	(1,075)	290	(727)	(304)
Capital Commitments	(6,755)	(447)	(200)	(300)
Free Cashflow	(782)	747	203	535
Cashflow from Investing Activities	-	-	-	-
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	1,389	(465)	(470)	(630)
Dividend paid	(147)	(147)	(147)	(147)
Change in Deferred Tax Liability	(317)	(218)	563	100
Chg. in Cash & Bank balance	143	(83)	149	(142)

Source: Company data, I-Sec research

Table 7: Key ratios

(Year ending March 31)

	FY19	FY20	FY21E	FY22E
Per Share Data (in Rs.)				
EPS	2.8	2.1	0.6	3.9
Cash EPS	7.1	6.8	6.0	9.3
Dividend per share (DPS)	1.0	1.0	1.0	1.0
Book Value per share (BV)	52.6	54.0	53.4	56.1
Growth (%)				
Net Sales	-25.1	46.3	-13.8	29.7
EBITDA	-52.8	78.1	-16.3	46.1
PAT	-61.4	-26.8	-69.5	521.8
Cash EPS	-27.8	-4.5	-12.7	56.1
Valuation Ratios (x)				
P/E	14.0	33.5	62.7	10.1
P/CEPS	5.5	5.8	6.6	4.3
P/BV	0.8	0.7	0.7	0.7
EV / EBITDA	13.6	7.4	8.2	5.4
EV / Sales	1.8	1.2	1.3	0.9
Operating Ratios				
Raw Material / Sales (%)	42.6	44.7	42.0	41.5
Employee cost / Sales (%)	13.5	11.3	0.0	0.0
SG&A / Sales (%)	0.0	0.0	13.9	13.9
Other Income / PBT (%)	102.5	19.1	9.1	1.5
Effective Tax Rate (%)	NM	-23.5	30.0	30.0
Working Capital (days)	60.0	43.2	50.0	48.0
Inventory Turnover (days)	81.9	64.1	70.0	70.0
Receivables (days)	27.8	29.4	32.0	29.0
Payables (days)	49.7	50.2	52.0	51.0
Net D/E Ratio (x)	0.9	0.8	0.7	0.6
Return/Profitability Ratio (%)				
Net Income Margins	5.8	2.9	1.0	4.9
RoACE	3.0	5.6	4.1	8.4
RoAE	5.5	3.9	1.2	7.2
Dividend Payout	42.6	101.7	190.6	30.6
Dividend Yield	0.0	0.0	0.0	0.0
EBITDA Margins	12.9	15.7	15.3	17.2

Source: Company data, I-Sec research

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