



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Greenpanel Ltd Q1FY22 consolidated revenue came in at ₹464 crores, up by 50% YoY and down by -1.27% QoQ.
- EBITDA for Q1FY23 stood at ₹132 crores, up by 91% YoY and down by -4.3% QoQ.
- EBITDA margins for Q1FY23 stands at 28%, +600bps YoY and -100bps QoQ.
- PAT for Q1FY23 stands at ₹78 crores, up by 260% YoY and -3.7% QoQ.

### 2. MANAGEMENT COMMENTARY:

- Management has given a revenue guidance of around Rs1900 to Rs.2000 crores for FY23 and Rs.2200-2300 crores in FY24.
- They have given margin guidance of around 26%-27% in MDF division and 11%-11.5% in plywood division.
- Management has announced a capex of 600 crores for a new plant with capacity of around 231,000 CBM. It is expected to be operational by Q2FY25.
- Net debt has been reduced by Rs.77 crores during the quarter and is negative to the extent of 17 crores as on 30<sup>th</sup> June 2022. Gross debt stands at Rs208 crores as on 30<sup>th</sup> June 2022.

### 3. SEGMENTAL ANALYSIS:

- Q1FY23 Revenue breakup – MDF segment contributed 85% to the overall topline whereas, plywood contributed 15% to the topline.
- EBITDA margins in MDF segment stands at 33.30% and 11.50% in plywood.
- Capacity utilization in MDF segment stands at 81% whereas 90% in plywood.
- Blended realisation for MDF stands at 31,345 CBM which implies a 39.10% growth YoY. In plywood segment Avg realization stands at Rs.282/Sqm, a growth of 8.90% YoY.

### 4. CONCALL SUMMARY:

- Company has lowered its volume growth guidance to 10-12% in MDF segment in FY23 from its previous guidance of 15%-18%.
- Guidance has been lowered on the back of expectations regarding rising chemical prices in near future.
- Prices of timber has risen by 4-5% in northern India whereas, no such movement was witnessed in southern India.
- Chemical prices have risen by 20% YoY in northern India.
- Currently the share of timber and chemical stands at 50:50 whereas pre-covid this ratio stood at 65:35.

### 5. VALUATION AND OUTLOOK:

We expect Greenpanel to maintain its growth trajectory led by increased demand environment. We believe change in consumer preferences towards MDF will lead to increase in demand scenario. Affordable housing initiative by the GOI and increasing urbanisation will create demand for home décor in the near term.

We give a “BUY” rating on the stock and value the stock at 22x of FY23E to arrive at a target price of Rs.552.

## RECOMMENDATION -

**CMP – 450**
**TARGET – 552 (22.6%)**

Industry	Wood & Wood Products
NSE CODE	GREENPANEL
BSE CODE	542857
Market Cap (₹ Cr)	5521.30
Shares Outstanding (in Cr)	12.26
52 wk High/Low (₹)	625.7 / 246.05
P/E	19.15
P/BV	5.36
Face Value (₹)	1.00
Book Value (₹)	83.93
EPS (CY21) (₹)	19.61
Dividend Yield (%)	0.26
Debt / Equity	0.30
Interest Coverage	21.41

## SHAREHOLDING PATTERN

	June 22	Mar 22	Dec 21
Promoters	53.10	53.10	53.10
MF/ DII	21.45	21.24	22.86
FII/FPI	6.27	5.84	3.73
Retail & Others	19.18	19.82	20.31
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2022A	2023E	2024E
<b>Crore</b>			
Sales	1625	1950	2300
Sales Gr. (%)	59%	20%	18%
EBITDA	433	527	644
EBITDA %	27%	27%	28%
PAT	240	309	419
EPS (₹)	19.61	25.12	34
EPS Gr. (%)	250	28	36
BV/Sh. (₹)	77.6	94.30	118
<b>Ratios</b>			
RoE (%)	28.8	26.63	28.71
RoCE (%)	29.7	34	30
Payout (%)	8	8	8
<b>Valuation</b>			
P/E (x)	19	18	13.23
P/BV (x)	5.77	4.77	3.81
EV/EBITDA	10.9	12.74	15.20

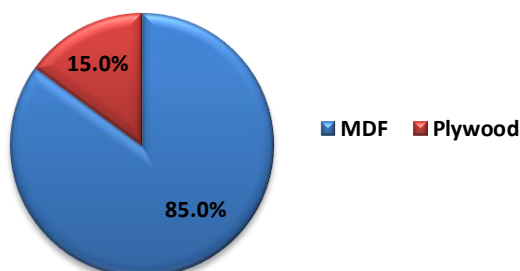
## Historical & Industrial Val Ratios

Historical P/E	19.15
Industry P/E	28.99
Historical P/B	5.36
Industry P/B	6.75

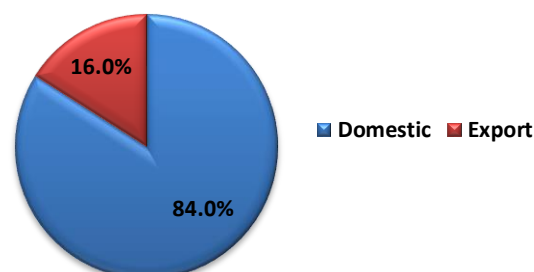


## REVENUE SPLIT (Q1FY23)

### Product Wise Break-up (Q1FY23)



### Geographical Breakup (Q1FY23)



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY21				FY22			FY23		FY23E*
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2E*	
<b>Net sales</b>	<b>225</b>	<b>317</b>	<b>389</b>	<b>308</b>	<b>422</b>	<b>424</b>	<b>470</b>	<b>464</b>	<b>500</b>	<b>1950</b>
YoY change (%)	17%	35%	64%	242%	88%	34%	21%	50%	18.5%	20%
<b>Total Expenditures</b>	<b>179</b>	<b>249</b>	<b>292</b>	<b>240</b>	<b>309</b>	<b>313</b>	<b>332</b>	<b>332</b>	<b>365</b>	<b>1423.5</b>
<b>EBITDA</b>	<b>46</b>	<b>68</b>	<b>97</b>	<b>69</b>	<b>113</b>	<b>111</b>	<b>138</b>	<b>132</b>	<b>135</b>	<b>526.5</b>
Margins (%)	21%	22%	25%	22%	27%	26%	29%	28%	27%	27%
Depreciation	17	17	17	17	19	18	18	18	18	75
Interest	13	14	-4	11	2	1	3	3	3	15
Other income	0	0	2	1	2	2	4	7	5	5
<b>PBT</b>	<b>16</b>	<b>37</b>	<b>86</b>	<b>41</b>	<b>94</b>	<b>94</b>	<b>120</b>	<b>118</b>	<b>119</b>	<b>441.5</b>
Rate (%)	-12%	18%	34%	28%	29%	33%	33%	34%	32%	30%
<b>Adjusted PAT</b>	<b>18</b>	<b>30</b>	<b>56</b>	<b>30</b>	<b>67</b>	<b>63</b>	<b>81</b>	<b>78</b>	<b>81</b>	<b>309</b>
<b>EPS in Rs</b>	<b>1.50</b>	<b>2.48</b>	<b>4.60</b>	<b>2.43</b>	<b>5.47</b>	<b>5.14</b>	<b>6.57</b>	<b>6.33</b>	<b>6.6</b>	<b>25.12</b>

Source: Company, Hem Securities Research.

### \*Insights into the assumptions

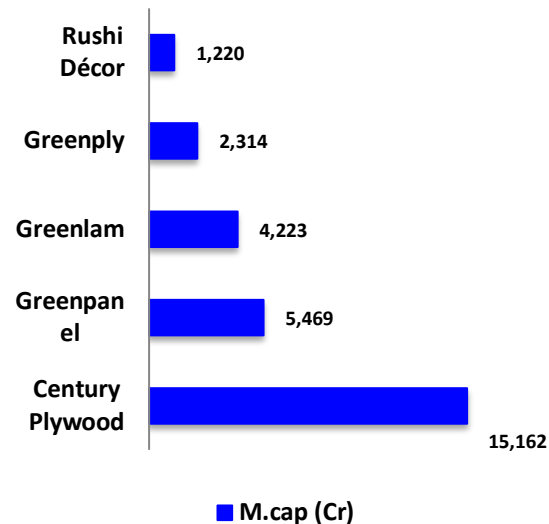
- We expect revenues to slightly dip or remain stable on QoQ basis
- We believe margins will hover around these levels or can fall slightly below this due to future margin guidance by the management



## INDUSTRY OVERVIEW

- The furniture industry in India was valued at US\$23.33 billion in FY2021 and is expected to grow at a 6.04% CAGR to US\$32.75 billion by FY27.
- Globally the split between MDF and Plywood stands at 70:30 whereas, in India this figure stands at 20:80. According to industry research it has been concluded that the split between MDF and Plywood is expected to become 50:50.
- In 2021 MDF market stood at Rs32 billion and is expected to reach Rs50 billion by FY26.
- In FY22, the Indian plywood market was valued at Rs.195.8 billion and is expected to reach Rs297.2 billion by FY27-28.
- Under the Pradhan Mantri Awas Yojana , finance ministry has allocated Rs 48000 crores for affordable housing.
- Rise in e-commerce has led to the emergence of online home décor platforms which has created demand for ready to assemble furniture.

## KEY PLAYERS IN PLYWOOD AND MDF SPACE



## PEER PERFORMANCE

(₹ Cr)

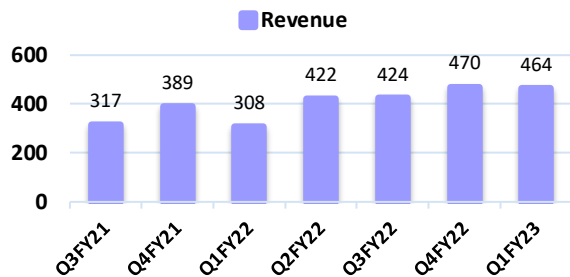
Particulars	Greenpanel Industries	Century Plyboards	Greenlam Industries	Greenply Industries	Rushil Decor
Market Cap	5,487.0	15,298.8	4,214.9	2,379.9	1,222
Net Sales	1,625.0	3,027.0	1,703.4	1,562.8	624
EBITDA	430.4	530.8	187.0	150.3	74
PAT	240.5	313.1	90.7	94.7	23
EPS(Rs)	19.6	14.1	7.5	7.7	11.46
EBITDA MARGIN %	25.8	17.5	11.4	10.2	12
PAT MARGIN %	14.1	9.9	5.3	5.9	3.6
ROCE %	30.4	29.6	14.6	18.4	7.56
ROE %	28.6	22.2	14.8	19.2	8.28
P/E	19.0	40.9	43.0	21.4	21.2
P/B	5.3	9.3	4.8	4.3	4.25
EV/EBITDA	10.9	23.8	22.2	13.5	13.5
Dividend Yield %	0.3	0.2	0.4	0.3	0.08
MCap/Sales	3.1	4.4	2.3	1.4	1.95

Source: Company, Hem Securities Research.

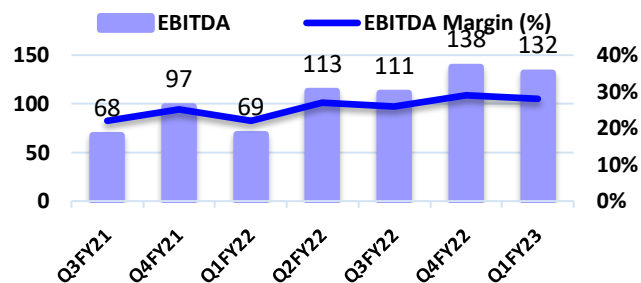


## STORY IN CHARTS

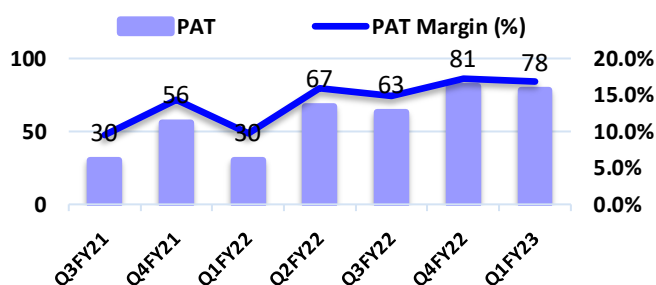
**Revenue (Cr)**



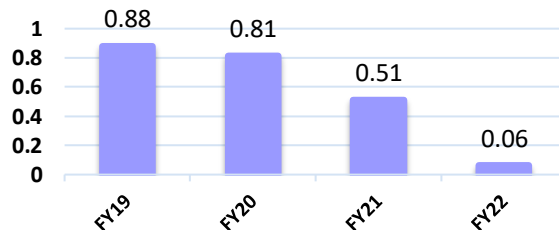
**EBITDA (Cr) & EBITDA Margin**



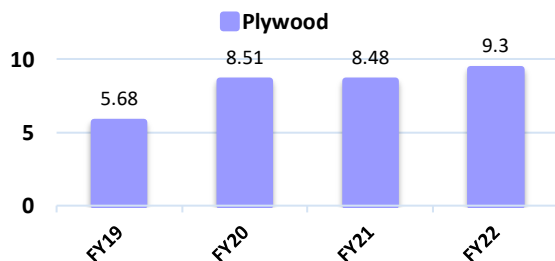
**PAT (Cr) and PAT Margin**



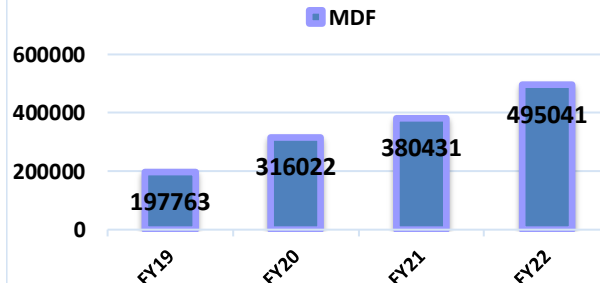
**Debt to Equity**



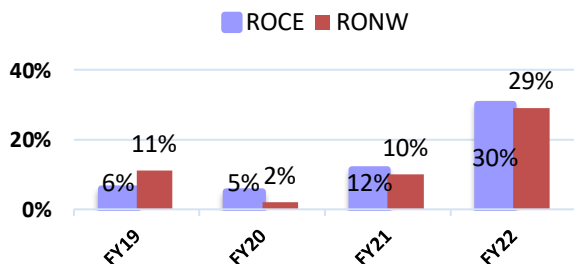
**Volume Growth in Plywood (Sqm)**



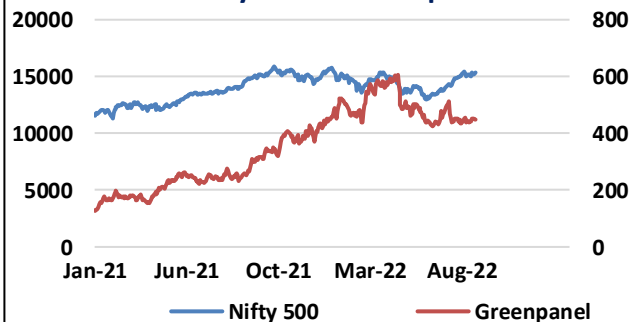
**Volume Growth in MDF (CBM)**



**Improvement in Return Ratios**



**Nifty500 Vs Greenpanel**





## INVESTMENT RATIONALE:

- MDF consumption in India is expected to rise. Globally the split between MDF and Plywood stands at 70:30 whereas in India it stands at 20:80. This split is expected to reduce because according to industry research the split between MDF and Plywood is going to be 50:50 by 2030.
- MDF consumption in China stands at 50 million CBM whereas, in India it currently stands at 1.75 million CBM. This large gap provides ample opportunity for MDF players in India.
- In MDF Segment Company has better margins than other listed peers.
- Greenpanel is India's largest MDF manufacturer, they have 28% market share in the domestic MDF market.
- They are the 3rd largest player in Asia and 5th largest manufacturer in the world.
- Compound sales growth on a 3 year basis is 39% whereas, compound profit growth on a 3 year basis is 91%.
- Consumer preferences is expected to change because MDF is cheaper than plywood and is more eco-friendly.
- Pre-covid share of imports stood at 30% whereas, in last 2 years there has been a considerable decline in imports which has created demand for domestic manufacturers.

## RISK / NEGATIVE FACTORS:

- Slowdown in real-estate industry can weaken demand for home décor.
- Slower than expected change in consumer preferences from plywood towards MDF
- Reduction in volume and margin guidance for FY23 by the management.
- Revival of imports may hamper demand for domestic players.

## COMPANY RECAP

- Greenpanel Industries Limited is engaged in the manufacturing of plywood, medium density fibre boards (MDF) and allied products.
- Greenpanel was the erstwhile MDF division of Greenply Industries Limited. The company was de-merged in April 2018 into an independent MDF division.
- They are largest exporter of MDF in India and has a pan India dealer and retail network of around 2535 and 12500+ respectively.
- Greenpanel is the largest manufacturer of MDF in India with 28% market share in MDF industry in India.
- Their manufacturing plant have a combined annual capacity of more than 6,60,000 cubic meters of MDF. This is complimented by a robust network of 3000 plus outlets spread across the country.
- The major raw material for the company is wood resins and wax chemical.
- Company incurred a capex of 26 crores in FY22.
- Its revenue share is dominated by MDF with contributions of around 84% to the overall revenue mix in FY22 whereas, Plywood contributed around 16% to the overall revenue mix.
- Key Management Personnel – Mr. Shiv Prakash Mittal (Founder and executive chairman), Mr. Shobhan Mittal (Managing Director and CEO), Mr. Vishwanathan Venkatramani (CFO).



## ANNUAL PERFORMANCE

### Financials & Valuations

#### Income Statement

Y/E March	2019	2020	2021	2022	2023E	2024E
<b>Revenue from operations</b>	<b>599.11</b>	<b>876.57</b>	<b>1,020.76</b>	<b>1,625.04</b>	<b>1950</b>	<b>2300</b>
Growth YoY (%)	0.00	46.31	16.45	59.20	20	18
<b>Total Expenditure</b>	<b>521.76</b>	<b>738.80</b>	<b>817.39</b>	<b>1,194.61</b>	<b>1423.5</b>	<b>1656</b>
(%) of sales	87.09	84.28	80.08	73.51	77	72
<b>EBITDA</b>	<b>77.36</b>	<b>137.77</b>	<b>203.37</b>	<b>430.43</b>	<b>526.5</b>	<b>644</b>
EBITDA Growth (%)	0.00	55.47	47.72	112.46	22.31	22.31
EBITDA Margin (%)	14.05	14.98	19.12	25.79	27	28
Depreciation	53.03	69.17	68.63	73.36	75	77
<b>EBIT</b>	<b>37.02</b>	<b>60.00</b>	<b>138.18</b>	<b>366.04</b>	<b>451.5</b>	<b>567</b>
EBIT Growth (%)	0.00	62.09	130.30	164.89	23.34	25.58
Net Interest Expenses	24.63	48.29	37.21	17.10	15	14
Other Income	12.70	2.23	3.45	8.96	5	6
<b>Earnings before Taxes</b>	<b>12.38</b>	<b>11.71</b>	<b>100.97</b>	<b>348.94</b>	<b>441.5</b>	<b>559</b>
EBT Margin (%)	1.93	1.25	9.34	20.48	22.64	24.30
Tax-Total	-22.19	-2.75	32.16	108.47	132.45	140
Rate of tax (%)	-179.17	-23.49	31.85	31.09	30	25
<b>Net Profit</b>	<b>34.57</b>	<b>14.46</b>	<b>68.81</b>	<b>240.47</b>	<b>309</b>	<b>419</b>
PAT Growth (%)	0.00	-58.18	375.83	249.47	28.5	35.6
PAT Margin (%)	5.39	1.55	6.36	14.11	15.84	18.21
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00
<b>Adjusted PAT</b>	<b>34.57</b>	<b>14.46</b>	<b>68.81</b>	<b>240.47</b>	<b>309</b>	<b>419</b>
<b>EPS</b>	<b>0.00</b>	<b>1.18</b>	<b>5.61</b>	<b>19.61</b>	<b>25.12</b>	<b>34</b>
EPS Growth (%)	0.00	0.00	375.85	249.47	28	35.35

#### Balance Sheet

Y/E March	2019	2020	2021	2022
Share Capital	0	12	12	12
Reserves	633	649	718	939
<b>Net Worth</b>	<b>645</b>	<b>662</b>	<b>730</b>	<b>952</b>
Borrowings	587	561	484	316
Other Liabilities	238	243	241	275
<b>Total Liabilities &amp; Equity</b>	<b>1458</b>	<b>1466</b>	<b>1455</b>	<b>1542</b>
Fixed Assets	1138	1111	1074	1038
CWIP	4	6	4	0
Investments	0	0	0	0
Other Assets	317	349	377	504
<b>Total Assets</b>	<b>1458</b>	<b>1466</b>	<b>1455</b>	<b>1542</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>				
<b>Y/E March</b> (Basic (INR))	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Profitability and return ratios</b>				
Net profit margin (%)	5.39	1.55	6.36	14.11
EBITDA margin (%)	14.05	14.98	19.12	25.79
EBIT margin (%)	5.77	6.42	12.78	21.49
ROE (%)	10.92	2.23	9.89	28.59
ROCE (%)	6.01	4.89	11.52	30.36
<b>Working Capital &amp; liquidity ratios</b>				
Payables (Days)	58.28	94.18	98.70	72.75
Inventory (Days)	76.55	56.32	51.17	33.76
Receivables (Days)	25.97	22.68	25.02	12.77
Current Ratio (x)	1.05	1.06	1.24	1.56
<b>Valuations Ratios</b>				
EV/sales (x)	0.95	1.03	2.29	4.47
EV/EBITDA (x)	6.29	6.47	11.30	16.53
P/E (x)	0.00	24.68	28.52	29.95
P/BV (x)	0.00	0.54	2.69	7.57
Dividend Yield (%)	0.00	0.00	0.00	0.26
<b>Leverage Ratio</b>				
Debt/Equity (x)	0.93	0.85	0.61	0.30

<b>Cash Flow Statement</b>				
<b>Y/E March</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>CF from Operating activities (A)</b>	<b>17</b>	<b>100</b>	<b>214</b>	<b>366</b>
<b>CF from Investing Activities (B)</b>	<b>-99</b>	<b>-22</b>	<b>-70</b>	<b>-136</b>
<b>CF from Financing Activities (C)</b>	<b>102</b>	<b>-86</b>	<b>-141</b>	<b>-185</b>
Net Cash Flow	20	-8	2	44
Add: Opening Bal.	0	20	11	13
<b>Closing Balance</b>	<b>20</b>	<b>12</b>	<b>13</b>	<b>57</b>

Source: Company, Hem Securities Research.





## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	$\geq 15\%$
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	$< -5\%$

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
6 <sup>th</sup> September 2022	Buy	552

## DISCLAIMER

HEM Securities Limited (“Research Entity or HSL”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed 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, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.





HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

## ANALYST CERTIFICATION/ DISCLOSURE OF INTEREST

Name of the Research Analyst: MUDIT JAIN

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.

SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL 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
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.