

February 14, 2023

**RESULT REPORT Q3 FY23** | Sector: Building Materials

# Greenply Industries Ltd

## All Eyes on Upcoming MDF Plant!

### Result Synopsis

Greenply Industries Ltd (GPIL), registered a muted quarter wherein Standalone biz reported a revenue of Rs4.05Bn, a growth of 8.6%YoY & decline of 7%QoQ. Plywood volumes were flat YoY & degrew by 6%QoQ on account of sluggish demand. ASP came in at Rs249/sqm in Q3FY23 as compared to Rs235/Rs248 in Q3FY22/Q2FY23 respectively. EBITDA margins came in at 10.4% as against 11%/10.6% in Q3FY22/Q2FY23 respectively. Management reiterated their 20%YoY growth guidance for FY23 & stated that company will aim to grow 10% annually in volume terms.

Gabon biz continues to face turbulence owing to on-going crisis in Europe (key geography for subsidiary). Revenue stood at Rs230Mn, a decline of 52%YoY & 61%QoQ wherein volumes degrew by 59%YoY & 68%QoQ. EBITDA margins also contracted from 10% each in Q3FY22 & Q2FY23 to 1.3% in Q3FY23. Though orders from Europe are picking-up, Gabon biz is likely to remain under pressure in near-term.

MDF plant is likely to commence trial runs from Q4FY23. Management aims to achieve a turnover of Rs3Bn at 40-45% utilization levels in Year-1 (i.e FY24E) & for the said fiscal, EBITDA margins are expected to come in at 15%. Being the only major capacity in western India, company aims to capture this market (~45% revenue at peak will be constituted from west) as GPIL is likely to benefit from lower logistic cost Vs peers. On manufacturing cost, timber cost is similar for GPIL Vs Northern manufacturers (Rs5-5.5/Kg) & company could save on chemical prices given that the plant is in proximity to Chemical manufacturers.

We reckon, with steady growth in Plywood owing to healthy demand coupled with material contribution from MDF from next fiscal, GPIL is expected to witness robust growth over FY22-FY24E. We expect Revenue/EBITDA/PAT growth of 22%/33%/26% over FY22-FY24E & continue to value the company at P/E(x) of 18x on FY24E EPS. Hence, we maintain our BUY rating on the stock with a target price of Rs224.

### Result Highlights

- Revenue for the quarter stood at Rs4.28Bn (Vs our est of Rs4.38Bn), reporting a growth of 2%YoY but declined sequentially by 14%QoQ.
- EBITDA margins came in at 7.6% (est. 8.1%) as compared to 10.2%/7.6% in Q3FY22/Q2FY23 respectively. Absolute EBITDA stood at Rs325Mn, declined by 24%YoY & 33%QoQ.
- PAT stood at Rs360Mn (includes exceptional gain of Rs96Mn), up by 21%YoY & 53%QoQ

### Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	4,282	4,333	4,376	(1.2)	(2.2)	
EBITDA	326	381	353	(14.6)	(7.8)	Muted quarter, Gabon biz continues to face headwinds.
EBITDA Margin (%)	7.6	8.8	8.1	-119 bps	-46 bps	
Adjusted PAT	360	180	148	100.2	143.5	

Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 138
Target Price	: Rs 224
Potential Upside	: +62%

### Stock data (as on Feb 14, 2023)

Nifty	17,930
52 Week h/l (Rs)	233 / 135
Market cap (Rs/USD mn)	17171 / 208
Outstanding Shares (mn)	123
6m Avg t/o (Rs mn):	31
Div yield (%)	0.4
Bloomberg code:	MTLM IN
NSE code:	GREENPLY

### Stock performance



### Shareholding pattern (As of Dec'22 end)

Promoter	52.3%
FII+DII	36.0%
Others	11.7%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	224	224

### Δ in earnings estimates

	FY23e	FY24e
EPS (New)	8.1	12.3
EPS (Old)	7.3	12.4
% change	10%	0%

### Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Net Revenue	15,628	18,307	23,251
YoY Growth	34.1	17.1	27.0
EBIDTA	1,503	1,648	2,647
EBIDTA(%)	9.6	9.0	11.4
PAT	948	988	1,513
YoY Growth	55.4	4.3	53.1
ROE	17.4	14.0	19.2
EPS	7.7	8.1	12.3
P/E	24.6	17.1	11.2
BV/Share	43.9	51.6	63.5
P/BV	4.3	2.7	2.2

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## Exhibit 2: Quarterly Snapshot

Rs mn	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	y/y (%)	q/q (%)	9M FY22	9M FY23	y/y (%)
Revenue	2,608	4,324	4,211	4,486	4,535	4,947	4,282	1.7	(13.5)	11,142	13,765	23.5
Expenditure	2,476	3,827	3,782	4,040	4,134	4,458	3,956	4.6	(11.3)	10,085	12,549	24.4
- RM	1,478	2,602	2,580	2,693	2,780	2,990	2,609	1.1	(12.7)	6,659	8,380	25.8
- Staff Cost	446	506	477	504	561	637	604	26.7	(5.1)	1,429	1,802	26.1
- Other Cost	552	720	725	843	793	831	743	2.5	(10.6)	1,996	2,367	18.6
Operating Profit	132	497	429	445	401	489	326	(24.0)	(33.4)	1,058	1,216	14.9
OPM(%)	5.1	11.5	10.2	9.9	8.8	9.9	7.6	-257 bps	-228 bps	9.5	8.8	-66 bps
Other Income	21	20	27	31	16	14	31	14.0	116.0	68	60	(10.8)
Depreciation	61	64	65	67	76	89	96	47.6	8.5	191	261	36.8
Interest	34	35	26	25	51	73	62	137.9	(15.3)	94	186	97.7
Profit from Associate/JV.	(2)	1	26	1	(6)	(14)	(22)	(184.3)	60.5	25	(41)	(262.6)
Exceptional	-	-	-	-	-	-	96	-	-	-	96	-
PBT	56	419	390	385	284	327	272	(30.2)	(16.9)	865	883	2.1
Tax	16	100	92	95	76	91	(88)	(196.5)	(196.6)	207	79	(61.8)
PAT	41	319	298	290	207	236	360	20.8	52.7	658	804	22.2

Source: Company, YES Sec

## Exhibit 3: Operational Numbers:

	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	y/y (%)	q/q (%)
<b>Sales (Rs Mn)</b>									
Standalone	2,127	3,746	3,730	4,143	3,946	4,360	4,050	8.6	(7.1)
Subsidiary	474	562	480	343	588	589	230	(52.1)	(61.0)
<b>GP%</b>									
Standalone	42.9	38.3	37.3	37.9	36.3	37.6	39.0	172 bps	140 bps
Subsidiary	44.3	48.2	49.8	64.7	54.3	53.1	39.1	-1066 bps	-1401 bps
<b>EBITDA%</b>									
Standalone	5.6	12.2	11.0	10.4	9.4	10.6	10.4	-62 bps	-18 bps
Subsidiary	7.0	10.7	10.0	16.3	13.1	10.0	1.3	-870 bps	-871 bps
<b>Volumes</b>									
Production Vols (msqm)	6.0	8.8	8.4	8.1	7.9	9.0	9.0	7.1	-
Sales Vols (msqm)	8.9	15.9	16.0	17.1	16.0	17.0	16.0	-	(5.9)
Realizations (Rs/m)	235	233	235	238	242	248	249	6.0	0.4

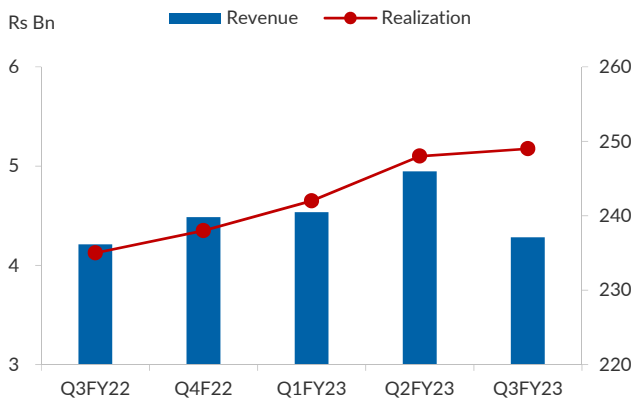
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- Management reiterated their guidance for 15% volume and 20% value growth in FY23. From next fiscal, company aims to achieve minimum 10% volume growth in plywood biz.
- On margins, management aims to achieve a double digit EBITDA margins & operating leverage from new plants will further enable them to expand the same.
- ESOP cost stood at Rs40Mn Vs Rs30Mn/Rs40Mn in Q3FY22/Q2FY23 respectively. For FY24, the same is budgeted to be ~Rs30Mn.
- Net debt as on Dec'22 stood at Rs6.01Bn & company stated the same should be ~Rs6.5Bn by FY23. Avg cost of debt is ~7% for MDF plant (25% is foreign debt).
- Company aims to repay Rs470-500Mn p.a.
- Sandila plant (13.4msqm capacity) operated at 60% utilization in Q3FY23 & the same is likely to come in at 80-90% in FY24E.
- 1-unit of Bareli is operating at full utilization levels & 2nd unit commenced partial production. Hapur (7.5msqm capacity) will start trial production from Q4FY23.
- MDF plant will commence trial production in Q4FY23. For FY24, company aims to achieve Rs3Bn revenue at 40-45% utilization & EBITDA margins of 15%. At peak utilization, the margins are likely to come in at 20%.
- Currently, cost of manufacturing for Greenply is similar to cost of players in North. Timber cost is ~Rs5.4-5.5/Kg. Given that the MDF plant is in West, company expects chemical cost to be lower Vs peers.
- At peak utilization, West will be more than 45% for company's MDF plant.
- Capex for FY23/FY24 will be Rs6.2-6.3Bn/Rs250-300Mn respectively.
- Own manufacturing/Partners/Trading biz constituted 54%/9%/37% in volume terms and 63%/8%/29% in value terms respectively.
- Advertisement expenses stood at 4% in Q3FY23 Vs 2.6%/3.4% in Q3FY22/Q2FY23 respectively.

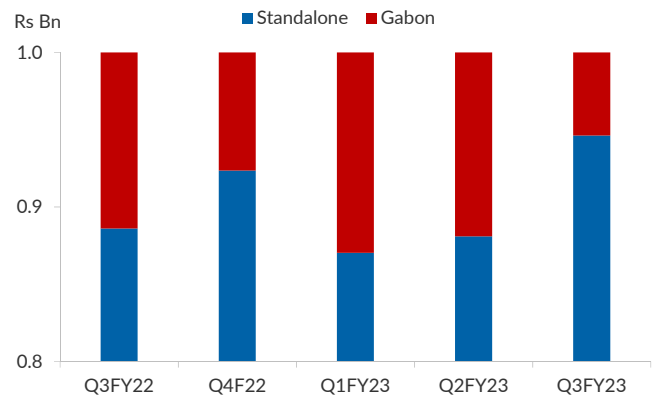
## QUARTERLY TRENDS

**Exhibit 4: Revenue grew by 2%YoY...**



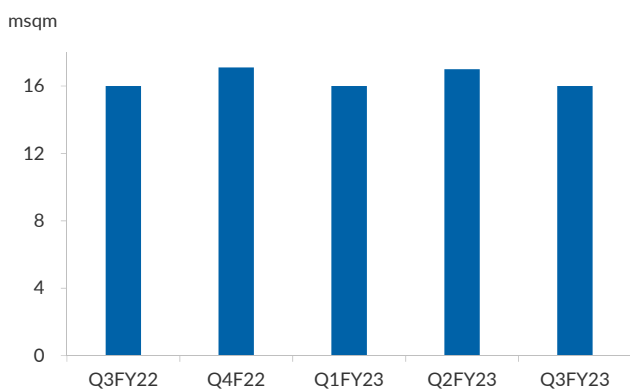
Source: Company, YES Sec

**Exhibit 5: Plywood revenue grew by 9%YoY...**



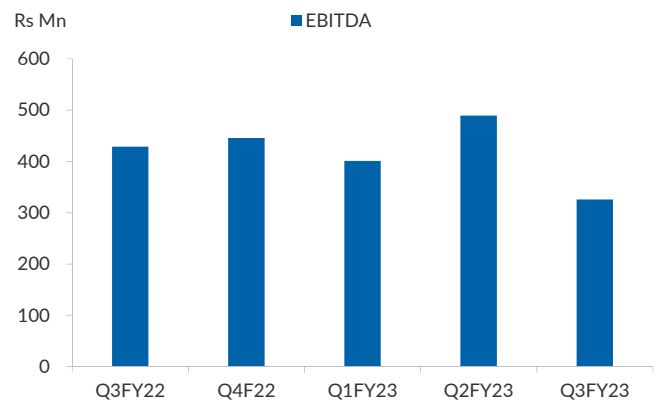
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**Exhibit 6: Volumes remained flattish YoY...**



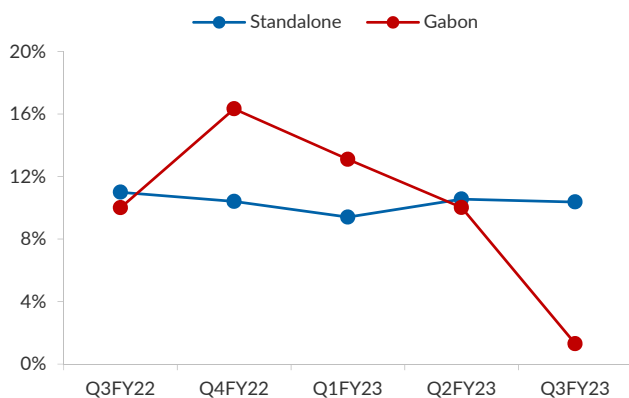
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**Exhibit 7: Blended margin came in at 7.6%...**



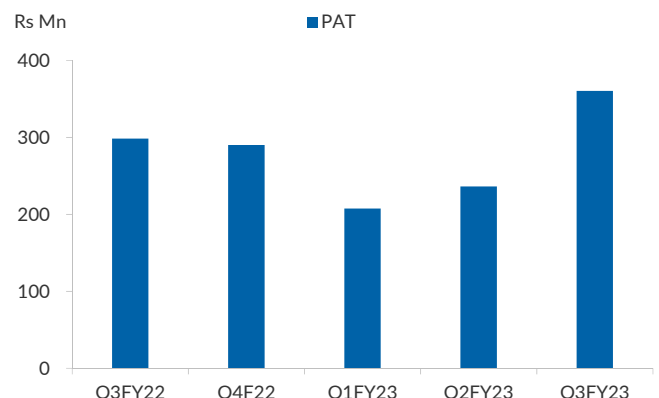
Source: Company, YES Sec

**Exhibit 8: Standalone margin came in at 10.4%...**



Source: Company, YES Sec

**Exhibit 9: Net profit stood at Rs360Mn (including exceptional gain of Rs96Mn) ...**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenues	11,653	15,628	18,307	23,251	26,305
Growth (%)	-18.0%	34.1%	17.1%	27.0%	13.1%
EBITDA	1,167	1,503	1,648	2,647	3,349
EBITDA margin (%)	10.0%	9.6%	9.0%	11.4%	12.7%
Growth (%)	-25.0%	28.7%	9.6%	60.7%	26.5%
Depreciation & Amortization	231	258	414	466	486
Other income	68	99	146	140	210
EBIT	1,004	1,343	1,381	2,321	3,074
EBIT margin (%)	8.6%	8.6%	7.5%	10.0%	11.7%
Interest	166	119	300	330	300
PBT	814	1,250	1,177	1,991	2,774
Tax	205	303	188	478	666
Net profit	610	948	988	1,513	2,108
Net profit margin (%)	5.2%	6.1%	5.4%	6.5%	8.0%
EPS	5.0	7.7	8.1	12.3	17.2
Growth (%)	28.9%	55.4%	4.3%	53.1%	39.3%

Source: Company, YES Sec

### Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	123	123	123	123	123
Reserves	4,244	5,259	6,198	7,663	9,722
Total Shareholders' Funds	4,367	5,382	6,321	7,785	9,845
Long term borrowings	721	1,431	1,431	1,100	1,000
Short term borrowings	877	1,533	4,569	4,400	4,000
Trade payables	2,043	2,164	2,547	3,101	3,409
Other financial liabilities	845	721	721	721	721
Total equity and liabilities	9,151	11,587	15,946	17,464	19,331
Non-current assets					
PPE	2,792	3,086	8,172	9,006	9,021
CWIP	62	1,096	527	116	233
Current assets					
Inventories	1,792	2,256	2,451	2,984	3,300
Trade receivables	1,939	1,864	2,184	2,774	3,138
Cash and cash equivalents	181	630	53	24	1,080
Other current assets	365	638	638	638	638
Total assets	9,151	11,587	15,946	17,464	19,331

Source: Company, YES Sec

## Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT	814	1,250	1,177	1,991	2,774
Depreciation & Amortization	231	258	414	466	486
Finance cost	166	119	300	330	300
(Incr)/Decr in Working Capital	1,240	(445)	(131)	(569)	(372)
Taxes	(151)	(321)	(188)	(478)	(666)
Cash from ops.	2,281	916	1,571	1,740	2,522
(Incr)/ Decr in PP&E	(226)	(2,320)	(4,931)	(890)	(616)
Cash Flow from Investing	(1,247)	(1,294)	(4,931)	(890)	(616)
(Decr)/Incr in Borrowings	(712)	983	3,036	(500)	(500)
Finance cost	(144)	(113)	(300)	(330)	(300)
Dividend	(49)	(49)	(49)	(49)	(49)
Cash Flow from Financing	(921)	804	2,687	(879)	(849)
Incr/(Decr) in cash	113	427	(673)	(29)	1,056
Cash and cash equivalents at beginning of year	(157)	(36)	726	53	24
Cash and cash equivalents at end of year	(36)	384	53	24	1,080

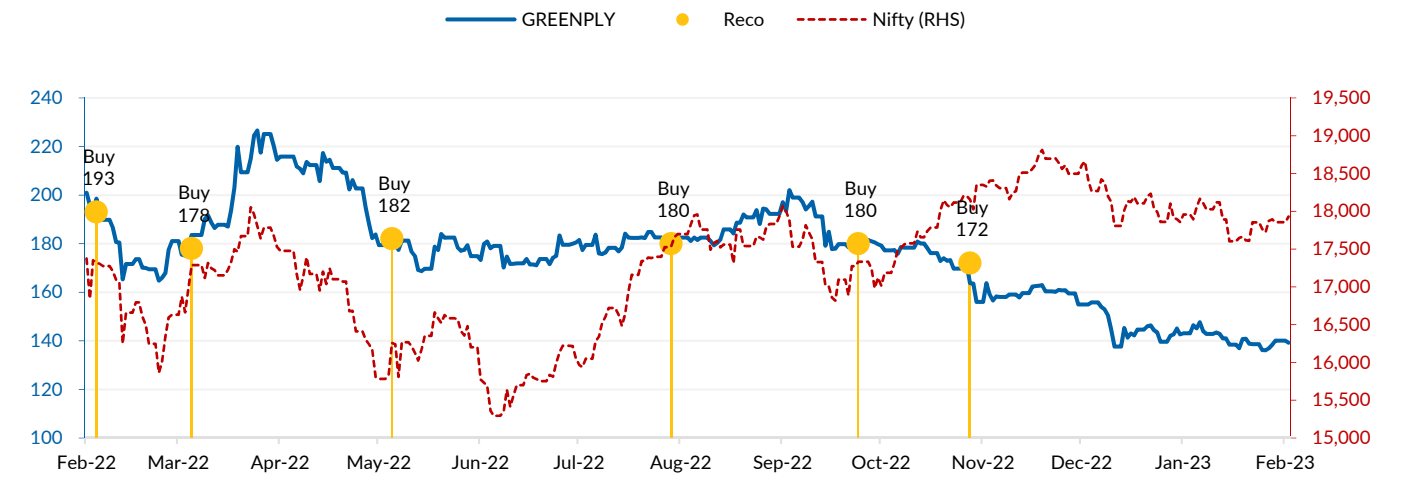
Source: Company, YES Sec

## Exhibit 13: Ratios

Key Ratios	FY21	FY22	FY23E	FY24E	FY25E
<b>Growth Matrix (%)</b>					
Revenue growth	-18.0%	34.1%	17.1%	27.0%	13.1%
EBITDA growth	-25.0%	28.7%	9.6%	60.7%	26.5%
EBIT growth	-23.9%	33.8%	2.8%	68.1%	32.4%
PAT growth	-21.2%	53.5%	-5.9%	69.2%	39.3%
<b>Profitability ratios (%)</b>					
GP Margin	10.0%	9.6%	9.0%	11.4%	12.7%
EBITDA margin	8.6%	8.6%	7.5%	10.0%	11.7%
EBIT margin	5.2%	6.0%	4.8%	6.4%	7.9%
PAT margin	19.2%	19.2%	17.4%	25.6%	27.9%
RoCE	14.0%	17.4%	14.0%	19.2%	21.1%
RoE	10.0%	9.6%	9.0%	11.4%	12.7%
<b>Leverage ratios (x)</b>					
Net debt/Equity	0.1	0.4	0.9	0.7	0.4
Net debt/EBITDA	0.3	1.5	3.6	2.1	1.2
Int coverage	6.0	11.3	4.6	7.0	10.2
<b>Per share values</b>					
EPS	5.0	7.7	8.1	12.3	17.2
CEPS	6.9	9.8	11.4	16.1	21.2
BVPS	35.6	43.9	51.6	63.5	80.3
<b>Valuation ratios (x)</b>					
P/E	36.8	24.6	17.1	11.2	8.0
P/CEPS	26.7	19.3	12.1	8.5	6.5
P/B	5.1	4.3	2.7	2.2	1.7
EV/EBITDA	19.5	17.0	13.9	8.5	6.2
NWC days	39.5	40.5	40.5	40.5	41.4

Source: Company, YES Sec

## Recommendation Tracker



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ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 |  
Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (CAT  
III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 |  
AMFI ARN Code - 94338.

**Details of Compliance Officer:** Name: Aditya Goenka,  
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Name of the Research Analyst : Udit Gajiwala, Vicky Waghvani

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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

## ABOUT YES SECURITIES (INDIA) LIMITED

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