

Greenpanel Industries

Surge in low-value exports and weak ply dent margin

We maintain our BUY rating with an unchanged target price of INR 430/share (12/20x its Mar'25E consolidated EBITDA/APAT). We like Greenpanel for its leadership positioning in the MDF segment, its large retail presence (85% in FY23), superior margin, and working capital profile. The surge in low-realisation MDF export volume (+89% YoY) drove up the total volume by 10% YoY. Higher exports, rising timber prices and increased brand spending pulled down the MDF EBITDA margin by ~400/1300bps QoQ/YoY to 22%.

- Q4FY23 performance:** Consolidated revenue/EBITDA fell 6/45% YoY. **MDF** volume rose 10/16% YoY/QoQ, led by the surge in exports (up 89/69% YoY/QoQ). However, its domestic volume fell 7% YoY amid the rebound in imports in India. While domestic MDF prices fell a modest 1-3% QoQ, it reported a 10/8% YoY/ QoQ fall in blended NSR, due to a sharp rise in the share of low-value plain MDF exports. This along with rising timber prices and higher brand spending pulled down segmental EBITDA margin by ~400/1300bps QoQ/YoY to 22%. In our view, the domestic margin remained buoyant at ~25-26%, while the overall margin is dented by exports (sub 5% margin). Ply sales volume fell 17% YoY (+2% QoQ) amid the restructuring exercise. Lower volumes, large inventory losses and raw material pressure pulled EBITDA down to INR 2mn (0.4% margin) vs INR 65/40mn YoY/QoQ.
- Outlook:** Management guided 12-15% MDF volume growth and 23-25% EBITDA margin in FY24E (we have factored in marginally lower vs their low-end guidance). It also expects a rebound in ply revenue and margin in FY24E, amid its increased segmental focus. The ongoing MDF expansion in Andhra Pradesh is on track to complete by Q2FY25E. Greenpanel is expanding the share of value-added products (VAP); retail sales (90/85% in Q4/FY23) and marketing spending to counter the medium-term impact of supply influx. We have marginally tweaked our earnings estimates.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
MDF Sales (K CBM)	137.27	124.54	10.2	118.22	16.1	380.4	495.0	506.7	560.0	651.3
MDF NSR (INR/CBM)	28,122	31,300	(10.2)	30,585	(8.1)	20,585	26,850	30,283	29,342	29,232
MDF EBITDA (INR/CBM)	6,159	10,830	(43.1)	7,830	(21.3)	4,726	8,319	8,411	6,594	6,485
Net Sales	4,414	4,701	(6.1)	4,202	5.1	10,208	16,250	17,829	19,029	21,852
EBITDA	762	1,378	(44.7)	920	(17.2)	2,034	4,304	4,165	3,794	4,365
EBITDAM (%)	17.3	29.3		21.9		19.9	26.5	23.4	19.9	20.0
APAT	689	806	(14.5)	375	83.7	688	2,405	2,504	2,309	2,623
AEPS (INR)	5.6	6.6	(14.5)	3.1	83.7	5.6	19.6	20.4	18.8	21.4
EV/EBITDA (x)						22.5	9.9	8.7	9.7	8.6
P/E (x)						60.6	17.3	15.1	16.4	14.4
RoE (%)						9.9	28.6	23.3	17.8	17.3

Source: Company, HSIE Research

Estimates revision summary

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Net Sales	18.7	19.0	2.0	21.4	21.9	2.1
EBITDA	3.90	3.79	-2.8	4.37	4.37	-0.2
APAT	2.36	2.31	-2.0	2.57	2.62	2.0

Source: Company, HSIE Research

BUY

CMP (as on 8 May 2023) INR 309

Target Price INR 430

NIFTY 18,264

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 430	INR 430
EBITDA revision %	FY24E (2.8)	FY25E (0.2)

KEY STOCK DATA

Bloomberg code	GREENP IN
No. of Shares (mn)	123
MCap (INR bn) / (\$ mn)	38/464
6m avg traded value (INR mn)	126
52 Week high / low	INR 580/255

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	10.9	(18.8)	(45.9)
Relative (%)	9.1	(19.8)	(58.5)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	53.10	53.10
FIs & Local MFs	21.3	21.18
FPIs	4.56	4.43
Public & Others	21.04	21.29
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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