

May 8, 2023

RESULT REPORT Q4 FY23 | Sector: Building Materials

Greenpanel Industries Ltd

Major headwinds factored, retain BUY!

Result Synopsis

The MDF biz of GREENP registered a decent volume of 137,265cbm, a growth of 10%YoY & 16%QoQ. Blended realizations declined sharply by 10%YoY & 8%QoQ owing to higher sales from exports which stood at 31% of total volumes as compared to 18%/21% in Q4FY22/Q3FY23 respectively wherein realizations contracted by 22%YoY & 6%QoQ. Consequently, margins of MDF biz came in at 21.9% (Vs est of 23%), as compared to 34.6%/25.6% in Q4FY22/Q3FY23 respectively. EBITDA/Cbm stood at Rs6,159 as against Rs10,830/Rs7,830 in Q4FY22/Q3FY23 respectively.

Plywood biz witnessed major headwinds wherein volumes degrew by 17%YoY & increased by mere 3%QoQ on account of tepid demand. Additionally, the rise in timber cost led to sharp contraction in EBITDA margins which came in at 0.4% Vs 9.2%/7% in Q4FY22/Q3FY23 respectively.

We expect MDF volumes to grow by 13%CAGR over FY23-FY25E on account of rapid acceptance of MDF in domestic industry & realizations to degrow by 4%, hence revenue should grow by 9% CAGR over similar period. Margins are likely to contract to 24% in FY24E & FY25E, hence MDF's EBITDA growth will be flattish over next 2-years. For Plywood, we reckon volume & revenue to grow by 7%CAGR over FY23-FY25E & margins should be ~8%. Hence, overall, we expect Revenue/EBITDA/PAT to grow by 9%/5%/4% over FY23-FY25E. At CMP, stock has factored the multiple headwinds which are likely to impact GREENPs performance & hence its trading at P/E(x) of 14.7x/12.4x on FY24/FY25E EPS of Rs18.9/22.2 respectively. We have valued the stock at 20x on FY25E EPS & arrived at a target price of Rs449, retaining our BUY rating. (Imposition of ADD/CVD could lead to sharp upward revision in earnings & re-rating of the stock).

Result Highlights

- Revenue stood at Rs4.41Bn, a degrowth of 6%YoY & a 5% sequential growth. MDF segment revenue stood at 3.86Bn, remaining flattish YoY & increased by 7%QoQ. Plywood revenue degrew sharply by 23%YoY & 5% QoQ.
- MDF volumes came in at 137,265cbm (in-line with our est), registering a growth of 10%YoY & 16%QoQ. Plywood volumes 2.04msqm, a decline of 17%YoY & increase of 3%QoQ.
- MDF ASP stood at Rs28,112/cbm as compared to Rs31,300/Rs30,585 in Q4FY22/Q3FY23 respectively. Contraction in blended realization was primarily due to higher exports as %total volumes which came in at 31% Vs 18%/21% in Q4FY22/Q3FY23 respectively. Actual vs estimates.

Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	4,414	4,529	4,637	(2.5)	(4.8)	Volumes were in-line with estimates, but margin contraction was steeper.
EBITDA	763	1,028	1,024	(25.8)	(25.5)	
EBITDA Margin (%)	17.3%	22.7%	22.1%	-5 bps	-5 bps	
Adjusted PAT	690	543	556	27.0	24.0	

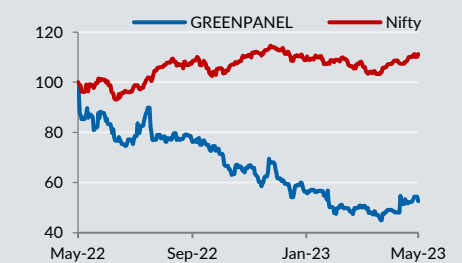
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 300
Target Price	: Rs 449
Potential Upside	: +49%

Stock data (as on May 5, 2023)

Nifty	18,069
52 Week h/l (Rs)	617 / 255
Market cap (Rs/USD mn)	38021 / 465
Outstanding Shares (mn)	123
6m Avg t/o (Rs mn):	113
Div yield (%):	0.5
Bloomberg code:	GREENP IN
NSE code:	GREENPANEL

Stock performance



	1M	3M	1Y
Absolute return	7.0%	7.6%	-47.4%

Shareholding pattern (As of March'23 end)

Promoter	53.1%
FII+DII	25.6%
Others	21.3%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	449	445

Δ in earnings estimates

	FY24e	FY25e
EPS (New)	18.9	22.4
EPS (Old)	22.3	-
% change	(15.8)	-

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Net Revenue	17,828	17,936	21,027
YoY Growth	10%	1%	12%
EBITDA	4,166	3,887	4,600
EBITDA (%)	23%	22%	22%
PAT	2,566	2,319	2,749
YoY Growth	7%	-10%	19%
ROE	24%	18%	18%
EPS	20.9	18.9	22.4
P/E	14.3	15.9	13.4
BV/Share	97.4	114.8	135.7
P/BV	3.1	2.6	2.2

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- Export realizations degrew by 22%YoY & 6%QoQ while domestic realizations remained flattish YoY & declined by 3%QoQ. Plywood realizations also degrew by 7%YoY & 8%QoQ.
- Owing to fall in ASP & higher input cost which came in at 46% as%sales in Q4FY23 Vs 39%/42% in Q4FY22/Q3FY23, the blended EBITDA margins contracted to 17% Vs 29%/22% in Q4FY22/Q3FY23 respectively.
- MDF margins came in at 21.9% as compared to 34.6%/25.6% in Q4FY22/Q3FY23 respectively, Hence EBITDA/cbm stood at Rs6,159 as against Rs10,830/Rs7,830 in Q4FY22/Q3FY23 respectively. Moreover, plywood margins declined massively to mere 0.4% Vs 9%/7% in Q4FY22/Q3FY23 respectively.
- Net profit for the quarter stood at Rs690Mn, a growth of 83%QoQ & decline of 14.4%YoY.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	% yoy	% qoq	FY22	FY23	% yoy
Revenue	4,222	4,244	4,701	4,640	4,573	4,202	4,414	(6.1)	5.1	16,250	17,828	9.7
Expenditure	3,092	3,133	3,323	3,324	3,406	3,281	3,652	9.9	11.3	11,945	13,663	14.4
- RM	1,776	1,794	1,827	1,778	1,887	1,753	2,040	11.7	16.4	6,709	7,458	11.2
- Staff Cost	321	330	353	365	361	353	319	(9.7)	(9.6)	1,284	1,397	8.8
- Other cost	996	1,010	1,143	1,182	1,157	1,176	1,293	13.1	9.9	3,953	4,808	21.6
Operating Profit	1,130	1,111	1,378	1,316	1,167	920	763	(44.7)	(17.1)	4,305	4,166	(3.2)
OPM(%)	26.8	26.2	29.3	28.4	25.5	21.9	17.3	-1204 bps	-463 bps	26.5	23.4	-313 bps
Other Income	23	23	37	72	76	(40)	85	132.2	(310.9)	90	194	116.2
Depreciation	193	184	183	182	182	183	172	(6.2)	(6.1)	733	719	(1.9)
Interest	17	13	34	26	18	114	32	(4.4)	(71.6)	171	190	11.4
Exceptional	-	-	-	-	(61)	-	-	-	-	-	(61)	-
PBT	942	936	1,198	1,179	1,105	583	644	(46.3)	10.4	3,490	3,511	0.6
Tax	271	305	392	403	380	208	(46)	(111.7)	(122.2)	1,084	944	(12.9)
PAT	671	631	806	776	725	376	690	(14.4)	83.6	2,406	2,566	6.7
OCI	2	0	-	-	-	-	25	-	-	3	25	642.6
Reported PAT	673	631	806	776	725	376	714	(11.4)	90.2	2,409	2,591	7.5
Adjusted PAT	671	631	806	776	725	376	690	(14.4)	83.6	2,406	2,566	6.7

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Revenue (Rs Mn)	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	% yoy	% qoq	FY22	FY23	% yoy
MDF	3,350	3,573	3,898	3,919	3,951	3,616	3,860	(1.0)	6.8	13,361	15,346	14.9
Plywood	732	671	705	709	611	575	546	(22.6)	(5.2)	2,560	2,440	(4.7)
EBITDA												
MDF	1,305	1,090	1,349	1,305	1,201	926	845	(37.3)	(8.7)	4,361	4,277	(1.9)
Plywood	100	66	65	81	45	40	2	(96.6)	(94.6)	281	169	(39.9)
EBITDA%												
MDF	24.3	39.0	30.5	34.6	33.3	30.4	25.6	-1270 bps	-370 bps	32.6	27.9	-477 bps
Plywood	11.0	13.6	9.9	9.2	11.5	7.3	7.0	-880 bps	-660 bps	11.0	6.9	-405 bps
Volume												
MDF (cbm)	137,044	120,724	124,539	125,029	126,232	118,218	137,265	10.2	16.1	495,041	506,744	2.4
Plywood (msqm)	1.7	2.6	2.5	2.5	2.5	2.0	2.0	(17.1)	2.5	9.3	8.6	(7.6)
Avg Realizations												
MDF/cbm	24,445	29,597	31,300	31,345	31,299	30,585	28,122	(10.2)	(8.1)	26,862	30,283	12.7
Plywood/sqm	279	272	286	282	299	289	267	(6.5)	(7.5)	275	284	3.3

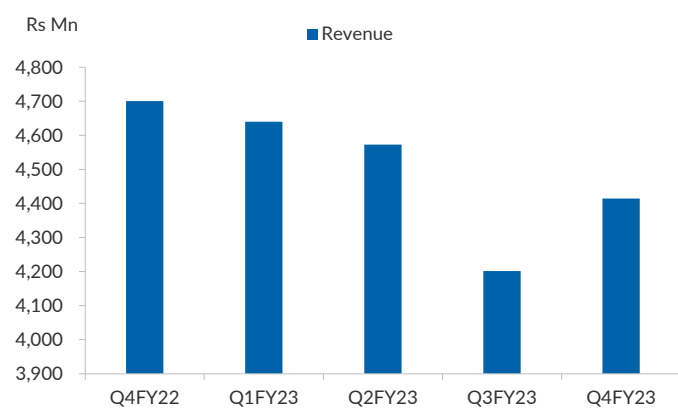
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Guidance: MDF- Volumes to grow by 13-15% for FY24 & margins to be in range of 23%-25% (EBITDA/cbm should be ~Rs6,500-7,500). Domestic segment should grow in low-double digit & exports to grow by 20%. For Plywood, management expects double digit volume growth of ~10% & 8-10% margins.
- Utilization of Uttarakhand plant stood at 85% & Andhra plant came in at 77%. Blended utilization was 80% for the quarter. For FY23 utilization stood at 78% on 660,000cbm capacity Vs 87% on 540,000cbm capacity in previous fiscal. Plywood unit operated at 70% utilization in Q4FY23.
- Recently company took a price hike of 8-10% in export markets. Domestic prices are expected to remain stable for next fiscal.
- Company incurred capex of Rs500Mn in FY23 (Rs110Mn in Q4FY23). Capex in FY24/FY25 will be Rs5Bn/500Mn respectively. New MDF (230,000cbm) will commence from Q2FY25E.
- Gross debt will be ~Rs3Bn by FY24E.
- In Q4, company had higher advertisement spends owing to IPL expenses and other branding exercise which had a cumulative impact of Rs70Mn. For FY24, advertisement spend will be ~2.5% of sales.
- On Anti-dumping duty, management is uncertain of the same. In case duty comes in, the imports will not be a threat to business. Current price difference is ~10-20%.
- Company did not take any price cuts in domestic markets for MDFs & do not intend to take any cuts in coming fiscal as well.
- For plywoods, volumes declined due to sluggish demand & GREENP refrained from taking any price correction in this segment as well.
- Plywood margins were under pressure due to lower volumes, higher timber cost & inventory loss which had an impact of ~4% on margins.
- Domestic MDF industry capacity stood at 1.75mn cbm in FY22 which expanded to 2.3mn cbm in FY23 & the same is likely to witness addition of 1.15mn cbm in next 3-years by organized manufacturers.
- Timber cost in North/South stood at Rs5.5-5.6/3.8-3.9 per Kg as compared to Rs4.3-4.4/3.1-3.2 per Kg in FY22. Management expects timber prices to remain stable at current levels & do not foresee any major uptick.
- For plywood segment, management is now inclined to take-up capacity expansion post utilizing the plant at maximum utilization for 8-10months.
- Value added mix was 51% in volume terms & 62% in value terms for the quarter Vs 39%volumes & 46%value in Q4FY23.
- B2C/OEMs constituted 90%/10% in Q4FY23. For FY23, Retail constituted 83-85%.

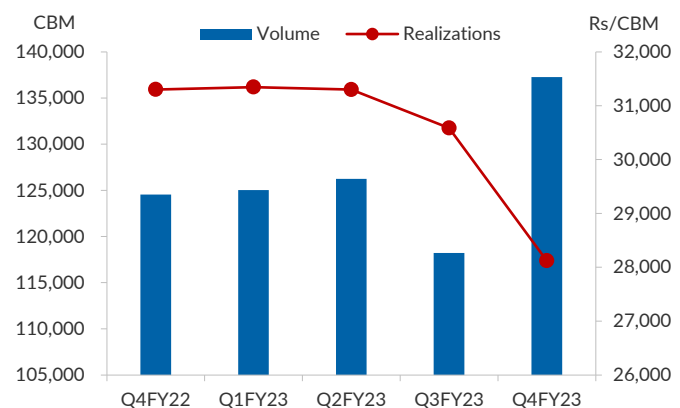
QUARTERLY TRENDS

Exhibit 4: Revenue declined by 5%QoQ ...



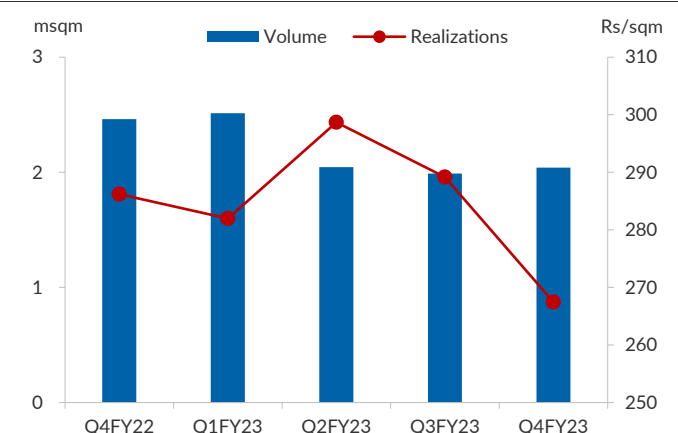
Source: Company, YES Sec

Exhibit 5: Vols grew by 10%YoY & 16%QoQ...



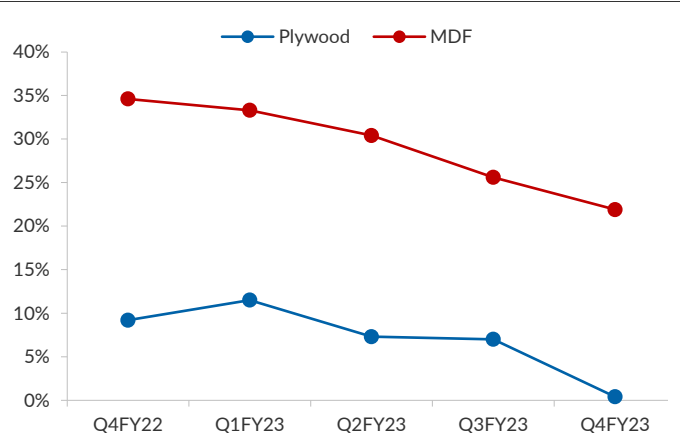
Source: Company, YES Sec

Exhibit 6: Ply vols declined by 17%YoY...



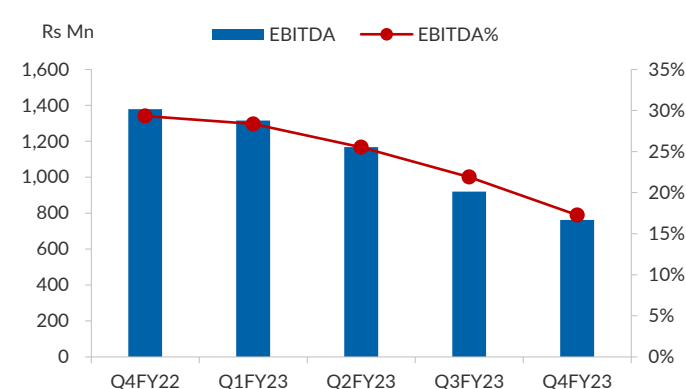
Source: Company, YES Sec

Exhibit 7: Margins contracted for both segments...



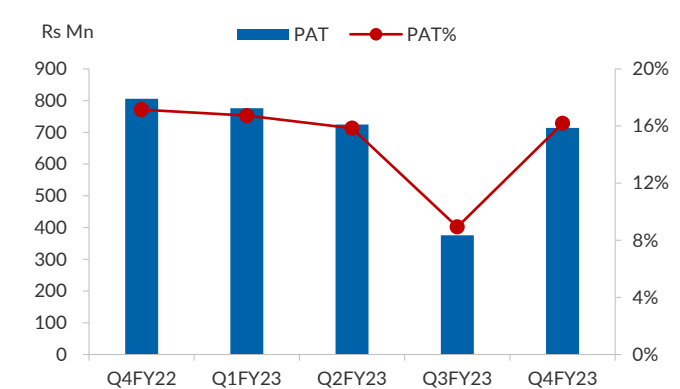
Source: Company, YES Sec

Exhibit 8: Blended EBITDA margins came in at 17%...



Source: Company, YES Sec

Exhibit 9: Net profit degrew by 11%YoY...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E
Revenues	16,250	17,828	17,936	21,027
Growth (%)	59.2%	9.7%	0.6%	12.0%
EBITDA	4,304	4,166	3,887	4,600
EBITDA margin (%)	26.5%	23.4%	21.7%	21.9%
Growth (%)	111.7%	-3.2%	-6.7%	18.3%
Depreciation & Amortization	734	719	847	981
Other income	90	194	245	260
EBIT	3,660	3,640	3,285	3,879
EBIT margin (%)	22.5%	20.4%	18.3%	18.4%
Interest	171	190	193	213
PBT	3,490	3,511	3,092	3,666
Tax	1,085	944	773	916
Net profit	2,405	2,566	2,319	2,749
Net profit margin (%)	14.8%	14.4%	12.9%	13.1%
EPS	19.6	20.9	18.9	22.4
Growth (%)	249.5%	6.7%	-9.6%	18.6%

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E
Equity Share Capital	123	123	123	123
Reserves	9,394	11,816	13,951	16,517
Total Shareholders' Funds	9,516	11,939	14,074	16,639
Non-current liabilities				
Long term borrowings	1,652	1,271	1,915	1,593
Deferred Tax liabilities	682	1,020	1,020	1,020
Current liabilities				
Short term borrowings	1,245	702	1,058	880
Trade payables	1,378	1,111	1,076	1,329
Other financial liabilities	494	526	526	526
Total equity and liabilities	15,423	17,048	20,148	22,466
Non-current assets				
PPE	9,948	9,453	13,607	13,126
CWIP	-	49	49	49
Current assets				
Inventories	1,658	1,525	1,477	1,824
Trade receivables	414	444	447	524
Cash and cash equivalents	574	133	2,770	5,145
Loans and advances	7	5	5	5
Other current assets	557	587	587	587
Total assets	15,423	17,048	20,148	22,466

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E
PBT	3,490	3,510	3,092	3,666
Depreciation & Amortization	734	720	847	981
Finance cost	171	190	193	213
(Incr)/Decr in Working Capital	402	(254)	10	(171)
Taxes	(580)	(623)	(773)	(916)
Cash from ops.	3,657	3,374	3,369	3,772
(Incr)/ Decr in PP&E	(337)	(803)	(5,000)	(500)
Cash Flow from Investing	(1,364)	(2,478)	(5,000)	(500)
(Decr)/Incr in Borrowings	(1,468)	(1,002)	1,000	(500)
Finance cost	(115)	(85)	(193)	(213)
Cash Flow from Financing	(1,849)	(1,336)	623	(897)
Incr/(Decr) in cash	443	(441)	(1,008)	2,375
Cash and cash equivalents at beginning of year	131	574	3,778	2,770
Cash and cash equivalents at end of year	574	133	2,770	5,145

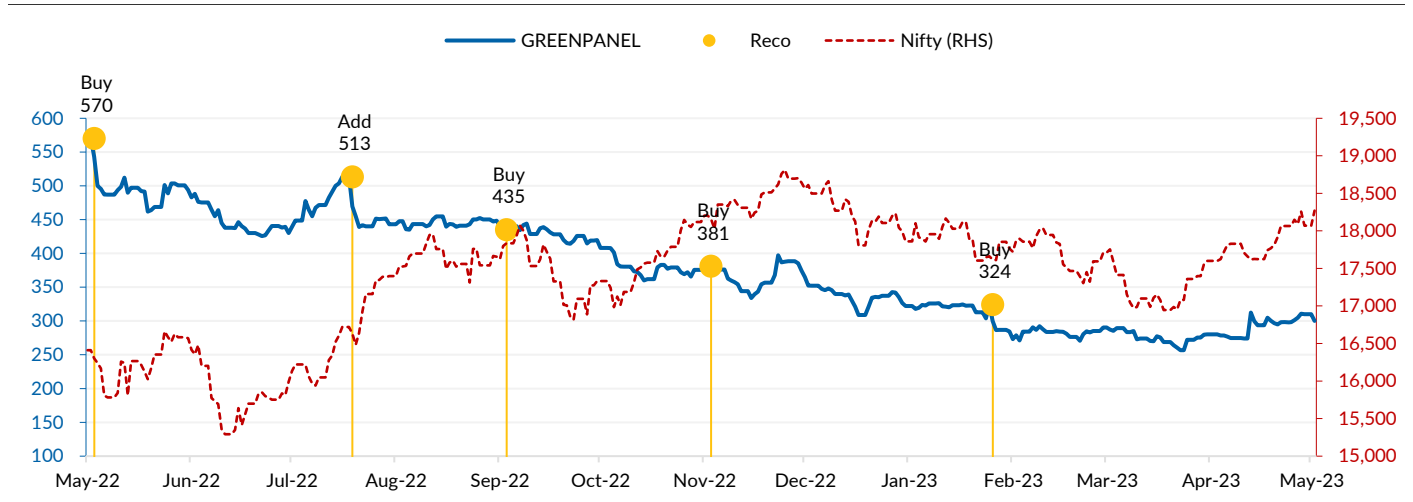
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY22	FY23	FY24E	FY25E
Growth Matrix (%)				
Revenue growth	59.2%	9.7%	0.6%	12.0%
EBITDA growth	111.7%	-3.2%	-6.7%	18.3%
EBIT growth	164.9%	-0.6%	-9.7%	18.1%
PAT growth	249.5%	6.7%	-9.6%	18.6%
Profitability ratios (%)				
EBITDA margin	26.5%	23.4%	21.7%	21.9%
EBIT margin	22.5%	20.4%	18.3%	18.4%
PAT margin	14.8%	14.4%	12.9%	13.1%
RoCE	30.5%	26.9%	20.4%	20.8%
RoE	28.6%	23.9%	17.8%	17.9%
Leverage ratios (x)				
Debt/Equity	0.3	0.2	0.2	0.1
Net debt/Equity	0.1	-0.2	0.0	-0.2
Net debt/EBITDA	0.2	-0.4	0.1	-0.6
Int coverage	21.4	19.1	17.0	18.2
Per share values				
EPS	19.6	20.9	18.9	22.4
CEPS	25.5	27.0	25.8	30.4
BVPS	77.6	97.4	114.8	135.7
Valuation ratios (x)				
P/E	29.8	14.3	15.9	13.4
P/CEPS	22.9	11.1	11.6	9.9
P/B	7.5	3.1	2.6	2.2
EV/EBITDA	16.8	8.4	9.5	7.4
NWC days				
Receivables	9	9	9	9
Inventory	90	75	75	75
Payables	75	54	54	54

Source: Company, YES Sec

Recommendation Tracker



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