

June 20, 2023

MANAGEMENT MEET | Sector: Building Materials

Greenpanel Industries Ltd

Challenging times ahead, performance will be gauged closely!

We interacted with Mr. Venkatramani, CFO of Greenpanel Industries Ltd to understand the on-going trends & development, following are the key highlights from the same:

- Demand: Seasonally Q1 is a weak quarter and hence demand is subdued. Moreover, there is some pressure from new domestic capacities & imports as well.
- Pricing: Domestic prices continue to remain steady while there is a 5-6% hike in export prices, however, benefit of higher export prices will be reflected in Q2FY24 as company had pending orders in Q1FY24.
- On Input cost: Cost of timber have gone up marginally as compared to previous quarter, however there is some reduction in chemical costs. (Timber & Chemicals constitute 50%-50% of total RM cost).
- Imports were higher in June'23, however in May'23, the same declined substantially.
- There is no further development on imposition of any duty to curb imports as yet. The company believes that imposition of ADD is unlikely.
- Price difference between imports and domestic is ~20% at port-level for like-to-like products.
- Freight cost for value-added products is ~5-6%. From North to South, freight cost for industrial products is ~12-14% while the same for value-added products is 7-8%.
- Current domestic capacity is ~2.7mn cbm/annum which is operating at 70-72% utilization levels. In coming 2-years ~0.9Mn cbm capacity will be added. Action Tesa's 1-1.2lakh cbm capacity is likely to get operational by Sep'23.
- Company has committed a capex of Rs6Bn for 220,000cbm brownfield capacity which will be operational by Q1FY25E.
- GREENP will fund the above capex via mix of debt & internal accruals wherein debt will be Rs2.6Bn.

Our view:

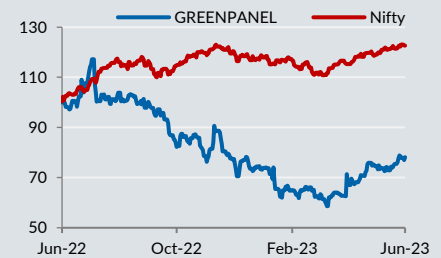
- Though we remain positive on growth of MDF industry which is likely to come in at 15% CAGR, we believe upcoming domestic capacities and higher imports will keep realizations & margins under pressure. We expect GREENP's MDF volumes to grow by 13% CAGR over FY23-FY25E on account of rapid acceptance of MDF in domestic market & 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 trades at P/E(x) of 18x/15x on FY24E/FY25E EPS of Rs19/22 respectively. We have valued the stock at 20x on FY25E EPS & arrived at a target price of Rs449, retaining our BUY rating.

Reco	: BUY
CMP	: Rs 342
Target Price	: Rs 449
Potential Upside	: +31%

Stock data (as on June 20, 2023)

Nifty	18,817
52 Week h/l (Rs)	523 / 255
Market cap (Rs/USD mn)	41828 / 510
Outstanding Shares (mn)	123
6m Avg t/o (Rs mn):	115
Div yield (%)	0.5
Bloomberg code:	GREENP IN
NSE code:	GREENPANEL

Stock performance



	1M	3M	1Y
Absolute return	4.8%	26.6%	-21.7%

Shareholding pattern (As of March'22 end)

Promoter	53.1%
FII+DII	25.6%
Others	21.3%

Δ in stance

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

Δ in earnings estimates

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

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Net Revenue	17,828	17,936	21,027
YoY Growth	10%	1%	12%
EBIDTA	4,166	3,887	4,600
EBIDTA(%)	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	13.0	18.1	15.3
BV/Share	97.4	114.8	135.7
P/BV	2.8	3.0	2.5

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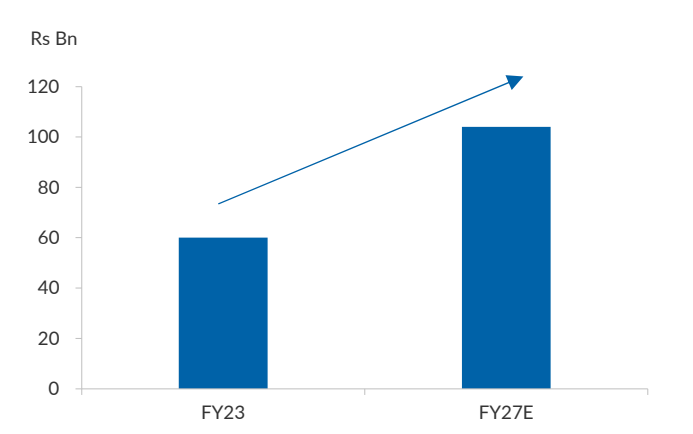


VICKY WAGHWANI, Associate

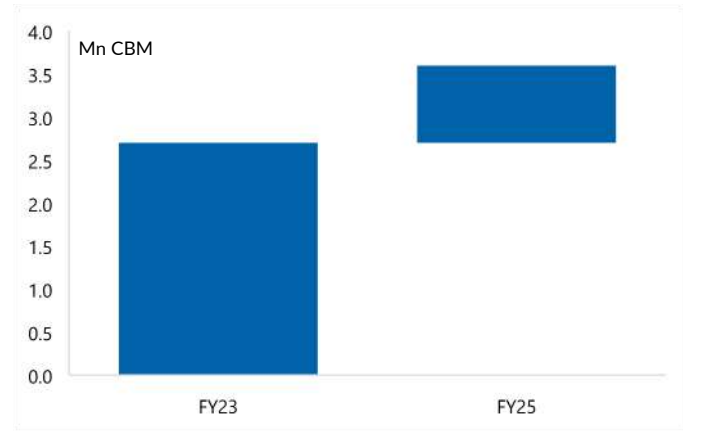
STORY IN CHARTS

Exhibit 1: Industry to grow at 15% CAGR over FY23-27E...

Exhibit 2: ~0.9Mn cbm capacity will be added in next 24 months...



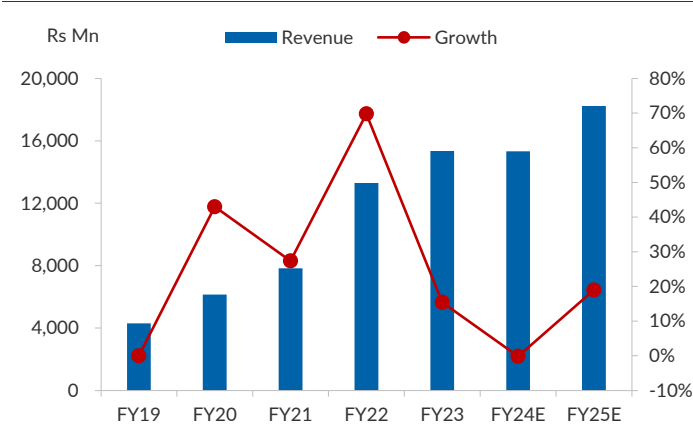
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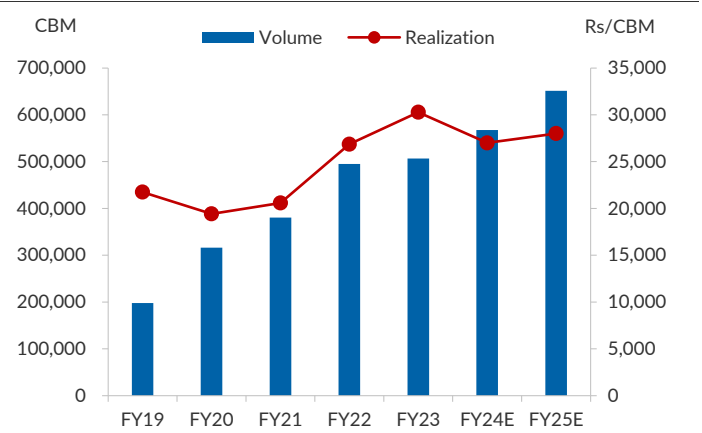
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Exhibit 3: MDF to grow by 9% CAGR...

Exhibit 4: MDF Volumes to increase by 13% CAGR...



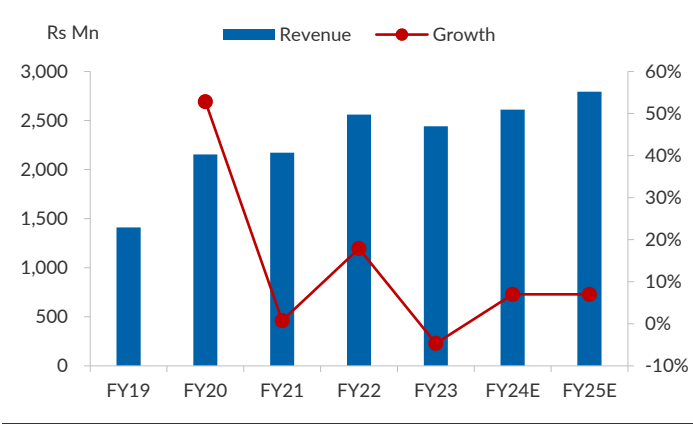
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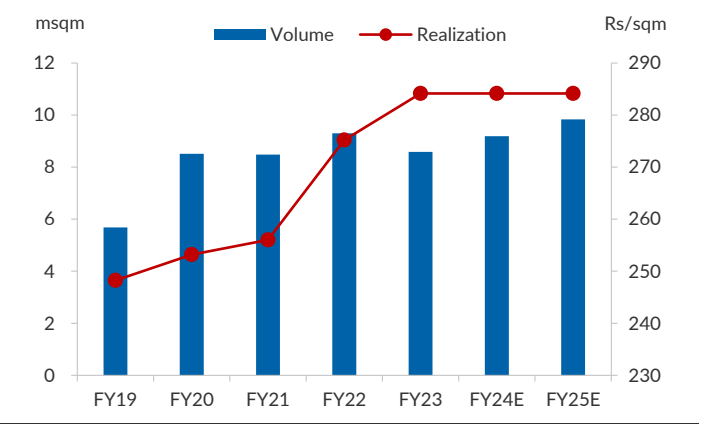
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Exhibit 5: Plywood to register 7% CAGR.

Exhibit 6: Plywood volumes to grow by 7% CAGR...

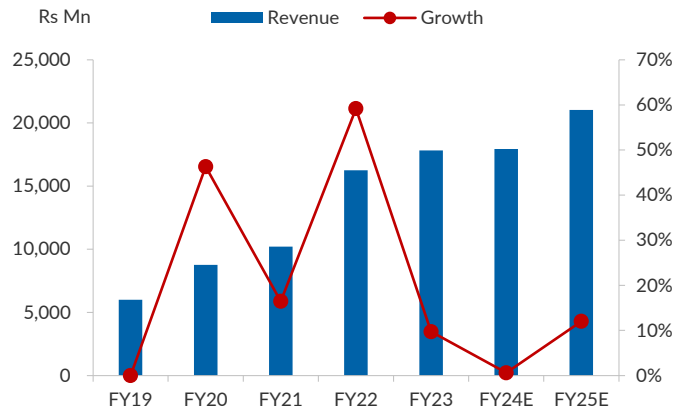


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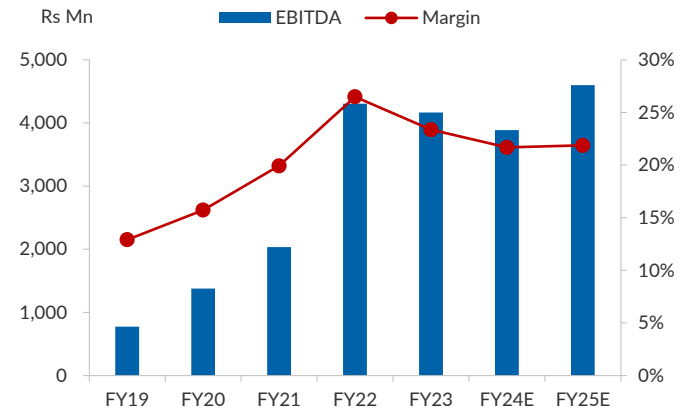
Source: Company, YES Sec

Exhibit 7: Overall revenue to grow at 9% CAGR...



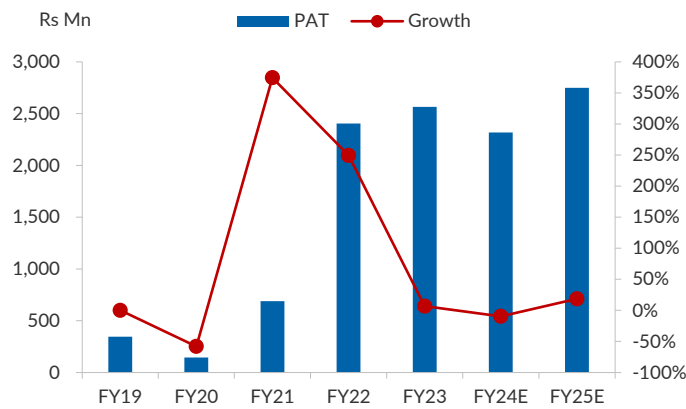
Source: Company, YES Sec

Exhibit 8: Blended Margin expected to decline...



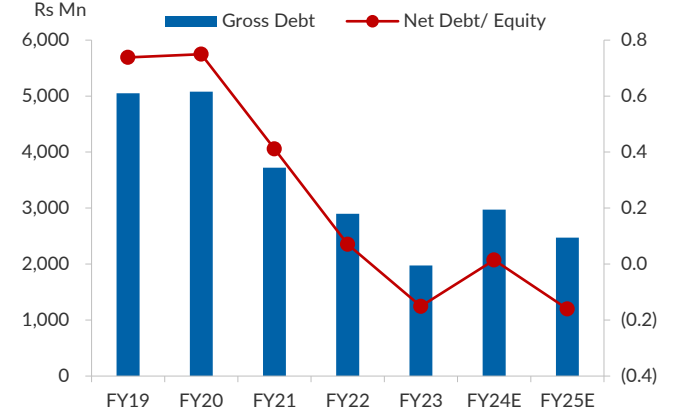
Source: Company, YES Sec

Exhibit 9: Expect PAT growth of 4% CAGR...



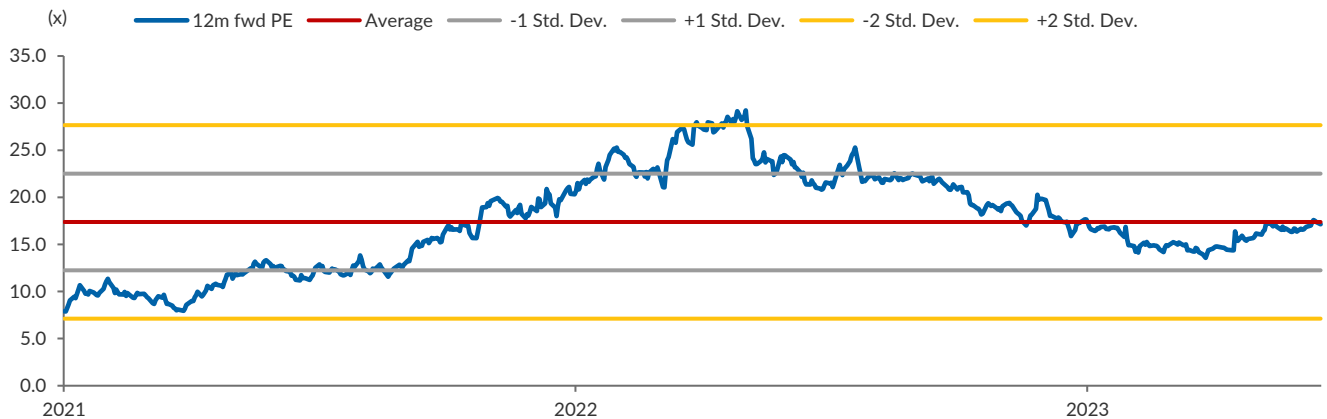
Source: Company, YES Sec

Exhibit 10: Net Debt/ Equity to improve...



Source: Company, YES Sec

Exhibit 11: Year forward PE band



Source: Company, YES Sec-

FINANCIALS

Exhibit 12: 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 13: 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 14: 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

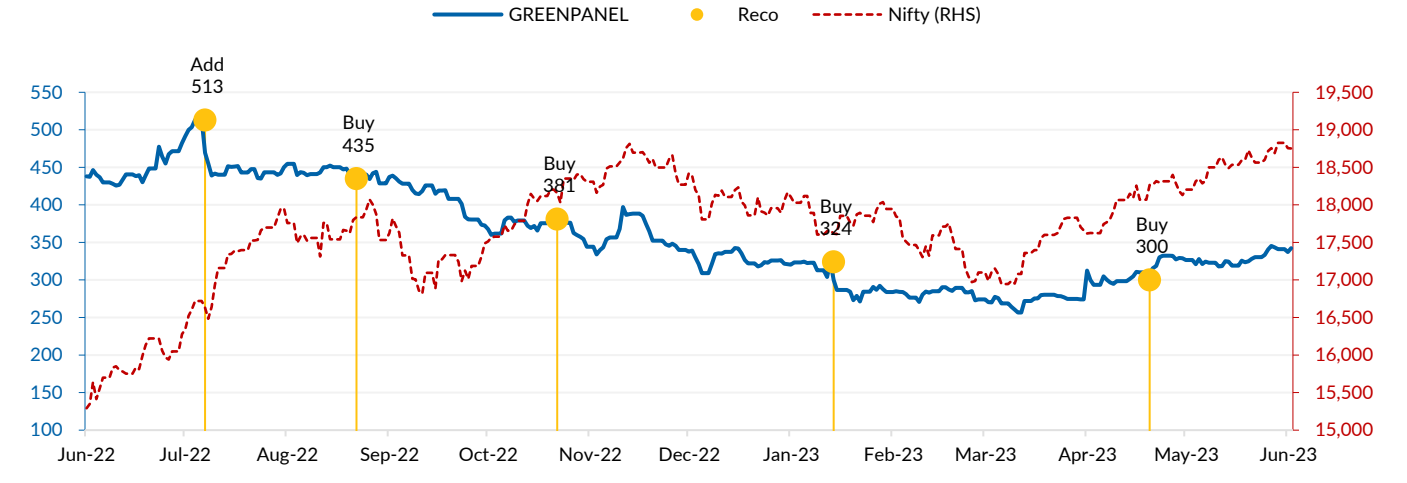
Source: Company, YES Sec

Exhibit 15: 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	13.0	18.1	15.3
P/CEPS	22.9	10.1	13.2	11.2
P/B	7.5	2.8	3.0	2.5
EV/EBITDA	16.8	7.6	8.6	6.7
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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