

Rating: BUY | CMP: Rs341 | TP: Rs459

July 31, 2023

Q1FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	459		455	
Sales (Rs. m)	18,590	21,145	18,546	21,094
% Chng.	0.2	0.2		
EBITDA (Rs. m)	3,666	4,402	3,747	4,392
% Chng.	(2.2)	0.2		
EPS (Rs.)	17.7	21.4	18.0	21.2
% Chng.	(1.5)	1.0		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	16,250	17,829	18,590	21,145
EBITDA (Rs. m)	4,334	4,165	3,666	4,402
Margin (%)	26.7	23.4	19.7	20.8
PAT (Rs. m)	2,434	2,504	2,175	2,625
EPS (Rs.)	19.8	20.4	17.7	21.4
Gr. (%)	248.4	2.9	(13.1)	20.7
DPS (Rs.)	0.2	0.2	0.3	0.3
Yield (%)	0.0	0.0	0.1	0.1
RoE (%)	28.9	23.3	16.9	17.6
RoCE (%)	30.6	27.8	20.2	21.2
EV/Sales (x)	2.6	2.2	2.3	1.9
EV/EBITDA (x)	9.8	9.6	11.6	9.1
PE (x)	17.2	16.7	19.2	15.9
P/BV (x)	4.4	3.5	3.0	2.6

Key Data

GREP.BO | GREENP IN

52-W High / Low	Rs.465 / Rs.255
Sensex / Nifty	66,160 / 19,646
Market Cap	Rs.42bn/ \$ 509m
Shares Outstanding	123m
3M Avg. Daily Value	Rs.170.08m

Shareholding Pattern (%)

Promoter's	53.10
Foreign	4.43
Domestic Institution	21.18
Public & Others	21.29
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.9	9.0	(22.8)
Relative	(1.5)	(2.2)	(33.6)

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Result below est. while maintain MDF realisation

Greenpanel (GREENP) maintained its MDF volume growth guidance between 12-15% with MDF EBITDA margin between 23-25% for FY24, even after 7.4% decline in MDF volume in Q1FY24 (considering strong traction in volume in H2FY24). Plywood is also expected to deliver 10% volume growth in FY24 despite severe fall (-37.1% YoY on higher base) in Q1FY24. Consolidated EBITDA margin contracted to 17% with oneoff expenses like 1) maintenance shutdown of MDF plant, 2) increase in logistics exp. 3) higher adv. & promotion expenses, while excluding oneoff EBITDA margin was ~20% in Q1FY24. Higher timber prices continue to impact margins in coming quarters while management remains confident of compensating it with higher volume growth.

We are maintaining our positive view considering 12.7% MDF volume growth and 22.1% EBITDA margin in MDF segment (MDF contributes ~86% rev.) in FY24. We estimate FY23-25E Revenue/EBITDA/PAT CAGR of 8.9%/2.8%/0.7%, with MDF volume CAGR of 17.4% and EBITDA per CBM of around Rs 6,060 in FY25. The company is well-positioned for growth and value creation given its 1) leading position in domestic MDF segment, 2) strong growth prospects in domestic MDF demand, 3) planned capacity increase of 35% over FY23-25 and 4) extensive distribution network. We have tweaked our FY24/FY25 earnings to adjust oneoff expenses in Q1FY24 and adoption of new tax regime by GREENP. We value the stock at 21x FY25 EPS and arrive at TP of Rs459 (Rs 455 earlier). Maintain 'BUY' rating.

Revenues decline by 16.8%, Adj. PAT decline 51.9%: Rev. down 16.8% YoY to ~Rs3.9bn (PLe: Rs4.7bn). MDF segment declined 13.2% YoY to Rs3.4bn. MDF volume decline by 7.4% YoY and reported blended realization of Rs 29376/CBM (down 6.3% YoY) and domestic realization was Rs 32,925/CBM (down 1.3% YoY). Plywood segment reported a revenue of Rs450mn down 36.5% YoY. Plywood volume decline by 37% YoY and reported realization was Rs285/sqm (down 1% YoY). EBITDA decline by 50% YoY to Rs658mn (PLe: Rs963mn). EBITDA margin was at 17% (PLe: 20.4%). In MDF segment, EBITDA margin declined to 20.4% mainly due to maintenance shutdown of Rudrapur plant, higher brand spends of Rs149mn and increase in wood prices. PBT decline by 57.6% YoY to Rs500mn (PLe: Rs789mn). PAT decline by 51.9% YoY to Rs373mn (PLe: Rs584mn).

Concall highlights: 1) MDF volumes was impacted in Q1FY24 due to maintenance shutdown of Rudrapur plant for 19 days during April. 2) MDF EBITDA margin impacted by a) maintenance shutdown (cost Rs7cr), b) higher brand spends (3.9% rev.), c) increase in timber prices. 3) Timber prices rose by 2% QoQ for north plant & 3% for south plant in Q1FY24. Currently, prices remain stable in north but have increased by 10% in south plant. 4) Resin prices declined by 2-3% QoQ in Q1FY24 & further by 10% in Q2FY24, compensating hike in timber prices. 5) Logistics exp. % rev. increase to 5.5% from 4.6% due to shutdown of plant at north compensated with other location. 6) Mgmt expects 12-15% MDF volume growth, 23-25% EBITDA margin. 7) Planned capex of Rs 6bn, funded through internal accrual & borrowing of Rs 2.6bn. 8) OEM contributes 10-12% domestic MDF vol. expected to increase ~20% in near term. 9) MDF domestic/export volume contributes 76%/24% in Q1FY24. 10) VAP contributes 54% of dom. MDF, expected to reach 65% in near term. 11) Thin MDF constitutes 35-40% of the domestic MDF market.

Exhibit 1: Q1FY24 Result Overview: Revenue decline by 16.8% YoY; Adj. PAT decline by 51.9% YoY

Y/e March (Rs mn)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Sales	386	464	(16.8)	441	(12.5)	17,829	16,250	9.7
Gross Profit	225	286	(21.4)	237	(5.2)	8,212	7,915	3.8
% of N S	58.3	61.7		53.8		46.1	48.7	
Other Expenses	126	118	6.6	129	(2.6)	2,399	2,096	14.4
% of N S	32.6	25.5		29.3		13.5	12.9	
EBITDA	66	132	(50.0)	76	(13.6)	4,165	4,334	(3.9)
Margin (%)	17.0	28.3		17.3		23.4	26.7	
Depreciation	18	18	(0.2)	17	5.9	720	734	(1.9)
Interest	4	3	50.3	3	22.0	190	171	11.4
Other income	6	7	(12.1)	9	(25.3)	194	90	116.1
PBT	50	118	(57.6)	64	(22.2)	3,449	3,519	(2.0)
Tax	13	40	(68.5)	-5	(376.5)	944	1,085	(12.9)
ETR (%)	25.4	34.2		NA		27.4	30.8	
Adj. PAT	37	78	(51.9)	69	(45.9)	2,504	2,434	2.9

Source: Company, PL

Exhibit 2: Segmental Breakup: MDF reported vol. de-growth of 7.4% with EBIT margin of 23.5%

Y/e March (Rs mn)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenues								
Plywood	45	71	(36.5)	54	(17)	244	256	(4.8)
MDF	341	393	(13.2)	387	(12)	1,539	1,368	12.5
EBIT								
Plywood	5	10	(44.8)	2	144	24	32	(27.3)
EBIT margin (%)	12.1	13.9		4.1		9.7	12.7	
MDF	80	127	(36.8)	88	(9)	415	384	7.8
EBIT margin (%)	23.5	32.3		22.7		26.9	28.1	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	16,250	17,829	18,590	21,145
YoY gr. (%)	59.2	9.7	4.3	13.7
Cost of Goods Sold	8,336	9,617	10,133	11,553
Gross Profit	7,915	8,212	8,458	9,592
Margin (%)	48.7	46.1	45.5	45.4
Employee Cost	1,284	1,397	1,459	1,545
Other Expenses	2,096	2,399	2,681	2,905
EBITDA	4,334	4,165	3,666	4,402
YoY gr. (%)	112.0	(3.9)	(12.0)	20.1
Margin (%)	26.7	23.4	19.7	20.8
Depreciation and Amortization	734	720	821	947
EBIT	3,600	3,445	2,846	3,455
Margin (%)	22.2	19.3	15.3	16.3
Net Interest	171	190	202	211
Other Income	90	194	265	265
Profit Before Tax	3,519	3,449	2,909	3,509
Margin (%)	21.7	19.3	15.6	16.6
Total Tax	1,085	944	734	884
Effective tax rate (%)	30.8	27.4	25.2	25.2
Profit after tax	2,434	2,504	2,175	2,625
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,434	2,504	2,175	2,625
YoY gr. (%)	248.4	2.9	(13.1)	20.7
Margin (%)	15.0	14.0	11.7	12.4
Extra Ord. Income / (Exp)	(29)	61	-	-
Reported PAT	2,405	2,565	2,175	2,625
YoY gr. (%)	249.5	6.7	(15.2)	20.7
Margin (%)	14.8	14.4	11.7	12.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,405	2,565	2,175	2,625
Equity Shares O/s (m)	123	123	123	123
EPS (Rs)	19.8	20.4	17.7	21.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	14,712	15,114	19,614	20,163
Tangibles	14,279	14,651	19,151	19,700
Intangibles	434	463	463	463
Acc: Dep / Amortization	4,325	4,672	5,493	6,440
Tangibles	4,325	4,672	5,493	6,440
Intangibles	-	-	-	-
Net fixed assets	10,387	10,442	14,121	13,723
Tangibles	9,953	9,979	13,658	13,260
Intangibles	434	463	463	463
Capital Work In Progress	-	49	549	500
Goodwill	-	-	-	-
Non-Current Investments	170	215	215	215
Net Deferred tax assets	(682)	(1,020)	(1,020)	(1,020)
Other Non-Current Assets	4	3	3	3
Current Assets				
Investments	-	-	-	-
Inventories	1,658	1,525	1,727	2,094
Trade receivables	414	444	463	527
Cash & Bank Balance	2,226	3,778	2,516	3,933
Other Current Assets	564	592	603	636
Total Assets	15,424	17,048	20,197	21,631
Equity				
Equity Share Capital	123	123	123	123
Other Equity	9,394	11,816	13,685	15,941
Total Networth	9,516	11,939	13,807	16,064
Non-Current Liabilities				
Long Term borrowings	1,652	1,271	2,500	1,515
Provisions	111	109	109	109
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,175	634	634	634
Trade payables	1,378	1,111	1,162	1,321
Other current liabilities	564	595	596	598
Total Equity & Liabilities	15,424	17,048	20,197	21,631

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	3,489	3,510	2,909	3,509
Add. Depreciation	734	720	821	947
Add. Interest	171	190	202	211
Less Financial Other Income	90	194	265	265
Add. Other	(60)	(255)	(265)	(165)
Op. profit before WC changes	4,334	4,165	3,666	4,503
Net Changes-WC	499	155	(180)	(302)
Direct tax	(1,085)	(944)	(734)	(884)
Net cash from Op. activities	3,748	3,376	2,752	3,316
Capital expenditures	(302)	(823)	(5,000)	(500)
Interest / Dividend Income	90	194	265	165
Others	(29)	61	-	-
Net Cash from Invt. activities	(241)	(569)	(4,735)	(335)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,642)	(922)	1,229	(985)
Dividend paid	(184)	(184)	(307)	(368)
Interest paid	(171)	(190)	(202)	(211)
Others	(8)	41	-	-
Net cash from Fin. activities	(2,005)	(1,255)	721	(1,564)
Net change in cash	1,501	1,552	(1,262)	1,417
Free Cash Flow	3,446	2,552	(2,248)	2,816

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	19.8	20.4	17.7	21.4
CEPS	25.8	26.3	24.4	29.1
BVPS	77.6	97.4	112.6	131.0
FCF	28.1	20.8	(18.3)	23.0
DPS	0.2	0.2	0.3	0.3
Return Ratio(%)				
RoCE	30.6	27.8	20.2	21.2
ROIC	25.3	26.9	16.5	18.9
RoE	28.9	23.3	16.9	17.6
Balance Sheet				
Net Debt : Equity (x)	0.1	(0.2)	0.0	(0.1)
Net Working Capital (Days)	16	18	20	22
Valuation(x)				
PER	17.2	16.7	19.2	15.9
P/B	4.4	3.5	3.0	2.6
P/CEPS	13.2	13.0	14.0	11.7
EV/EBITDA	9.8	9.6	11.6	9.1
EV/Sales	2.6	2.2	2.3	1.9
Dividend Yield (%)	0.0	0.0	0.1	0.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	4,573	4,202	4,414	3,862
YoY gr. (%)	8.3	(1.0)	(6.1)	(16.8)
Raw Material Expenses	1,887	1,753	2,040	1,612
Gross Profit	2,686	2,449	2,374	2,250
Margin (%)	58.7	58.3	53.8	58.3
EBITDA	1,167	920	762	658
YoY gr. (%)	3.3	(17.2)	(44.7)	(50.0)
Margin (%)	25.5	21.9	17.3	17.0
Depreciation / Depletion	182	183	172	182
EBIT	985	737	590	476
Margin (%)	21.5	17.5	13.4	12.3
Net Interest	18	114	32	40
Other Income	76	(40)	85	64
Profit before Tax	1,043	583	643	500
Margin (%)	22.8	13.9	14.6	13.0
Total Tax	380	208	(46)	127
Effective tax rate (%)	36.4	35.6	(7.2)	25.4
Profit after Tax	664	375	689	373
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	725	375	689	373
YoY gr. (%)	8.1	(40.5)	(14.5)	(51.9)
Margin (%)	15.8	8.9	15.6	9.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	725	375	689	373
YoY gr. (%)	8.1	(40.5)	(14.5)	(51.9)
Margin (%)	15.8	8.9	15.6	9.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	725	375	689	373
Avg. Shares O/s (m)	123	123	123	123
EPS (Rs)	5.9	3.1	5.6	3.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	13-Jul-23	BUY	455	355

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,955	1,924
2	Bajaj Electricals	Accumulate	1,326	1,219
3	Century Plyboard (I)	BUY	800	671
4	Cera Sanitaryware	Hold	7,805	7,690
5	Crompton Greaves Consumer Electricals	BUY	338	286
6	Finolex Industries	Accumulate	197	184
7	Greenpanel Industries	BUY	455	355
8	Havells India	BUY	1,460	1,348
9	Kajaria Ceramics	Hold	1,363	1,393
10	KEI Industries	Hold	2,319	2,329
11	Polycab India	Accumulate	4,760	4,309
12	Prince Pipes and Fittings	Accumulate	718	657
13	Supreme Industries	Hold	3,377	3,382
14	Voltas	Hold	813	767

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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