

BUY Greenpanel Industries

Your success is our success

Momentary weakness; medium-term growth story intact

Building Materials ▶ Company Update ▶ September 26, 2023

TARGET PRICE (Rs): 440

Our channel checks suggest that volume trajectory for the MDF segment is expected to remain weak in Q2FY24 owing to the subdued demand environment and sustained pressure of MDF imports (monthly run-rate: ~30K CBM). Timber prices in the southern region have further firmed up, with a likely 10% QoQ increase (+2% QoQ in Q1FY24), while having broadly stayed stable in the North. However, declining resin prices and lower marketing spends could provide some respite to margins in Q2FY24E. We continue to like Greenpanel, given its leadership position in the MDF segment, industry-leading margins, lean working capital, and strong balance sheet. However, near-term challenges may pose downside risk to our/ consensus estimates for FY24. We have a BUY rating on the stock, with Jun-24E TP of Rs440/sh, based on 18x P/E.

Greenpanel Industries: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	16,250	17,829	19,137	21,240	25,358
EBITDA	4,304	4,165	4,010	4,647	5,827
Adj. PAT	2,405	2,504	2,434	2,779	3,698
Adj. EPS (Rs)	19.6	20.4	19.9	22.7	30.2
EBITDA margin (%)	26.5	23.4	21.0	21.9	23.0
EBITDA growth (%)	111.7	(3.2)	(3.7)	15.9	25.4
Adj. EPS growth (%)	321.9	4.1	(2.8)	14.2	33.1
RoE (%)	28.6	23.3	18.6	18.0	20.2
RoIC (%)	21.3	22.1	17.7	17.4	21.5
P/E (x)	19.2	18.4	18.9	16.6	12.5
EV/EBITDA (x)	10.8	10.6	11.6	9.5	7.1
P/B (x)	4.8	3.9	3.2	2.8	2.3
FCFF yield (%)	7.1	5.8	(4.2)	5.5	7.1

Source: Company, Emkay Research

Volume growth yet to pick up steam

Greenpanel had registered ~7% YoY volume de-growth in the MDF segment during Q1FY24 mainly owing to maintenance shut-down. Given the weak demand in the domestic market and the imports pressure, we estimate Company volumes would grow in a low to mid-single-digit sequentially in Q2FY24E. India's MDF export shipments have grown 12% YoY in Jul-23. We estimate a similar trend for the company, as we anticipate double-digit YoY export growth in the MDF segment (>30K CBM).

Lower marketing spends likely to negate the impact of higher RM cost in Q2

Timber prices in the South (65-70% of volumes) have further firmed up, further with likely 10% QoQ increase (+2% QoQ in Q1FY24), while it has broadly remained stable in the North region. However, declining resin prices and lower marketing spends could provide some respite to margins. To recap, ad spends in Q1 stood at 3.9% of sales vs annual budget spends of 2-2.5% of sales in FY24.

New segment to propel growth from H2FY24

To combat the challenges of rising imports, Company has recently launched a new category which would cater to OEMs (an import dominated category) and will be priced 7-8% cheaper than industrial grade products. The new OEM segment would generate 8K-10K per month incremental CBM volumes H2FY24 onwards and is likely to contribute 20% to overall volumes over the next two years.

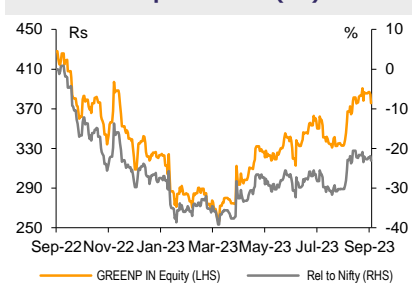
Aggressive capex plans to support long-term growth prospects

MDF is expected to be one of the fastest growing segments in the wood-panel category and is estimated to register at 18-20% CAGR over FY23-28E, led by deepening penetration and increasing preference for readymade furniture. In a bid to capture this opportunity, Greenpanel has outlined capex of Rs6bn, which would enhance its capacity by ~35%, from 660K CBM to 891K CBM by Q2FY25E.

Target Price	Jun-24
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	16.8
CMP (25-Sep-23) (Rs)	377.0

Stock Data	Ticker
52-week High (Rs)	441
52-week Low (Rs)	255
Shares outstanding (mn)	122.6
Market-cap (Rs bn)	46
Market-cap (USD mn)	557
Net-debt, FY24E (Rs mn)	264
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	181.8
ADTV-3M (USD mn)	2.2
Free float (%)	-
Nifty-50	19,674
INR/USD	82.9
Shareholding, Jun-23	
Promoters (%)	53.1
FPIs/MFs (%)	4.3/21.6

Price Performance			
(%)	1M	3M	12M
Absolute	11.3	14.2	(12.5)
Rel. to Nifty	9.7	8.9	(21.6)

1-Year share price trend (Rs)**Dharmesh Shah**dharmesh.shah@emkayglobal.com
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Story in Charts

Exhibit 1: Key Assumptions

Segmental performance (Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR (%)	
									FY19-23	FY23-26E
MDF										
Sales volumes (K CBM)	198	316	380	495	507	568	637	765	26.5	14.7
YoY (%)		59.8	20.4	30.1	2.4	12.0	12.3	20.0		
Revenues	4.5	6.4	8.0	13.7	15.4	16.5	18.4	22.5	36.3	13.4
YoY (%)		44.4	24.7	70.5	12.5	7.2	11.8	21.8		
Realization (Rs/CBM)	22,543	20,374	21,097	27,638	30,367	29,072	28,935	29,371	7.7	-1.1
YoY (%)		-9.6	3.5	31.0	9.9	-4.3	-0.5	1.5		
EBITDA	0.5	1.2	1.8	4.2	4.2	3.8	4.4	5.5	67.8	9.7
YoY (%)		120.9	57.5	129.0	-0.6	-9.7	15.4	26.4		
Margin (%)	11.9	18.2	23.0	30.9	27.3	23.0	23.8	24.7		
Rs/CBM	2,683	3,708	4,852	8,540	8,290	6,687	6,872	7,240	32.6	-4.4
Plywood										
Sales volumes (MSM)	5.7	8.5	8.5	9.3	8.6	9.2	9.6	9.8	10.9	4.6
YoY (%)		49.8	-0.4	9.7	-7.7	7.0	5.0	2.0		
Revenues	1.4	2.2	2.2	2.6	2.4	2.6	2.8	2.9	14.6	5.8
YoY (%)		52.6	0.7	17.9	-4.8	8.1	6.1	3.3		
Realization (Rs/MSM)	249	254	256	276	284	287	290	294	3.4	1.1
YoY (%)		1.9	1.0	7.5	3.2	1.0	1.0	1.3		
EBITDA	0.12	0.25	0.27	0.28	0.17	0.18	0.24	0.26	8.8	15.4
YoY (%)		111.9	5.8	4.6	-40.3	9.6	28.0	9.4		
Margin (%)	8.5	11.8	12.4	11.0	6.9	7.0	8.5	9.0		

Source: Company, Emkay Research

Exhibit 2: Annual analysis

Consolidated	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR (%)	
								FY19-23	FY23-25E
P&L (Rs bn)									
Revenue	8.8	10.2	16.3	17.8	19.1	21.2	25.4	31.3	12.5
EBITDA	1.4	2.0	4.3	4.2	4.0	4.6	5.8	52.3	11.8
Adj. Net Profit	0.0	0.7	2.4	2.5	2.4	2.8	3.7	64.0	13.9
Balance Sheet (Rs bn)									
Equity	6.6	7.3	9.5	11.9	14.2	16.7	20.0		
Net Debt (Rs bn)	5.5	3.7	0.6	-1.9	0.3	(1.9)	(4.7)		
Net Debt:EBITDA (x)	4.0	1.8	0.1	(0.4)	0.1	(0.4)	(0.8)		
Net Debt:Equity (x)	0.8	0.5	0.1	-0.2	0.0	(0.1)	(0.2)		
Cash Flow (Rs bn)									
OCF before NWC change	0.7	1.2	3.1	3.6	3.2	3.7	4.8		
Change in NWC	0.0	0.6	0.4	(0.3)	(0.1)	(0.2)	(0.1)		
Capex	(0.2)	(0.1)	(0.3)	(0.8)	(5.0)	(1.0)	(1.5)		
FCF	0.5	1.7	3.2	2.5	(1.9)	2.4	3.2		
Return ratios (%)									
RoE	0.6	9.9	28.6	23.3	18.6	18.0	20.2		
RoCE	4.9	7.4	19.3	18.3	15.5	15.9	18.2		
RoIC	6.6	7.4	21.3	22.1	17.7	17.4	21.5		
Valuations (x)									
PER				18.4	18.9	16.6	12.5		
EV/EBITDA				10.6	11.6	9.5	7.1		
P/B				3.9	3.2	2.8	2.3		

Source: Company, Emkay Research

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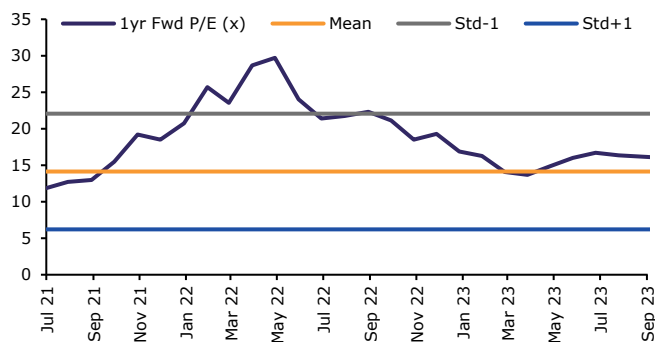
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Exhibit 3: We maintain BUY on Greenpanel, with TP of Rs440/share, based on 18x Jun-25E P/E

P/E-based methodology	(Rs/share)
Jun-25E EPS	24.5
P/E (x)	18.0
Target Price	440
CMP	376
Upside (%)	17

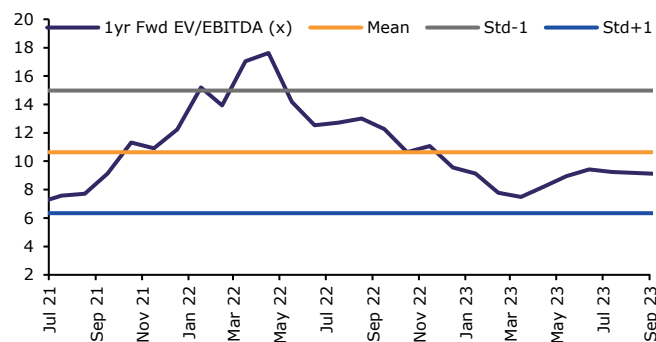
Source: Emkay Research

Exhibit 4: One-year forward P/E



Source: Company, Emkay Research

Exhibit 5: One-year forward EV/EBITDA



Source: Company, Emkay Research

Profit & Loss

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	16,250	17,829	19,137	21,240	25,358
Revenue growth (%)	59.2	9.7	7.3	11.0	19.4
EBITDA	4,304	4,165	4,010	4,647	5,827
EBITDA growth (%)	111.7	(3.2)	(3.7)	15.9	25.4
Depreciation & Amortization	734	720	755	899	1,046
EBIT	3,571	3,445	3,255	3,748	4,781
EBIT growth (%)	165.0	(3.5)	(5.5)	15.1	27.6
Other operating income	0	0	0	0	0
Other income	90	194	154	122	210
Financial expense	171	190	154	154	47
PBT	3,489	3,449	3,254	3,715	4,944
Extraordinary items	0	0	0	0	0
Taxes	1,085	944	820	936	1,246
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	2,405	2,504	2,434	2,779	3,698
PAT growth (%)	321.9	4.1	(2.8)	14.2	33.1
Adjusted PAT	2,405	2,504	2,434	2,779	3,698
Diluted EPS (Rs)	19.6	20.4	19.9	22.7	30.2
Diluted EPS growth (%)	321.9	4.1	(2.8)	14.2	33.1
DPS (Rs)	1.5	1.5	1.6	2.3	3.0
Dividend payout (%)	7.6	7.3	8.0	10.0	10.0
EBITDA margin (%)	26.5	23.4	21.0	21.9	23.0
EBIT margin (%)	22.0	19.3	17.0	17.6	18.9
Effective tax rate (%)	31.1	27.4	25.2	25.2	25.2
NOPLAT (pre-IndAS)	2,461	2,502	2,435	2,803	3,576
Shares outstanding (mn)	122.6	122.6	122.6	122.6	122.6

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	3,489	3,449	3,254	3,715	4,944
Others (non-cash items)	(559)	(169)	0	0	0
Taxes paid	(580)	(623)	820	936	1,246
Change in NWC	402	(254)	(99)	(238)	(128)
Operating cash flow	3,657	3,374	3,090	3,472	4,453
Capital expenditure	(336)	(803)	(5,030)	(1,030)	(1,530)
Acquisition of business	0	0	0	0	0
Interest & dividend income	30	120	154	122	210
Investing cash flow	(1,364)	(2,478)	(4,876)	(908)	(1,319)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(1,468)	(1,002)	0	(1,300)	(100)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(115)	(85)	(154)	(154)	(47)
Dividend paid (incl tax)	(184)	(184)	(194)	(277)	(369)
Others	(82)	(66)	(3)	32	64
Financing cash flow	(1,849)	(1,336)	(351)	(1,699)	(453)
Net chg in Cash	443	(441)	(2,137)	865	2,681
OCF	3,657	3,374	3,090	3,472	4,453
Adj. OCF (w/o NWC chg.)	3,255	3,628	3,189	3,710	4,581
FCFF	3,320	2,571	(1,940)	2,443	2,923
FCFE	1,852	1,568	(1,940)	1,143	2,823
OCF/EBITDA (%)	84.9	81.0	77.1	74.7	76.4
FCFE/PAT (%)	77.0	62.6	(79.7)	41.1	76.3
FCFF/NOPLAT (%)	134.9	102.8	(79.7)	87.1	81.7

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	123	123	123	123	123
Reserves & Surplus	9,394	11,816	14,050	16,546	19,869
Net worth	9,516	11,939	14,173	16,669	19,991
Minority interests	0	0	0	0	0
Deferred tax liability (net)	682	1,020	1,020	1,020	1,020
Total debt	3,965	3,403	3,407	2,145	2,115
Total liabilities & equity	14,164	16,362	18,599	19,833	23,126
Net tangible fixed assets	9,948	9,453	9,129	13,760	13,243
Net intangible assets	2	3	3	3	3
Net ROU assets	432	459	459	459	459
Capital WIP	0	49	4,649	149	1,149
Goodwill	0	0	0	0	0
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	2,226	3,778	1,641	2,506	5,187
Current assets (ex-cash)	2,816	3,305	3,643	4,091	4,621
Current Liab. & Prov.	1,942	1,706	1,945	2,154	2,556
NWC (ex-cash)	1,556	2,619	2,718	2,956	3,084
Total assets	14,164	16,362	18,599	19,833	23,126
Net debt	600	(1,874)	264	(1,902)	(4,683)
Capital employed	13,025	14,863	17,097	18,292	21,515
Invested capital	11,938	12,535	12,310	17,178	16,790
BVPS (Rs)	77.6	97.4	115.6	135.9	163.0
Net Debt/Equity (x)	0.1	(0.2)	0.0	(0.1)	(0.2)
Net Debt/EBITDA (x)	0.1	(0.4)	0.1	(0.4)	(0.8)
Interest coverage (x)	21.4	19.1	22.1	25.1	105.4
RoCE (%)	29.3	26.1	21.3	21.9	25.1

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	19.2	18.4	18.9	16.6	12.5
P/CE(x)	14.7	14.3	14.4	12.5	9.7
P/B (x)	4.8	3.9	3.2	2.8	2.3
EV/Sales (x)	2.9	2.5	2.4	2.1	1.6
EV/EBITDA (x)	10.8	10.6	11.6	9.5	7.1
EV/EBIT(x)	13.1	12.8	14.2	11.8	8.7
EV/IC (x)	3.9	3.5	3.8	2.6	2.5
FCFF yield (%)	7.1	5.8	(4.2)	5.5	7.1
FCFE yield (%)	4.0	3.6	(4.2)	2.6	6.8
Dividend yield (%)	0.4	0.4	0.4	0.6	0.8
DuPont-RoE split					
Net profit margin (%)	14.8	14.0	12.7	13.1	14.6
Total asset turnover (x)	1.3	1.3	1.2	1.2	1.3
Assets/Equity (x)	1.5	1.3	1.2	1.1	1.1
RoE (%)	28.6	23.3	18.6	18.0	20.2
DuPont-RoIC					
NOPLAT margin (%)	15.1	14.0	12.7	13.2	14.1
IC turnover (x)	1.4	1.5	1.5	1.4	1.5
RoIC (%)	21.3	22.1	17.7	17.4	21.5
Operating metrics					
Core NWC days	35.0	53.6	51.8	50.8	44.4
Total NWC days	35.0	53.6	51.8	50.8	44.4
Fixed asset turnover	1.1	1.2	1.3	1.2	1.2
Opex-to-revenue (%)	32.2	34.8	36.2	34.3	34.2

Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
28-Jul-23	341	440	Buy	Dharmesh Shah
04-Jul-23	339	450	Buy	Dharmesh Shah
04-Jul-23	339	450	Buy	Dharmesh Shah
04-Jul-23	339	450	Buy	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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