

7 November 2024

Greenply Industries

Decent operational performance, one-offs impact PAT; reducing to a Hold

Greenply's revenue/gross profit/EBITDA grew 12.8/12.3/19.2% y/y to Rs6.4bn/2.5bn/576m, though adj. PAT was 6.1% lower y/y at Rs176m. Higher input costs trimmed the gross margin 18bps y/y to 39.1%, but economies of scale pulled up the EBITDA margin 48bps y/y to 9%.

Plywood business stable. 5.9% more sales volumes y/y pushed up plywood revenue 7.9% y/y and improved realisation 2.4% y/y. The core EBITDA margin rose 70bps y/y to 8.3%. Disputes with partners led to a shift in focus to own manufacturing (up 17.8% y/y) and trading (7.8% lower y/y).

MDF business ramping up. Ramped-up utilisation helped MDF revenue grow 42.8% y/y. Sales volume were up 30.7% y/y and realisations, 9.2% y/y. A Rs46m forex loss pushed the core EBITDA margin down 160bps y/y to 11.8%.

Furniture & fittings JV business to kick off. On the successful completion of trial runs, production of the entire product range planned in phase 1 would commence from Nov'24.

Working capital, debt reduction. Net working capital required was 29 days 14 days fewer than in Mar'24. Gross/net debt were 5.4/21% lower y/y as cash & bank balances considerably increased from Mar'24 (3.6x).

Valuation, Outlook. We like Greenply for its leading position in plywood and for making a foray into a high-growth category, MDF. We expect 13.8%/45.8% revenue/earnings CAGR over FY24-27. The stock trades at 34.8x/23.9x/19.3x FY25e/FY26e/FY27e earnings. We resume coverage of the company and lower our recommendation to a Hold, as the risk-reward seems unfavourable after the significant, 53%, run up in price in the last six months (111% from the 52-week low). We arrive at a 12-mth TP of Rs375, 20x FY27e earnings (earlier Rs230, 15x FY24e earnings).

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	18,456	21,799	26,703	29,448	32,133
Net profit (Rs m)	818	717	1,282	1,866	2,312
EPS (Rs)	6.7	5.8	10.4	15.1	18.7
P/E (x)	54.2	62.3	34.8	23.9	19.3
EV / EBITDA (x)	30.0	26.6	19.7	15.0	12.5
P/BV (x)	6.9	6.3	5.4	4.4	3.6
RoE (%)	13.8	10.6	16.6	20.2	20.5
RoCE (%) after tax	9.6	34.9	15.9	19.3	20.7
Dividend yield (%)	0.1	0.1	0.1	0.1	0.1
Net debt / equity (x)	1.0	0.7	0.6	0.4	0.2

Source: Company, Anand Rathi Research

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Rating: **Hold**

12-mths Target Price: Rs.375

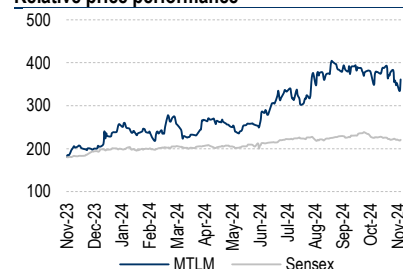
Share Price: Rs.361

Key data	MTLM IN / GRPL.BO
52-week high / low	Rs412 / 161
Sensex / Nifty	79542 / 24199
3-m average volume	\$1.8m
Market cap	Rs45bn / \$529.7m
Shares outstanding	124m

Shareholding pattern (%)	Sep'24	Jun'24	Mar'24
Promoters	52.0	52.0	52.0
- of which, Pledged	-	-	-
Free float	48.0	48.0	48.0
- Foreign institutions	5.6	4.9	4.1
- Domestic institutions	30.7	30.3	30.3
- Public	11.7	12.8	13.6

Estimates revision (%)	FY25e
Sales	(6.6)
EBITDA	(26.2)
PAT	(29.5)

Relative price performance



Source: Bloomberg

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Research Analyst

Quick Glance – Financials and Valuations (consol.)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Net revenues	18,456	21,799	26,703	29,448	32,133
Growth (%)	18.1	18.1	22.5	10.3	9.1
Direct costs	11,266	13,155	15,855	17,025	18,326
SG&A	5,499	6,776	8,345	9,203	10,041
EBITDA	1,691	1,868	2,503	3,221	3,766
EBITDA margins (%)	9.2	8.6	9.4	10.9	11.7
- Depreciation	365	545	556	580	611
Other income	153	139	167	184	201
Interest expenses	262	433	405	338	273
PBT	1,314	1,163	1,709	2,488	3,083
Effective tax rates (%)	15.8	28.9	25.0	25.0	25.0
+ Associates / (Minorities)	(208)	(13)	-	-	-
Net income	914	852	1,282	1,866	2,312
Adjusted income	818	717	1,282	1,866	2,312
WANS	122.9	123.7	123.7	123.7	123.7
FDEPS (Rs)	6.7	5.8	10.4	15.1	18.7
FDEPS growth (%)	(25.8)	(12.9)	78.7	45.6	23.9
Gross margins (%)	39.0	39.7	40.6	42.2	43.0

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT (adj. for int. exp./ other income)	1,314	1,163	1,709	2,488	3,083
+ Non-cash items	365	545	556	580	611
Oper. prof. before WC	1,678	1,708	2,265	3,067	3,694
- Incr. / (decr.) in WC	(1,142)	237	(621)	(349)	(335)
Others incl. taxes	129	88	(22)	(284)	(498)
Operating cash-flow	666	2,034	1,622	2,434	2,861
- Capex (tang. + intang.)	(5,465)	402	(839)	(986)	(1,142)
Free cash-flow	(4,799)	2,436	783	1,448	1,719
Acquisitions					
- Div.(incl. buyback & taxes)	(49)	(49)	(49)	(49)	(49)
+ Equity raised	0	1	-	-	-
+ Debt raised	3,716	(1,388)	157	(493)	(549)
- Fin investments	194	(371)	-	-	-
- Misc. (CFI + CFF)	526	(718)	(476)	(380)	(315)
Net cash-flow	(412)	(90)	415	526	806

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Company

Fig 2 – Balance sheet (Rs m)

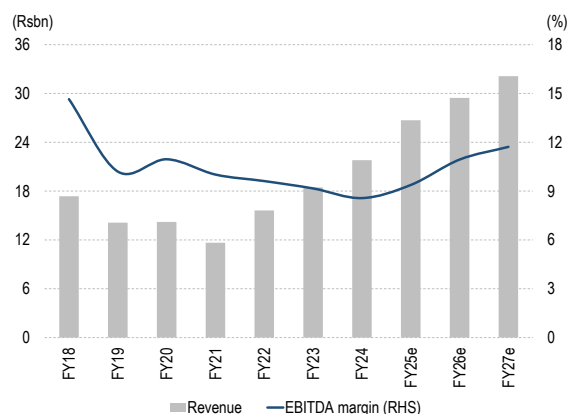
Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	123	124	124	124	124
Net worth	6,315	6,970	8,203	10,020	12,283
Debt	6,634	5,246	5,403	4,910	4,361
Minority interest	-	2	2	2	2
DTL / (Assets)	(17)	(65)	(65)	(65)	(65)
Capital employed	13,055	12,277	13,666	14,990	16,704
Net tangible assets	4,014	8,096	8,346	8,721	9,221
Net intangible assets	574	554	554	554	554
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	5,133	124	157	188	219
Investments (strategic)	64	435	435	435	435
Investments (financial)	-	-	-	-	-
Current assets (excl. cash)	1,613	1,165	1,335	1,446	1,555
Cash	314	224	639	1,165	1,972
Current liabilities	1,301	959	1,091	1,149	1,213
Working capital	2,644	2,639	3,292	3,631	3,962
Capital deployed	13,055	12,277	13,666	14,990	16,704
Contingent liabilities	523	1,822	-	-	-

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	54.2	62.3	34.8	23.9	19.3
EV / EBITDA (x)	30.0	26.6	19.7	15.0	12.5
EV / Sales (x)	2.7	2.3	1.9	1.6	1.5
P/B (x)	6.9	6.3	5.4	4.4	3.6
RoE (%)	13.8	10.6	16.6	20.2	20.5
RoCE (%) - after tax	9.6	34.9	15.9	19.3	20.7
RoIC	12.2	8.3	12.8	15.9	17.7
DPS (Rs)	0.4	0.4	0.4	0.4	0.4
Dividend yield (%)	0.1	0.1	0.1	0.1	0.1
Dividend payout (%)	5.4	5.8	3.8	2.6	2.1
Net debt / equity (x)	1.0	0.7	0.6	0.4	0.2
Receivables (days)	45.2	41.7	43.8	43.8	43.8
Inventory (days)	55.1	58.2	56.3	56.3	56.3
Payables (days)	48.0	55.7	55.0	55.0	55.0
CFO : PAT %	81.4	283.6	126.5	130.5	123.7

Source: Company, Anand Rathi Research

Fig 6 – Revenue, EBITDA margin trends



Source: Company

Financial highlights

Fig 7 – Financials (consolidated)

(Rs m)	Q2 FY24	Q1 FY25	Q2 FY25	% Y/Y	% Q/Q	H1 FY24	H1 FY25	% Y/Y	FY23	FY24	% Y/Y
Revenue	5,677	5,839	6,405	12.8	9.7	9,981	12,244	22.7	16,631	21,799	31.1
Raw material costs	3,450	3,461	3,904	13.2	12.8	5,975	7,364	23.3	10,328	13,155	27.4
Employee costs	725	734	825	13.9	12.5	1,376	1,559	13.3	2,175	2,791	28.3
Other expenses	1,019	1,065	1,100	7.9	3.2	1,875	2,165	15.4	2,588	3,985	54.0
EBITDA	483	579	576	19.2	(0.5)	755	1,155	53.1	1,541	1,868	21.2
Other income	33	57	20	(39.6)	(65.5)	50	77	53.7	172	139	(19.7)
Depreciation	139	150	151	8.3	0.6	250	301	20.1	260	545	109.8
Finance costs	118	104	145	22.3	38.9	196	249	26.8	91	433	377.5
Profit / Loss from Associate	(1)	(45)	(44)	3,189.4	(2.7)	(5)	(90)	1,819.4	(208)	(13)	(93.7)
PBT	257	337	256	(0.4)	(24.0)	354	594	67.9	1,252	1,150	(8.1)
Tax	70	5	81	15.9	1,442.5	108	86	(20.0)	192	298	55.1
Adj. PAT	188	331	176	(6.1)	(46.7)	246	507	106.0	1,060	852	(19.6)
Adj. EPS (Rs)	1.5	2.7	1.4	(6.1)	(46.7)	2.0	4.1	106.0	8.6	6.9	(19.6)
As % of income			bps y/y		bps q/q			bps y/y			bps y/y
Material cost	60.8	59.3	60.9	18	168	59.9	60.1	28	62.1	60.3	(175)
Gross margins	39.2	40.7	39.1	(18)	(168)	40.1	39.9	(28)	37.9	39.7	175
Employee costs	12.8	12.6	12.9	12	32	13.8	12.7	(105)	13.1	12.8	(27)
Other operating expenses	18.0	18.2	17.2	(79)	(107)	18.8	17.7	(111)	15.6	18.3	272
EBITDA margins	8.5	9.9	9.0	48	(92)	7.6	9.4	188	9.3	8.6	(70)
Other income	0.6	1.0	0.3	(27)	(67)	0.5	0.6	13	1.0	0.6	(40)
Depreciation	2.5	2.6	2.4	(10)	(21)	2.5	2.5	(5)	1.6	2.5	94
Finance costs	2.1	1.8	2.3	18	48	2.0	2.0	7	0.5	2.0	144
PBT margins	4.5	5.8	4.0	(53)	(177)	3.5	4.8	130	7.5	5.3	(225)
Effective tax rates	27.1	1.6	31.5	443	2,995	30.4	14.5	(1,591)	15.3	25.9	1,055
PAT margins	2.4	5.7	2.8	30	(291)	1.5	4.1	267	5.5	3.2	(229)

Source: Company, Anand Rathi Research

Quantitative details by segment

Fig 8 – Financials

Standalone	Q2 FY24	Q1 FY25	Q2 FY25	(bps) Y/Y	(bps) Q/Q	H1 FY24	H1 FY25	(bps) Y/Y	FY23	FY24	(bps) Y/Y
Volume mix (%)											
Manufacturing – own	53.0	62.0	56.0	300	300	54	59	500	52	55	300
Manufacturing - partners	4.0	1.0	-	(400)	(400)	5	-	(500)	9	4	(500)
Trading	43.0	37.0	44.0	100	100	41	41	-	39	41	200
Total	100	100	100	-	-	100	100	-	100	100	-

Value mix (%)											
Manufacturing – own	63.0	68.0	64.0	100	100	64	66	200	61	64	300
Manufacturing - partners	4.0	1.0	-	(400)	(400)	4	-	(400)	8	3	(500)
Trading	33.0	31.0	36.0	300	300	32	34	200	31	33	200
Total	100	100	100	-	-	100	100	-	100	100	-

Quantitative details (m sq.mtr.)				% Y/Y	% Q/Q				% Y/Y			% Y/Y
Capacity	12.1	12.1	12.1	-	-	24.2	24.2	-	48.4	48.4	-	-
Utilisation (%)	83.5	84.3	98.3	1,488 (bps)	1,405(bps)	78.5	90.9	1,240(bps)	72.3	82.6	1,033(bps)	-
Production	10.1	10.2	11.9	17.8	17.8	19.0	22.0	15.8	35.0	40.0	14.3	-
Partnerships & Trading	9.0	7.5	8.3	(7.8)	(7.8)	16.0	16.0	-	31.2	31.9	2.2	-
Sales	19.1	17.7	20.2	5.8	5.8	35.0	38.0	8.6	66.2	71.9	8.6	-
Realisation (Rs / sq.mtr.)	245	245	251	2.4	2.4	249.1	247.4	(0.7)	251.2	252.0	0.3	-

Plywood	Q2 FY24	Q1 FY25	Q2 FY25	% Y/Y	% Q/Q	H1 FY24	H1 FY25	% Y/Y	FY23	FY24	% Y/Y
Sales Volume (m sq.mtrs.)	19.1	17.7	20.2	5.8	14.1	35.4	37.9	7.2	66.2	71.9	8.6
Realisation (Rs / sq.mtr.)	245	245	251	2.4	2.4	247	248	0.4	246	247	0.4
Revenue (Rs m)	4,780	4,520	5,140	7.5	13.7	8,900	9,660	8.5	16,630	18,120	9.0
Core EBITDA (Rs m)	364	355	429	17.9	20.8	706	784	11.0	1,730	1,500	(13.3)
Core EBITDA margin (%)	7.6	7.9	8.3	73bps	49bps	7.9	8.1	18bps	10.4	8.3	(212)bps
PAT (Rs m)	224	330	277	23.7	(16.1)	433	607	40.2	1,130	1,020	(9.7)

MDF	Q2 FY24	Q1 FY25	Q2 FY25	% Y/Y	% Q/Q	H1 FY24	H1 FY25	% Y/Y	FY23	FY24	% Y/Y
Sales volumes (cu.mtrs.)	31,019	42,724	40,553	30.7	(5.1)	37,081	83,277	124.6	-	124,772	-
Realisation Rs / cu.mtr.)	28,539	30,817	31,169	9.2	1.1	28,541	30,988	8.6	-	29,279	-
Revenue (Rs m)	885	1,317	1,264	42.8	(4.0)	1,058	2,581	144.0	-	3,650	-
EBITDA adj. for forex (Rs m)	139	220	149	7.2	(32.3)	60	368	513.3	-	400	-
EBITDA margins (adj. for forex), %	15.7	16.7	11.8	(392)bps	(492)bps	5.7	14.3	859bps	-	11.0	-
PAT (Rs m)	(33)	43	(56)	69.7	(230.2)	(181)	(13)	(92.8)	-	(160)	-

A. Plain MDF Boards

Sales volumes (cu.mtrs)	31,019	35,492	35,003	12.8	(1.4)	37,081	70,495	90.1	-	115,891	-
Realisations (Rs / cu.mtr.)	28,539	28,911	29,588	3.7	2.3	28,541	29,247	2.5	-	28,386	-
Revenue (Rs m)	890	1,030	1,040	16.9	1.0	1,060	2,060	94.3	-	3,290	-

B. Pre-Lam MDF Boards

Sales volumes (cu.mtr.)	-	7,231	5,550	-	(23.2)	-	12,781	-	-	8,881	-
Realisations (Rs / cu.mtr.)	-	40,172	41,138	-	2.4	-	40,591	-	-	40,931	-
Revenue (Rs m)	-	290	230	-	(20.7)	-	520	-	-	360	-

Source: Company, Anand Rathi Research

Q2 FY25 results analysis

Decent performance on operational front, one-offs curb PAT

- Greater offtake led to higher utilisation, pushing up the MDF business 41.3% y/y to Rs1.3bn and Q2 revenue 12.8% y/y to Rs6.4bn.
- Higher input costs and the product-mix change led to a 18bp y/y contraction in the gross margin to 39.1%. The gross profit was up 12.3% y/y to Rs2.5bn.
- Economies of scale pulled up the EBITDA margin 48 bps y/y to 9% leading to Rs576m EBITDA, up 19.2% y/y.
- Despite higher operating profit, adj. PAT was 6.1% lower y/y to Rs176m, stemming from i) a Rs46m forex loss, ii) the share (Rs35m) of loss in the furniture & fittings JV and ii) the share (Rs9m) of loss in the Middle East Associate. Last year, Q2 PAT has been adjusted for the Rs49m loss on discontinued operations.

Category-wise

A. Plywood

- 5.9% more volumes sold y/y (to 20.2m sq.mtrs.) pushed up revenue 7.9% y/y to Rs 5.1bn, as realization rose 2.4% y/y to Rs251/sq.mtr.
- The 70bp y/y better EBITDA margin of 8.3% led to core EBITDA of Rs429m.
- The plywood sales volume mix was owned manufacturing/partner manufacturing/trading 56:0:44 (53:4:43 a year ago); by value, the mix was 64:0:36 (vs.63:4:33).
- Production increased 17.8% y/y to 11.9m sq.mtrs; sales, 5.8% y/y to 20.2m sq.mtrs; trading volumes declined 7.8% y/y to 8.3m sq.mtrs.

B. MDF

- Despite the plant shutdown for part of Sep'24 and intermittent power supply due to floods in Gujarat, revenue shot up 42.8% y/y to Rs1.3bn on the ramp-up in utilisation, though sequentially, it was 4.3% lower). Sales volumes were up 30.7% y/y to 40,553 cu.mtrs., while realisation was up 9.2% y/y to Rs31,169/cu.mtr.
- Core EBITDA was Rs149m resulting in an 11.8% EBITDA margin (vs. 13.4% a year back). A Rs 46m forex loss in Q2 curbed the performance.

Other details

- Management said the furniture & fittings JV is likely to see full phase-1 product range manufacturing from Nov'24 as all the required equipment has been installed and trial production completed.
- Net working capital was 29 days (14 fewer than in Mar'24) due chiefly to 14 fewer inventory days and four days more of creditors to 44/59 days even as debtors increased by two days to 44.
- The Rs3.8bn gross debt was 5.4% lower from Mar'24, while cash & bank balances more than tripled (3.6x) to Rs798m. Hence, the Rs3bn net debt was 21% lower than in Mar'24.

Q2 FY25 Concall KTAs

Decent performance, eyes on MDF ramp-up, scalability and plywood expansion (post failure of partnership model)

Plywood

- **Volume/value growth.** 5.9%/7.5% y/y. Sales 20.2m sq.mtrs.
- **Timber** cost up 13-14% y/y to Rs10.5/kg.
- **Price hikes.** 2-3% across India in a phased manner in Aug-Sep' 24 after a gap of 3-5 quarters. Realisation up 2.4% y/y to Rs245/sq.mtr.
- High input cost squeezed margins, restricted by product-mix change.
- Rs429m EBITDA resulting in 8.3% margin, up 70bps y/y.
- The economy category in plywood is growing faster than the premium category. Ahead, though, plywood segment growth will come equally from growth in the economy and premium segments.

MDF

- **Sales volumes grew** 30% y/y to 40,553 cu.mtrs.
- **Timber prices** up 6% y/y to Rs6.5/kg.
- **Prices hiked** 1-1.5% in Oct'24.
- Realisation upped 9.2% y/y to Rs31,169/cu.mtr., which was Rs30,988/cu.mtr in Oct'24.
- The better realisation led to Rs1.3bn revenue as sales volumes were curtailed by the seven-day plant shutdown and intermittent power supply caused by the Gujarat floods in Sep'24.
- The domestic-imports price difference is significant. Imported MDF realisation is Rs21,000/cu.mtr.; domestic blended realisation is much more.
- Liquidation of inventory and peak realisation contributed to healthy performance (revenue grew 42.8% y/y).
- Higher raw material costs could not be passed on completely and, hence, curbed the gross margin.
- The EBITDA margin contracted from under-absorption of fixed overheads and higher employee costs from increments in the quarter.
- Construction of the glue plant and installation of the HDMR/HDF flooring line is likely to be completed in Q3/Q4 FY25. This is expected to push up blended realisations.
- Glue now procured externally. But with backward integration (in-house glue plant), it will consume the glue output, expected to expand margins slightly. The HDMR/HDF flooring line will utilise the existing MDF product to produce value-added flooring.
- The focus is on high-density MDF products, which are not imported. Thus, there is no threat from MDF imports.
- The MDF business in India is now minuscule and will continue to grow healthily, thereby benefiting the company as well.

- Price hikes in MDF are possible as capacities are fully utilised and lower-grade imports restricted, besides being dependent on demand-supply.
- Peak MDF capacity utilisation expected in FY26; expanding capacity could be then considered, plans will be taken up in due course.
- No major capex being lined up by key organised players for the next 2-3 years excl. those which commence production in the next 3-9 months.
- The Vadodara plant has room for further expansion of 1000 cu.mtrs, but the key challenge would be to shut down the plant for longer.

Furniture & fittings JV

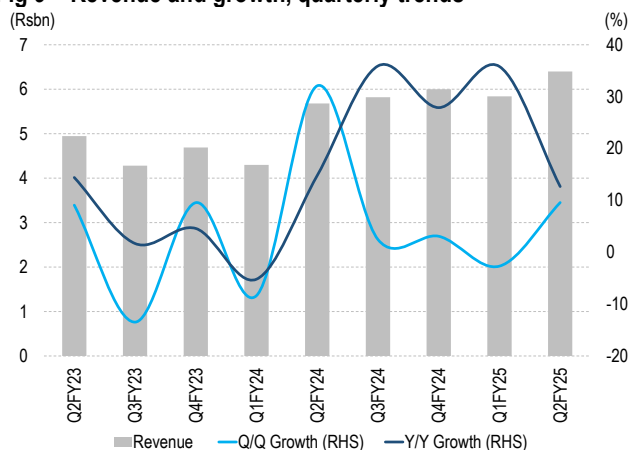
- Turnover of Rs10m in Q2 FY25.
- The company is behind its planned timeline to scale up revenue, delayed by almost a quarter in dispatch of machines from the JV partner.
- The machines arrived in Oct'24; trial production has been completed. Phase 1 of commercial production will commence in Nov'24.
- Focusing closely on ramping up business in the next 12-15 months and achieve breakeven by next year.

Other highlights

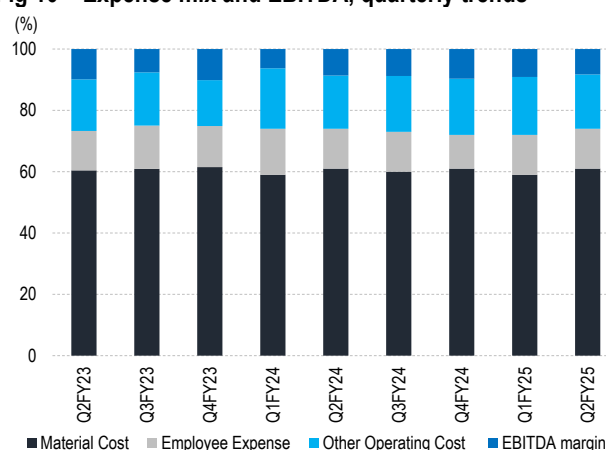
- To offset higher RM costs, the entire industry (incl. the company) has hiked prices during the quarter
- Robust H1 performance on changes in its product mix, as MDF started contributing substantially.
- Has beaten the industry growth rate (double digits) in MDF and expects to keep ahead of the curve, partially because of the GST compliance which led to smoothening operations.
- There are partnerships with manufacturing abilities, but they do not contribute substantially to revenue owing to certain issues. Hence, management is changing its strategy w.r.t the partnership model and creating capacities on its own gradually and in a phased manner. Hence, double-digit volume growth looks restricted for the next 6-9 months.
- Management does not foresee threats from imports, now faced with higher freight costs and container unavailability. It believes that, once this issue is resolved, BIS norms will be implemented.
- Competing with the top 3-4 branded operators; hence, the non-regulated sector is not a threat. Also, non-regulated operators have 10-15% higher manufacturing costs.
- A non-regulated operator has a smaller share in MDF compared to plywood and is more dominant in north India; hence, the company is isolated from these and does not consider them competition.
- The share of pre-laminated MDF sales is 10-12% of total sales. The company is focusing on doubling sales in this category by re-positioning the entire portfolio this month.
- Growth in MDF is faster than in plywood; even margins are better.
- Usually, inventories are higher in Q1/Q2 as the company holds inventory for the rest of the year. Besides, it procured raw material of Rs700m in the quarter.
- Q2 net debt: Rs3.5bn

Outlook / Guidance

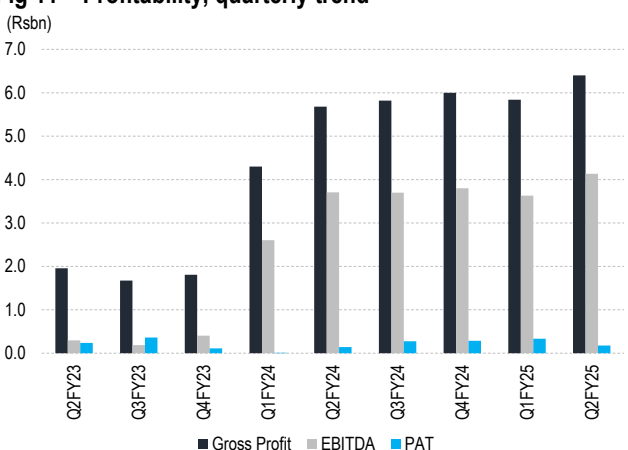
- In Q1 industry was faced with off-take headwinds w.r.t the general elections; Q2 was decent, but not up to the mark. Management, however, hopes that, starting Q4, things will start looking better from the market perspective.
- **Volumes.** Management guided to retain 8-10%/17-18% volume growth in plywood/MDF for FY25, driven equally by premium and economy products.
- **PAT hit by one-offs.** i) Rs46m adverse foreign currency, ii) loss of Rs35m in furniture and fitting, iii) share of loss in the Mid-East business.
- **MDF revenue/margin growth guidance** for FY25: 50%/16%+.
- **Input cost.** Management is optimistic of raw material prices starting to ease by the start of FY26; till then volatility is expected to persist.
- **MDF/plywood stocks** likely to move up from current levels.
- **Working capital required** was Rs1.9bn (vs. Rs2.5bn in Q1 FY25 and Rs2.1bn in Q2 FY24 (inventory/receivable/payable days were 44/44/59, vs. 52/44/58 a year ago).
- **Rs250m capex** incurred in H1; will be incurring Rs450m-500m in H2.
- **FY25 debt** expected at ~Rs4.5bn, increase is largely for MDF extension to value-added products.
- **Return ratio.** On track to a 20% weighted average RoCE at its MDF plant in Gujarat.

Fig 9 – Revenue and growth, quarterly trends

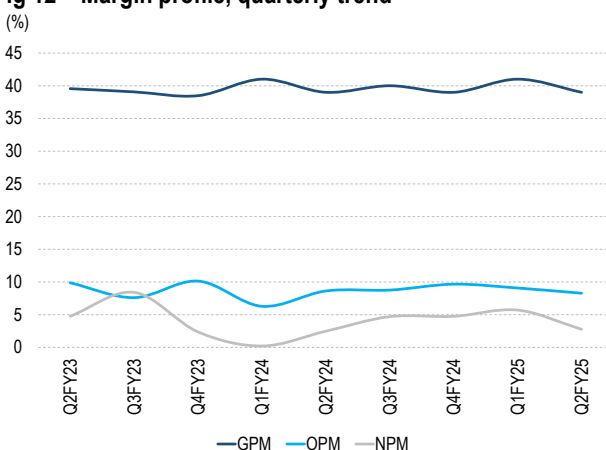
Source: Company, Anand Rathi Research

Fig 10 – Expense mix and EBITDA, quarterly trends

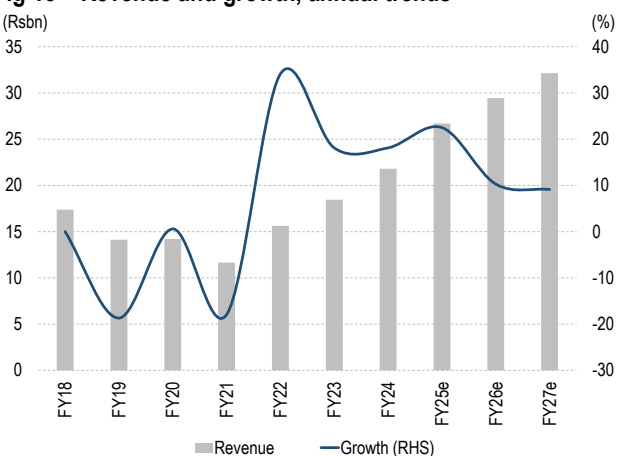
Source: Company, Anand Rathi Research

Fig 11 – Profitability, quarterly trend

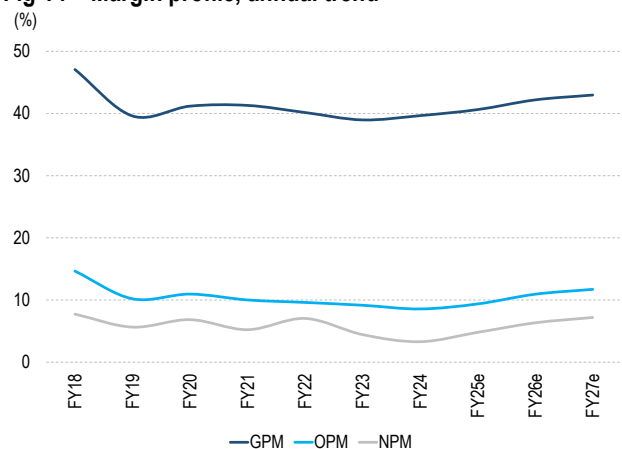
Source: Company, Anand Rathi Research

Fig 12 – Margin profile, quarterly trend

Source: Company, Anand Rathi Research

Fig 13 – Revenue and growth, annual trends

Source: Company, Anand Rathi Research

Fig 14 – Margin profile, annual trend

Source: Company, Anand Rathi Research

Valuation

Significant run-up renders risk-reward unfavourable. We like Greenply for its leading position in plywood and for expanding its horizon by making a foray into a high-growth category, MDF. We expect 13.8%/45.8% revenue/ earnings CAGRs over FY24-FY27.

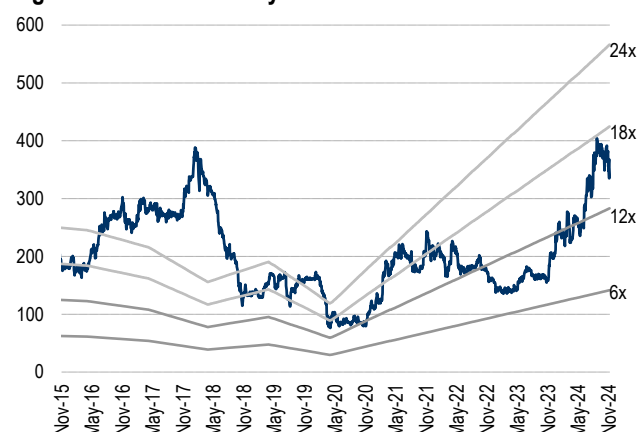
The stock trades at 34.8x/23.9x/19.3x FY25e/FY26e/FY27e EPS. We resume coverage of the company yet lower our recommendation on it to a Hold as the risk-reward seems unfavourable after the significant 53% run-up in the stock price in the last six months (111% from the 52-week low). We arrive at a 12-mth TP of Rs375, 20x FY27e earnings (earlier Rs230, 15x FY24e earnings).

Fig 15 – Change in estimates

(Rs m)	Old			New			% Var		
	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25	FY26	FY27
Income	27,920	-	-	26,703	29,448	32,133	(6.6)	-	-
EBITDA	3,490	-	-	2,503	3,221	3,766	(26.2)	-	-
EBITDA margins %	12.5	-	-	9.4	10.9	11.7	(250)	-	-
PAT	1,888	-	-	1,282	1,866	2,312	(29.5)	-	-
EPS (Rs m)	15.4	-	-	10.4	15.1	18.7	(29.9)	-	-

Source: Anand Rathi Research

Fig 16 – P/E band – One-year-forward



Source: Company, Anand Rathi Research

Fig 17 – P/E band – Mean and standard deviation



Source: Company, Anand Rathi Research

Risks

- **Mounting competition.** With increased traction in real estate, construction companies are in a sweet spot and are expanding capacities. Competition might increase from existing/new entities in similar domains or forays into such verticals.
- **Assured raw material at reasonable prices, a challenge.** Margins hit by higher key raw material prices, adequate quantities unavailable in time.
- **New business strategy, challenges.** For faster growth the company has invested 20% in an exclusive partnership for finished goods. Misunderstandings with the partner might derail the growth momentum.
- **Delay in ramping up the Gabon subsidiary.** A slow ramp-up in the face-veneer Gabon plant may curtail revenue growth and margins.
- **Delays in commissioning the expanded capacities** could slow the growth momentum.

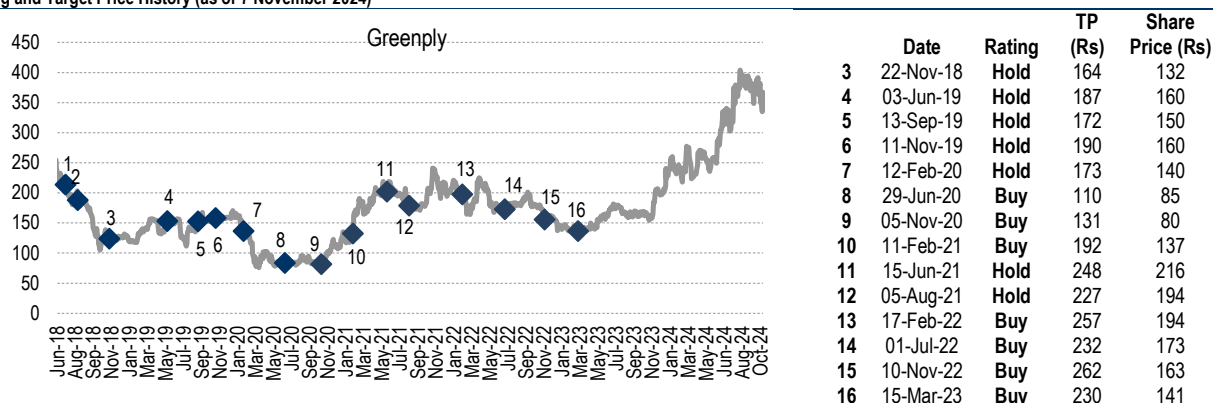
Appendix

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