

14 February 2025

Greenpanel Industries

*Weak show, trend to reverse, long-term story holds, retaining a Buy*Rating: **Buy**

Target Price: Rs.469

Share Price: Rs.317

Greenpanel Industries' Q3 revenue/gross profit/EBITDA/PAT fell 6.8%/28%/71/69.3% y/y to Rs3.6bn/1.6bn/173m/85m. The poor showing stemmed from export volumes falling (due to unprofitable orders) while domestic volumes were flat. Rising timber costs squeezed the gross margin, leading to the EBITDA margin contracting. Capex pulled cash surplus down 36% y/y. Management is uncertain about its earlier FY25 guidance and expects greater volumes in FY26 on a pickup in demand and capacity added.

Lower offtake impacts MDF. Revenue fell 5.8% y/y as volumes dipped 1.9% y/y and blended realisations slipped 4.2% y/y. Domestic volumes were flat, while export volumes fell 7.6% y/y. Domestic realisation stepped down 5.5% y/y but export realisation rose 2.2% y/y.

Poor plywood performance yet EBIT positive. Revenue fell 16.1% y/y because of lower sales volumes, down 16.9% y/y, but realisation was up 1.2% y/y. The segment turned green, with 3.1% EBITDA margin vs. negative margin of 5.1% in Q3FY24.

Expanding MDF capacity; rationalising sales teams to drive synergies. Management anticipates the expanded capacity which is coming up by Q4 FY25 to break even at 40-50% utilisation. It is merging the MDF and plywood sales team and expanding its dealer network.

Outlook, Valuation. Management expects the expanded capacity to drive volume growth, with breakeven at 40% capacity utilisation (likely in FY26). It expects 8-10% MDF volume growth in FY26. Besides, it anticipates the margin trajectory to go north from here, powered by input cost tailwinds and economies of scale. We expect 12.5%/21.5% revenue/earnings CAGRs over FY24-27. At the CMP, the stock trades at 80.5x/29x/15.2x FY25e/26e/27e earnings. We retain our Buy recommendation, with a lower TP of Rs469, based on 22.5x FY27e earnings (earlier Rs528 on 22.5x FY27e earnings).

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	17,829	15,673	14,931	18,638	22,321
Net profit (Rs m)	2,504	1,427	483	1,341	2,558
EPS (Rs)	20.4	11.6	3.9	10.9	20.9
P/E (x)	15.5	27.2	80.5	29.0	15.2
EV / EBITDA (x)	8.9	15.9	31.3	16.6	9.6
P/BV (x)	3.3	3.0	2.9	2.7	2.3
RoE (%)	23.3	11.4	3.6	9.7	16.5
RoCE (%) after tax	18.3	9.4	2.9	7.2	12.7
Dividend yield (%)	0.6	0.8	0.8	0.8	0.8
Net debt / equity (x)	(0.2)	0.0	0.2	0.1	(0.0)

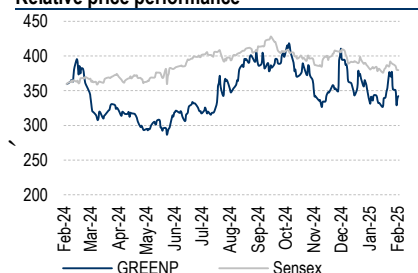
Source: Company, Anand Rathi Research

Key data	GREENP IN / GREP.BO
52-week high / low	Rs427 / 268
Sensex / Nifty	75939 / 22929
3-m average volume	\$0.7m
Market cap	Rs39bn / \$452.9m
Shares outstanding	123m

Shareholding pattern (%)	Dec'24	Sep'24	Jun'24
Promoters	53.1	53.1	53.1
- of which, Pledged	-	-	-
Free float	46.9	46.9	46.9
- Foreign institutions	3.0	2.7	2.1
- Domestic institutions	28.5	27.7	26.8
- Public	15.4	16.5	18.0

Estimates revision (%)	FY25e	FY26e	FY27e
Sales	(7.4)	(8.5)	(12.4)
EBITDA	(35.2)	(23.2)	(16.1)
PAT	(48.8)	(21.0)	(11.0)

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations (consol.)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Net revenues	17,829	15,673	14,931	18,638	22,321
Growth (%)	9.7	-12.1	-4.7	24.8	19.8
Direct costs	7,458	6,907	7,699	8,736	10,114
SG&A	6,206	6,300	5,926	7,455	8,196
EBITDA	4,165	2,465	1,306	2,446	4,011
EBITDA margins (%)	23.4	15.7	8.7	13.1	18.0
- Depreciation	720	729	840	932	977
Other income	194	219	233	320	419
Interest expenses	190	123	56	47	42
PBT	3,510	1,832	644	1,788	3,411
Effective tax rates (%)	27.4	22.1	25.0	25.0	25.0
+ Associates / (Minorities)	-	-	-	-	-
Net income	2,567	1,428	483	1,341	2,558
Adj. income	2,504	1,427	483	1,341	2,558
WANS	122.6	122.6	122.6	122.6	122.6
FDEPS (Rs)	20.4	11.6	3.9	10.9	20.9
FDEPS growth (%)	4.1	-43.0	-66.2	177.7	90.8
Gross margins (%)	58.2	55.9	48.4	53.1	54.7

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	3,510	1,832	644	1,788	3,411
+ Non-cash items	720	729	840	932	977
Oper. prof. before WC	4,229	2,561	1,484	2,720	4,387
- Incr. / (decr.) in WC	(201)	(385)	107	47	164
Others incl. taxes	(422)	(249)	(105)	(400)	(811)
Operating cash-flow	3,606	1,926	1,486	2,367	3,740
- Capex (tang. + intang.)	(303)	(3,712)	(2,962)	(1,557)	(1,239)
Free cash-flow	3,303	(1,786)	(1,477)	810	2,501
Acquisitions	-	-	-	-	-
- Div.(incl. buyback & taxes)	(245)	(307)	(307)	(307)	(307)
+ Equity raised	-	-	-	-	-
+ Debt raised	(922)	775	1,369	(344)	(483)
- Fin investments	-	(975)	-	-	-
- Misc. (CFI + CFF)	(584)	(82)	66	(276)	(20)
Net cash-flow	1,552	(2,374)	(348)	(117)	1,691

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

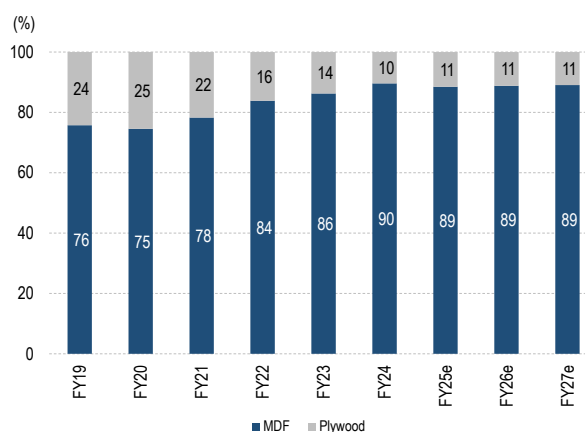
Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	123	123	123	123	123
Net worth	11,939	13,171	13,348	14,382	16,634
Debt	1,904	2,680	4,049	3,705	3,222
Minority interest	-	-	-	-	-
DTL / (Assets)	1,020	1,010	1,010	1,010	1,010
Capital employed	14,863	16,861	18,407	19,097	20,866
Net tangible assets	9,453	9,447	14,447	15,197	15,509
Net intangible assets	463	375	375	375	375
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	49	3,127	250	125	75
Investments (strategic)	-	-	-	-	-
Investments (financial)	-	975	975	975	975
Current assets (excl. cash)	1,336	1,274	1,286	1,460	1,632
Cash	3,778	1,404	1,056	939	2,630
Current liabilities	1,074	952	1,106	1,058	1,248
Working capital	858	1,212	1,125	1,085	917
Capital deployed	14,863	16,861	18,407	19,097	20,866
Contingent liabilities	102	102	-	-	-

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	15.5	27.2	80.5	29.0	15.2
EV / EBITDA (x)	8.9	15.9	31.3	16.6	9.6
EV / Sales (x)	2.1	2.5	2.7	2.2	1.7
P/B (x)	3.3	3.0	2.9	2.7	2.3
RoE (%)	23.3	11.4	3.6	9.7	16.5
RoCE (%) - after tax	18.3	9.4	2.9	7.2	12.7
RoIC	23.2	11.6	3.3	8.0	14.7
DPS (Rs)	2.0	2.5	2.5	2.5	2.5
Dividend yield (%)	0.6	0.8	0.8	0.8	0.8
Dividend payout (%) - incl. DDT	9.6	21.5	63.5	22.9	12.0
Net debt / equity (x)	(0.2)	0.0	0.2	0.1	(0.0)
Receivables (days)	9.1	6.8	8.8	8.8	8.8
Inventory (days)	31.2	46.9	43.8	37.5	31.3
Payables (days)	22.8	25.5	25.0	25.0	25.0
CFO : PAT %	144.0	135.0	307.7	176.5	146.2

Source: Company, Anand Rathi Research

Fig 6 – Revenue mix (%)



Source: Company

Financial highlights

Fig 7 – Financials (consolidated)

(Rs m)	Q3 FY24	Q2 FY25	Q3 FY25	% Y/Y	% Q/Q	9M FY24	9M FY25	% Y/Y	FY23	FY24	% Y/Y
Revenue	3,857	3,369	3,594	(6.8)	6.7	11,705	10,613	(9.3)	17,829	15,670	(12.1)
Raw material costs	1,692	1,711	2,034	20.2	18.8	5,073	5,529	9.0	7,458	6,907	(7.4)
Employee costs	335	354	344	2.9	(2.8)	1,021	1,061	3.9	1,397	1,406	0.7
Other expenses	1,231	1,005	1,043	(15.3)	3.8	3,663	3,190	(12.9)	4,808	4,893	1.8
EBITDA	600	299	173	(71.1)	(41.9)	1,948	833	(57.2)	4,165	2,463	(40.9)
Other income	11	62	66	485.5	5.6	139	173	24.4	194	211	9.2
Depreciation	179	193	194	8.2	0.5	546	576	5.5	720	729	1.3
Finance costs	62	34	(7)	(111.3)	(120.7)	121	29	(75.9)	190	123	(35.6)
PBT	381	134	52	(86.3)	(61.1)	1,431	400	(72.1)	3,510	1,834	(47.7)
Tax	105	(51)	(33)	(131.4)	(35.5)	377	(27)	(107.3)	944	481	(49.0)
PAT	277	185	85	(69.3)	(54.0)	1,054	427	(59.5)	2,565	1,352	(47.3)
EPS (Rs)	2.3	1.5	0.7	(69.3)	(54.0)	8.6	3.5	(59.5)	20.9	11.0	(47.3)
As % of revenue				bps y/y	bps q/q			bps y/y			bps y/y
Gross margins	56.1	49.2	43.4	(1,272)	(578)	56.7	47.9	(876)	58.2	55.9	(225)
Employee costs	8.7	10.5	9.6	90	(93)	8.7	10.0	127	7.8	9.0	114
Other expenses	31.9	29.8	29.0	(290)	(81)	31.3	30.1	(123)	27.0	31.2	426
EBITDA margins	15.6	8.9	4.8	(1,072)	(404)	16.6	7.8	(879)	23.4	15.7	(764)
Other income	0.3	1.8	1.8	153	(2)	1.2	1.6	44	1.1	1.3	26
Depreciation	4.6	5.7	5.4	75	(33)	4.7	5.4	76	4.0	4.7	61
Finance costs	1.6	1.0	(0.2)	(181)	(120)	1.0	0.3	(76)	1.1	0.8	(29)
PBT margins	9.9	4.0	1.4	(844)	(253)	12.2	3.8	(846)	19.7	11.7	(798)
Effective tax rates	27.5	(38.1)	(63.3)	(9,073)	(2,511)	26.3	(6.9)	(3,317)	26.9	26.3	(66)
PAT margins	7.2	5.5	2.4	(481)	(313)	9.0	4.0	(498)	14.4	8.6	(576)
Segment revenues (Rs m)				% Y/Y	% Q/Q			% Y/Y			% Y/Y
Plywood & Allied Products	384	369	322	(16.1)	(12.7)	1,266	1,014	(19.9)	2,440	1,622	(33.5)
MDF & Allied Products	3,473	3,000	3,272	(5.8)	9.1	10,439	9,598	(8.1)	15,388	14,050	(8.7)
Total	3,857	3,369	3,594	(6.8)	6.7	11,705	10,613	(9.3)	17,829	15,673	(12.1)
Revenue mix (%)				bps y/y	bps q/q						bps y/y
Plywood & Allied Products	10	11	9	(99)	(199)	11	10	(126)	14	10	(334)
MDF & Allied Products	90	89	91	99	199	89	90	126	86	90	334
Total	100	100	100			100	100		100	100	
EBIT (Rs m)				% Y/Y	% Q/Q						% Y/Y
Plywood & Allied Products	2	23	24	1,275.5	4.1	80	61	(22.9)	236	63	(73.5)
MDF & Allied Products	697	353	286	(59.0)	(19.0)	2,290	1,195	(47.8)	4,187	3,045	(27.3)
Total	699	376	309	(55.7)	(17.6)	2,369	1,257	(47.0)	4,423	3,107	(29.7)
EBIT (%)				bps y/y	bps q/q						bps y/y
Plywood & Allied Products	0.4	6.2	7.3	689	118	6.3	6.0	(24)	9.7	3.9	(582)
MDF & Allied Products	20.1	11.8	8.7	(1,135)	(303)	21.9	12.5	(948)	27.2	21.7	(554)
Blended EBIT margins	18.1	11.1	8.6	(952)	(254)	20.2	11.8	(840)	24.8	19.8	(498)

Source: Company, Anand Rathi Research

Quantitative highlights

Fig 8 – Financials (consolidated)

	Q3 FY24	Q2 FY25	Q3 FY25	% Y/Y	% Q/Q	9M FY24	9M FY25	% Y/Y	FY23	FY24	% Y/Y
MDF											
Capacity (cu.mtrs.)	660,000	660,000	660,000	-	-	660,000	660,000	-	660,000	660,000	-
Capacity utilisation (%)	79.0	62.0	66.0	(1,300) bps	400 bps	75.0	68.0	(700) bps	78.0	74.0	(400) bps
Production (cu.mtrs.)	131,019	101,888	109,279	(16.6)	7.3	371,172	334,391	(9.9)	512,733	490,734	(4.3)
Sales (cu.mtrs.)	118,301	101,546	116,077	(1.9)	14.3	357,714	336,694	(5.9)	506,743	484,953	(4.3)
Sales by value (Rs m)	3,466	2,958	3,259	(6.0)	10.2	10,413	9,535	(8.4)	15,346	14,017	(8.7)
Realisation (Rs / cu.mtr.)	29,300	29,130	28,079	(4.2)	(3.6)	29,110	28,320	(2.7)	30283	28904	(4.6)
EBITDA (Rs m)	679	388	166	(75.5)	(57.1)	2,093	954	(54.4)	4,189	2,691	(35.8)
EBITDA margins (%)	19.6	13.1	5.1	(1,450) bps	(800) bps	20.1	10.0	(1,010) bps	27.3	19.2	(810) bps
EBITDA (Rs / cu.mtr.)	5,743	3,816	1,432	(75.1)	(62.5)	5,851	2,832	(51.6)	8,267	5,550	(32.9)
Plywood											
Capacity (m sq.mtrs)	10.5	9.0	9.0	(14.3)	-	10.5	9.0	(14.3)	10.5	10.5	-
Capacity utilisation (%)	62.0	50.0	44.0	(1,800) bps	(600) bps	57.0	49.0	(800) bps	74.0	54.0	(2,000) bps
Production (m sq.mtrs)	1.6	1.1	1.0	(39.3)	(12.4)	4.5	3.3	(26.6)	7.7	5.7	(26.0)
Sales (m sq.mtrs)	1.5	1.5	1.3	(16.9)	(12.9)	4.8	4.0	(16.8)	8.6	6.2	(28.0)
Sales by value (Rs m)	384	369	322	(16.1)	(12.7)	1,265	1,014	(19.9)	2439.7	1,622	(33.5)
Realisation (Rs / sq.mtr)	249	250	252	1.2	0.8	266	256	(3.8)	284	262	(7.7)
EBITDA (Rs m)	(15.7)	9.2	10.0	(163.4)	8.3	17.7	12.2	(31.3)	168.3	(19.5)	(111.6)
EBITDA margins (%)	(4.1)	2.5	3.1	720 bps	60 bps	1.4	1.2	(20) bps	6.9	(1.2)	(810) bps
EBITDA (Rs / sq.mtr)	(10)	6	8	(176.3)	24.4	4	3	(17.4)	20	(3)	(116.1)

Source: Company, Anand Rathi Research

Q3 Result Highlights

Sluggish demand, higher input costs intensify difficulties

- Q3 revenue declined 6.8% y/y to Rs3.6bn on the 5.8% y/y decrease in MDF revenue and 16.1% y/y drop in plywood revenue
- A sharp rise in input costs (wood prices) resulted in a 1,272bp y/y contraction in the gross margin to 43.4%. Consequently, gross profit plunged 27.9% y/y to Rs1.6bn
- EBITDA, too, plummeted, 71% y/y, to Rs173m due to the lower gross profit. However, certain cost efficiencies incl. a 15.3% y/y reduction in other operating expenses limited the EBITDA margin (4.8%) contraction to 1,072 bps y/y
- Favourable finance costs of Rs7m arose from the reversal of exchange differences of Rs18.6m. Adjusted, finance cost was Rs11.6m
- Other income was up 6x to Rs66m, yet PAT fell 69.3% y/y to Rs85m.

Segment details

A. MDF (91% of revenue)

- Utilisation was 66% (79% a year back); hence, production was 16.6% lower y/y to 109,279 cu. mtrs. (Uttarakhand 82% utilisation, AP 68%).
- Revenue was 5.8% down y/y to Rs3.3bn on lower blended realisations (down 4.2% y/y to Rs28,079/cu. mtr.) and lower sales volumes (down 1.9% y/y to 116,077 cu. mtrs).
- Domestic sales volumes were flat y/y at 96,099 cu. mtrs while realisations were 5.5% lower y/y to Rs29,867/cu. mtrs.
- Export volumes dipped 7.6% y/y to 19,978 cu. mtrs but realisation stepped up 2.2% y/y to Rs19,479/cu. mtr. Realization was low because 80% of the consignments were on an FoB basis.
- A steep rise in wood prices arrested profitability, resulting in the EBITDA margin contracting 1,450bps y/y to 5.1%

B. Plywood

- Utilisation was 44% (62% a year back), hence production was 16.9% lower y/y to 1m sq.mtrs.
- Revenue was down 16.1% y/y to Rs322m, largely as sales volumes were down 16.9% y/y to 1.3m sq.mtrs. but realisation was 1.2% better y/y to Rs252/sq.mtr.
- The segment turned profitable at the EBITDA level, with a 3.1% EBITDA margin, compared to adverse margin of 4.1% previously.

Other details

- Working capital required was up 11 days y/y to 36 on a rise in wood inventories, while debtors/creditors were broadly the same at 5/24 days.
- Capex led to surplus cash down 36% y/y and debt up 3.2x, resulting in net debt of Rs1bn, incl. Rs2.2bn for capacity expansion.
- The expanded MDF plant would begin production by Mar'25. 40-50% utilisation expected in FY26.

Q3 FY25 earnings call KTAs

Operational Highlights

- The share of value-added products was 49% by volume, 61% by value
- MDF wood prices surged 25% y/y, compressing margins. Plywood prices were stable
- Procurement cost for timber was Rs7.15/kg in north India and Rs6.23 in the south, with the blended rate recording Rs6.66/kg
- OEMs accounted for 21% of domestic volumes
- On the muted demand context, sales promotion expenses were 0.7% (2.2% the quarter prior)
- Discounts instituted in Q2 FY25 persisted in Q3 and continued into Q4
- Huge wood stocks driven by expectations of the monsoon and labour shortage.

Key industry, Market trends

- MDF imports surged from 10,000 cu mtrs p.m. in Q2 FY25 to 20,000-22,000 cu mtrs p.m.. This was anticipated as importers stocked up before BIS norms are enforced (likely on 11th Feb'25)
- Industry capacity is now 4.2m cu. mtrs, and would rise to 4.5m cu. mtrs by Q4 after the capacity added. Meanwhile, market demand for the year is estimated at 2.7m–2.8m cu. mtrs, leaving a significant supply-demand gap, expected to narrow over the next two years
- Some competitors have cut prices; the company last did so (4%) in Aug'24
- The rising dollar rate would render MDF imports more expensive, hurting the OEM segment particularly. Besides, on the anticipated implementation of QCO and BIS norms from Feb'25, imports are likely to be restricted, creating some opportunity for price hikes in MDF. However, the company doesn't see the possibility of price hikes in the retail segment.
- The company exports primarily to the Mid-East and neighbouring countries; it intentionally ceased exports to customers unwilling to compensate for the sharp rise in wood prices.

Strategic initiatives, Expansion plans

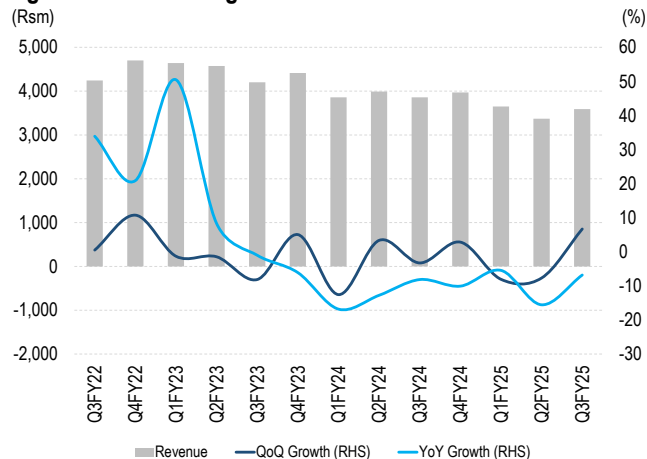
- Aiming at higher market exposure through strategic dealer expansion. Dealer network (plywood) consolidation is underway, focusing on higher-value customers rather than volume-driven sales
- Merged and rationalised sales teams (MDF, plywood) to drive synergies.

Outlook, Guidance

- Management anticipates 8-10% volume growth in FY26 and 40-50% capacity utilization at the new plant
- Given present market conditions, management said it would be unable to achieve its 10% domestic volume guidance given in Q2 FY25. As a result, it now expects MDF volumes to be in line with FY24 levels
- If timber prices are volatile, further prices hikes are possible in Q4 FY25
- Building a raw material buffer ahead of seasonal labour shortages (the harvest season).

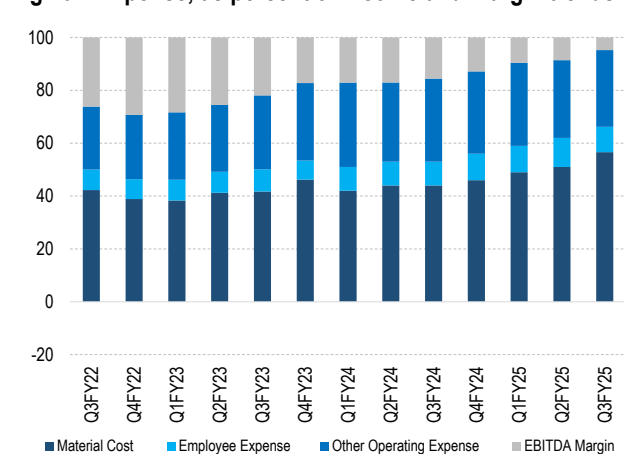
Story in charts – Quarterly trends

Fig 9 – Revenue and growth trends



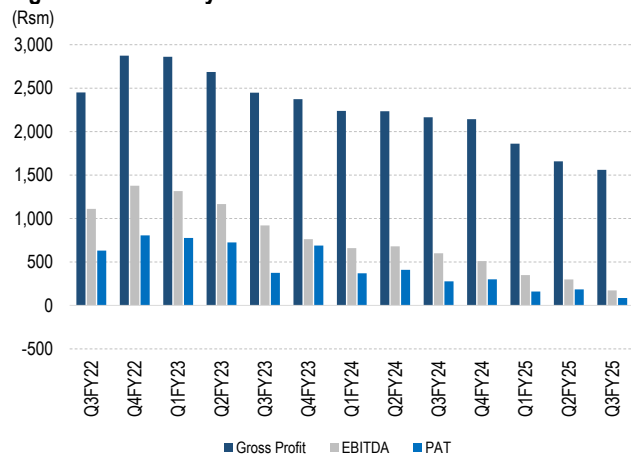
Source: Company, Anand Rathi Research

Fig 10 – Expense, as percent of income and margin trends



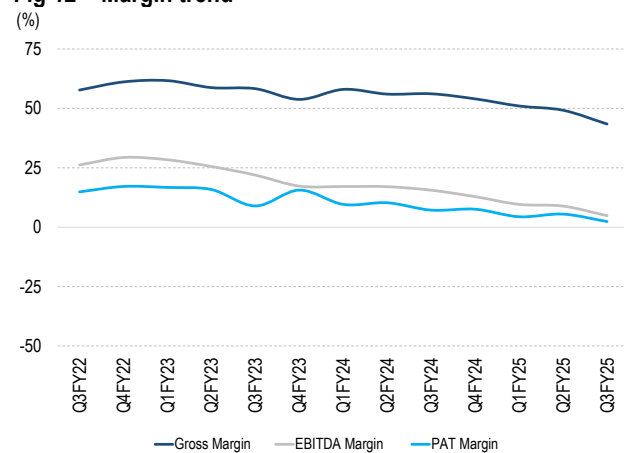
Source: Company, Anand Rathi Research

Fig 11 – Profitability trend



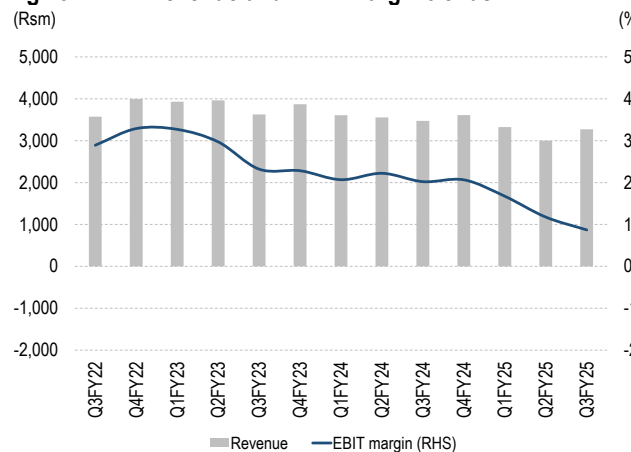
Source: Company, Anand Rathi Research

Fig 12 – Margin trend



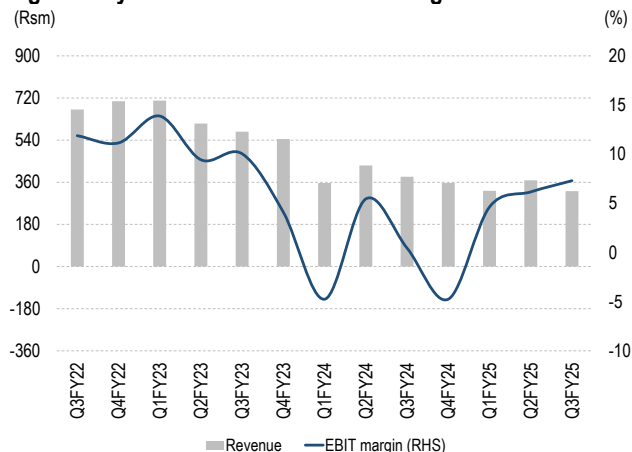
Source: Company, Anand Rathi Research

Fig 13 – MDF: revenue and EBIT-margin trends



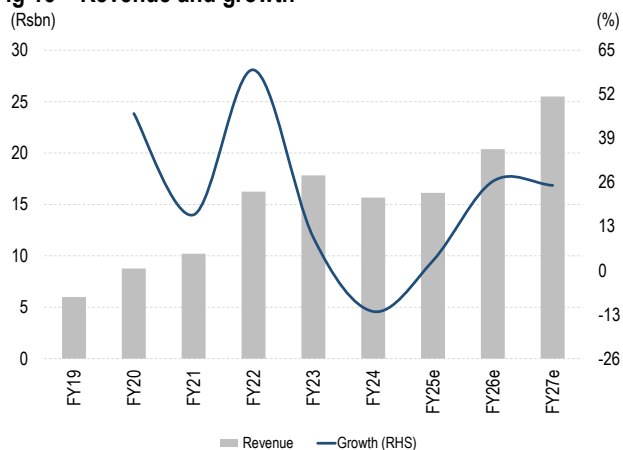
Source: Company, Anand Rathi Research

Fig 14 – Plywood: revenue and EBIT margin trends

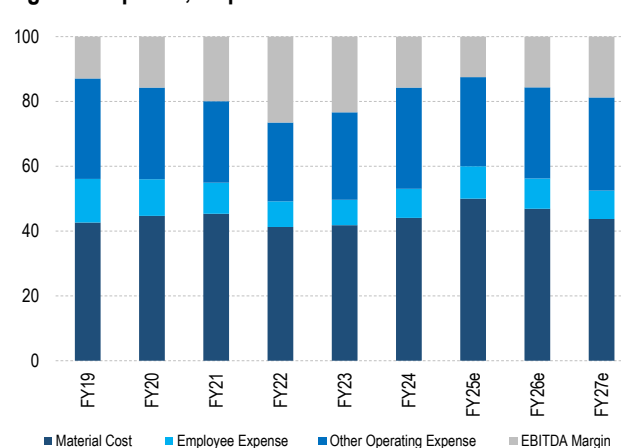


Source: Company, Anand Rathi Research

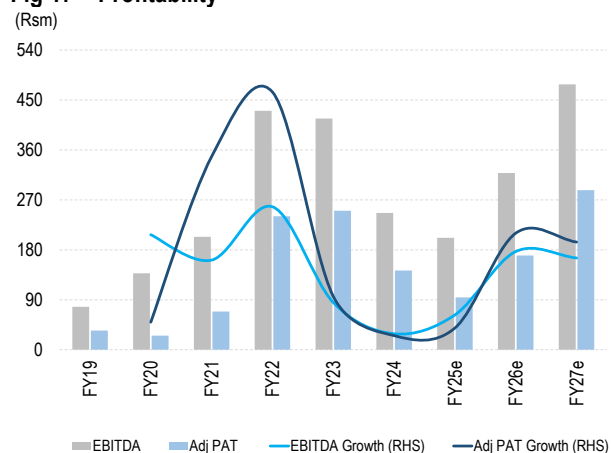
Story in charts – Annual trends

Fig 15 – Revenue and growth


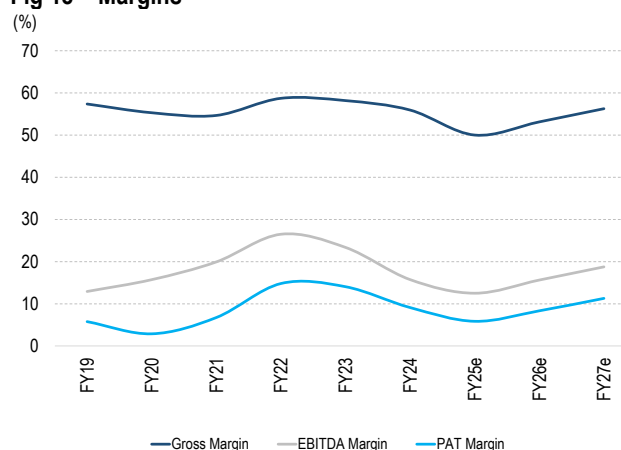
Source: Company, Anand Rathi Research

Fig 16 – Expense, as percent of income


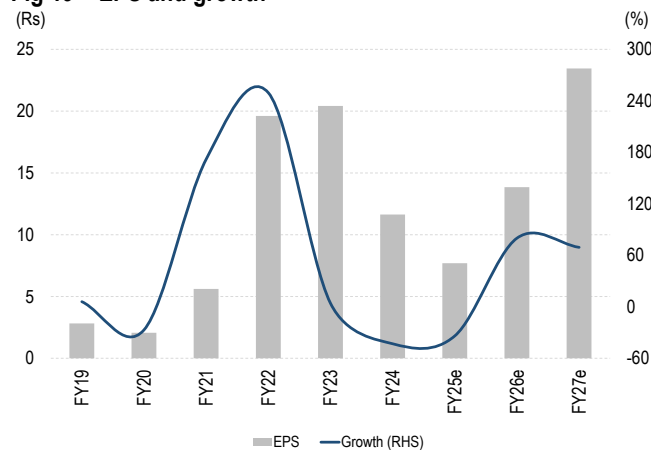
Source: Company, Anand Rathi Research

Fig 17 – Profitability


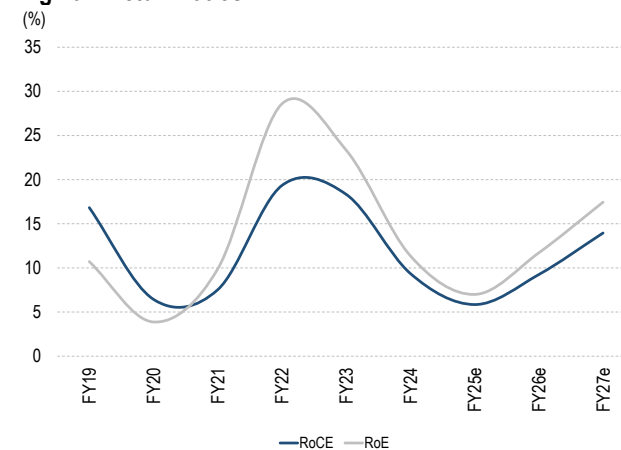
Source: Company, Anand Rathi Research

Fig 18 – Margins


Source: Company, Anand Rathi Research

Fig 19 – EPS and growth


Source: Company, Anand Rathi Research

Fig 20 – Return ratios


Source: Company, Anand Rathi Research

Valuation

Management expects the expanded capacity to drive volume growth. Breakeven is expected at 40% capacity utilisation (likely in FY26). 8-10% MDF volume growth is expected in FY26. Besides, the margin trajectory is expected to go north from here because of input-cost tailwinds and economies of scale.

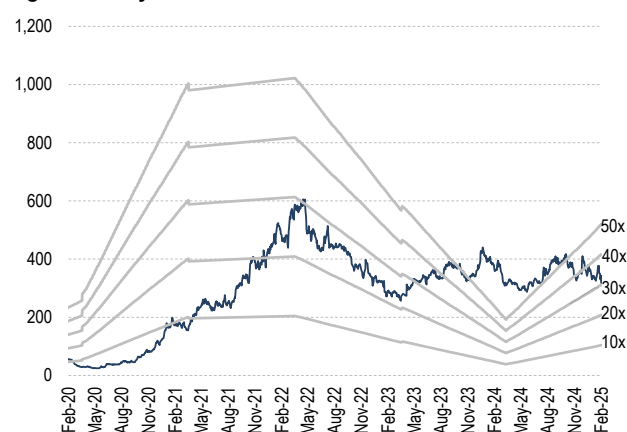
We expect 12.5%/21.5% revenue/earnings CAGRs over FY24-27. At the ruling price, the stock quotes at 80.5x/29x/15.2x FY25e/26e/27e earnings. We retain our Buy recommendation, with a TP of Rs469 based on 22.5x FY27e earnings (earlier Rs528 on 22.5x FY27e earnings).

Fig 20 – Change in estimates

(Rs m)	Earlier			Revised			% variance		
	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25	FY26	FY27
Revenue	16,131	20,376	25,493	14,931	18,638	22,321	(7.4)	(8.5)	(12.4)
EBITDA	2,016	3,184	4,780	1,306	2,446	4,011	(35.2)	(23.2)	(16.1)
EBITDA margin %	12.5	15.6	18.8	8.7	13.1	18.0	(375)	(250)	(78)
PAT	943	1,698	2,876	483	1,341	2,558	(48.8)	(21.0)	(11.0)
EPS (Rs)	7.7	13.8	23.4	3.9	10.9	20.9	(48.8)	(21.0)	(11.0)

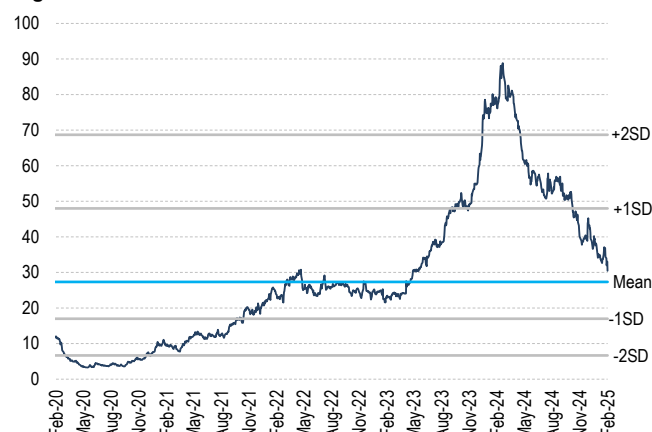
Source: Anand Rathi Research

Fig 21 –One-year forward PE band



Source: Company, Anand Rathi Research

Fig 22 – PE Mean and Standard deviation



Source: Company, Anand Rathi Research

Key concerns

- **Lower offtake.** A slowdown in economic activity, especially in real estate, could curb capacity utilisation and margins
- **Supply-demand gap.** Capacity expansions in the industry could lead to oversupply if demand fails to improve
- **More competition.** Keener competition from peers such as Action Tesa, Century Plyboards and Rushil Décor (which are expanding capacities) could cut down offtake and squeeze realisations and margins
- **Higher input costs.** Rising timber costs and its unavailability would compress margins
- **Forex fluctuation.** Of the raw materials it consumes, it imports ~10%; hence, it is exposed to currency fluctuations. It has, however, a natural hedge against such fluctuations as 15% of its revenue arises from exports. Hence, net-net, it has a foreign currency inflow.

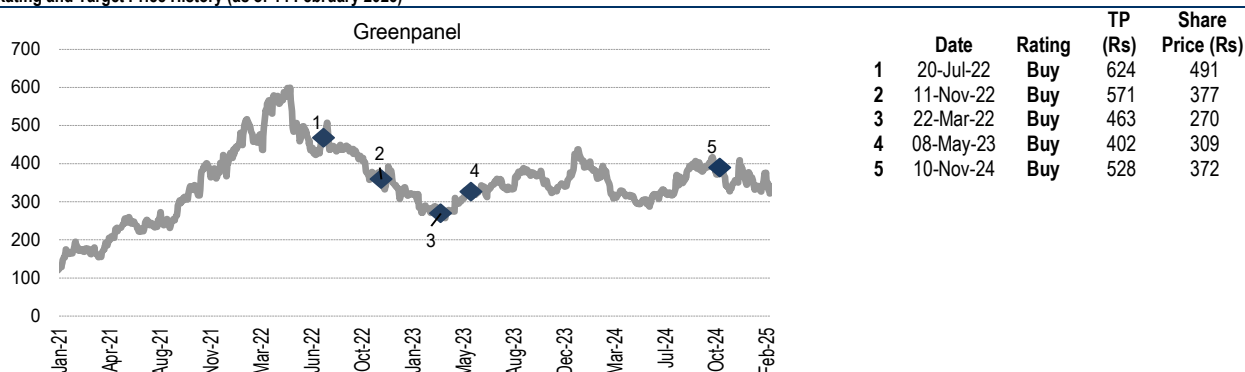
Appendix

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Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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