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Company update and  
earnings change

## Wood Panel

Target price: Rs300

### Earnings revision

(%)	FY21E	FY22E	FY23E
Sales	↑ 3.3	↑ 2.4	↑ 2.1
EBITDA	↑ 3.5	↑ 2.7	↑ 2.3
EPS	↑ 13.6	↑ 4.3	↑ 5.7

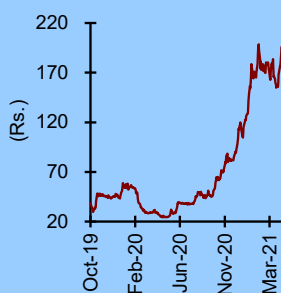
### Target price revision

Rs300 from Rs256

### Shareholding pattern

	Jun '20	Sep '20	Dec '20
Promoters	53.1	53.1	53.1
Institutional investors	29.2	29.3	26.8
MFs and others	16.4	16.4	14.5
FIs/Banks	0.0	0.0	0.0
FII	12.8	12.9	12.3
Others	17.7	17.6	20.1

### Price chart



Listed on Oct 23, 2019

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INDIA

**ICICI Securities**

## Greenpanel Industries

**BUY**

**Maintained**

Second Covid wave – likely a blessing in disguise

**Rs196**

We expect Greenpanel Industries (GNPL) to continue to post strong earnings growth in near-to-medium term driven by a) increasing demand for modular furniture particularly post Covid; b) possible import substitution with likely imposition of anti-dumping duty on thin MDF and CVD on all MDF imports into India and c) delay in incremental capacity addition by top MDF players. Despite fresh worries of Covid cases increasing in the country, we believe this could be a potential blessing in disguise for GNPL with the likelihood of people incrementally opting for modular furniture over customised home-made furniture. We also expect margin tailwind to persist led by firm pricing, sustained cost rationalisation, improving market mix and operating leverage. Maintain BUY.

► **Valuation and outlook:** Considering improving volume visibility, we are increasing our revenue and PAT estimates by 3.3%/2.4%/2.1% and 13.6%/4.3%/5.7% for FY21/FY22/FY23, respectively. We now expect GNPL to report revenue and adjusted PAT CAGRs of 19.1% and 93.8%, respectively, over FY20-FY23E. We expect RoCE to improve from 5.6% in FY20 to 24.2% in FY23E. We now value GNPL at 20x vs 18x FY23E earnings and maintain our **BUY** rating on the stock with a revised target price of Rs300 (earlier: Rs256). Key risks: Sudden slowdown in OEM demand and aggressive capacity addition by industry in near-to-medium term.

► **Growth momentum to continue despite fresh worries of second Covid wave:** Despite second Covid wave in India and worries of fresh lockdown in the state of Maharashtra, we expect MDF demand to accelerate further with demand for modular furniture likely to gain traction over customised home-made furniture. Also, likely imposition of ADD on imports of thin MDF and CVD on all MDF imports is expected to trigger imports substitution in near-to-medium term. The delay in capacity addition by top MDF manufacturers also provides sustainable growth opportunity for the existing players. Realisation may also remain firm on the back of the recent price hikes and lower share of imports. We expect GNPL to post a revenue CAGR of 19.1% over FY20-FY23E.

► **EBITDA margin to improve significantly from 15.7% in FY20 to 24.5% in FY23.** We expect EBITDA margin in MDF segment to improve sharply going forward led by the recent price hikes (which will cover a large part of the recent input cost increases), reduction in wastages, operating leverage (expecting both plants to achieve 100% utilisation in FY22 itself), improving mix with higher domestic sales and sustained cost rationalisation. We expect GNPL's overall EBITDA margin to improve to 24.5% in FY23E from 15.7% in FY20.

► **RoCE improvement gains momentum.** Strong traction in profitability, minimal capex, stricter working capital discipline and expected debt repayment (to the tune of ~Rs3.2bn) over the next 2 years will drive the company's RoCE substantially higher to 24.2% in FY23E vs 5.6% in FY20.

Market Cap	Rs24.0bn/US\$320mn	<b>Year to Mar</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Bloomberg	GREENP IN	Revenue (Rs bn)	8,766	9,970	12,800	14,800
Shares Outstanding (mn)	122.6	Rec. Net Income (Rs bn)	361	573	1,351	1,842
52-week Range (Rs)	202/24	EPS (Rs)	2.1	4.7	11.0	15.0
Free Float (%)	46.9	% Chg YoY	(26.8)	126.6	135.7	36.3
FII (%)	12.3	P/E (x)	156.9	39.6	16.8	12.3
Daily Volume (US\$/'000)	1,056	P/B (x)	6.8	10.3	16.9	21.1
Absolute Return 3m (%)	31.3	EV/E (x)	20.5	13.9	8.2	6.5
Absolute Return 12m (%)	573.2	Dividend yield (%)	-	0.0	0.0	0.0
Sensex Return 3m (%)	1.8	RoCE (%)	5.6	10.2	19.8	24.2
Sensex Return 12m (%)	60.9	RoE (%)	3.9	8.4	17.7	20.3

**Table 1: Change in estimates***(Rs mn)*

	Old			New			Change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	9650.4	12500.0	14500.0	9,969.7	12,799.9	14,799.9	3.3%	2.4%	2.1%
EBITDA	1862.7	2970.0	3550.0	1,928.7	3,049.9	3,630.1	3.5%	2.7%	2.3%
EBITDA margin	19.3%	23.8%	24.5%	19.3%	23.8%	24.5%	0bps	0bps	0bps
PAT	504.6	1295.0	1742.0	573.2	1,350.9	1,841.9	13.6%	4.3%	5.7%
EPS	4.1	10.6	14.2	4.7	11.0	15.0	13.6%	4.3%	5.7%

Source: Company data, I-Sec research

## Financial summary

Table 2: Profit &amp; loss statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>8,766</b>	<b>9,970</b>	<b>12,800</b>	<b>14,800</b>
<b>Operating Expenses</b>	<b>7,388</b>	<b>8,041</b>	<b>9,750</b>	<b>11,170</b>
<b>EBITDA</b>	<b>1,378</b>	<b>1,929</b>	<b>3,050</b>	<b>3,630</b>
% margins	15.7%	19.3%	23.8%	24.5%
Depreciation & Amortisation	692	692	720	740
Gross Interest	483	499	400	257
Other Income	22	15	-	-
<b>Recurring PBT</b>	<b>225</b>	<b>752</b>	<b>1,930</b>	<b>2,633</b>
Less: Taxes	(28)	179	579	791
Less: Minority Interest	-	-	-	-
Add: Share of Profit of Associates	-	-	-	-
<b>Net Income (Reported)</b>	<b>253</b>	<b>573</b>	<b>1,351</b>	<b>1,842</b>
Extraordinaries (Net)	(108)	-	-	-
<b>Recurring Net Income</b>	<b>361</b>	<b>573</b>	<b>1,351</b>	<b>1,842</b>

Source: Company data, I-Sec research

Table 3: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	3,490	3,515	4,058	4,839
of which cash & cash eqv.	115	219	682	1,005
Total Current Liabilities & Provisions	2,362	2,549	2,998	3,545
<b>Net Current Assets</b>	<b>1,128</b>	<b>966</b>	<b>1,060</b>	<b>1,295</b>
Investments	-	-	-	-
Net Fixed Assets	11,111	10,575	10,255	10,515
Capital Work-in-Progress	57	-	-	-
Goodwill	-	-	-	-
<b>Total Assets</b>	<b>12,296</b>	<b>11,541</b>	<b>11,315</b>	<b>11,810</b>
<b>Liabilities</b>				
Borrowings	5,611	4,430	3,000	1,800
Deferred Tax Liability	69	69	69	69
Minority Interest	-	-	-	-
Equity Share Capital	123	123	123	123
Face Value per share (Rs)	1	1	1	1
Reserves & Surplus*	6,494	6,920	8,124	9,818
Less: Misc. Exp. n.w.o.	-	-	-	-
<b>Net Worth</b>	<b>6,616</b>	<b>7,042</b>	<b>8,246</b>	<b>9,941</b>
<b>Total Liabilities</b>	<b>12,296</b>	<b>11,541</b>	<b>11,315</b>	<b>11,810</b>

Source: Company data, I-Sec research

Table 4: Quarterly trends

(Rs mn, year ending March 31)

	Mar-20	Jun-20	Sep-20	Dec-20
Total Income	2,378	902	2,249	3,169
% growth (YoY)	36.0	(57.3)	17.1	34.5
EBITDA	454	(83)	462	684
Margin (%)	19.1	(9.2)	20.6	21.6
Other income	10	9	2	4
Add: Extraordinaries	(108)	-	-	-
Net profit	76	(365)	184	305

Source: Company data, I-Sec research

Table 5: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>Operating Cashflow</b>	<b>690</b>	<b>1,266</b>	<b>2,071</b>	<b>2,582</b>
Working Capital Changes	80	252	320	(12)
Capital Commitments	(380)	(100)	(400)	(1,000)
<b>Free Cashflow</b>	<b>389</b>	<b>1,418</b>	<b>1,991</b>	<b>1,570</b>
<b>Cashflow from Investing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	(255)	(1,181)	(1,430)	(1,200)
Dividend paid	-	(147)	(147)	(147)
<b>Change in Deferred Tax Liability</b>	<b>(218)</b>	<b>13</b>	<b>50</b>	<b>100</b>
<b>Chg. in Cash &amp; Bank balance</b>	<b>(83)</b>	<b>103</b>	<b>463</b>	<b>323</b>

Source: Company data, I-Sec research

Table 6: Key ratios

(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>Per Share Data (in Rs.)</b>				
EPS	2.1	4.7	11.0	15.0
Cash EPS	6.8	10.3	16.9	21.1
Dividend per share (DPS)	0.0	1.0	1.0	1.0
Book Value per share (BV)	54.0	57.4	67.2	81.1
<b>Growth (%)</b>				
Net Sales	46.3	13.7	28.4	15.6
EBITDA	78.1	40.0	58.1	19.0
PAT	-26.8	126.6	135.7	36.3
Cash EPS	-4.5	51.3	63.6	24.7
<b>Valuation Ratios (x)</b>				
P/E	156.9	39.6	16.8	12.3
P/CEPS	27.1	17.9	11.0	8.8
P/BV	3.4	3.2	2.8	2.3
EV / EBITDA	20.5	13.9	8.2	6.5
EV / Sales	3.2	2.7	2.0	1.6
<b>Operating Ratios</b>				
Raw Material / Sales (%)	44.7	42.0	41.5	41.5
Employee cost / Sales (%)	11.3	0.0	0.0	0.0
SG&A / Sales (%)	0.0	13.9	13.9	13.9
Other Income / PBT (%)	19.1	1.9	0.0	0.0
Effective Tax Rate (%)	-23.5	23.8	30.0	30.0
Working Capital (days)	43.2	35.0	35.0	35.0
Inventory Turnover (days)	64.1	55.0	55.0	55.0
Receivables (days)	29.4	25.0	25.0	25.0
Payables (days)	50.2	45.0	45.0	45.0
Net D/E Ratio (x)	0.8	0.6	0.3	0.1
<b>Return/Profitability Ratio (%)</b>				
Net Income Margins	2.9	5.7	10.6	12.4
RoACE	5.6	10.2	19.8	24.2
RoAE	3.9	8.4	17.7	20.3
Dividend Payout	0.0	25.7	10.9	8.0
Dividend Yield	0.0	0.0	0.0	0.0
EBITDA Margins	15.7	19.3	23.8	24.5

Source: Company data, I-Sec research

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