

Greenpanel Industries Ltd

BUY

CMP Rs 240

Target Rs 330

Upside 37.5%

Our View:

- ✓ Greenpanel reported stellar numbers for the quarter and it seems as if outperformance is the new normal for the company. Revenues stood at Rs 3,888 Mn (up by 63.5% y/y), which was 7% above our estimates. MDF division (78% of total revenue) reported humongous volume/revenue growth of 54.4%/70% y/y respectively. Plywood segment also registered very strong volume/revenue growth of 58%/65% y/y respectively. Company's EBITDA margins continue to scale upwards as it stood at 25% for Q4FY21 (+588 bps y/y and +337 bps q/q) and was higher than our expectations of 22.6%. Accordingly, absolute EBITDA came in at Rs 970 Mn (+114% y/y and +42% q/q) and 18% ahead of our estimates. Net profit stood at Rs 565 mn vs Rs 76 mn in Q4FY20 and was 47% above our estimates.
- ✓ Capacity utilization for MDF segment was 102% wherein, Uttarakhand plant operated at 96% & Andhra plant operated at 105% during Q4FY21. Plywood unit operated at 98% in Q4FY21.
- ✓ Company outperformed on EBITDA front primarily because of the significant operating leverage that the company is enjoying on the back of robust demand scenario. EBITDA margins of MDF segment stood at 28.6% during the quarter vs 22.4% in Q4FY20 while plywood margins stood at 15.5% vs 7.4% in Q4FY20.
- ✓ We continue to remain bullish on the company on account of (i) rapid displacement of mid-low end plywood segment by MDFs, (ii) growing trend of online furniture in India and (iii) replacement of imports by domestic players (imports ~18-20% of total demand). Further, due to exceptional demand scenario, company would undertake de-bottlenecking to increase its total capacity by 20% during FY22E.
- ✓ Going ahead, we factor in revenue/EBITDA/PAT CAGR of 22%/35%/78% over FY21-FY23E. Company reduced net debt to the tune of Rs 1.88 bn during FY21 and aims to further strengthen their balance sheet with deleveraging to sustain. We estimate net debt/EBITDA for Greenpanel to decline from 1.8x to 0.1x over FY21-FY23E

Exhibit 1: Result table

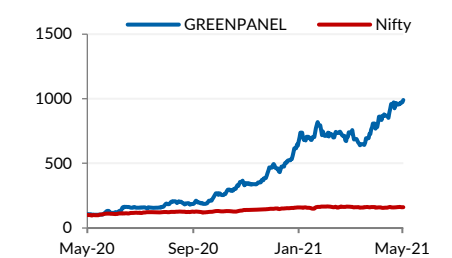
(Rs mn)	Q4 FY21	Q4 FY20	% yoy	Q3 FY21	% qoq
Revenue	3,888	2,378	63.5%	3,169	22.7%
COGS	1,783	963	85.2%	1,409	26.6%
GP	2,105	1,415	48.7%	1,760	19.6%
GP(%)	54.1%	59.5%	(537.74bps)	55.5%	(140.48bps)
Employee cost	292	250	16.5%	252	15.8%
Other cost	843	711	18.6%	825	2.3%
Operating Profit	970	454	113.9%	684	41.8%
OPM(%)	25.0%	19.1%	587.7bps	21.6%	337.2 bps
Other Income	20	10	103.1%	4	397.5%
Depreciation	170	179	-5.2%	174	-2.3%
EBIT	820	284	188.6%	514	59.5%
Interest	(37)	168	-	142	-
PBT	857	116	636.1%	372	130.3%
Tax	292	(68)	-	68	332.7%
PAT	565	76	646.4%	305	85.4%
PAT(%)	14.5%	3.2%	1134.3 bps	9.6%	491.3 bps

Source: Company, YES Sec - Research

Stock data (as on May 14, 2021)

Nifty	14,678
52 Week h/l (Rs)	245 / 24
Market cap (Rs/USD mn)	29455 / 402
Outstanding Shares	123
6m Avg t/o (Rs mn):	76
Div yield (%):	-
Bloomberg code:	GREENP IN
NSE code:	GREENPANEL

Stock performance



	1M	3M	1Y
Absolute return	26.9%	39.0%	825.6%

Shareholding pattern (As of March'21 end)

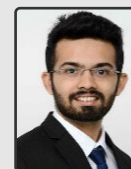
Promoter	53.10%
FII+DII	23.23%
Others	23.61%

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	330	268

KUNAL SHAH

Lead Analyst

kunal.shah@yasil.in



Udit Gajiwala, Associate

udit.gajiwala@yasil.in

AMAR AMBANI, Sr. President, Head of Research

amar.ambani@yasil.in

- ✓ At CMP of Rs 240, company is trading at P/E of 13.5x on FY23E. We continue to assign DCF derived P/E multiple of 18.5x on FY23E earnings and arrive at a TP of Rs 330 (previous TP of Rs 268). **We continue to maintain our conviction BUY rating on the stock.**
- ✓ **Key Risk:** Further lockdowns due to second wave of COVID-19 could impact company's performance.

CON-CALL HIGHLIGHTS

- ✓ During Q4FY21, MDFs blended utilization came in at 102% wherein Uttarakhand/Andhra plant operated at 96%/105% respectively & Plywood plant operated at 98%.
- ✓ Via de-bottlenecking, company aims to enhance its MDF capacity by 20% to 650,000 cbm-660,000 cbm in FY22E incurring capex of Rs 250 Mn.
- ✓ Company undertook price increase of 6% (ex-south) & 3-5% in south during Q4FY21 to mitigate the increase in raw-material cost (timber & resin prices were up ~5% & chemical prices were up by ~6-7% during Q4FY21). Company stated that with further increase in RM prices, they will have to take another 4-5% price hike in coming quarters.
- ✓ Company exported 83,000 cbm MDF in FY21, however company could not execute 30,000 cbm export orders due to shortage of containers. For FY22E & FY23E, management expects MDF exports to come in at 120,000 cbm annually.
- ✓ Export MDF margins for FY21 was ~10% which is expected to expand by 400 bps in coming years. Domestic MDF margins was ~30% in FY21.
- ✓ Management stated that company will repay borrowings of Rs 1,500 Mn/Rs 750 Mn in FY22E/FY23E respectively.
- ✓ Pre-lam MDF constituted 12% of total MDF volumes in Q4FY21. Company sold ~ 14,000 cbm of pre-lam MDF in Q4FY21 Vs average 10,000 cbm in previous three quarters of FY21.
- ✓ Company stated that state-wise lockdown will substantially impact their performance in Q1FY22E. With prevailing uncertainties due to second wave of COVID-19, company refrained from giving any guidance.

Exhibit 2: Operational Highlights for the quarter:

Volume	Q4 FY21	Q4 FY20	% yoy	Q3 FY21	% qoq
Plywood (msqm)	3.05	1.93	58.0%	2.52	21.0%
MDF (cbm)	139,490	90,355	54.4%	123,723	12.7%
Segmental Revenue (Rs mn)	Q4 FY21	Q4 FY20	% yoy	Q3 FY21	% qoq
Plywood	827	500	65.4%	620	33.5%
MDF	3,016	1,772	70.3%	2,496	20.8%
Avg Realization (Rs)	Q4 FY21	Q4 FY20	% yoy	Q3 FY21	% qoq
Plywood (per sqm)	273	255	7.1%	244	11.9%
MDF(per cbm)	21,730	19,570	11.0%	20,138	7.9%
EBITDA (%)	Q4 FY21	Q4 FY20	% yoy	Q3 FY21	% qoq
Plywood	15.5%	7.4%	810.00 bps	14.7%	80.00 bps
MDF	28.6%	22.4%	620.00bps	24.5%	410.00 bps
EBITDA (Rs mn)	Q4 FY21	Q4 FY20	% yoy	Q3 FY21	% qoq
Plywood	128	37	246.4%	91	40.7%
MDF	863	397	117.4%	611	41.1%

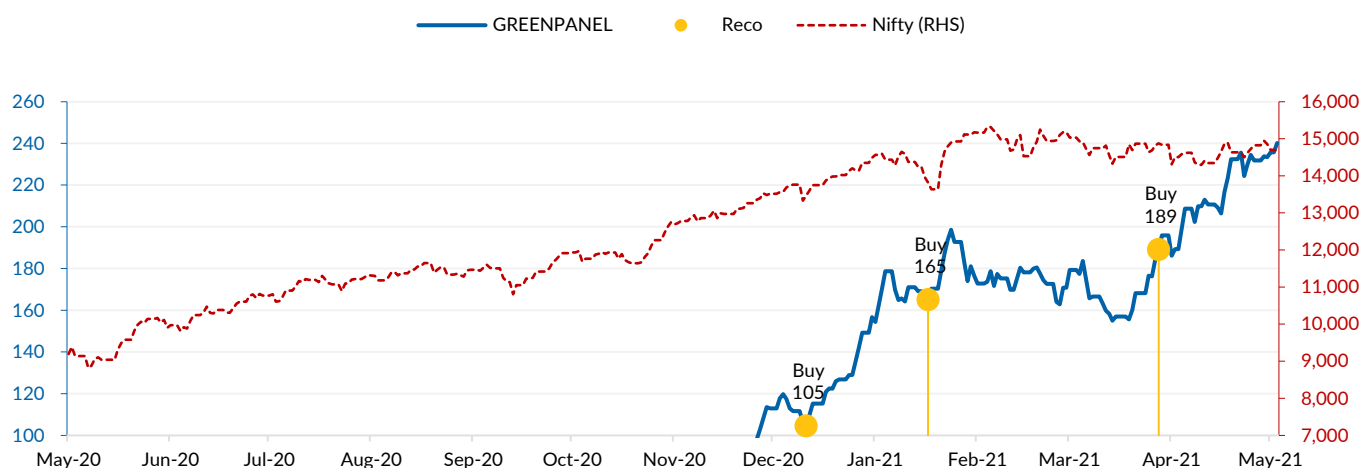
Source: Company, YES Sec - Research

Exhibit 3: Financial Summary:

Financial Overview (Rs mn)	FY20A	FY21A	FY22E	FY23E
Ply-Vol (Mn sqm)	8.5	8.5	9.8	10.4
MDF- Vol (cbm)	316,022	380,431	471,712	595,398
Net sales	8,766	10,208	12,452	15,236
EBITDA	1,378	2,034	2,722	3,716
EBITDA%	15.7%	19.9%	21.9%	24.4%
Net Profit	145	688	1,341	2,183
Net Profit (%)	1.7%	6.7%	10.8%	14.3%
EPS (Rs)	1.2	5.6	10.9	17.8
CFI	(223.4)	(109.0)	(300.0)	(300.0)
Net Debt	5,566	3,689	2,524	262
Net Debt/Equity (x)	0.8	0.5	0.3	0.0
Net Debt/EBITDA (x)	4.0	1.8	0.9	0.1
ROE (%)	2.4%	9.4%	15.5%	20.2%
ROCE (%)	5.8%	12.6%	18.8%	28.0%
P/E (x)	24.2	33.0	21.9	13.5
P/B (x)	0.5	3.1	3.4	2.7

Source: Company, YES Sec – Research

Recommendation Tracker



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YES Securities (India) Limited

Registered Office: Unit No. 602 A, 6th Floor, Tower 1 & 2, One International Center, Senapati Bapat Marg, Elphinstone Road, Mumbai - 400013, Maharashtra, India.

Email: research@ysil.in | Website: www.yesinvest.in

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Details of Compliance Officer: Name: Vaibhav Purohit, Email id: compliance@ysil.in, Contact No-+91-22-33479208

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BUY: Potential return >15% over 12 months

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