

Company update and  
earnings revision

## Wood Panel

Target price: Rs350

### Earnings revision

(%)	FY21E	FY22E	FY23E
Sales	0.0	↑ 4.3	↑ 4.1
EBITDA	0.0	↑ 4.3	↑ 4.1
EPS	0.0	↑ 6.7	↑ 5.8

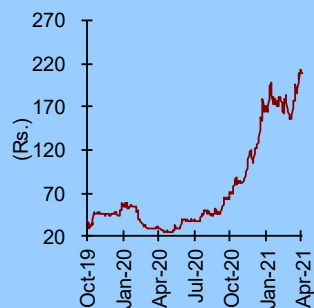
### Target price revision

Rs350 from Rs300

### Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	53.1	53.1	52.2
Institutional investors	29.3	26.8	30.2
MFs and others	16.4	14.5	27.3
FIs/Banks	0.0	0.0	0.9
FII	12.9	12.3	2.0
Others	17.6	20.1	17.7

### Price chart



Listed on Oct 23, 2019

### Research Analysts:

**Nehal Shah**

nehal.shah@icicisecurities.com  
+91 22 6637 7235

**Jigar Shah**

jigar.shah@icicisecurities.com  
+91 22 6637 7416

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## Greenpanel Industries

**BUY**

**Maintained**

**Rs223**

### Incremental tailwinds on offer

We expect Greenpanel Industries (GNPL) to continue to post strong earnings growth in near-to-medium term on the back of incremental tailwinds arising from the recent developments: 1) Recommendation of anti-dumping duty (ADD) on thin MDF from Thailand, Indonesia, Vietnam and Malaysia and 2) delay in commissioning of Rushil Décor's greenfield MDF plant in South India due to the recent call back of professional manpower by its machinery supplier (from Germany) considering the ongoing covid second wave in the country. Other tailwinds that continue to exist: 1) Growing consumer preference towards modular furniture over customised furniture making in such pandemic times, and 2) sustained impact on MDF imports into India due to higher sea freight and container unavailability. This, we believe will result in accelerated volume growth for GNPL's South India plant which in turn will drive higher capacity utilisation, firm margins and sharp improvement in its overall profitability. **Maintain BUY.**

► **Valuation and outlook:** Considering the improving volume and margin visibility, we increase our revenue and PAT estimates by 4.3%/4.1% and 6.7%/5.8% for FY22/FY23, respectively. We now expect GNPL to report revenue and adjusted PAT CAGRs of 20.7% and 97.5%, respectively, over FY20-FY23E. We expect RoCEs to improve sharply to 25.1% in FY23E from 5.6% in FY20. With incremental tailwinds on offer, we now value GNPL at 22x vs 20x FY23E earnings earlier and maintain our **BUY** rating on the stock with a revised target price of Rs350 (earlier: Rs300). Key risks: Sudden slowdown in OEM demand and aggressive capacity addition.

► **Incremental tailwinds to boost GNPL's volume growth:** The recent recommendation of ADD on thin MDF from Thailand, Indonesia, Vietnam and Malaysia, and 2) delay in commissioning of Rushil Décor's MDF plant in South India will incrementally boost GNPL's South India plant volumes. The industry expects the recommendation to be ratified by the finance ministry over the next 2-3 months. Besides ADD, the industry also expects CVD on all MDF imports to be announced soon. The likely import substitution opportunity in the region will immensely benefit GNPL considering its largest set up of MDF plant (under-utilised) in South India.

► **EBITDA margin to improve significantly 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.

► **RoCEs to surge to 25% by FY23.** Muted capex, strict working capital discipline and sharp jump in profitability is expected to drive its RoCEs higher to 25%+ by FY23 (from 10.2% in FY21). This is likely to drive the re-rating in the stock going forward.

Market Cap	Rs25.1bn/US\$335mn	Year to Mar	FY20	FY21E	FY22E	FY23E
Bloomberg	GREENP IN	Revenue (Rs bn)	8,766	9,970	13,350	15,402
Shares Outstanding (mn)	122.6	Rec. Net Income (Rs bn)	361	573	1,442	1,949
52-week Range (Rs)	227/24	EPS (Rs)	2.1	4.7	11.8	15.9
Free Float (%)	47.8	% Chg YoY	(26.8)	126.6	151.6	35.2
FII (%)	2.0	P/E (x)	189.1	47.7	19.0	14.0
Daily Volume (US\$/'000)	1,218	P/B (x)	6.8	10.3	17.6	21.9
Absolute Return 3m (%)	31.1	EV/E (x)	23.8	16.4	9.3	7.4
Absolute Return 12m (%)	690.1	Dividend yield (%)	-	0.0	0.0	0.0
Sensex Return 3m (%)	7.7	RoCE (%)	5.6	10.2	20.8	25.2
Sensex Return 12m (%)	53.8	RoE (%)	3.9	8.4	18.8	21.1

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

	Old			New			Change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	9969.7	12799.9	14799.9	9,969.7	13,350.2	15,402.0	0.0%	4.3%	4.1%
EBITDA	1928.7	3049.9	3630.1	1,928.7	3,179.9	3,780.1	0.0%	4.3%	4.1%
EBITDA margin	19.3%	23.8%	24.5%	19.3%	23.8%	24.5%	0bps	0bps	0bps
PAT	573.2	1350.9	1841.9	573.2	1,441.9	1,948.9	0.0%	6.7%	5.8%
EPS	4.7	11.0	15.0	4.7	11.8	15.9	0.0%	6.7%	5.8%

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>13,350</b>	<b>15,402</b>
<b>Operating Expenses</b>	<b>7,388</b>	<b>8,041</b>	<b>10,170</b>	<b>11,622</b>
<b>EBITDA</b>	<b>1,378</b>	<b>1,929</b>	<b>3,180</b>	<b>3,780</b>
% margins	15.7%	19.3%	23.8%	24.5%
Depreciation & Amortisation	692	692	720	740
Gross Interest	483	499	400	276
Other Income	22	15	-	15
<b>Recurring PBT</b>	<b>225</b>	<b>752</b>	<b>2,060</b>	<b>2,779</b>
Less: Taxes	(28)	179	618	830
Less: Minority Interest	-	-	-	-
Add: Share of Profit of Associates	-	-	-	-
<b>Net Income (Reported)</b>	<b>253</b>	<b>573</b>	<b>1,442</b>	<b>1,949</b>
Extraordinaries (Net)	(108)	-	-	-
<b>Recurring Net Income</b>	<b>361</b>	<b>573</b>	<b>1,442</b>	<b>1,949</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	4,217	5,111
of which cash & cash eqv.	115	219	721	1,146
Total Current Liabilities & Provisions	2,362	2,549	3,066	3,619
<b>Net Current Assets</b>	<b>1,128</b>	<b>966</b>	<b>1,151</b>	<b>1,492</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>11,406</b>	<b>12,008</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	8,215	10,016
Less: Misc. Exp. n.w.o.	-	-	-	-
<b>Net Worth</b>	<b>6,616</b>	<b>7,042</b>	<b>8,337</b>	<b>10,139</b>
<b>Total Liabilities</b>	<b>12,296</b>	<b>11,541</b>	<b>11,406</b>	<b>12,008</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>2,162</b>	<b>2,689</b>
Working Capital Changes	80	252	267	(17)
Capital Commitments	(380)	(100)	(400)	(1,000)
<b>Free Cashflow</b>	<b>389</b>	<b>1,418</b>	<b>2,029</b>	<b>1,672</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>502</b>	<b>425</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	11.8	15.9
Cash EPS	6.8	10.3	17.6	21.9
Dividend per share (DPS)	0.0	1.0	1.0	1.0
Book Value per share (BV)	54.0	57.4	68.0	82.7
<b>Growth (%)</b>				
Net Sales	46.3	13.7	33.9	15.4
EBITDA	78.1	40.0	64.9	18.9
PAT	-26.8	126.6	151.6	35.2
Cash EPS	-4.5	51.3	70.8	24.4
<b>Valuation Ratios (x)</b>				
P/E	189.1	47.7	19.0	14.0
P/CEPS	32.7	21.6	12.6	10.2
P/BV	4.1	3.9	3.3	2.7
EV / EBITDA	23.8	16.4	9.3	7.4
EV / Sales	3.7	3.2	2.2	1.8
<b>Operating Ratios</b>				
Raw Material / Sales (%)	44.7	44.4	42.2	41.5
Employee cost / Sales (%)	11.3	9.4	8.6	8.8
SG&A / Sales (%)	28.3	26.9	25.4	25.2
Other Income / PBT (%)	19.1	1.9	0.0	0.5
Effective Tax Rate (%)	-23.5	23.8	30.0	29.9
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	10.8	12.7
RoACE	5.6	10.2	20.8	25.2
RoAE	3.9	8.4	18.8	21.1
Dividend Payout	0.0	25.7	10.2	7.6
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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