

Greenpanel Industries | BUY

Decent quarter but for one-offs; guidance intact

Greenpanel Industries' (Greenpanel) 1QFY24 performance was broadly in line, 3% miss on revenue was offset by higher margin (120bps above JMFe). MDF segment revenue declined 13% YoY (-12% QoQ, 5% below JMFe) led by fall in both volume (-7% YoY/ -16% QoQ, 5% below JMFe) and realisation (-6% YoY; higher export mix; domestic realisation flat QoQ). Volumes declined on account of a) slightly weak demand scenario given unseasonal rains, b) moderate substitution of domestic MDF by imports, and c) shutdown of its plant in the North for 20 days in Apr'23 for maintenance. On the profitability front, gross margin contracted 340bps YoY (higher timber prices), but improved 450bps QoQ to 58.3% (430bps above JMFe) on account of improved mix of value-added products (500bps YoY). Higher A&P spend (3.9% of sales vs. 2-2.5% average annual spend) and maintenance shutdown during the quarter led to EBITDA margin shrinking by 10.7ppt YoY (-40bps QoQ) to 17.0% (adjusted for these two, we estimate margins would have expanded by 260bps QoQ). The management remains confident of volume recovery in the remaining quarters to achieve 12-15% volume growth and operating margin of 23-25% for FY24 as it intends to a) widen its direct distribution reach to OEMs and b) increase the proportion of value-added products (targets 65% of sales, currently 54%). Plywood segment continues to show lacklustre performance, but the company remains optimistic and has guided for double-digit volume growth and 8-10% EBITDA margin for FY24. We marginally trim our FY24/25 EPS estimates and arrive at a revised Jun'24 TP of INR 430 basis 22x June'25E EPS. Key risks: a) Significant rise in imports beyond current levels, and b) demand weakness in the domestic market.

- **1QFY24 summary:** Greenpanel's revenue declined 17% YoY (+17% 4-year CAGR; -5% QoQ, 3% below JMFe) to INR 3.9bn as MDF segment revenue fell 13% YoY (-12% QoQ, +23% 4-year CAGR; in line with JMFe) while plywood revenue declined 37% YoY (20% below JMFe) on poor volume (-37% YoY). MDF volume decreased 7% YoY (+5% QoQ, 5% above JMFe) on account of maintenance shutdown of 19 days of the Rudrapur Plant coupled with rising MDF imports amidst relatively weak demand. Blended MDF realisation declined 6% YoY (+5% QoQ, 5% above JMFe). Higher timber prices led to gross margin contracting by 340bps YoY (+450bps QoQ, 430bps above JMFe). Moreover, higher A&P spend and maintenance shutdown led to EBITDA margin shrinking by 10.7ppt YoY/-40bps QoQ to 17.0%. EBITDA declined 49% YoY (-15% QoQ) to INR 658mn and was 4% above JMFe.
- **Domestic volume fell 10% YoY (-6% QoQ), exports grew 3% YoY:** In 1QFY24, Greenpanel posted volume decline of 7% YoY /-16% QoQ (+11% 4-year CAGR; 5% above JMFe), led by steep fall in domestic volume (-10% YoY/-6% QoQ) on account of shutdown and rise in MDF imports. Exports volume, on the other hand, grew 3% YoY but declined by 36% QoQ. The management remains optimistic on recovery in the remaining quarters and has retained its earlier guidance of MDF volume growth of 12-15% in FY24. The company plans to expand its direct distribution reach to OEMs, which currently account for 12% of the domestic volume, and increase the proportion of value-added products, currently 54%, and targets to achieve 65% in the medium term. The



Achal Lohade

achal.lohade@jmfl.com | Tel: (91 22) 66303081

Vineet Shanker

vineet.shanker@jmfl.com | Tel: (91 22) 66303574

Nitin Prakash

nitin.prakash@jmfl.com | Tel: (+91 22) 66303074

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	430
Upside/(Downside)	26.1%
Previous Price Target	440
Change	-2.3%

Key Data – GREENP IN

Current Market Price	INR341
Market cap (bn)	INR41.8/US\$0.5
Free Float	47%
Shares in issue (mn)	122.6
Diluted share (mn)	122.6
3-mon avg daily val (mn)	INR176.4/US\$2.1
52-week range	465/255
Sensex/Nifty	66,160/19,646
INR/US\$	82.3

Price Performance

%	1M	6M	12M
Absolute	2.6	12.2	-22.5
Relative*	0.3	1.0	-32.6

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	15,860	18,028	17,956	19,606	22,101
Sales Growth (%)	58.5	13.7	-0.4	9.2	12.7
EBITDA	3,797	4,305	3,383	3,648	4,101
EBITDA Margin (%)	23.9	23.9	18.8	18.6	18.6
Adjusted Net Profit	2,334	2,470	2,074	2,276	2,671
Diluted EPS (INR)	19.0	20.2	16.9	18.6	21.8
Diluted EPS Growth (%)	174.8	5.8	-16.0	9.7	17.3
ROIC (%)	19.2	27.3	15.6	13.6	16.1
ROE (%)	26.5	22.6	16.2	15.8	16.7
P/E (x)	17.9	16.9	20.1	18.4	15.6
P/B (x)	4.2	3.5	3.1	2.8	2.5
EV/EBITDA (x)	11.2	9.4	12.9	11.6	9.7
Dividend Yield (%)	0.0	1.1	1.2	1.6	2.2

Source: Company data, JM Financial. Note: Valuations as of 28/Jul/2023

management is confident of improving margin in the coming quarters on the back of product mix, operating leverage and normalising A&P spend to achieve 23-25% for FY24.

- **Plywood performance remain weak:** Ply segment revenue fell 37% YoY / 17% QoQ (20% below JMFe) led by volume decline of 37%YoY (-23% QoQ) while EBITDA margin contracted 500bps YoY (310bps below JMFe) on account of higher commodity inflation. The company is optimistic on its plywood segment performance in future
- **Modest revision in estimates; maintain BUY:** We trim our FY24/25 EPS estimates by 2%/4% as we assume lower volume growth to arrive at a revised Jun'24 TP of INR 430 basis 22x June'25E EPS. We maintain **BUY** on Greenpanel on the back of a) Demand tailwinds over the medium term (increasing acceptance of MDF, readymade furniture) and b) commendable improvement on deleveraging and working capital fronts. Key risks: a) Significant rise in imports beyond current levels, and b) demand weakness in the domestic market.
- **Key highlights from 1QFY24 concall:**
 - Timber prices remained elevated during the quarter, grew 2% QoQ at its plant in the North and 3% QoQ at its unit in the South. In 2Q prices have stabilised in the North plant and reduced slightly in Jul'23; however, in the South, prices have increased further (by 10% QoQ).
 - Chemical prices are expected to see a decline of 10% QoQ during 2QFY24.
 - During the quarter, the contribution of value-added products was 54% in volume terms (vs. 49% in 1Q23); the company targets to reach 65% over 2-3 years.
 - Greenpanel's capacity expansion programme in Andhra Pradesh is on track (231k CBM, to be commissioned by 2QFY25). The management has guided for capex of INR 5bn in FY 24 and INR 500mn in FY25 (in addition to INR 570mn spent).
 - The company had net cash balance of INR 1.6bn as of Jun'23 (vs. INR 1.9bn in Q4FY23). However, it has guided for gross debt of INR 3bn in FY24 as it needs to fund its capacity expansion in AP.
 - Net working capital days increased by 10 days QoQ to 27 on account of higher inventories to prepare for the monsoon season.

Exhibit 1. 1QFY24 quarterly performance

INR mn	1Q23	1Q24	YoY	4yr CAGR	4Q23	QoQ	1Q24E	Var
Net Sales	4,640	3,862	-17%	17%	4,414	-13%	3,987	-3%
Gross Profit	2,862	2,250	-21%	21%	2,374	-5%	2,153	4%
Gross Margin	61.7%	58.3%	-340 bps		53.8%	450 bps	54.0%	430 bps
Employee cost	350	333	-5%	11%	319	4%	385	-14%
% of sales	7.5%	8.6%	110 bps		7.2%		9.7%	-100 bps
Other expenses	1,225	1,259	3%	22%	1,285	-2%	1,135	11%
% of sales	26.4%	32.6%	620 bps		29.1%		28.5%	410 bps
Total Expenditure	3,354	3,204	-4%	16%	3,644	-12%	3,354	-4%
EBITDA	1,286	658	-49%	25%	770	-15%	633	4%
EBITDA margin	27.7%	17.0%	-1070 bps		17.4%	-40 bps	15.9%	120 bps
Depreciation	169	182	8%	4%	172	6%	182	0%
EBIT	1,118	476	-57%	NA	598	-20%	451	5%
Other Income	72	61	-15%	77%	74	-17%	75	-19%
PBIT	1,189	537	-55%	46%	672	-20%	526	2%
Interest	25	40	60%	-19%	32	22%	18	126%
XO Exp/-Inc	0	0			0		0	
PBT	1,165	497	-57%	97%	640	-22%	509	-2%
Tax Expense	403	127	NM		-16	-881%	127	0%
Tax Rate	NM	25.6%			-2.5%		25.0%	
Reported Net Profit	761	370	-51%	97%	656	-44%	381	-3%
Adjusted Net Profit	761	370	-51%	109%	656	-44%	381	-3%
Adjusted EPS	6.2	3.0	-51%	109%	5.4	-44%	3.1	-3%

Source: Company, JM Financial

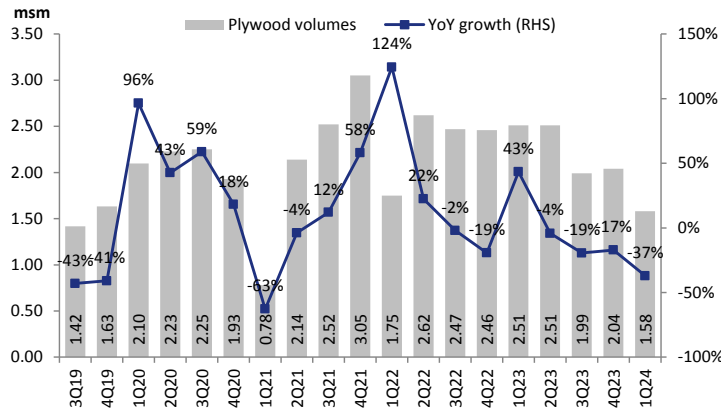
Exhibit 2. 1QFY24 segment performance

INR mn	1Q23	1Q24	YoY	4yr CAGR	4Q23	QoQ	1Q24E	Var
Revenue	4,640	3,862	-17%	17%	4,414	-13%	3,987	-3%
MDF	3,931	3,412	-13%	23%	3,870	-12%	3,426	0%
Plywood	709	450	-37%	-3%	545	-17%	562	-20%
Volumes								
MDF (cbm)	125,029	115,798	-7%	11%	137,265	-16%	122,000	-5%
Plywood (msm)	2.5	1.6	-37%	-7%	2.0	-23%	2.0	-20%
Realisation								
MDF (Rs/cbm)	31,441	29,465	-6%	11%	28,191	5%	28,079	5%
Plywood (Rs/sqm)	282	285	1%	4%	267	7%	285	0%
Segmental Adj.EBITDA	1,315	658	-50%	24%	756	-13%	663	-1%
MDF	1,238	631	-49%	35%	761	-17%	613	3%
Plywood	77	27	-66%	-25%	-5	-642%	51	-47%
EBITDA margins	28.3%	17.0%	-1130 bps		17.1%	-10 bps	16.6%	40 bps
MDF	31.5%	18.5%	-1300 bps		19.7%	-120 bps	17.9%	60 bps
Plywood	10.9%	5.9%	-500 bps		-0.9%	680 bps	9.0%	-310 bps
EBITDA margins per unit								
MDF (INR/cbm)	9,902	5,449	-45%	22%	5,545	-2%	5,021	9%
Plywood (INR/sqft)	31	17	-45%	-19%	-2	-799%	26	-35%
Segmental Adj.EBIT	1,133	478	-58%	41%	575	-17%	481	-1%
MDF	1,066	460	-57%	74%	589	-22%	441	5%
Plywood	67	17	-74%	-29%	-14	-221%	41	-58%
EBIT margins	24.4%	12.4%	-1200 bps		13.0%	-70 bps	12.1%	30 bps
MDF	27.1%	13.5%	-1360 bps		15.2%	-170 bps	12.9%	60 bps
Plywood	9.4%	3.8%	-560 bps		-2.6%	640 bps	7.2%	-340 bps

Source: Company, JM Financial

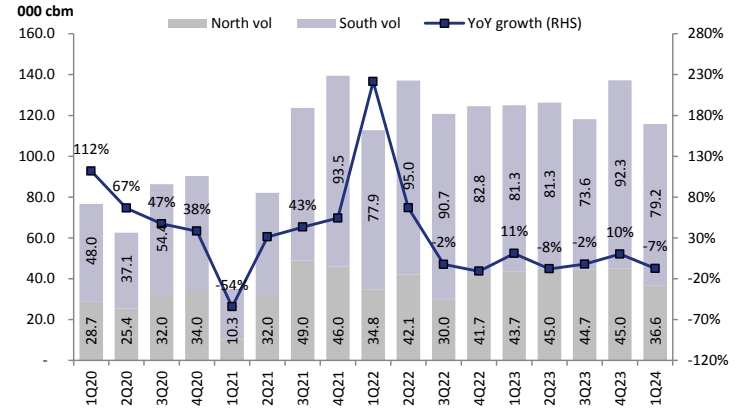
Quarterly Charts

Exhibit 3. Plywood volume growth trend



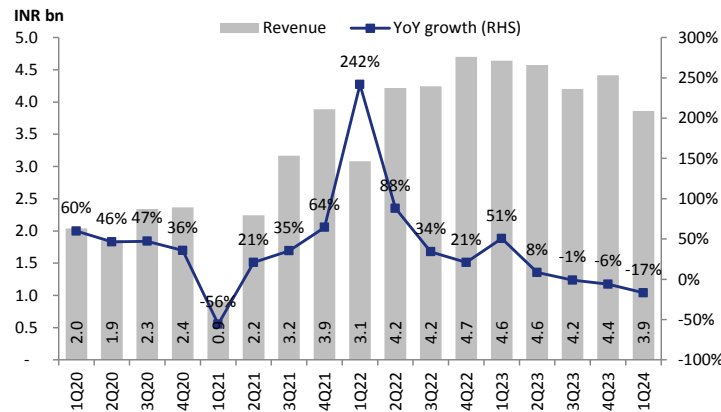
Source: Company, JM Financial

Exhibit 4. MDF volume growth trend



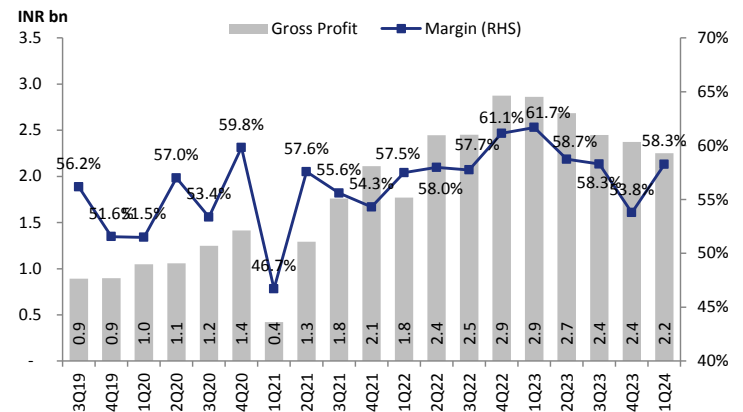
Source: Company, JM Financial

Exhibit 5. Revenue growth trend



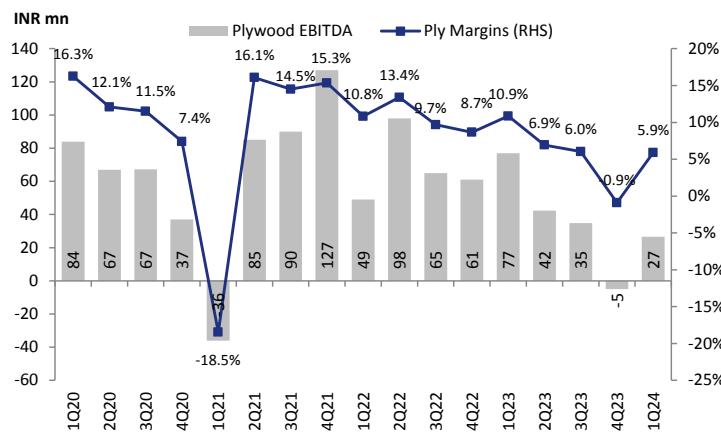
Source: Company, JM Financial

Exhibit 6. Gross profit and margin trend



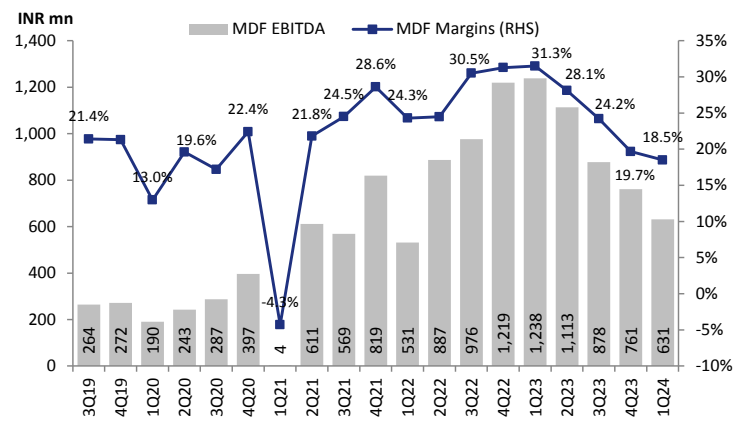
Source: Company, JM Financial

Exhibit 7. Plywood EBITDA trend



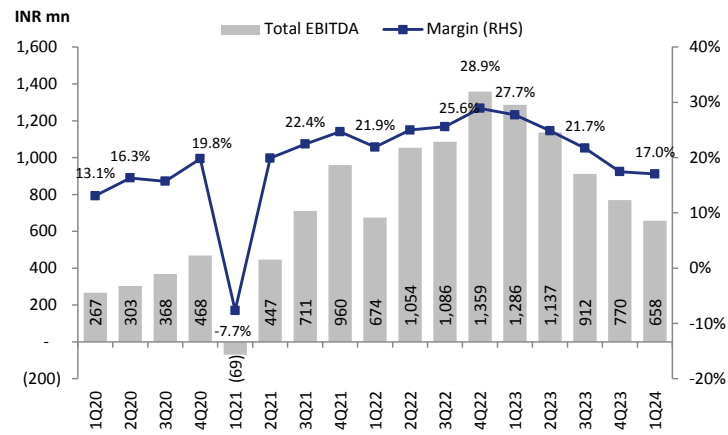
Source: Company, JM Financial

Exhibit 8. MDF EBITDA trend



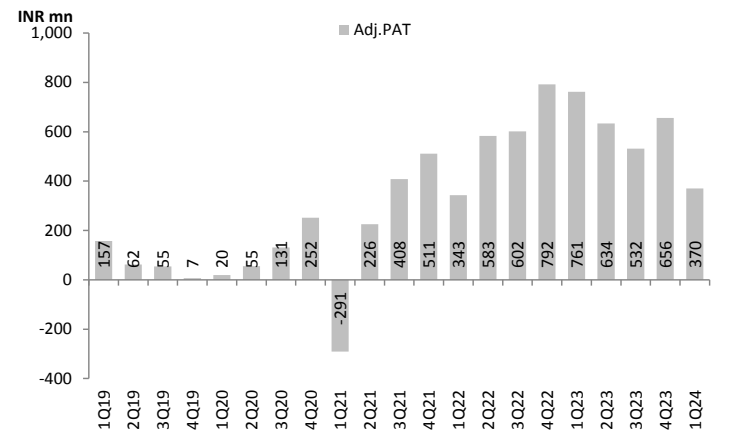
Source: Company, JM Financial

Exhibit 9. Total EBITDA trend



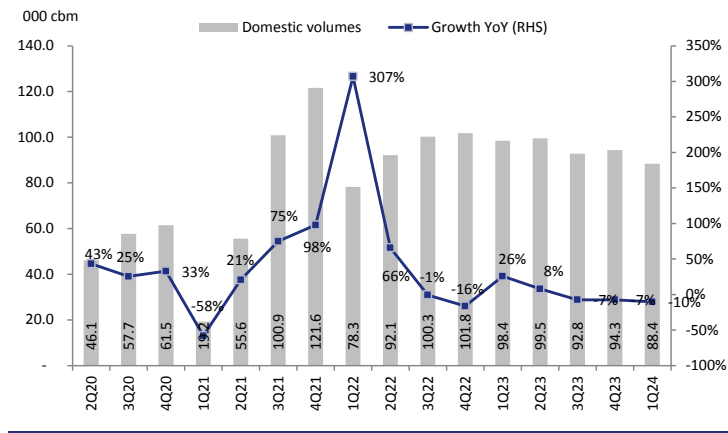
Source: Company, JM Financial

Exhibit 10. Adj. PAT trend



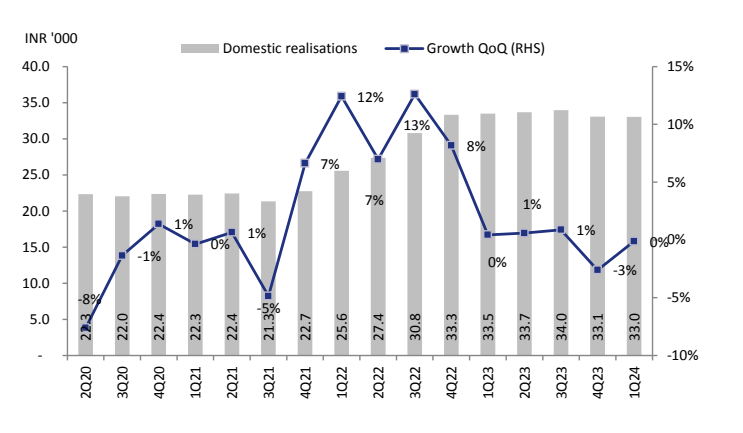
Source: Company, JM Financial

Exhibit 11. MDF domestic volume trend



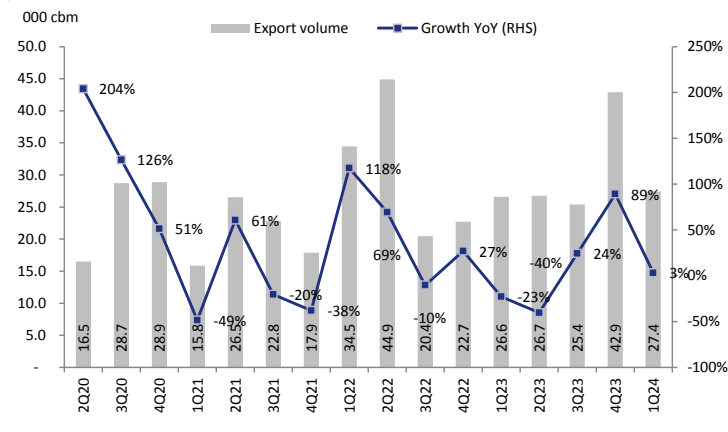
Source: Company, JM Financial

Exhibit 12. MDF domestic realisation trend



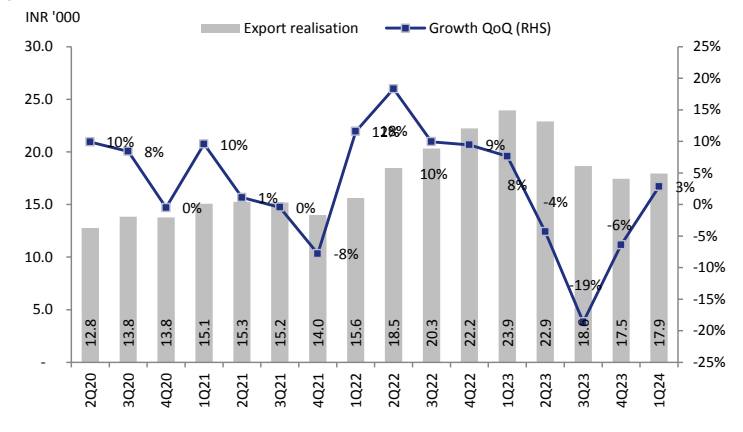
Source: Company, JM Financial

Exhibit 13. MDF export volume trend



Source: Company, JM Financial

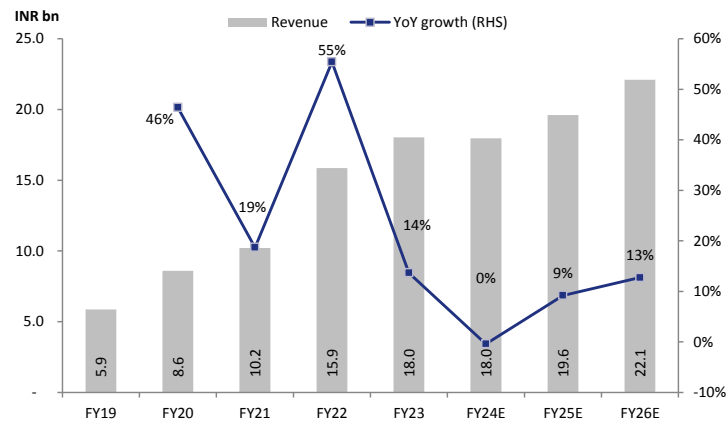
Exhibit 14. MDF export realisation trend



Source: Company, JM Financial

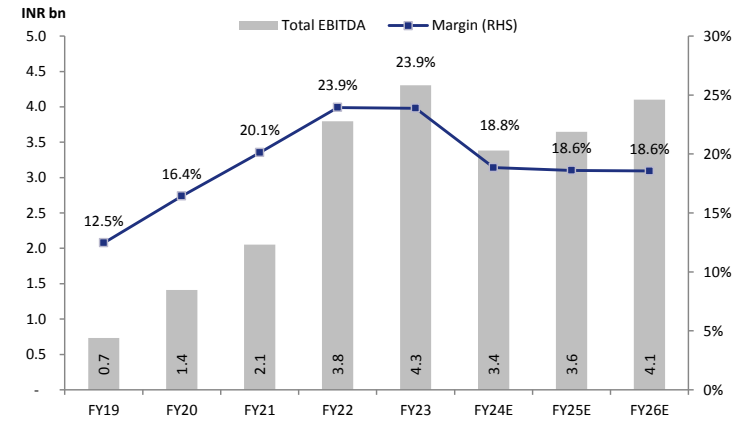
Annual Charts

Exhibit 15. Revenue trend



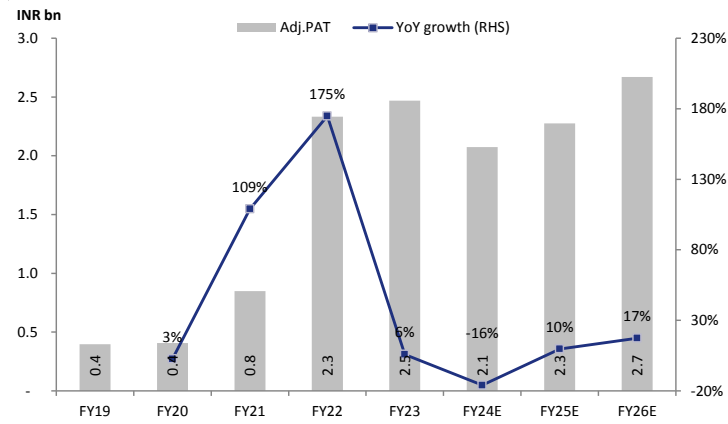
Source: Company, JM Financial

Exhibit 16. EBITDA and margin trend



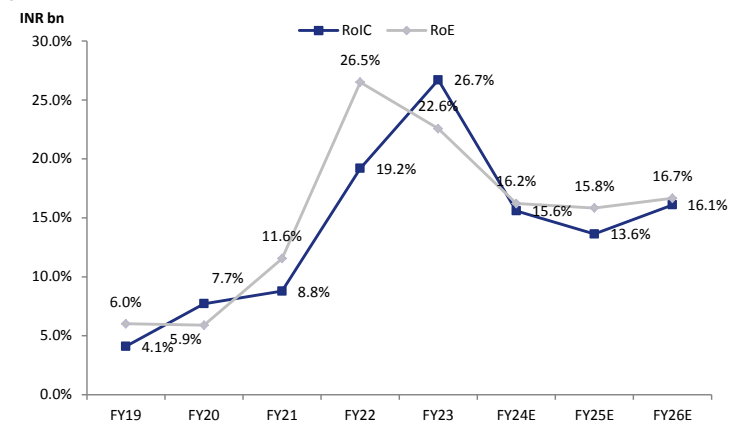
Source: Company, JM Financial

Exhibit 17. Adj. PAT trend



Source: Company, JM Financial

Exhibit 18. Return ratios



Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	15,860	18,028	17,956	19,606	22,101	
Sales Growth	58.5%	13.7%	-0.4%	9.2%	12.7%	
Other Operating Income	0	0	0	0	0	
Total Revenue	15,860	18,028	17,956	19,606	22,101	
Cost of Goods Sold/Op. Exp	6,703	7,458	8,080	8,823	8,840	
Personnel Cost	1,229	1,366	1,502	1,773	1,950	
Other Expenses	4,132	4,900	4,991	5,363	7,210	
EBITDA	3,797	4,305	3,383	3,648	4,101	
EBITDA Margin	23.9%	23.9%	18.8%	18.6%	18.6%	
EBITDA Growth	84.9%	13.4%	-21.4%	7.8%	12.4%	
Depn. & Amort.	680	690	740	875	900	
EBIT	3,117	3,615	2,643	2,773	3,201	
Other Income	82	182	250	350	450	
Finance Cost	165	187	120	80	80	
PBT before Excep. & Forex	3,034	3,610	2,773	3,043	3,571	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	3,034	3,610	2,773	3,043	3,571	
Taxes	1,085	868	699	767	900	
Extraordinary Inc./Loss(-)	0	-243	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	1,950	2,499	2,074	2,276	2,671	
Adjusted Net Profit	2,334	2,470	2,074	2,276	2,671	
Net Margin	14.7%	13.7%	11.6%	11.6%	12.1%	
Diluted Share Cap. (mn)	122.6	122.6	122.6	122.6	122.6	
Diluted EPS (INR)	19.0	20.2	16.9	18.6	21.8	
Diluted EPS Growth	174.8%	5.8%	-16.0%	9.7%	17.3%	
Total Dividend + Tax	0	451	519	683	935	
Dividend Per Share (INR)	0.0	3.7	4.2	5.6	7.6	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	3,034	3,367	2,773	3,043	3,571	
Depn. & Amort.	542	398	740	875	900	
Net Interest Exp. / Inc. (-)	-92	22	-130	-270	-370	
Inc (-) / Dec in WCap.	482	-160	-156	9	10	
Others	216	388	0	0	0	
Taxes Paid	-580	-623	-699	-767	-900	
Operating Cash Flow	3,602	3,392	2,528	2,890	3,211	
Capex	-345	-886	-5,651	-900	-200	
Free Cash Flow	3,257	2,507	-3,123	1,990	3,011	
Inc (-) / Dec in Investments	-1,051	-1,795	0	0	0	
Others	30	145	250	350	450	
Investing Cash Flow	-1,365	-2,536	-5,401	-550	250	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-184	-184	-519	-683	-935	
Inc / Dec (-) in Loans	-1,470	-1,000	1,096	-1,500	-1,500	
Others	-149	-122	-120	-80	-80	
Financing Cash Flow	-1,803	-1,306	457	-2,263	-2,515	
Inc / Dec (-) in Cash	434	-450	-2,416	77	946	
Opening Cash Balance	716	2,213	3,558	1,142	1,219	
Closing Cash Balance	1,149	1,763	1,142	1,219	2,165	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	9,871	12,014	13,569	15,162	16,898	
Share Capital	123	123	123	123	123	
Reserves & Surplus	9,749	11,891	13,446	15,040	16,776	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	2,824	1,904	3,000	1,500	0	
Def. Tax Liab. / Assets (-)	682	943	943	943	943	
Total - Equity & Liab.	13,378	14,861	17,512	17,605	17,842	
Net Fixed Assets	9,890	9,965	14,876	14,901	14,201	
Gross Fixed Assets	14,165	14,589	14,789	20,989	21,189	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	4,275	4,673	5,413	6,288	7,188	
Capital WIP	0	49	5,500	200	200	
Investments	524	221	221	221	221	
Current Assets	5,227	6,860	4,540	4,807	6,040	
Inventories	1,658	1,525	1,623	1,773	1,998	
Sundry Debtors	414	444	442	483	544	
Cash & Bank Balances	2,213	3,558	1,142	1,219	2,165	
Loans & Advances	942	1,332	1,332	1,332	1,332	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	2,263	2,185	2,124	2,323	2,620	
Current Liabilities	1,479	1,111	984	1,074	1,211	
Provisions & Others	784	1,074	1,141	1,249	1,409	
Net Current Assets	2,964	4,675	2,415	2,484	3,420	
Total - Assets	13,378	14,861	17,512	17,605	17,842	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	14.7%	13.7%	11.6%	11.6%	12.1%	
Asset Turnover (x)	1.2	1.3	1.1	1.1	1.2	
Leverage Factor (x)	1.5	1.3	1.3	1.2	1.1	
RoE	26.5%	22.6%	16.2%	15.8%	16.7%	

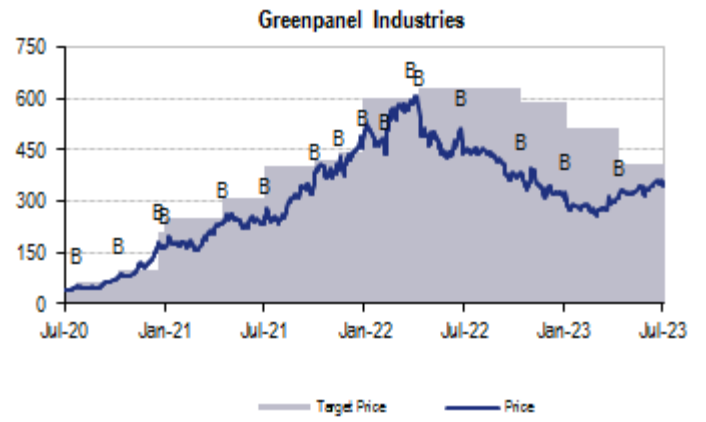
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	80.5	98.0	110.7	123.7	137.9	
ROIC	19.2%	27.3%	15.6%	13.6%	16.1%	
ROE	26.5%	22.6%	16.2%	15.8%	16.7%	
Net Debt/Equity (x)	0.1	-0.1	0.1	0.0	-0.1	
P/E (x)	17.9	16.9	20.1	18.4	15.6	
P/B (x)	4.2	3.5	3.1	2.8	2.5	
EV/EBITDA (x)	11.2	9.4	12.9	11.6	9.7	
EV/Sales (x)	2.7	2.2	2.4	2.2	1.8	
Debtor days	10	9	9	9	9	
Inventory days	38	31	33	33	33	
Creditor days	45	30	25	25	25	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
28-Feb-20	Hold	60	
8-Apr-20	Hold	30	-50.0
2-Jul-20	Hold	41	36.7
20-Aug-20	Buy	65	58.5
2-Nov-20	Buy	100	53.8
15-Jan-21	Buy	210	110.0
27-Jan-21	Buy	250	19.0
14-May-21	Buy	310	24.0
29-Jul-21	Buy	400	29.0
27-Oct-21	Buy	420	5.0
13-Dec-21	Buy	440	4.8
24-Jan-22	Buy	600	36.4
7-Mar-22	Buy	600	0.0
22-Apr-22	Buy	600	0.0
7-May-22	Buy	630	5.0
23-Jul-22	Buy	630	0.0
9-Nov-22	Buy	590	-6.3
31-Jan-23	Buy	510	-13.6
8-May-23	Buy	410	-19.6

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd., National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst – INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +9122 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sunny Shah | Tel: +91 22 6630 3383 | Email: sunny.shah@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for large-cap stocks* and REITs and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for large-cap* stocks and REITs and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* Large-cap stocks refer to securities with market capitalisation in excess of INR200bn. REIT refers to Real Estate Investment Trusts.

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