

### Challenging period won't last forever

**Greenpanel Industries Q2FY25 performance was slightly below our estimates however the outlook has improved for H2FY25.**

**Looking ahead, we anticipate significantly improved performance in FY26 and FY27. This is due to the company's new capacity addition in thin MDF, the absence of major capacity additions by large competitors, expected moderation in timber costs (starting from CY26), and the impact of BIS norms on imports, all supported by strong double-digit volume growth in the industry. The plywood segment has also seen a turnaround, and we expect its performance to improve gradually.**

**We had given a NEUTRAL call on the company from Q2FY24 considering the challenging environment, however we change our recommendation to ACCUMULATE for the above mentioned reasons.**

#### Q2 Segmental Performance:

##### MDF

- Sales at 3000 Mn (-10% QoQ) (-15.4% YoY)
- Volumes at 1,01,546 CBM (-15% QoQ) (-18% YoY)
- Blended Realisations at 29,130/CBM (+5% QoQ) (+2% YoY)
- EBITDA margins at 13.1% (+100 bps QoQ) (-810bps YoY)

##### Plywood

- Sales at 369 Mn (13.9% QoQ) (-14.7% YoY)
- Volumes at 1.47 Mn Sqm (+20% QoQ) (-14% YoY)
- Blended Realisations at 250/sqm (-6% QoQ) (flat YoY)
- EBITDA margins at 2.5% (+490bps QoQ) (+90bps YoY)

#### Key Financial Highlights:

- Revenue at Rs 3,369Mn, -15.5% qoq/-7.7% yoy
- EBITDA (excl OI) at Rs 299Mn, -17% qoq/-57% yoy
- EBITDA margin at 8.87% vs 17.33% vs 9.88% in Q2FY24/Q1FY25
- PAT at Rs 185Mn, +17.7% qoq/-55% yoy
- EPS at Rs 1.51 vs 3.32/1.28 in Q2FY24/Q1FY25

#### Outlook:

- MDF domestic volume guidance for FY25 is targeted at 10% (cut from 15%) with export volumes in the range of 6000-8000 CBM/month. H2FY25 will see volume growth of 15-18% vs H2FY24.

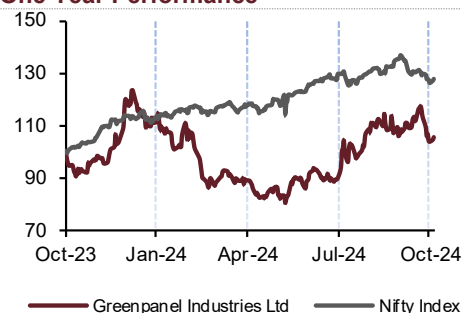


Rating	TP (Rs)	Up/Dn (%)
<b>ACCUMULATE</b>	<b>382</b>	<b>2</b>

#### Market data

<b>Current price</b>	Rs	<b>376</b>
Market Cap (Rs.Bn)	(Rs Bn)	46
Market Cap (US\$ Mn)	(US\$ Mn)	548
Face Value	Rs	1
52 Weeks High/Low	Rs	449.9 / 267.95
Average Daily Volume	('000)	111
BSE Code		542857
<b>Bloomberg</b>		<b>GREENP</b>
Source: Bloomberg		

#### One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	59.89	59.89
Public	40.05	40.05
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Bloomberg

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- Targeting 35% domestic volume growth in FY26
- MDF EBITDA margin guidance for the year @14-15% (for the existing capacity)
- New MDF plant to start commercial production in Q3FY25 (December)

### Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	10,208	16,250	17,829	15,673	15,854	20,575	23,175
EBIDTA	2,034	4,304	4,165	2,465	2,048	3,153	4,383
Margins (%)	19.9	26.5	23.4	15.7	12.9	15.3	18.9
Adjusted net profit	688	2,405	2,565	1,427	929	1,672	2,604
EPS (Rs)	5.6	19.6	20.9	11.64	7.58	13.64	21.24
P/E (x)	62	18	17	30	46	26	16
EV/EBITDA (x)	23	10	10	18	21	13	9
RoCE (%)	11.44%	28.93%	24.89%	10.95%	7.15%	12.20%	17.23%
RoE (%)	9.42%	25.27%	21.49%	10.83%	6.67%	10.85%	14.61%

Source: Company, Dalal & Broacha Research

### Valuations and Outlook:

Greenpanel Industries performance in the last 2 years has been impacted majorly due to significant capacity addition in the MDF segment, high timber costs along with elevated imports which led to a 23% CAGR de-growth in earnings.

Looking ahead, we anticipate a significant improvement in performance in FY26 and FY27. This is due to the company's new capacity addition in thin MDF, the absence of major capacity additions by large competitors, expected moderation in timber costs (starting from CY26), and the impact of BIS norms on imports, supported by strong double-digit volume growth in the industry. The plywood segment has also seen a turnaround, and we expect its performance to improve gradually.

***We had given a NEUTRAL call on the company from Q2FY24 considering the challenging environment, however we change our recommendation to ACCUMULATE with a positive bias.***

***We believe that the worst is almost behind and expect the stock to deliver a PAT CAGR of 22% between FY24-27E, however we remain cautiously optimistic and wait for numbers to improve before we change our target P/E multiple. We expect the stock to get re-rated on better financial performance.***

Considering how Q2 has panned out, we have tweaked our earnings downwards by 23%/14%/4% for FY25/26/27. ***We roll forward our estimates to FY27 and value the company at 18x FY27E, arriving at a target price of 382.***

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## Concall Highlights:

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### MDF Division

- Value add products contribution is 54% to the domestic volumes vs 47% in Q1. Target is 65% by FY27 for existing capacity.
- Overall domestic volume saw a de-growth as competitors were offering products at a lower price. To combat, dealer incentive schemes of ~4% was introduced in mid of August impacting the realization by ~2% on a blended basis.
- Export volumes were impacted due to the conscious effort of the company to restrict sale of products to customers who were not willing to take price hikes.
- OEM contributed ~16% of domestic volume. Margins for OEM sales are ~4% lower than retail sales.
- ***Pricing of MDF has bottomed out and discussions are ongoing for price hikes in domestic market.***
- ***MDF EBITDA margin to see an improvement of 150 to 200bps in H2FY25 vs Q2FY25.***
- The new MDF capacity for thin MDF constitutes ~35% of the overall market and company expects to gain market share from the unorganized players.
- Target of 50% capacity utilization in FY26 and 75-80% for new capacity in FY27 within the new capacity.
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### Ply Division

- Restructuring is complete and the volume offtake has improved QoQ.
- Lot of cost reduction initiatives were taken.
- Deco veneers segment is discontinued
- Focus is to scale and add new capacity post optimum utilization of the existing capacity.

### Timber prices

- Timber has reduced 1 to 1.5% sequentially due to change in procurement strategy wherein purchases from far locations was stopped. The blended timber cost for the company for Q2 is Rs 5.86/kg vs 6/kg in Q1.
- October has seen increase in cost by 4-6%.
- Timber pricing will cool off marginally from FY26 but CY26/FY27 will see material reduction in timber pricing due to better availability.

## Quarterly Snapshot

<b>Greenpanel Industries</b>					
<b>Particulars (Rs Mns)</b>	<b>Q2FY25</b>	<b>Q2FY24</b>	<b>YoY Growth</b>	<b>Q1FY25</b>	<b>QoQ Growth</b>
Revenue from operations	3,369	3,987	-15.5%	3,650	-7.7%
Other income	62	68	-8.7%	45	37.7%
<b>Total Income</b>	<b>3,431</b>	<b>4,055</b>		<b>3,695</b>	
Cost of goods sold	1,711	1,770	-3.3%	1,785	-4.1%
Employee Benefit expenses	354	354	0.1%	362	-2.2%
Other Expenses	1,005	1,173	-14.3%	1,142	-12.1%
<b>EBITDA (excl other income)</b>	<b>299</b>	<b>691</b>	<b>-56.8%</b>	<b>360</b>	<b>-17.1%</b>
Less : Depreciation	193	185	4.3%	189	1.9%
PBIT	106	506		171	
Less: Interest cost	34	19	76.9%	2	1340.5%
<b>PBT (before exceptional)</b>	<b>134</b>	<b>555</b>	<b>-75.9%</b>	<b>214</b>	<b>-37.3%</b>
Exceptional	-	-		-	
PBT (after exceptional)	134	555	-75.9%	214	-37.3%
Less : Tax	(51)	145		57	
<b>PAT</b>	<b>185</b>	<b>410</b>	<b>-54.9%</b>	<b>157</b>	<b>17.7%</b>
<b>EPS</b>	<b>1.51</b>	<b>3.32</b>	<b>-54.5%</b>	<b>1.28</b>	<b>17.9%</b>
<b>Gross Margins</b>	<b>49.20%</b>	<b>55.61%</b>		<b>51.10%</b>	
<b>EBITDA (excl OI) Margins</b>	<b>8.87%</b>	<b>17.33%</b>		<b>9.88%</b>	
<b>Net profit Margin</b>	<b>5.39%</b>	<b>10.11%</b>		<b>4.25%</b>	
<b>Revenue segment wise</b>					
MDF	3,000	3,545	-15.4%	3,326	-9.8%
Plywood	369	432	-14.7%	324	13.9%
<b>EBITDA margins</b>					
MDF	13.1%	21.20%		12.1%	
Plywood	2.5%	1.60%		-2.2%	

\* Consolidated P/L

Source: Dalal &amp; Broacha Research

## FINANCIALS

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	10,208	16,250	17,829	15,673	15,854	20,575	23,175
Total Operating Expenses	4,629	6,709	7,458	6,907	7,610	9,670	10,429
Employee Cost	979	1,284	1,397	1,406	1,519	1,580	1,643
Other Expenses	2,566	3,953	4,808	4,894	4,677	6,172	6,721
<b>Operating Profit</b>	<b>2,034</b>	<b>4,304</b>	<b>4,165</b>	<b>2,465</b>	<b>2,048</b>	<b>3,153</b>	<b>4,383</b>
Depreciation	686	734	720	729	882	1,008	1,023
PBIT	1,347	3,571	3,446	1,736	1,166	2,145	3,360
Other income	34	90	194	219	219	219	219
Interest	372	171	190	123	146	134	107
PBT ( Before exceptional )	1,010	3,489	3,449	1,832	1,238	2,229	3,472
Exceptional	-	-	61	-	-	-	-
PBT (post exceptional)	1,010	3,489	3,510	1,832	1,238	2,229	3,472
Provision for tax	322	1,085	944	405	310	557	868
Reported PAT	688	2,405	2,565	1,427	929	1,672	2,604
MI	-	-	-	-	-	-	-
Net Profit	688	2,405	2,565	1,427	929	1,672	2,604
<b>Adjusted Profit</b>	<b>688</b>	<b>2,405</b>	<b>2,565</b>	<b>1,427</b>	<b>929</b>	<b>1,672</b>	<b>2,604</b>
<b>Balance Sheet ( Rs mn )</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Equity capital	123	123	123	123	123	123	123
Reserves	7,181	9,394	11,816	13,049	13,794	15,282	17,702
<b>Net worth</b>	<b>7,304</b>	<b>9,516</b>	<b>11,939</b>	<b>13,171</b>	<b>13,916</b>	<b>15,404</b>	<b>17,824</b>
<b>Non Current Liabilites</b>	<b>4,388</b>	<b>2,790</b>	<b>2,770</b>	<b>3,692</b>	<b>3,528</b>	<b>3,440</b>	<b>2,953</b>
<b>Current Liabilites</b>	<b>2,860</b>	<b>3,117</b>	<b>2,340</b>	<b>2,044</b>	<b>1,965</b>	<b>2,191</b>	<b>2,258</b>
<b>TOTAL LIABILITIES</b>	<b>14,552</b>	<b>15,424</b>	<b>17,048</b>	<b>18,907</b>	<b>19,409</b>	<b>21,035</b>	<b>23,036</b>
<b>Non Current Assets</b>	<b>11,000</b>	<b>10,561</b>	<b>10,709</b>	<b>13,613</b>	<b>15,030</b>	<b>14,682</b>	<b>13,977</b>
Fixed Assets	10,778	10,382	9,965	12,949	14,344	13,918	13,127
Goodwill	-	-	-	-	-	-	-
Non Current Investments	-	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-	-
Other Financial Assets	146	170	215	218	240	264	291
Other Non Current Assets	76	9	529	446	446	499	559
<b>Current Assets</b>	<b>3,553</b>	<b>4,863</b>	<b>6,339</b>	<b>5,294</b>	<b>4,379</b>	<b>6,354</b>	<b>9,059</b>
Current investments	-	-	-	975	-	-	-
Inventories	1,494	1,658	1,525	2,016	2,041	2,649	2,984
Trade Receivables	778	414	444	290	304	395	444
Cash and Bank Balances	725	2,226	3,778	1,404	1,395	2,603	4,848
Short Term Loans and Advances	4	7	5	5	10	10	10
Other Current Assets	552	557	587	605	629	697	772
<b>TOTAL ASSETS</b>	<b>14,552</b>	<b>15,424</b>	<b>17,048</b>	<b>18,907</b>	<b>19,409</b>	<b>21,035</b>	<b>23,036</b>

## FINANCIALS

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY26E
<b>Cash flow from operating activities</b>							
Profit before tax	1,010	3,489	3,449	1,832	1,238	2,229	3,472
Depreciation & Amortization	686	734	720	729	882	1,008	1,023
Interest expenses	372	171	190	123	146	134	107
<b>Operating profit before working capital change</b>	<b>2,068</b>	<b>4,394</b>	<b>4,359</b>	<b>2,683</b>	<b>2,267</b>	<b>3,371</b>	<b>4,602</b>
Working capital adjustment	63	280	(163)	(354)	(47)	(375)	(350)
<b>Gross cash generated from operations</b>	<b>2,131</b>	<b>4,674</b>	<b>4,195</b>	<b>2,329</b>	<b>2,220</b>	<b>2,996</b>	<b>4,252</b>
Net Direct taxes paid	(164)	(580)	(623)	(405)	(310)	(557)	(868)
Others	421	436	198	22	11	(106)	(117)
<b>Cash generated from operations</b>	<b>1,546</b>	<b>3,657</b>	<b>3,374</b>	<b>1,946</b>	<b>1,922</b>	<b>2,333</b>	<b>3,267</b>
	-	-	-	-	-	-	-
<b>Cash flow from investing activities</b>							
Capex	(127)	(336)	(803)	(3,712)	(2,277)	(582)	(232)
Investment	-	-	-	(975)	975	-	-
Others	18	(1,028)	(1,675)	-	-	-	-
<b>Cash generated from investment activities</b>	<b>(109)</b>	<b>(1,364)</b>	<b>(2,478)</b>	<b>(4,687)</b>	<b>(1,302)</b>	<b>(582)</b>	<b>(232)</b>
	-	-	-	-	-	-	-
<b>Cash flow from financing activities</b>							
Proceeds from issue of share	-	-	-	-	-	-	-
Borrowings/ (Repayments)	(1,117)	(1,468)	(1,002)	685	(298)	(225)	(500)
Interest paid	(222)	(115)	(85)	(123)	(146)	(134)	(107)
Dividend paid	-	(184)	-	(184)	(184)	(184)	(184)
Others	(80)	(82)	(249)	-	-	-	-
<b>Cash generated from financing activities</b>	<b>(1,419)</b>	<b>(1,849)</b>	<b>(1,336)</b>	<b>367</b>	<b>(628)</b>	<b>(543)</b>	<b>(791)</b>
<b>Ratios</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
OPM	19.92%	26.49%	23.36%	15.73%	12.92%	15.32%	18.91%
NPM	6.72%	14.72%	14.23%	8.98%	5.78%	8.04%	11.13%
Tax Rate	31.85%	31.09%	26.91%	22.10%	25.00%	25.00%	25.00%
<b>Growth Ratios (%)</b>							
Net Sales	16.45%	59.20%	9.71%	-12.09%	1.16%	29.78%	12.64%
Operating Profit	47.61%	111.65%	-3.23%	-40.83%	-16.90%	53.92%	39.03%
PBIT	347.81%	245.58%	-1.16%	-46.89%	-32.39%	80.00%	55.75%
PAT	375.84%	249.47%	6.68%	-44.38%	-34.90%	80.00%	55.75%
<b>Per Share (Rs.)</b>							
Net Earnings (EPS)	5.61	19.61	20.92	11.64	7.58	13.64	21.24
Cash Earnings (CPS)	11.21	25.60	26.79	17.58	14.77	21.86	29.58
Dividend	0.00	0.15	0.15	0.15	0.15	0.15	0.15
Book Value	59.57	77.62	97.38	107.43	113.51	125.65	145.39
Free Cash Flow	11.57	27.08	20.97	-14.41	-2.90	14.28	24.75
<b>Valuation Ratios</b>							
P/E(x)	62.36	17.84	16.73	30.07	46.20	25.66	16.48
P/B(x)	5.88	4.51	3.59	3.26	3.08	2.79	2.41
EV/EBIDTA(x)	22.94	10.11	9.85	17.93	21.44	13.48	9.07
Div. Yield(%)	-	0.04	0.04	0.04	0.04	0.04	0.04
FCFF Yield(%)	3.31	7.74	5.99	(4.12)	(0.83)	4.08	7.07
<b>Return Ratios (%)</b>							
ROE	9.42%	25.27%	21.49%	10.83%	6.67%	10.85%	14.61%
ROCE	11.44%	28.93%	24.89%	10.95%	7.15%	12.20%	17.23%

Source: Dalal &amp; Broacha Research

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