

Greenpanel Industries

HOLD

Price competition hits margins amid elevated input costs

Summary

Greenpanel Q1FY25 results were significantly below our and street estimates on all the parameters. Revenue de-grew by 6% YoY to Rs3.6bn, due to weak performance across segments. EBITDA declined 45% YoY Rs360mn. EBITDA margin contracted by 715bps YoY to 9.9%, due to sharp margin contraction in MDF segment (down 830bps YoY), driven by a sharp increase in wood prices (up 31% YoY) and lower volumes due to increased price competition. Furthermore, the management has re-iterated a 15% volume growth for MDF segment in FY25 and expect EBITDA margin to remain above 16% unless it is forced to cut MDF prices. We revise downwards our FY25 & FY26 EPS estimates by 21% & 15%, respectively. We are downgrading our rating from BUY to HOLD with a revised target price of Rs344 (earlier Rs371), valuing the stock at 22x FY26E EPS.

Key Highlights and Investment Rationale

- **MDF segment performance hampered by price wars:** MDF revenue was down 2.2% YoY due to a 5% YoY drop in realization, attributable to increased competitive intensity amid an oversupply situation in the industry. However, MDF sales volumes increased by 2.8% YoY, driven by 10% YoY increase in domestic volumes, partly offset by a sharp 21% YoY drop in export volumes. Domestic volumes were impacted by price reductions from competitors, while export volumes were affected by lower availability of containers and a steep rise in ocean freight rates. The EBITDA margin contracted by 830bps YoY to 12.1%, marking lowest level in past 16 quarters. Nevertheless, the management believes that the margins have bottomed out and expects them to improve with higher volumes and operating leverage.
- **Persistent weakness in plywood business:** Plywood revenue declined by 28% YoY, primarily due to 23% YoY drop in sales volume and a 7% decrease in realizations. Plywood EBITDA margins fell to -2.2% on lower volumes.

TP **Rs344**

CMP **Rs359**

Potential upside **-4%**

Previous Rating **BUY**

Price Performance (%)

	-1m	-3m	-12m
Absolute	9.8	13.4	5.3
Rel to Sensex	6.7	4.1	(17.9)

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	10	16
Consensus	12	18
% difference	(17.1)	(12.1)

Key Stock Data

Bloomberg / Reuters	GREENP IN/GREP.BO
Sector	Plywood Boards/Laminates
Shares o/s (mn)	123
Market cap. (Rs mn)	43,968
3-m daily average value (Rs mn)	--
52-week high / low	Rs450 / 272
Sensex / Nifty	81,455 / 24,857

Shareholding Pattern (%)

Promoters	53.1
FII	2.1
DII	26.7
Public	18.1

Financial snapshot

Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	16,250	17,829	15,673	16,913	19,570
Change (yoy, %)	59	10	-12	8	16
EBITDA	4,304	4,165	2,465	2,221	3,386
Change (yoy, %)	112	-3	-41	-10	52
EBITDA Margin(%)	26.5	23.4	15.7	13.1	17.3
Adj.PAT	2405	2504	1427	1206	1919
EPS (Rs)	20	20	12	10	16
Change (yoy, %)	249	4	-43	-15	59
PE(x)	15.9	15.2	26.7	31.6	19.9
Dividend Yield (%)	0.5	0.5	0.5	0.4	0.5
EV/EBITDA (x)	8.9	8.6	16.0	17.9	11.2
RoE (%)	28.6	23.3	11.4	8.8	12.7
RoCE (%)	28.9	24.9	10.9	8.4	13.7

Source: IDBI Capital Research

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Exhibit 1: Quarterly Snapshot (Consolidated)

(Rs mn)

Year-end: March	Q1FY25	Q4FY24	QoQ (%)	Q1FY24	YoY (%)
Net sales	3,650	3,965	-8.0%	3,861	-5.5%
Expenditure	3,289	3,450	-4.7%	3,204	2.7%
EBITDA	360	516	-30.1%	658	-45.2%
<i>EBITDA margin (%)</i>	<i>9.9</i>	<i>13.0</i>	<i>-312 bps</i>	<i>17.0</i>	<i>-715 bps</i>
Interest	2	2	34.3%	40	-94.1%
Depreciation	189	182	3.8%	182	4.0%
PBT	214	403	-46.9%	497	-57.0%
Tax	57	105	-45.9%	127	-55.5%
Reported PAT	157	298	-47.3%	370	-57.5%
Adjusted PAT	157	298	-47.3%	370	-57.5%
Diluted EPS	1.3	2.4	-47.5%	3.0	-57.5%

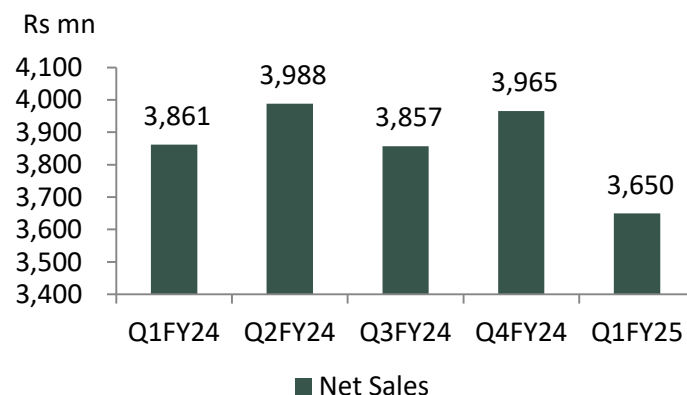
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. Estimates

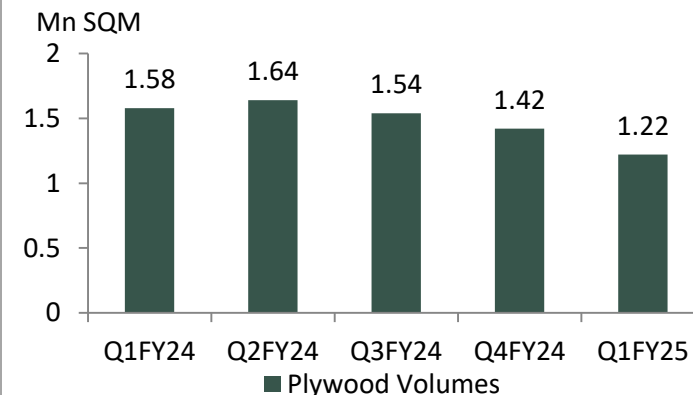
(Rs mn)

	Q1FY25E	Q1FY25A	Variance (%)
Net sales	3,985	3,650	(8.4)
EBTIDA	578	360	(37.6)
Margin (%)	14.5	9.9	-462bps
Adj. PAT	325	157	(51.6)
Adj. diluted EPS (Rs)	2.7	1.3	(51.6)

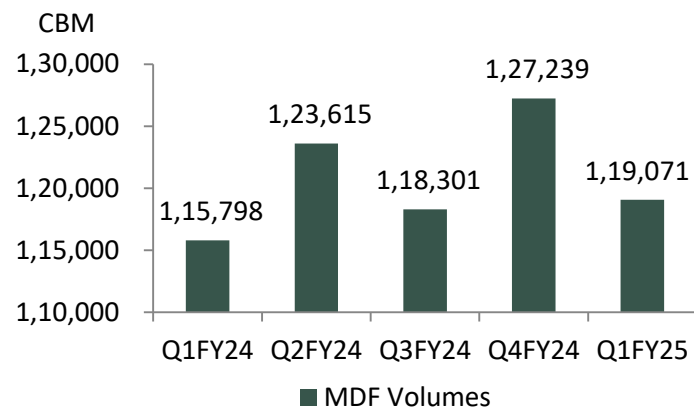
Source: Company; IDBI Capital Research

Exhibit 3: Net Sales fell by 5% YoY

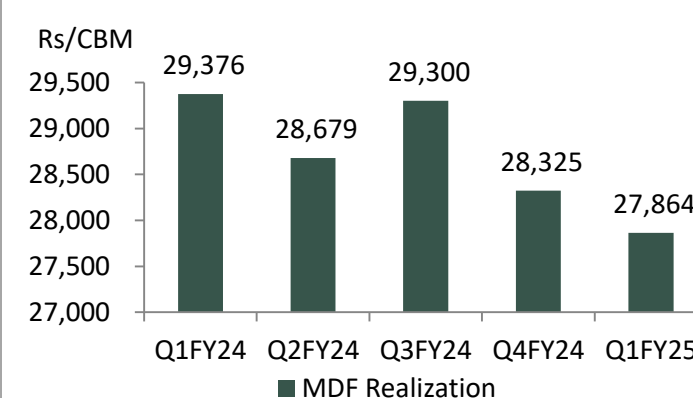
Source: Company; IDBI Capital Research

Exhibit 4: Plywood Volumes declined by 23% YoY

Source: Company; IDBI Capital Research

Exhibit 5: MDF volumes up by 3% YoY

Source: Company; IDBI Capital Research

Exhibit 6: MDF realization down by 5% YoY

Source: Company; IDBI Capital Research

Exhibit 7: Change in estimates (Rs bn)

	FY25E			FY26E		
	Old	New	(%) Chg	Old	New	(%) Chg
Revenue (Rs bn)	17,750	16,913	(4.7)	20,531	19,570	(4.7)
EBITDA (Rs bn)	2,645	2,221	(16.0)	3,593	3,386	(5.8)
EBITDA margin (%)	14.9	13.1	-177bps	17.5	17.3	-20bps
Adj. Net profit (Rs bn)	1,523	1,206	(20.8)	2,274	1,919	(15.6)
Adj. EPS (Rs)	12.4	9.8	(20.7)	18.5	15.6	(15.4)

Source: Company; IDBI Capital Research

Con-Call takeaways:

- Margins have been consistently decreasing due to rising prices of timber, but this now appears manageable in the near term as new plantation material will start entering circulation. In the current scenario, management does not expect significant increases in timber prices since the new plantation material has begun to enter circulation, which should lead to cost reductions over the next 12-14 months.
- Currently, the company is focused on streamlining its business operations and controlling internal costs as it is in the peak cycle of timber wood. The company has taken various initiatives, such as procuring cheaper species of timber and using a mix of these species to control raw material costs. The plant located in the North had an average price of Rs. 6.75, while the plant in Southern India had an average price of Rs. 5.50.
- The company has also shut down its decorative veneer segment, which has led to a decrease in the production capacity of plywood since the closed facilities included plywood manufacturing capacities.
- The OEM segment contributed 25% to domestic volumes. The plywood segment has slightly improved its performance, with volumes increasing due to the focused efforts of the merged sales team of the plywood and MDF segments and leveraging the MDF segment's network to distribute more plywood.
- The overall industry is experiencing fierce competition due to a significant demand and supply mismatch, with an annual capacity of around 4 mn CBM and a demand of only 2.5-2.6 million CBM.
- The import parity prices are as follows: SE Asian countries FOB - \$190 - \$195, Freight Charges - \$30 - \$35/CBM, totaling around \$225 - \$230 of CnF charges, which translates to landing prices of around Rs. 18,000-19,000. Additionally, there are other charges amounting to Rs. 2,500-3,000, making imports expensive for domestic players. Large OEMs are now shifting to the domestic market and are even paying a premium for it as there is less risk involved.
- The new plant's progress is on track for its tentative Q3 FY25 completion and will mainly produce thin MDF of 1.9mm, 2.1mm, and 2.5mm. This plant will turn EBITDA positive at a 55% capacity utilization rate.
- Management has guided for MDF margins of 16.4% and volume growth of 15% for FY25. The increase in volumes by an additional 15% and the increasing contribution of VAP will result in margin improvement.

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	10,208	16,250	17,829	15,673	16,913	19,570
<i>Change (yoy,%)</i>	16.4	59	10	(12)	8	16
Operating expenses	(8,174)	(11,946)	(13,663)	(13,208)	(14,692)	(16,185)
EBITDA	2,034	4,304	4,165	2,465	2,221	3,386
<i>Change (yoy,%)</i>	47.6	112	(3)	(41)	(10)	52
<i>Margin (%)</i>	19.9	26.5	23.4	15.7	13.1	17.3
Depreciation	(686)	(734)	(720)	(729)	(771)	(917)
EBIT	1,347	3,571	3,445	1,736	1,450	2,469
Interest paid	(372)	(171)	(190)	(123)	(14)	(84)
Other income	34	90	194	219	180	180
Pre-tax profit	1,010	3,489	3,510	1,832	1,616	2,565
Tax	(322)	(1,085)	(944)	(405)	(410)	(646)
Effective tax rate (%)	31.9	31.1	26.9	22.1	25.4	25.2
Minority Interest	-	-	-	-	-	-
Net profit	688	2,405	2,565	1,427	1,206	1,919
Exceptional items	-	-	61	-	-	-
Adjusted net profit	688	2,405	2,504	1,427	1,206	1,919
<i>Change (yoy,%)</i>	172.0	249	4	(43)	(15)	59
EPS	5.6	19.6	20.4	11.6	9.8	15.6
Dividend per sh	-	1.5	1.5	1.5	1.2	1.5
<i>Dividend Payout (%)</i>	-	7.6	7.3	13	13	9

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Shareholders' funds	7,304	9,516	11,939	13,171	14,224	15,963
Share capital	123	123	123	123	123	123
Reserves & surplus	7,181	9,394	11,816	13,049	14,102	15,840
Total Debt	3,722	2,372	1,419	2,680	2,080	1,280
Other liabilities	745	1,028	1,390	1,227	1,227	1,227
Curr Liab & prov	2,781	2,507	2,300	1,829	1,916	2,101
Current liabilities	2,659	2,348	2,163	1,715	1,802	1,987
Provisions	122	159	136	114	114	114
Total liabilities	7,249	5,907	5,109	5,736	5,223	4,608
Total equity & liabilities	14,552	15,424	17,048	18,907	19,447	20,571
Net fixed assets	10,778	10,382	9,965	12,949	14,178	13,761
Investments	-	-	-	975	975	975
Other non-curr assets	6	0	-	-	-	-
Current assets	3,768	5,042	7,083	4,984	4,294	5,835
Inventories	1,494	1,658	1,525	2,016	2,085	2,681
Sundry Debtors	778	414	444	290	371	429
Cash & Liquid	725	2,226	3,778	1,404	564	1,451
Other Curr Assets	771	743	1,336	1,274	1,274	1,274
Total assets	14,552	15,424	17,048	18,907	19,447	20,571

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	1,010	3,489	3,510	1,832	1,616	2,565
Depreciation	686	734	720	729	771	917
Tax paid	(164)	(580)	(623)	(369)	(410)	(646)
Chg in working capital	620	402	(254)	(662)	(63)	(469)
Other operating activities	(16)	(388)	21	(180)	14	84
Cash flow from operations (a)	2,136	3,657	3,374	1,349	1,928	2,451
Capital expenditure	(127)	(336)	(803)	(3,441)	(2,000)	(500)
Chg in investments	(594)	(1,058)	(1,795)	2,642	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(722)	(1,394)	(2,598)	(1,774)	(2,000)	(500)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	(1,117)	(1,468)	(1,002)	1,054	(600)	(800)
Dividend (incl. tax)	-	(184)	(184)	(184)	(153)	(180)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	(1,117)	(1,652)	(1,186)	870	(753)	(980)
Net chg in cash (a+b+c)	297	610	(411)	445	(825)	971

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	59.6	78	97	107	116	130
Adj EPS (Rs)	5.6	19.6	20.4	11.6	9.8	15.6
Adj EPS growth (%)	172.0	249	4	-43	-15	59
EBITDA margin (%)	19.9	26.5	23.4	15.7	13.1	17.3
Pre-tax margin (%)	9.9	21.5	19.7	11.7	9.6	13.1
Net Debt/Equity (x)	0.4	0.0	-0.2	0.1	0.1	0.0
ROCE (%)	11.2	29	25	11	8	14
ROE (%)	9.9	29	23	11	9	13
DuPont Analysis						
Asset turnover (x)	0.7	1.1	1.1	0.9	0.9	1.0
Leverage factor (x)	2.1	1.8	1.5	1.4	1.4	1.3
Net margin (%)	6.7	14.8	14.0	9.1	7.1	9.8
Working Capital & Liquidity ratio						
Inventory days	53	37	31	47	45	50
Receivable days	28	9	9	7	8	8
Payable days	58	42	30	30	29	31

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	55.4	15.9	15.2	26.7	31.6	19.9
Price/Book value (x)	5.2	4.0	3.2	2.9	2.7	2.4
EV/Net sales (x)	4.0	2.4	2.0	2.5	2.3	1.9
EV/EBITDA (x)	20.2	8.9	8.6	16.0	17.9	11.2
Dividend Yield (%)	0.0	0.5	0.5	0.5	0.4	0.5

Source: Company; IDBI Capital Research



Notes

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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