

**RESEARCH**
**Greenpanel Industries | Target: Rs 595 | +25% | BUY**

On a strong MDF-led growth trajectory – raise to BUY

**SUMMARY**
**Greenpanel Industries**

- Well placed to capitalise on near-term MDF demand traction, with strong guidance of 15-18%/15% volume growth in FY23/FY24
- We retain revenue/EBITDA/PAT CAGR estimates at ~13%/11%/15% over FY22-FY24 backed by better MDF utilisation and operating leverage
- Current valuations appear attractive at 18.4x FY24E EPS – upgrade from HOLD to BUY, post correction with an unchanged TP of Rs 595

[Click here for the full report.](#)

**Daily macro indicators**

Indicator	07-Jun	08-Jun	Chg (%)
US 10Y yield (%)	2.97	3.02	5bps
India 10Y yield (%)	7.52	7.49	(2bps)
USD/INR	77.71	77.74	0.0
Brent Crude (US\$/bbl)	120.6	123.6	2.5
Dow	33,180	32,911	(0.8)
Hang Seng	21,532	22,015	2.2
Sensex	55,107	54,892	(0.4)
India FII (US\$ mn)	06-Jun	07-Jun	Chg (\$ mn)
FII-D	(198.9)	(9.1)	189.8
FII-E	(238.7)	(288.5)	(49.7)

Source: Bank of Baroda Economics Research

**BOBCAPS Research**

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**BUY**

TP: Rs 595 | ▲ 25%

**GREENPANEL INDUSTRIES**

| Construction Materials

| 09 June 2022

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We interacted with GREENP CFO V Venkatramani to gain a perspective on the company’s growth prospects and sector outlook. Key takeaways:

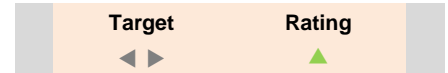
**MDF volume growth guided at 15-18%/15% in FY23E/FY24E:** Management expects MDF volume growth of 15-18% in FY23 and 15% in FY24. The company is poised to capitalise on steady near-term demand growth from the rising acceptance of MDF in India’s readymade furniture market and the absence of major capacity additions in the industry during FY23 (beyond Rushil Décor’s 240,000cbm expansion which has already been absorbed and CPBI’s upcoming 130,000cbm addition in H1FY23). EBITDA margin is guided at 31-32% for FY23 vs. 31% in FY22.

**Brownfield expansion planned at AP plant:** The company plans to expand MDF capacity at its Andhra Pradesh plant by a tentative 180,000-240,000cbm and is in talks with vendors to finalise the capacity and capex in a month’s time. The expansion is scheduled to come onstream by Q4FY24 or Q1FY25. GREENP expects the plant to reach ~60% capacity utilisation in FY25 and generate revenue of ~Rs 4bn, rising to Rs 5.5bn in FY26. Per management, this new capacity will generate revenue to the tune of Rs 7bn at optimal utilisation, targeted in FY27.

**Plywood margin to remain at 10-11%:** In order to counter higher raw material costs, GREENP took a 3% price hike in Jun’22. The company expects to have sale volumes of 10mn sqm in FY23 with a revenue potential of Rs 3bn, rising to 10.8mn sqm and Rs 3.2bn-3.3bn respectively in FY24. Management believes plywood operating margins will remain steady in the range of 10-11%.

**Robust growth outlook with attractive valuations; upgrade to BUY:** We expect ROCE to rise 200bps to 22.2% over FY22-FY24 led by better utilisation, sharp profit improvement, higher FCF generation and subsequent debt reduction. We continue to model for a revenue/EBITDA/PAT CAGR of ~13%/11%/15% over FY22-FY24. The stock is currently trading at 18.4x FY24E EPS and looks attractive in the wake of the recent correction. We upgrade our rating from HOLD to BUY while retaining our TP at Rs 595, based on 23x FY24E EPS – a 34% discount to CPBI.

**Key changes**



Ticker/Price	GREENP IN/Rs 476
Market cap	US\$ 751.0mn
Free float	47%
3M ADV	US\$ 2.6mn
52wk high/low	Rs 626/Rs 215
Promoter/FPI/DII	53%/6%/41%

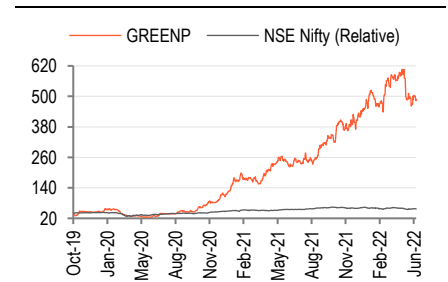
Source: NSE | Price as of 9 Jun 2022

**Key financials**

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	16,250	18,543	20,553
EBITDA (Rs mn)	4,304	4,700	5,302
Adj. net profit (Rs mn)	2,405	2,673	3,171
Adj. EPS (Rs)	19.6	21.8	25.9
Consensus EPS (Rs)	19.6	22.3	25.6
Adj. ROAE (%)	28.6	25.6	25.4
Adj. P/E (x)	24.3	21.8	18.4
EV/EBITDA (x)	14.6	12.9	11.0
Adj. EPS growth (%)	197.6	11.2	18.6

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

**Stock performance**



Source: NSE



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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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