

RESEARCH
Greenpanel Industries | Target: Rs 595 | +16% | BUY

MDF remains in the driver's seat

SUMMARY
Greenpanel Industries

- Q1 revenue climbed 51% YoY to Rs 4.6bn led by growth of 50%/57% YoY (-1.6%/0.4% QoQ) in MDF/plywood
- Gross margin stood at 61.7% vs. 57.4% in Q1FY22 and 61.1% in Q4FY22; EBITDA margin expanded 565bps YoY (-95bps QoQ) to 28.3%
- Maintain BUY with an unchanged TP of Rs 595 set at at 23x FY24E EPS

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Daily macro indicators

Indicator	19-Jul	20-Jul	Chg (%)
US 10Y yield (%)	3.02	3.03	1bps
India 10Y yield (%)	7.44	7.45	1bps
USD/INR	79.95	79.99	0.0
Brent Crude (US\$/bbl)	107.4	106.9	(0.4)
Dow	31,827	31,875	0.2
Hang Seng	20,661	20,890	1.1
Sensex	54,768	55,398	1.2
India FII (US\$ mn)	18-Jul	19-Jul	Chg (\$ mn)
FII-D	70.2	(51.6)	(121.7)
FII-E	27.5	132.5	105.0

Source: Bank of Baroda Economics Research



BUY
 TP: Rs 595 | ▲ 16%

GREENPANEL INDUSTRIES

Construction Materials

22 July 2022

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Strong growth aided by higher MDF realisations and lower base: GREENP’s consolidated Q1FY23 revenue grew 51% YoY (-1.3% QoQ) to Rs 4.6bn with MDF up 50%, as blended realisations increased 39% YoY (flat QoQ). Plywood revenue grew 57% YoY. EBITDA margin stood at 28.3% vs. 22.7% in Q1FY22 (29.3% in Q4FY22) due to a superior product mix, cost optimisation and operating leverage.

MDF margin down QoQ due to absence of EPCG benefit: Despite Q1 being a soft quarter, MDF volumes increased 11% YoY and were up 0.4% QoQ. However, the segment’s EBITDA margin declined 130bps QoQ to 33.3% as the lack of EPCG (export promotion capital goods) scheme benefits had a negative impact of 220bps, offset partly by a higher gross margin. Management has guided for 26-27% EBITDA margins in 9MFY23 as it anticipates higher chemical prices (crude derivative). Per management, chemical prices have not increased since the start of CY22, and the ability to take price hikes will depend on demand.

Plywood margin improves QoQ: In order to counter higher raw material costs, GREENP took a 3% price hike in the plywood segment in Jun’22. This coupled with stronger volumes (+43% YoY, 2% QoQ) drove 230bps QoQ EBITDA margin expansion in the segment to 11.5% (+50bps YoY). Management has guided for an 11-11.5% segmental margin for FY23.

Brownfield expansion planned at AP plant: The company plans to expand MDF capacity at its Andhra Pradesh plant by 231,000cbm at a capex of Rs 6bn. Commercial production is scheduled to start by Q2FY25. Management expects the new capacity to generate revenue to the tune of Rs 7.7bn at optimal utilisation, targeted within 3-4 years of commencement.

Maintain BUY: GREENP has strong growth prospects due to its leadership position in India’s fast-growing MDF market coupled with an improving balance sheet and return ratios. The stock is trading at 20x FY24E EPS. We continue to value the stock at 23x FY24E EPS (a 34% discount to CPBI) and retain our TP of Rs 595 with a BUY rating.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	GREENP IN/Rs 513
Market cap	US\$ 788.1mn
Free float	47%
3M ADV	US\$ 1.9mn
52wk high/low	Rs 626/Rs 222
Promoter/FPI/DII	53%/6%/41%

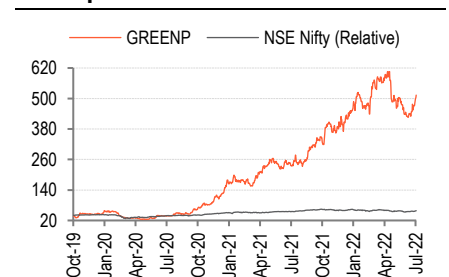
Source: NSE | Price as of 22 Jul 2022

Key financials

Y/E 31 Mar	FY22A	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)	26.2	23.5	19.8
EV/EBITDA (x)	15.7	13.9	11.8
Adj. EPS growth (%)	197.6	11.2	18.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Disclaimer

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

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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