

RESEARCH
Greenpanel Industries | Target: Rs 595 | +26% | BUY

On a strong growth trajectory

SUMMARY
Greenpanel Industries

- GREENP well placed to capitalise on near-term MDF opportunity with management guiding for 15% volume growth in FY23E
- We maintain revenue/EBITDA/PAT CAGR estimates at 26%/37%/58% through to FY24 backed by better MDF utilisation and operating leverage
- Current valuations attractive at 18x FY24E EPS – maintain BUY with unchanged TP of Rs 595

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Daily macro indicators

Indicator	02-Mar	03-Mar	Chg (%)
US 10Y yield (%)	1.88	1.84	(4)
India 10Y yield (%)	6.82	6.83	1
USD/INR	75.71	75.91	(0.3)
Brent Crude (US\$/bbl)	112.9	110.5	(2.2)
Dow	33,891	33,795	(0.3)
Hang Seng	22,344	22,467	0.6
Sensex	55,469	55,103	(0.7)
India FII (US\$ mn)	28-Feb	02-Feb	Chg (\$ mn)
FII-D	(93.1)	(194.0)	(101.0)
FII-E	(547.7)	(535.7)	12.0

Source: Bank of Baroda Economics Research



BUY

TP: Rs 595 | ▲ 26%

**GREENPANEL
INDUSTRIES**

| Construction Materials

| 04 March 2022

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We organised a conference call 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% in FY23E: During Q3FY22, GREENP increased MDF capacity by 20% to 660,000cbm via debottlenecking. The company looks poised to capitalise on the near-term growth opportunity from rising acceptance of MDF in the 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). Management expects MDF volumes of 575,000cbm in FY23.

Brownfield expansion planned at AP plant: The company plans to expand its Andhra Pradesh plant at a tentative capacity by 180,000cbm at a capex of ~Rs 4bn by Q4FY24. Per management, this new capacity will generate revenue to the tune of Rs 5.4bn-5.5bn at optimal capacity utilisation, expected in FY26.

Plywood margin to remain steady: In order to counter higher raw material costs, GREENP took a 4% price hike in Dec'21 (implemented mid-Jan'22) and 3% hike in January (implemented mid-Feb). The company is facing difficulties implementing these hikes, which also occur with a lag of 3-4 months. Nonetheless, management believes plywood operating margins will remain steady in the range of 11-11.5%.

Debt position improving: In FY21, net debt stood at Rs 3.7bn which was reduced to Rs 1.4bn in 9MFY22. Management expects the company to be net debt-free between Jun-Sep'22.

Robust growth outlook with attractive valuations; BUY: We expect ROCE to rise 16ppt to 24.4% over FY21-FY24 led by better utilisation, sharp profit improvement, higher FCF generation and subsequent debt reduction. We continue to model for a strong revenue/EBITDA/PAT CAGR of 26%/37%/58%. The stock is trading at 18x FY24E EPS, 35% lower than peer CPBI. We believe this valuation gap will narrow and retain BUY with a TP of Rs 595 set at 23x FY24E EPS.

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Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	GREENP IN/Rs 472
Market cap	US\$ 760.4mn
Free float	47%
3M ADV	US\$ 2.2mn
52wk high/low	Rs 539/Rs 150
Promoter/FPI/DII	53%/4%/43%

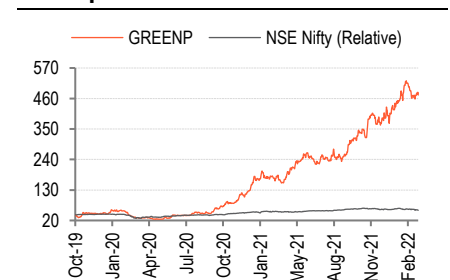
Source: NSE | Price as of 4 Mar 2022

Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	10,208	15,265	18,348
EBITDA (Rs mn)	2,077	3,750	4,684
Adj. net profit (Rs mn)	808	1,965	2,662
Adj. EPS (Rs)	6.6	16.0	21.7
Consensus EPS (Rs)	6.6	11.6	16.5
Adj. ROAE (%)	11.6	24.6	27.7
Adj. P/E (x)	71.7	29.5	21.8
EV/EBITDA (x)	30.6	16.7	13.0
Adj. EPS growth (%)	219.4	143.2	35.4

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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