

BUY

TP: Rs 235 | ▲ 32%

**GREENPANEL
INDUSTRIES**

Construction Materials

01 March 2021

MDF demand trends robust

Domestic MDF demand remains strong in Q4FY21 backed by higher purchases of readymade furniture, a shift away from low-end plywood and continued slowdown in imports (25-30% of the total market). We believe these demand trends are sustainable given the steady upswing in India's affordable real estate market, which augurs well for market leader Greenpanel Industries (GREENP). We raise FY21-FY23 EPS estimates by 2-3% and maintain BUY with a revised Mar'22 TP of Rs 235 (from Rs 230).

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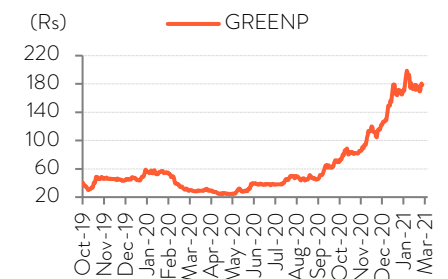
MDF demand holds strong: As per our discussions with industry participants, MDF demand remains robust in Q4 despite 3-7% price hikes taken by major players over Q3 and Q4FY21. Key factors supporting demand are higher offtake of readymade furniture (where MDF has higher usage) post-Covid, a gradual shift of low-end plywood demand to MDF and reduced imports. GREENP benefits from this demand as it is the largest player in the Indian market and has surplus capacities. We expect the company to witness a 20.2% revenue CAGR (MDF volume CAGR of 24%) over FY20-FY23 with capacity utilisation doubling from ~59% in FY20 to 102% in FY23.

Operating margins to increase: GREENP's recent price hike will enable it to pass along the raw material cost increase. The company will also derive benefits of operating leverage due to rising capacity utilisation. We expect blended operating margins to increase 750bps to 23.8% over FY20-FY23 with MDF margins expanding 760bps to 25.8%. Overall EBITDA is projected to log a 36.3% CAGR over this period.

Maintain BUY: We like GREENP for its market leadership in MDF, strong growth prospects, and improving debt and return ratio profile. Maintain BUY with a revised Mar'22 TP of Rs 235 set at an unchanged 15x FY23E EPS.

Ticker/Price	GREENP IN/Rs 178
Market cap	US\$ 296.3mn
Shares o/s	123mn
3M ADV	US\$ 0.5mn
52wk high/low	Rs 203/Rs 24
Promoter/FPI/DII	53%/11%/36%

Source: NSE

STOCK PERFORMANCE**KEY FINANCIALS**

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	5,991	8,766	9,589	13,174	15,227
EBITDA (Rs mn)	774	1,432	1,818	2,965	3,622
Adj. net profit (Rs mn)	228	253	616	1,418	1,913
Adj. EPS (Rs)	1.9	2.1	5.0	11.6	15.6
Adj. EPS growth (%)	NA	11.0	143.6	130.1	34.9
Adj. ROAE (%)	7.1	3.9	9.0	18.2	20.3
Adj. P/E (x)	95.9	86.4	35.4	15.4	11.4
EV/EBITDA (x)	NA	17.2	15.1	9.0	7.0

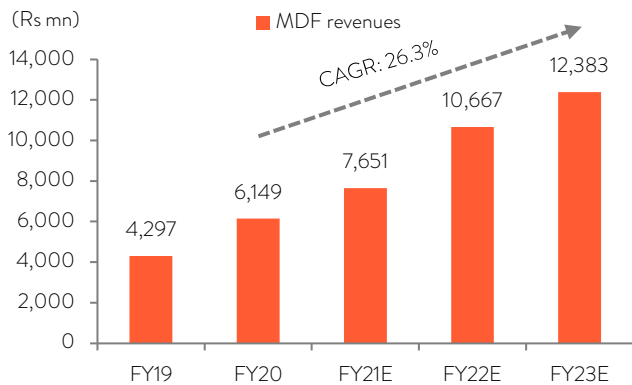
Source: Company, BOBCAPS Research

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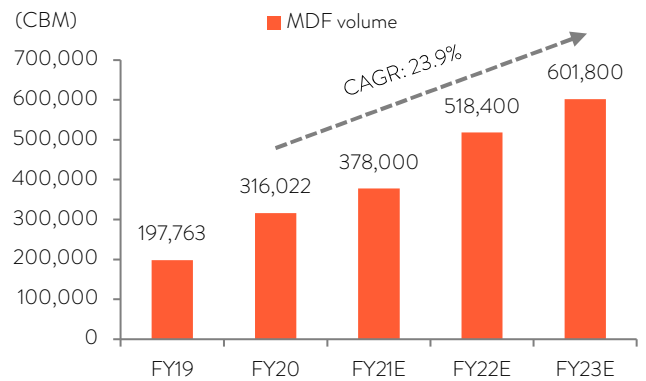


FIG 1 – MDF REVENUE CAGR OF 26.3% OVER FY20-FY23E



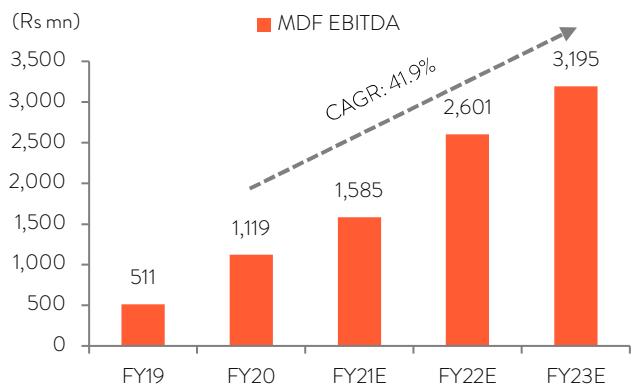
Source: Company, BOBCAPS Research

FIG 2 – MDF VOLUME CAGR OF 23.9% OVER FY20-FY23E



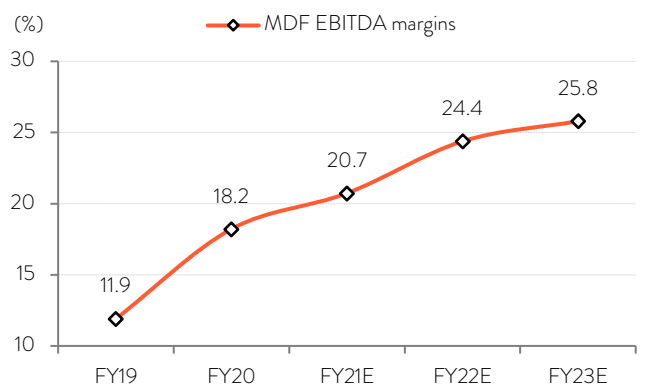
Source: Company, BOBCAPS Research

FIG 3 – MDF EBITDA CAGR OF 41.9% OVER FY20-FY23E



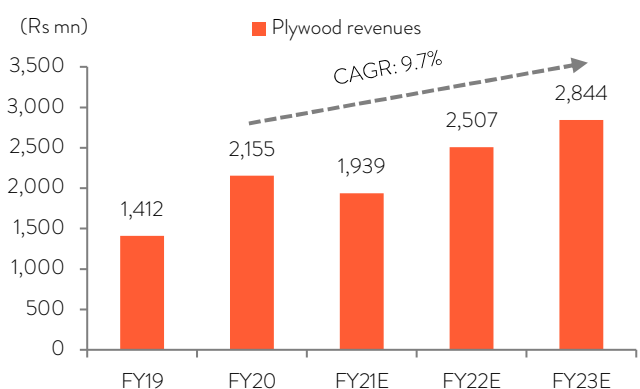
Source: Company, BOBCAPS Research

FIG 4 – MDF EBITDA MARGINS TO EXPAND ON BETTER CAPACITY UTILISATION



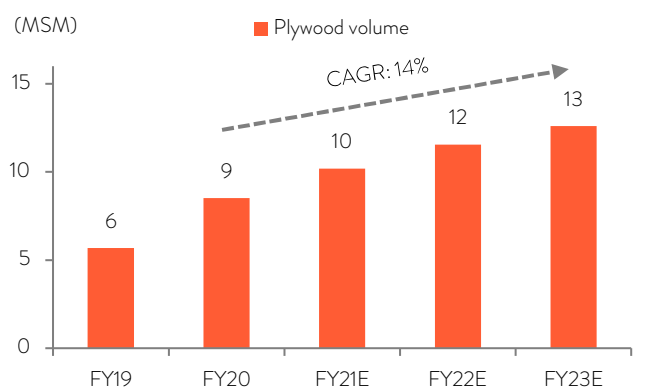
Source: Company, BOBCAPS Research

FIG 5 – PLYWOOD REVENUE CAGR OF 9.7% OVER FY20-FY23E



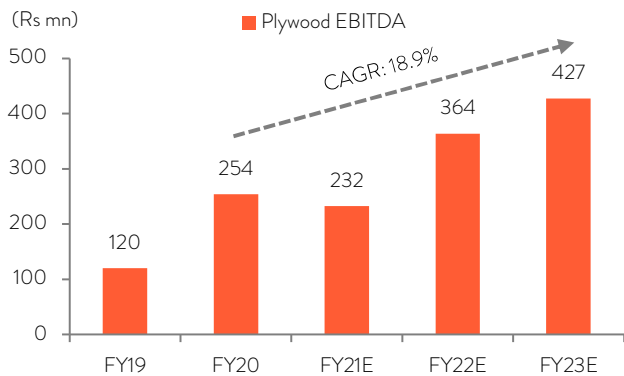
Source: Company, BOBCAPS Research

FIG 6 – PLYWOOD VOLUME CAGR OF 14% OVER FY20-FY23E



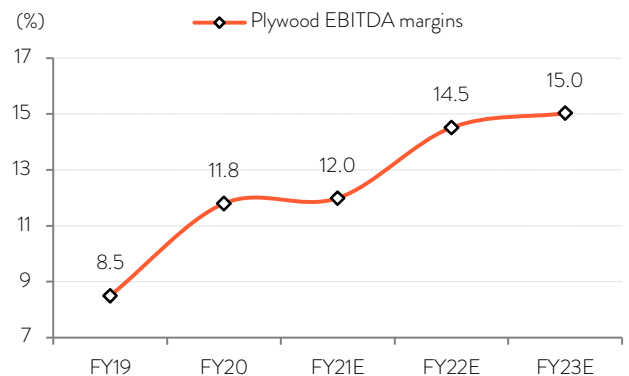
Source: Company, BOBCAPS Research

FIG 7 – PLYWOOD EBITDA CAGR OF 18.9% OVER FY20-FY23E



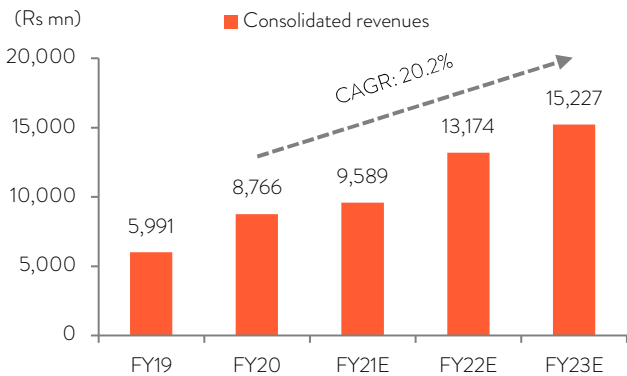
Source: Company, BOBCAPS Research

FIG 8 – PLYWOOD EBITDA MARGINS ON AN UPTREND DUE TO BETTER CAPACITY UTILISATION



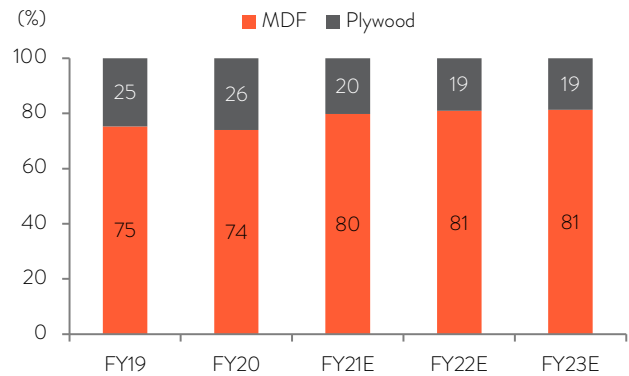
Source: Company, BOBCAPS Research

FIG 9 – CONSOLIDATED REVENUE CAGR OF 20.2% OVER FY20-FY23E



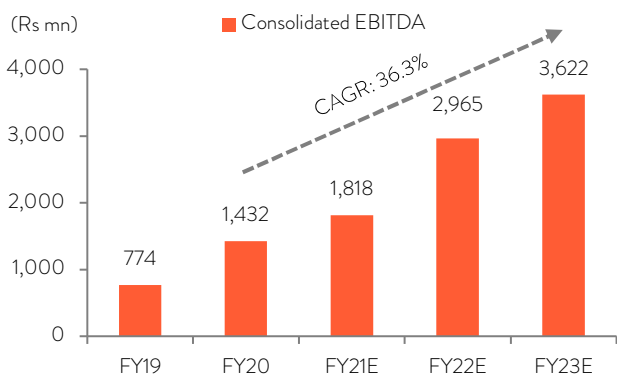
Source: Company, BOBCAPS Research

FIG 10 – REVENUE BREAKUP SHOWS GROWING SHARE OF MDF



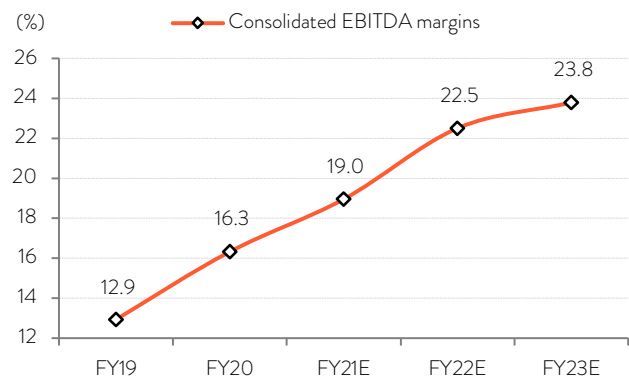
Source: Company, BOBCAPS Research

FIG 11 – CONSOLIDATED EBITDA CAGR OF 36.3% OVER FY20-FY23E



Source: Company, BOBCAPS Research

FIG 12 – CONSOLIDATED EBITDA MARGIN TO INCREASE DUE TO HIGHER MDF CONTRIBUTION



Source: Company, BOBCAPS Research

Valuation methodology

GREENP is the demerged entity of Greenply Industries (MTLM IN), carved out primarily to house the latter's MDF business. Demerged in Jul'19 and listed on 23 Oct 2019, it is the largest MDF player in the country with an installed capacity of 560,000cbm, spread across two facilities in Uttarakhand and Andhra Pradesh. The 360,000cbm AP facility was commissioned in Jul'18 and is the largest MDF plant in Asia. India's MDF market is estimated at Rs 19bn and projected to grow to Rs 25bn by 2024. This product is expected to replace low-cost plywood (an estimated Rs 50bn market) due to its superior quality and competitive pricing.

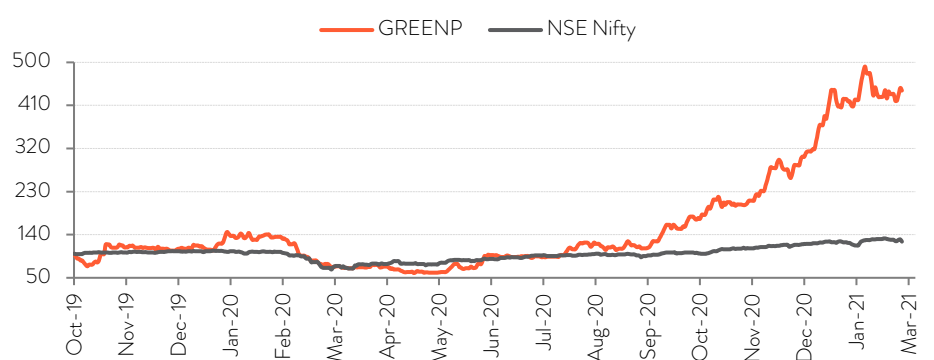
We increase our FY21-FY23 PAT estimates by 2-3% due to the strong, sustained demand. We continue to like GREENP for its robust growth prospects and improving debt and return ratio profile. Maintain BUY with a revised Mar'22 target price of Rs 235 (earlier Rs 230), set at an unchanged 15x FY23E P/E.

FIG 13 – REVISED ESTIMATES

(Rs mn)	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenues	9,589	13,174	15,227	9,517	13,063	14,984	0.8	0.9	1.6
EBITDA	1,818	2,965	3,622	1,798	2,932	3,538	1.1	1.1	2.4
PAT	665	1,418	1,913	651	1,395	1,853	2.1	1.7	3.2

Source: BOBCAPS Research

FIG 14 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks

Downside risks to our estimates include:

- slowdown in the housing and commercial real estate sectors;
- fall in international MDF prices, resulting in higher imports and pressure on domestic markets; and
- lower capacity utilisation in domestic MDF markets, resulting in price cuts by competition, thus hurting the company's profitability.

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue	5,991	8,766	9,589	13,174	15,227
EBITDA	774	1,432	1,818	2,965	3,622
Depreciation	(530)	(692)	(701)	(743)	(754)
EBIT	244	740	1,117	2,222	2,869
Net interest income/(expenses)	(246)	(302)	(283)	(231)	(200)
Other income/(expenses)	8	22	24	35	64
Exceptional items	118	(343)	(216)	0	0
EBT	6	460	857	2,026	2,732
Income taxes	222	28	(193)	(608)	(820)
Reported net profit	346	145	449	1,418	1,913
Adjustments	(118)	108	167	0	0
Adjusted net profit	228	253	616	1,418	1,913

Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Accounts payables	816	1,207	1,366	1,841	2,128
Other current liabilities	1,197	1,036	1,340	1,841	2,128
Provisions	126	120	125	158	167
Debt funds	5,865	5,611	4,151	3,181	2,381
Other liabilities	121	69	107	350	678
Equity capital	123	123	123	123	123
Reserves & surplus	6,332	6,494	6,943	8,361	10,274
Shareholders' fund	6,455	6,616	7,066	8,484	10,396
Total liabilities and equities	14,580	14,658	14,155	15,855	17,878
Cash and cash eq.	199	115	70	481	2,360
Accounts receivables	456	705	657	938	1,085
Inventories	1,345	1,539	1,576	2,166	2,503
Other current assets	1,167	1,131	1,235	1,696	1,961
Net fixed assets	11,368	11,107	10,612	10,569	9,966
CWIP	38	57	0	0	0
Intangible assets	7	4	4	4	4
Total assets	14,580	14,658	14,155	15,855	17,878

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21E	FY22E	FY23E
Net income + Depreciation	836	1,150	2,161	2,666
Interest expenses	302	283	231	200
Non-cash adjustments	(235)	0	0	0
Changes in working capital	(183)	375	(324)	(165)
Cash flow from operations	720	1,809	2,069	2,702
Capital expenditures	(242)	(150)	(700)	(150)
Other investing cash flows	0	38	243	328
Cash flow from investing	(242)	(112)	(457)	178
Debt raised/repaid	(255)	(1,459)	(970)	(800)
Interest expenses	(302)	(283)	(231)	(200)
Other financing cash flows	(4)	0	0	0
Cash flow from financing	(561)	(1,743)	(1,201)	(1,000)
Changes in cash and cash eq.	(83)	(46)	411	1,879
Closing cash and cash eq.	115	70	481	2,360

Per Share

Y/E 31 Mar (Rs)	FY19A	FY20A	FY21E	FY22E	FY23E
Reported EPS	2.8	1.2	3.7	11.6	15.6
Adjusted EPS	1.9	2.1	5.0	11.6	15.6
Book value per share	52.6	54.0	57.6	69.2	84.8

Valuations Ratios

Y/E 31 Mar (x)	FY19A	FY20A	FY21E	FY22E	FY23E
EV/Sales	3.6	2.8	2.9	2.0	1.7
EV/EBITDA	28.2	17.2	15.1	9.0	7.0
Adjusted P/E	95.9	86.4	35.4	15.4	11.4
P/BV	3.4	3.3	3.1	2.6	2.1

DuPont Analysis

Y/E 31 Mar (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Tax burden (Net profit/PBT)	184.0	216.0	96.1	70.0	70.0
Interest burden (PBT/EBIT)	50.7	15.8	57.5	91.2	95.2
EBIT margin (EBIT/Revenue)	4.1	8.4	11.6	16.9	18.8
Asset turnover (Revenue/Avg TA)	82.2	60.0	66.6	87.8	90.3
Leverage (Avg TA/Avg Equity)	2.3	2.2	2.1	1.9	1.8
Adjusted ROAE	7.1	3.9	9.0	18.2	20.3

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
YoY growth (%)					
Revenue	NA	46.3	9.4	37.4	15.6
EBITDA	NA	84.8	27.0	63.1	22.2
Adjusted EPS	NA	11.0	143.6	130.1	34.9
Profitability & Return ratios (%)					
EBITDA margin	12.9	16.3	19.0	22.5	23.8
EBIT margin	4.1	8.4	11.6	16.9	18.8
Adjusted profit margin	3.8	2.9	6.4	10.8	12.6
Adjusted ROAE	7.1	3.9	9.0	18.2	20.3
ROCE	4.0	6.0	6.7	13.6	16.4
Working capital days (days)					
Receivables	14	24	26	22	24
Inventory	96	134	136	119	128
Payables	29	50	60	57	62
Ratios (x)					
Gross asset turnover	0.9	0.6	0.7	0.9	1.0
Current ratio	0.9	1.0	1.1	1.3	1.8
Net interest coverage ratio	1.0	2.5	3.9	9.6	14.3
Adjusted debt/equity	0.9	0.8	0.6	0.3	0.0

Source: Company, BOBCAPS Research

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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

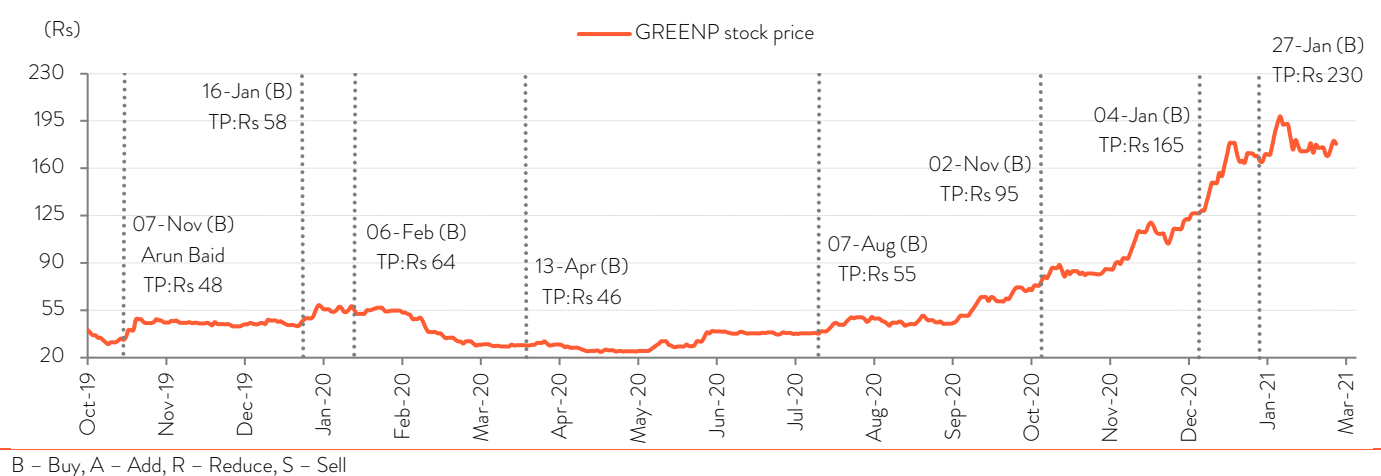
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

RATINGS AND TARGET PRICE (3-YEAR HISTORY): GREENPANEL INDUSTRIES (GREENP IN)



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