

BUY

TP: Rs 95 | ▲ 11%

**GREENPANEL
INDUSTRIES**

Construction Materials

27 November 2020

MDF growth holds strong

We recently hosted an investor call with the management of Greenpanel Industries (GREENP). Following are the key takeaways:

- MDF demand remains strong and GREENP is on track to achieve its double-digit volume growth guidance for H2FY21. The company has clocked high double-digit YoY sales growth in Q3 YTD.
- Tier-2-and-below towns continue to be demand drivers in domestic markets even now. Major cities such as Mumbai, Bengaluru and Hyderabad have still not fully recovered from the pandemic effects and are showing declining or low growth.
- Imports of MDF have slowed due to a lack of container availability and also higher ocean freight rates, aiding demand for domestic players.
- MDF demand is currently stronger in domestic markets as compared to export markets. Exports normally account for 22-25% of the company's MDF segment revenue. The Middle East is a major export market followed by Malaysia, Indonesia and Sri Lanka, among others.
- GREENP has been focusing on domestic distribution and now has over 1,315 dealers in MDF across India (vs. ~1,080 as on Mar'20). It plans to continue scaling up its reach and targeting smaller cities to widen the market.
- The company earns ~45% of revenues from North India, 35% from the south, 15% from the west and 5% from the east.
- The industry's demand for a countervailing duty (CVD) on MDF imports is currently under consideration by statutory authorities. Management is hopeful of CVD by Jan'21 which will be beneficial for domestic players.
- Resin prices have been rising in Q3. To negate this, the company plans to take a price hike of 3-5% in early December in the MDF segment. Management believes Q3 operating margins will not be affected by higher resin prices due to better capacity utilisation.
- Demand for plywood has also improved but the company expects a 3-4% YoY decline in H2.
- GREENP aims to bring net debt down to Rs 4.5bn/Rs 3bn by FY21/FY22.

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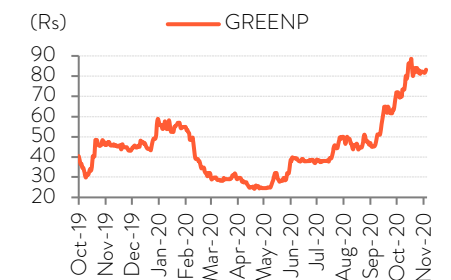
Ticker/Price	GREENP IN/Rs 85
Market cap	US\$ 141.5mn
Shares o/s	123mn
3M ADV	US\$ 0.1mn
52wk high/low	Rs 91/Rs 24
Promoter/FPI/DII	53%/11%/36%

Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY21E	FY22E	FY23E
Total revenue (Rs mn)	8,359	10,454	12,233
EBITDA (Rs mn)	1,383	1,910	2,320
Adj. net profit (Rs mn)	276	669	966
Adj. EPS (Rs)	2.3	5.5	7.9
Adj. EPS growth (%)	9.2	142.2	44.4
Adj. ROAE (%)	4.1	9.3	12.0
Adj. P/E (x)	37.9	15.6	10.8
EV/EBITDA (x)	11.6	8.1	6.2

Source: Company, BOBCAPS Research

STOCK PERFORMANCE

Source: NSE

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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

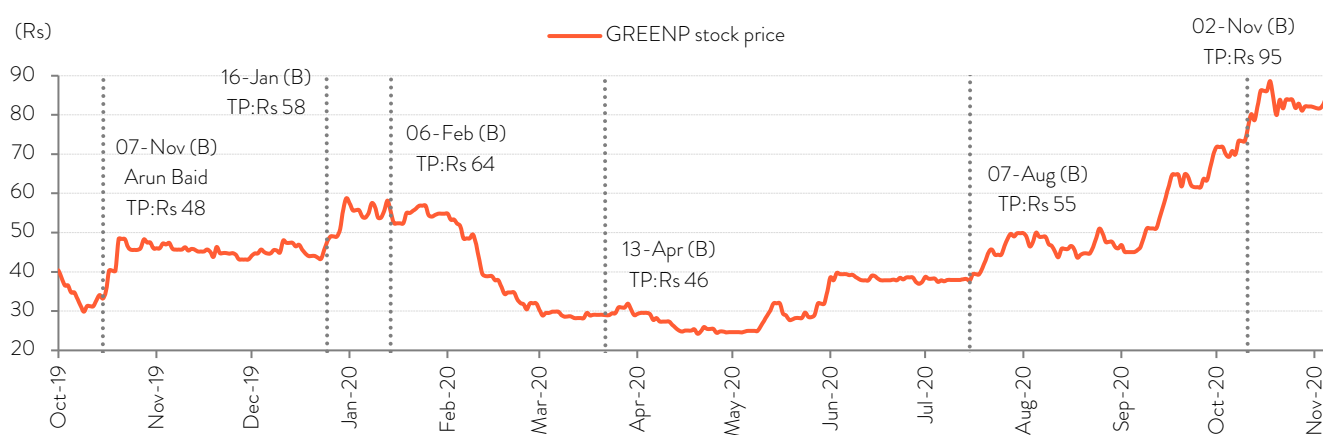
ADD – Expected return from >+5% to +15%

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 (GREEN IN)



Note: B – Buy, A – Add, R – Reduce, S – Sell

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