HOLD
TP: Rs 345 | ⮝ 4%

GREENPLY INDUSTRIES | Building Materials | 30 July 2025

Mixed Q1; MDF margin surprise offsets plywood weakness

- **Market conditions remain challenging in Q1FY26, as indicated from the weak plywood sales volume and steep rise in working capital cycle**
- **Guidance broadly intact for FY26 – which looks a bit difficult to be achieved based on a weak Q1 show**
- **Maintain HOLD as strong earnings prospects are quite well baked in the current valuation; TP remains unchanged at Rs 345 per share**

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Mixed Q1: MTLM Q1FY26 top-line came 4.3% below our estimate, due to lower-than-expected plywood sales volume (-3.4% YoY vs +4.5% estimated), but beats our EBITDA estimate by 4.3% on sharp sequential improvement in MDF segment margin (+269bps QoQ to 17.7% vs 14.0% estimated). Overall, MTLM Revenue/EBITDA/APAT grew by 2.9%/6.4%/22.5% YoY in Q1FY26.

Highlights: Market conditions remained quite challenging in Q1FY26, as MTLM posted muted plywood sales volume (-3.4%), along with sharp increase in working capital cycle (from 38 days in Q1FY25 to 58 days in Q1FY26). Plywood segment's EBITDA marginally grew by 1.4% YoY in Q1FY26 driven by improved realisation (+4.1%). MDF EBITDA was up 18.2% YoY in Q1FY26 driven by higher volumes (+8.5%) and improved margin (+100bps YoY to 17.7%). The share of loss from furniture JV business has gone down to Rs 54mn in Q1FY26. Interest cost has risen sharply by 78% YoY in Q1FY26 on higher working capital (WC) borrowings.

Guidance: MTLM faced difficult market conditions, along with higher collection period for plywood segment in Jun'25. Management guided a cautiously optimistic outlook and targets plywood revenue to grow at a double-digit rate in FY26 and EBITDA margin to improve to ~10% rate by Q4FY26. MDF volume is aimed to grow at a double-digit rate with EBITDA margin of 16%+ for FY26. Timber price for MDF has come down by 2-3% QoQ in Q1FY26 and expected to decline further in H2FY26. The share of loss from furniture fittings JV business is estimated to be Rs 150-200mn in FY26. Capex guidance revised up to Rs 1.0-1.4bn (vs Rs 0.60-0.65bn earlier), as it has undertaken Odisha plywood project and WPC/PVC board project.

Maintain HOLD with unchanged TP of Rs 345: We maintain our HOLD rating on as we believe the good earnings prospect (EPS projected to grow at 26.9% CAGR over FY25-FY28E) is quite well factored in the current valuation (the stock trades at 31.7x on 1YF P/E vs 5Y avg of 26.9x). We have cut our EPS estimates (-7.6%/-9.5% for FY26E/FY27E) but have kept our TP unchanged at Rs 345 per share due to roll forward of our valuation from Mar'27 to Jun'27. Our target P/E remains unchanged at 25x on Jun'27 (vs Mar'27 earlier).

Key changes

Target	Rating
◀▶	◀▶

Ticker/Price	MTLM IN/Rs 331
Market cap	US$ 472.4mn
Free float	48%
3M ADV	US$ 0.6mn
52wk high/low	Rs 412/Rs 245
Promoter/FPI/DII	52%/5%/32%

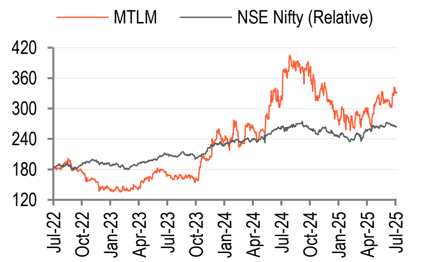
Source: NSE | Price as of 30 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	24,876	26,713	29,219
EBITDA (Rs mn)	2,377	2,767	3,253
Adj. net profit (Rs mn)	916	1,173	1,592
Adj. EPS (Rs)	7.3	9.4	12.8
Consensus EPS (Rs)	7.3	12.0	16.4
Adj. ROAE (%)	12.1	13.6	16.0
Adj. P/E (x)	45.1	35.2	25.9
EV/EBITDA (x)	15.0	13.2	11.2
Adj. EPS growth (%)	19.9	28.1	35.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly Performance - Consolidated

Particulars (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Total operating income	6,008	5,839	2.9	6,488	(7.4)
Raw-Material expense	3,438	3,461	(0.7)	3,794	(9.4)
Gross Profit	2,570	2,378	8.1	2,694	(4.6)
Employee expense	811	734	10.5	790	2.7
Other expense	1,143	1,065	7.3	1,223	(6.6)
EBITDA	616	579	6.4	681	(9.5)
D&A	154	150	2.6	150	2.7
EBIT	462	429	7.7	531	(12.9)
Interest cost	185	104	77.9	131	41.1
Non-operating expense/(income)	(85)	(12)	605.0	155	NM
PBT	362	337	7.3	245	47.9
Tax	77	5	1,374.1	79	(1.8)
Reported PAT	285	332	(14.3)	166	71.4
Adjusted PAT	250	204	22.5	166	50.4
As % of net revenues			**(bps)**		**(bps)**
Gross margin	42.8	40.7	205	41.5	126
Employee cost	13.5	12.6	93	12.2	133
Other cost	19.0	18.2	78	18.9	17
EBITDA margin	10.3	9.9	34	10.5	(24)
Tax rate	21.3	1.6	1979	32.1	(1,079)
APAT margin	4.2	3.5	67	2.6	160

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

Segment Analysis	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Revenue (Rs mn)					
Plywood	4,538	4,519	0.4	5,135	(11.6)
MDF	1,473	1,321	11.5	1,357	8.5
Total	**6,011**	**5,840**	**2.9**	**6,492**	**(7.4)**
Volumes					
Plywood (mn sqm)	17.1	17.7	(3.4)	19.7	(13.2)
MDF (CBM)	46,350	42,724	8.5	42,688	8.6
Realization					
Plywood (Rs/sqm)	255	245	4.1	253	0.8
MDF (Rs/CBM)	31,777	30,926	2.8	31,792	(0.0)
EBITDA (Rs mn)					
Plywood	360	355	1.4	473	(23.9)
MDF	260	220	18.2	203	28.1
Total	**616**	**579**	**6.4**	**681**	**(9.5)**
EBITDA margin (%)					
Plywood	7.9	7.9	8	9.2	(128)
MDF	17.7	16.7	100	15.0	269
Total	10.2	9.9	33	10.5	(24)

Source: Company, BOBCAPS Research

Earnings call highlights

- **Demand scenario:** Demand conditions remained weak in Q1FY26 with a higher collection period due to weak demand from metro cities and the impact of early monsoon in Jun'25. Management is cautiously optimistic of performing better in Q2FY26, due to some signs of recovery in Jul'25 and expects H2FY26 to be much better on the benefit of BIS implementation from Aug'25.

- **MDF imports scenario:** Inventories of imported MDF have largely been cleared in Q1FY26, which will reduce competitive pressure in the sector in near future.

- **Timber Prices:** Plywood timber prices remained stable in Q1FY26 whereas it came down for MDF by 2-3% QoQ in Q1FY26 and is expected to decline further in H2FY26.

- **Plywood:** Sales volume was down 3.4% YoY as the impact of lower own manufactured plywood volume (-9.6% YoY) more than offset the impact of higher outsourced volume (+9.7% YoY). Plywood realisation improved by 4.1% YoY in Q1FY26. Segment EBITDA margin was relatively flat (+8 bps YoY) at 7.9% in Q1FY26. The company expects liquidation of some plywood inventory in Q2FY26 but expects to maintain higher than normal inventory due to change in business model. Going ahead, the company targets its segment revenue to grow at a double-digit rate in FY26 and margin to improve to 10% level by Q4FY26.

- **MDF:** Sales volume grew by 8.5% YoY in Q1FY26. Realisation was flat on QoQ basis in Q1FY26. Segment EBITDA margin improved by 269bps QoQ to 17.7% in Q1FY26 due to the benefit of operating leverage. Going ahead, the company targets MDF volume to grow at double digits with EBITDA margin of 16.0%+ in FY26. The company plans to ramp up capacity by 25% in Q2FY26 at a cost of Rs 100-120mn, for which it would take maintenance shutdown during the quarter. With the start of HDF flooring line from Sep'25, management expects the contribution of value-added products to rise sharply in FY27.

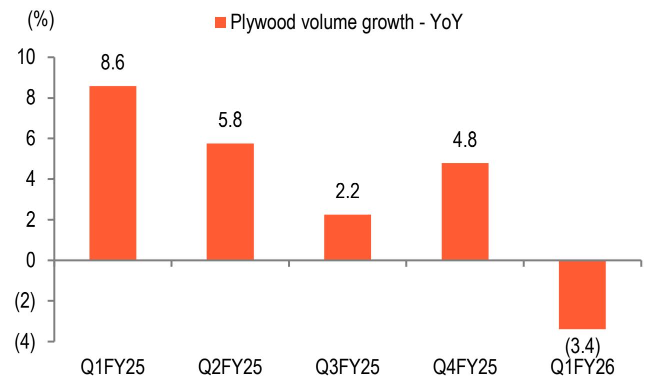
- **Furniture fittings (Samet JV):** The company has reported share of loss from furniture fittings of Rs 54 mn (vs Rs 86mn in Q4FY25) in Q1FY26, on low scale of operations. MTLM has invested Rs 800mn in this JV business till Jun'25. The company expects the share of loss from this business to be around Rs 150-200mn in FY26; has onboarded 200+ dealers and has a target to board 500-600 dealers by next year. Phases two and phase three of manufacturing facilities is expected to be completed over the next 12 months, which would help reduce import dependency. MTLM anticipates reaching breakeven point in this business in FY27-FY28.

- **WPC/PVC:** MTLM generates revenue of Rs 650mn from this segment annually. MTLM is now planning to start in-house manufacturing of WPC/PVC foam boards, doors, and door frames to capture market share from plywood substitutes. Segment revenue is targeted to grow to Rs 2.0-2.25bn over the next 3 years.

- **Impairment:** MTLM has booked an impairment loss of Rs 40mn for its exposure in Gabon. The company does not expect any further impairment loss from Gabon in future.

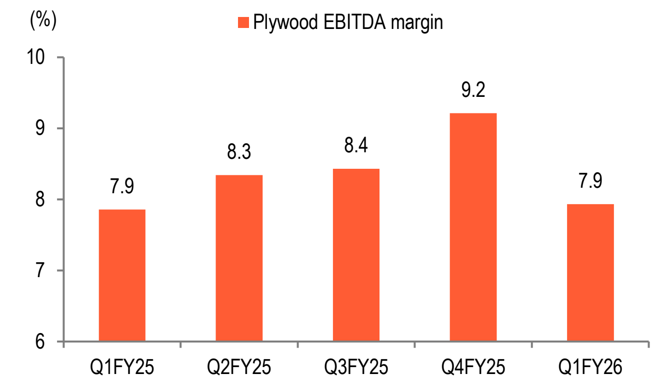
- **Capex:** guidance has been revised up to Rs 1.0-1.4bn (vs Rs 0.60-0.65bn earlier) in FY26, as it now plans to undertake Odisha plywood project and WPC/PVC project.
- **Working capital:** Plywood inventory has increased from Rs 2.3bn in Jun'24 to Rs 4.0bn in Jun'25. Going ahead, plywood inventory is expected to come down in Q2FY26, due to the liquidation of inventories, but it is expected to be maintained at a higher-than-normal level due to change in the business model. MDF inventory has increased from Rs 0.7bn in Jun'24 to Rs 1.1bn in Jun'25 due to inventory built-up ahead of the plant shutdown (Aug'-Sept'25) for brownfield expansion. Receivable days is expected to come down by Q3FY26 in anticipation of an improvement in liquidity conditions, as a result of measures implemented by RBI in the past few months.
- **Net debt:** has been continuously increasing for the past 3 consecutive quarters (from Rs 3.5 bn in Sep'24 to Rs 5.4 bn in Jun'25), due to higher working capital borrowings. Consequently, net debt/EBITDA has gone up sharply from 1.55x in Q2FY25 to 2.23x in Q1FY26. Management anticipates net debt to reduce to Rs 4.0-4.25bn by the end of FY26.

Fig 3 – MTLM's plywood volume de-grew by 3.4% YoY in Q1FY26 on muted demand and early-monsoon impact



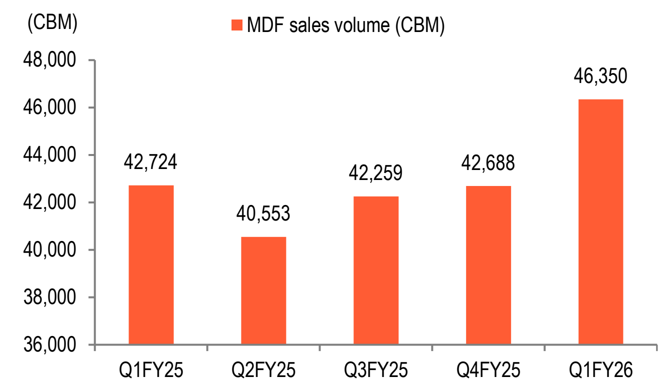
Source: Company, BOBCAPS Research

Fig 4 – Plywood margin remained stable on YoY basis at 7.9% in Q1FY26



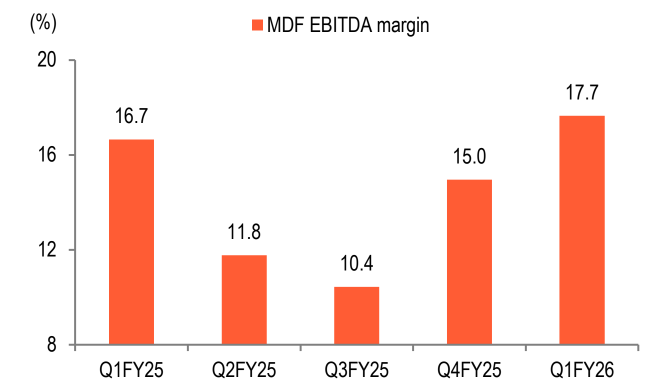
Source: Company, BOBCAPS Research

Fig 5 – MDF sales volume grew by 8.5% YoY in Q1FY26



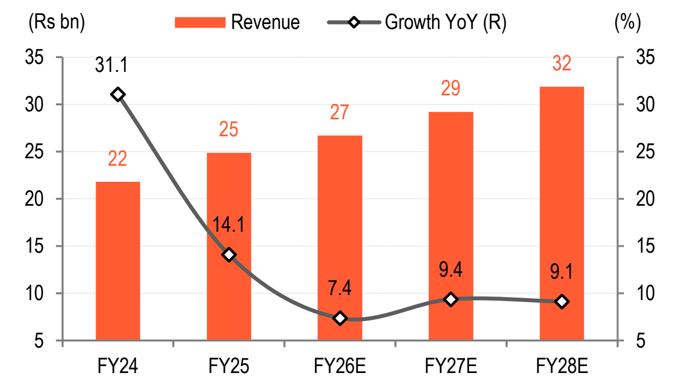
Source: Company, BOBCAPS Research

Fig 6 – MDF EBITDA margin improved by 269bps QoQ to 17.7% in Q1FY26 on operating leverage benefit



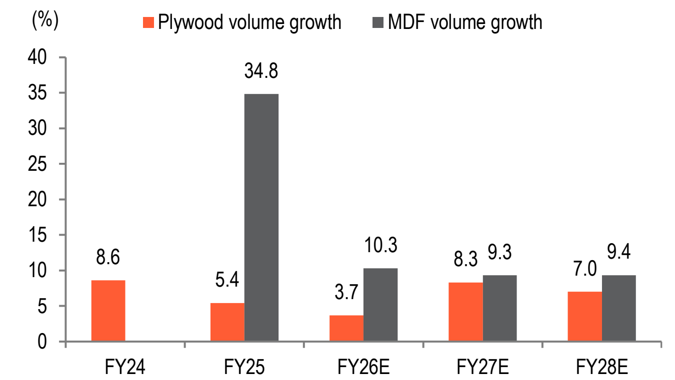
Source: Company, BOBCAPS Research

Fig 7 – MTLM revenue to grow at 8.6% CAGR over FY25-FY28E..



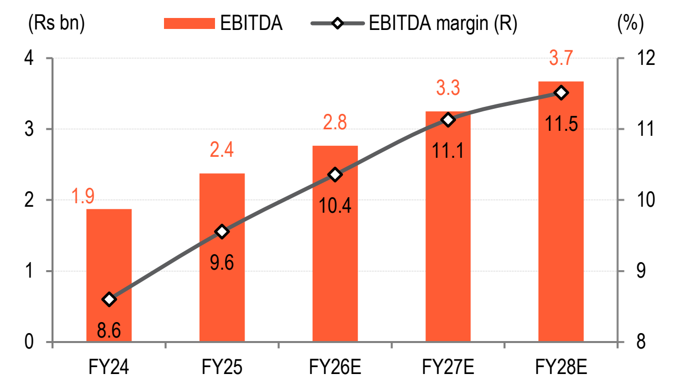
Source: Company, BOBCAPS Research

Fig 8 – ..to be driven by higher plywood and MDF sales volume



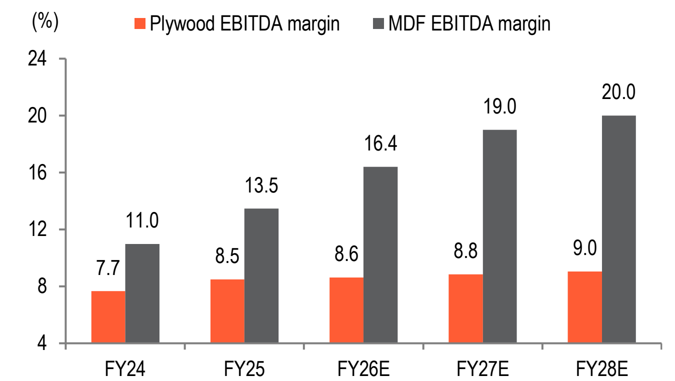
Source: Company, BOBCAPS Research

Fig 9 – MTLM EBITDA margin is forecasted to improve from 9.6% in FY25 to 11.5% in FY28E..



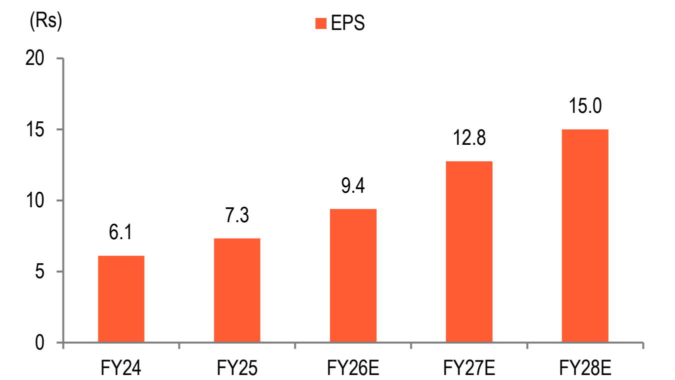
Source: Company, BOBCAPS Research

Fig 10 – ..in anticipation of margin improvement for Plywood as well as MDF segments



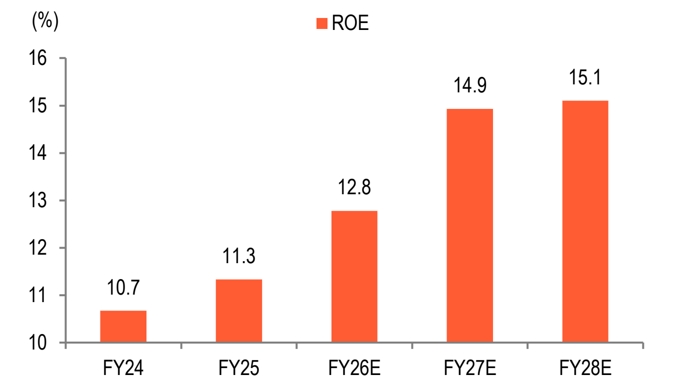
Source: Company, BOBCAPS Research

Fig 11 – MTLM's EPS is projected to grow at a strong 26.9% CAGR over FY25-FY28E over a low base



Source: Company, BOBCAPS Research

Fig 12 – ROE is also expected to improve from 11.3% in FY25 to 15.1% in FY28E



Source: Company, BOBCAPS Research

Valuation Methodology

We expect MTLM EPS to grow at a healthy 26.9% CAGR over FY25-FY28E over a weak base, along with improvement in ROE profile (from 11.3% in FY25 to 15.1% in FY28E). However, we maintain our BUY rating on the stock as we believe its strong earnings prospects are quite well captured in the current valuation (the stock trades at 31.7x on 1YF P/E vs 5Y avg of 26.9x).

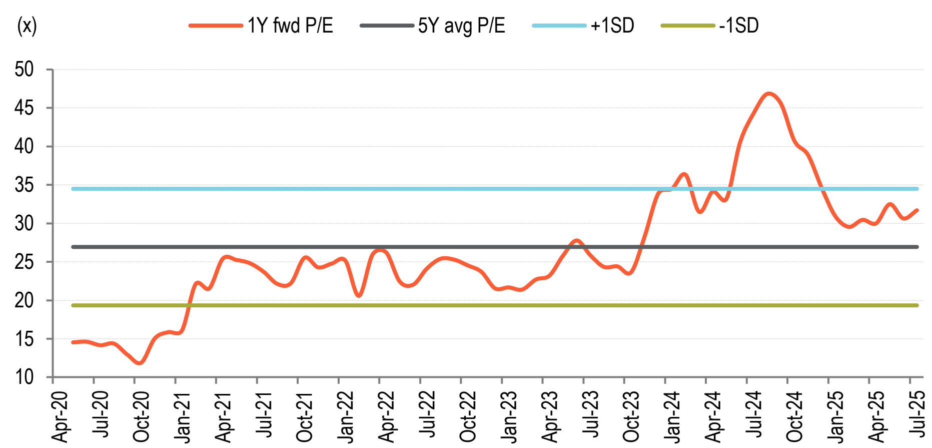
We have cut our EPS estimates (-7.6%/-9.5% for FY26E/FY27E) while keeping our TP unchanged at Rs 345 per share, due to the roll forward of our valuation from Mar'27 to Jun'27. Our target P/E remains unchanged at 25x on Jun'27 (vs Mar'27 earlier).

Fig 13 – Revised estimates

Particulars	New		Old		Change (%)	
Consolidated (Rs bn)	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Total operating income	26.7	29.2	27.3	30.5	(2.2)	(4.1)
EBITDA	2.8	3.3	2.8	3.3	(1.0)	(2.4)
EBITDA Margin	10.4	11.1	10.2	10.9	13bps	19bps
Adjusted PAT	1.2	1.6	1.3	1.8	(7.6)	(9.5)

Source: Company, BOBCAPS Research

Fig 14 – MTLM stock trades at 31.7x on 1YF P/E vs 5Y avg of 26.9x



Source: Bloomberg, BOBCAPS Research

Fig 15 – Key assumptions

Particulars (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue mix					
Plywood	84.7	78.7	77.7	77.5	77.5
MDF	15.3	21.3	22.3	22.5	22.5
Sales volume growth					
Plywood	8.6	5.4	3.7	8.3	7.0
MDF	NA	34.8	10.3	9.3	9.4
EBITDA margin					
Plywood	7.7	8.5	8.6	8.8	9.0
MDF	11.0	13.5	16.4	19.0	20.0

Source: Company, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates:

- Sharp recovery in plywood demand and MDF prices and quick turnaround of furniture hardware JV business are key upside risks
- Muted plywood demand, weak domestic MDF prices and elevated timber prices are key downside risks to our call

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**21,799**	**24,876**	**26,713**	**29,219**	**31,891**
EBITDA	1,875	2,377	2,767	3,253	3,672
Depreciation	545	601	651	729	816
EBIT	1,329	1,775	2,116	2,523	2,855
Net interest inc./(exp.)	(433)	(431)	(608)	(499)	(449)
Other inc./(exp.)	139	165	282	190	160
Exceptional items	7	0	0	0	0
EBT	1,028	1,509	1,790	2,214	2,566
Income taxes	298	253	390	536	630
Extraordinary items	(135)	0	0	0	0
Min. int./Inc. from assoc.	(13)	(340)	(226)	(86)	(62)
Reported net profit	**852**	**916**	**1,173**	**1,592**	**1,874**
Adjustments	(95)	0	0	0	0
Adjusted net profit	**757**	**916**	**1,173**	**1,592**	**1,874**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	3,329	5,354	4,025	4,402	4,805
Other current liabilities	700	890	890	890	890
Provisions	23	34	37	40	44
Debt funds	5,246	4,883	5,243	4,743	4,243
Other liabilities	246	272	272	272	272
Equity capital	124	125	125	125	125
Reserves & surplus	6,970	7,962	9,055	10,539	12,285
Shareholders' fund	7,096	8,087	9,181	10,664	12,411
Total liab. and equities	**16,639**	**19,520**	**19,647**	**21,011**	**22,664**
Cash and cash eq.	224	247	196	13	125
Accounts receivables	2,490	3,233	3,472	3,798	4,145
Inventories	3,478	5,179	4,276	4,669	5,117
Other current assets	724	574	616	674	735
Investments	435	673	923	923	923
Net fixed assets	8,096	8,007	8,556	9,326	10,010
CWIP	124	442	442	442	442
Intangible assets	555	561	561	561	561
Deferred tax assets, net	131	178	178	178	178
Other assets	384	429	429	429	429
Total assets	**16,639**	**19,522**	**19,649**	**21,013**	**22,666**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**1,461**	**1,650**	**1,445**	**2,235**	**2,529**
Capital expenditures	402	(837)	(1,200)	(1,500)	(1,500)
Change in investments	(371)	(238)	(250)	0	0
Other investing cash flows	267	165	282	190	160
Cash flow from investing	**298**	**(910)**	**(1,168)**	**(1,310)**	**(1,340)**
Equities issued/Others	1	1	0	0	0
Debt raised/repaid	(1,374)	(363)	360	(500)	(500)
Interest expenses	(433)	(431)	(608)	(499)	(449)
Dividends paid	(62)	(62)	(80)	(108)	(128)
Other financing cash flows	19	137	0	0	0
Cash flow from financing	**(1,850)**	**(718)**	**(327)**	**(1,108)**	**(1,077)**
Chg in cash & cash eq.	**(90)**	**22**	**(51)**	**(183)**	**113**
Closing cash & cash eq.	**224**	**246**	**195**	**12**	**124**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	6.9	7.3	9.4	12.8	15.0
Adjusted EPS	6.1	7.3	9.4	12.8	15.0
Dividend per share	0.5	0.5	0.6	0.9	1.0
Book value per share	57.4	64.8	73.5	85.4	99.4

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.7	1.4	1.4	1.2	1.1
EV/EBITDA	19.8	15.0	13.2	11.2	9.9
Adjusted P/E	54.0	45.1	35.2	25.9	22.0
P/BV	5.8	5.1	4.5	3.9	3.3

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.7	60.7	65.6	71.9	73.0
Interest burden (PBT/EBIT)	77.3	85.0	84.6	87.7	89.9
EBIT margin (EBIT/Revenue)	6.1	7.1	7.9	8.6	9.0
Asset turnover (Rev./Avg TA)	131.0	127.4	136.0	139.1	140.7
Leverage (Avg TA/Avg Equity)	2.3	2.4	2.1	2.0	1.8
Adjusted ROAE	10.7	11.3	12.8	14.9	15.1

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	31.1	14.1	7.4	9.4	9.1
EBITDA	17.3	26.8	16.4	17.6	12.9
Adjusted EPS	(26.7)	19.9	28.1	35.7	17.7
Profitability & Return ratios (%)					
EBITDA margin	8.6	9.6	10.4	11.1	11.5
EBIT margin	6.1	7.1	7.9	8.6	9.0
Adjusted profit margin	3.5	3.7	4.4	5.4	5.9
Adjusted ROAE	11.2	12.1	13.6	16.0	16.2
ROCE	11.9	15.0	16.6	17.6	18.1
Working capital days (days)					
Receivables	42	47	47	47	47
Inventory	58	76	58	58	59
Payables	56	79	55	55	55
Ratios (x)					
Gross asset turnover	2.7	2.4	2.4	2.3	2.3
Current ratio	1.3	1.2	1.4	1.4	1.5
Net interest coverage ratio	3.1	4.1	3.5	5.1	6.4
Adjusted debt/equity	0.7	0.6	0.5	0.4	0.3

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

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SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

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Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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

BUY – Expected return >+15%

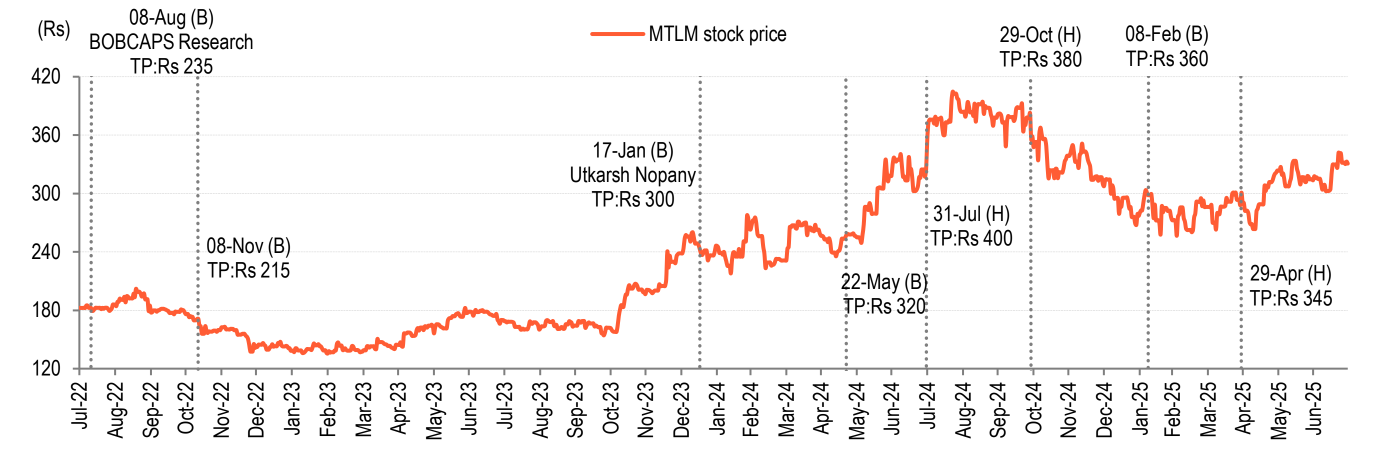
HOLD – Expected return from -6% to +15%

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.

Ratings and Target Price (3-year history): GREENPLY INDUSTRIES (MTLM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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