

RESEARCH
Greenpanel Industries | Target: Rs 58 | +27% | BUY

Firmer pricing, MDF plant ramp-up to boost margins

Logistics | Monthly Tracker

Mixed trends

SUMMARY
Greenpanel Industries

Our interactions with dealers and industry participants suggest that demand for MDF remains strong. Greenpanel Industries (GREENP), being the largest MDF player in the country, will be a significant beneficiary of the growing market as it ramps up the new facility in Andhra Pradesh. Abating pricing pressures and rising plant utilisation should aid better operational results ahead. We thus increase our PAT estimates for GREENP by 3-6% for FY20-FY22; on rollover, we have a revised Mar'21 TP of Rs 58 (earlier Rs 48).

[Click here for the full report.](#)

Logistics: Monthly Tracker

Trade indicators exhibited mixed trends in Dec'19. A benign base aided growth revival in major port cargo to 6% YoY after three consecutive months of decline, but container traffic dipped 2% YoY led by fall in container traffic at JNPT and Chennai ports. Container rail volumes grew 3.8% YoY, though NTKM was flat YoY due to lower leads. Merchandise EXIM trade (in US dollar terms) remained tepid, declining 6% YoY. For Q3FY20, trade indicators have been largely muted, hinting at another dull quarter for our logistics universe.

[Click here for the full report.](#)

TOP PICKS
LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	570
ONGC	Buy	210
Petronet LNG	Buy	400
Reliance Industries	Buy	1,860
TCS	Add	2,230

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	2,290
Future Supply	Buy	680
Greenply Industries	Buy	210
Laurus Labs	Buy	480
PNC Infratech	Buy	245

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.78	(3bps)	(9bps)	(94bps)
India 10Y yield (%)	6.63	(4bps)	(17bps)	(65bps)
USD/INR	70.82	0.1	0.3	0.6
Brent Crude (US\$/bbl)	64.00	(0.8)	(2.1)	4.4
Dow	29,030	0.3	2.8	19.9
Shanghai	3,090	(0.5)	3.5	20.2
Sensex	41,873	(0.2)	2.3	15.3
India FII (US\$ mn)	14 Jan	MTD	CYTD	FYTD
FII-D	60.0	(1,037.9)	(1,037.9)	1,906.2
FII-E	(46.7)	333.4	333.4	7,722.7

Source: Bank of Baroda Economics Research

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BUY

TP: Rs 58 | ▲ 27%

**GREENPANEL
INDUSTRIES**

Construction Materials

16 January 2020

Firmer pricing, MDF plant ramp-up to boost margins

Our interactions with dealers and industry participants suggest that demand for MDF remains strong. Greenpanel Industries (GREENP), being the largest MDF player in the country, will be a significant beneficiary of the growing market as it ramps up the new facility in Andhra Pradesh. Abating pricing pressures and rising plant utilisation should aid better operational results ahead. We thus increase our PAT estimates for GREENP by 3-6% for FY20-FY22; on rollover, we have a revised Mar'21 TP of Rs 58 (earlier Rs 48).

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MDF demand remains robust: India's MDF market continues to grow at 13-15% YoY, albeit off a low base. The pricing pressure seen over the past few quarters has subsided and capacity utilisation has started to increase for major players. GREENP is seeing better utilisation aided by exports from its new 360,000cbm facility in Andhra Pradesh. This coupled with a stable pricing environment is expected to drive a strong revenue CAGR of 23% for the company over FY19-FY22.

Margins to expand: Better capacity utilisation and firmer pricing would also underpin margin gains. We expect the company to log a 330bps rise in operating margins over FY19-FY22, resulting in an EBITDA CAGR of 32%.

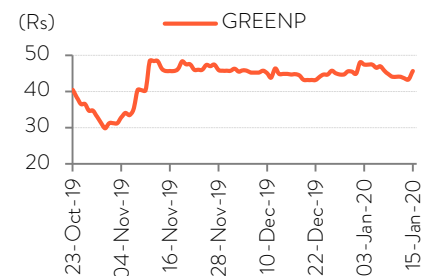
Debt reduction to continue: GREENP had debt of ~Rs 5.9bn as of FY19 due to the commissioning of its new MDF facility in Jul'18. We expect debt to reduce substantially to ~Rs 3.3bn and D/E to 0.45x (vs. 0.9x in FY19) by FY22 as the plant ramps up and capex needs ebb.

Maintain BUY: We continue to like GREENP for its strong growth potential, improving debt profile and rising return ratios. We increase our FY20-FY22 PAT estimates by 3-6% and reiterate BUY with a revised Mar'21 TP of Rs 58.

Ticker/Price	GREENP IN/Rs 46
Market cap	US\$ 79.1mn
Shares o/s	123mn
3M ADV	US\$ 0.1mn
52wk high/low	Rs 53/Rs 28
Promoter/FPI/DII	51%/11%/38%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	5,991	8,143	9,563	11,070
EBITDA (Rs mn)	774	1,194	1,477	1,796
Adj. net profit (Rs mn)	228	113	326	549
Adj. EPS (Rs)	1.9	0.9	2.7	4.5
Adj. EPS growth (%)	NA	(50.5)	189.6	68.2
Adj. ROAE (%)	7.1	1.7	4.8	7.7
Adj. P/E (x)	24.6	49.7	17.2	10.2
EV/EBITDA (x)	7.2	7.1	7.4	5.7

Source: Company, BOBCAPS Research



Mixed trends

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Container rail – volumes up, NTKM flat: Container rail volumes grew 3.8% YoY in Dec'19, slower than Nov'19 (+7.4% YoY). EXIM volumes increased 3.5% YoY - despite a healthy base (+10.4%/+12.7% in Dec'18/Dec'17) – faster than the container traffic growth at major ports (-1.2% in tonnage terms), which indicates possible market share gains for rail. Domestic volumes were up 5.3% YoY. NTKM, however, was flat (-0.3% YoY) as lower lead distance (-4% YoY) negated the benefit of higher volumes. In Q3FY20 as well, container rail volumes increased 4.3% YoY while lower leads (-5%) weighed on NTKM (-1.4%).

Freight traffic growth at major ports improves: After three months of YoY decline, cargo growth at major ports rebounded to 6% in Dec'19, aided by a low base (-4% in Dec'18). Cochin (+37% YoY), Kandla (+35%), and Paradip (+13.5%) grew the fastest, while Chennai (-14.4% YoY), Ennore (-14.3%), and Mormugao (-10.5%) witnessed steep volume declines.

Container traffic declines at major ports: Container traffic at major ports fell 2.2% YoY in TEU terms (-1.2% in tonnage), led by declines in the two largest container ports of JNPT (-6% YoY) and Chennai (-21%). In contrast, Cochin (+7.7% YoY) and Vizag (+15.8%) clocked healthy growth.

Non-oil, non-gold imports slide again; Nov IIP resilient: Merchandise EXIM trade declined 6% YoY in Dec'19 (US\$ terms). Non-oil, non-gold imports fell 12.2% YoY, the sharpest drop in 44 months. Core exports, too, dipped 0.5% YoY (+4% in Nov'19). Nov'19 IIP accelerated to 1.8% YoY vs. -4% in Oct'19, with manufacturing IIP up 2.7% YoY aided by a lower base (-0.7% in Nov'18).

Insipid quarter ahead: Soft domestic and global trade indicate yet another dull quarter for our logistics universe (see our [Logistics Quarterly Preview](#)). We expect median revenue growth of 8% for our coverage universe in Q3.

RECOMMENDATION SNAPSHOT

Ticker	Price	Target	Rating
AGLL IN	106	120	BUY
CCRI IN	557	655	ADD
FSCS IN	448	680	BUY
MAHLOG IN	434	460	BUY
TCIEXP IN	735	855	ADD
TRPC IN	272	365	BUY
VROLL IN	273	330	BUY

Price & Target in Rupees



Disclaimer

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)

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