

RESEARCH**GREENPANEL INDUSTRIES | TARGET: Rs 400 | +1% | HOLD**

MDF: Weak near-term outlook; positive medium-term outlook

SUMMARY**GREENPANEL INDUSTRIES**

- MDF industry margin to remain under pressure in the near future on supply-side pressure and steep rise in timber prices
- Indian MDF industry margin to improve to 25-26% in FY27 with gradual rise in industry operate rate (from 63% in FY25 to 85% in FY27)
- Maintain HOLD rating with revised TP of Rs 400 (+10%) due to increase in our target P/E multiple (from 20x to 22x) on Sep'26 EPS

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HOLD
 TP: Rs 400 | ▲ 1%

**GREENPANEL
 INDUSTRIES**

| Building Materials

| 17 December 2024

MDF: Weak near-term outlook; positive medium-term outlook

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We hosted management of GREENP (Mr. Vishwanathan Venkatramani, CFO) to discuss the dynamics of the Indian MDF sector and medium-term outlook. Here are the key takeaways from our meeting.

MDF industry dynamics: The Indian MDF industry demand is estimated to be 2.85mn CBM vs industry capacity of 4.5mn CBM in FY25. Given that there are no major capacity expansion plans for FY26-FY27 and the domestic MDF demand is growing at 15%, the industry's capacity utilisation is expected to improve from ~63% in FY25 to ~73% in FY26 and ~85% in FY27. Management believes the industry could operate at an EBITDA margin of 25-26% on a sustainable basis at an optimal capacity utilisation (85% mark).

Impact of large particleboard capacity addition to MDF sector: India is likely to see particleboard capacity addition of ~0.8mn CBM in H2FY25. This is likely to pose a challenge for the domestic MDF sector in the near future. However, it is not likely to derail growth of Indian MDF industry as particleboard is mainly used for vertical applications whereas MDF can be used for both vertical and horizontal applications.

MDF demand scenario in Q3FY25: The industry demand has slowed post Oct'24. However, GREENP expects to clock higher volumes both in the domestic and export markets in Q3FY25 compared to Q2FY25.

MDF imports scenario: India became a net exporter of MDF in Sep'24 due to a steep decline in imports on account of high ocean freight rate. However, the pace of monthly MDF imports in India has gone up from an average of 8,000 CBM in Q2FY25 to around 21,000 CBM in Oct'24. Management believes the rising imports are not likely to impact the pricing discipline in the domestic market in the near future as >85% of domestic MDF is consumed by the retail segment (which is more influenced by local manufacturers' pricing strategies).

Pricing scenario: The company has not hiked prices in Q3FY25, but plans to raise prices by 3-4% in Q4FY25.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	GREENP IN/Rs 394
Market cap	US\$ 569.3mn
Free float	47%
3M ADV	US\$ 1.1mn
52wk high/low	Rs 450/Rs 268
Promoter/FPI/DII	53%/3%/28%

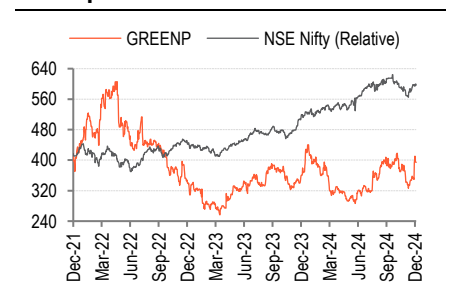
Source: NSE | Price as of 16 Dec 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	15,673	16,123	20,772
EBITDA (Rs mn)	2,465	1,710	3,120
Adj. net profit (Rs mn)	1,428	834	1,664
Adj. EPS (Rs)	11.6	6.8	13.6
Consensus EPS (Rs)	11.6	7.8	14.3
Adj. ROAE (%)	11.4	6.2	11.5
Adj. P/E (x)	33.9	57.9	29.0
EV/EBITDA (x)	19.9	28.7	15.2
Adj. EPS growth (%)	(43.4)	(41.6)	99.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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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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