

**RESEARCH**
**Greenpanel Industries | Target: Rs 395 | +12% | HOLD**

Strong quarter led by MDF; cut to HOLD on limited upside

**SUMMARY**
**Greenpanel Industries**

- Q2 revenue climbed ~88% YoY to Rs 4.2bn led by ~103% growth in MDF and ~38% in plywood
- Gross profit up 89% YoY at Rs 2.5bn – 55% of that earned in full-year FY21; EBITDA margin up 600bps
- We raise FY22/FY23 PAT 15%/11% on robust demand and have a new TP of Rs 395 (vs. Rs 315); cut from BUY to HOLD on limited upside

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**Daily macro indicators**

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.54	(7bps)	9bps	77bps
India 10Y yield (%)	6.34	(3bps)	16bps	48bps
USD/INR	75.03	(0.1)	(1.8)	(1.6)
Brent Crude (US\$/bbl)	84.58	(2.1)	8.3	116.2
Dow	35,491	(0.7)	2.0	33.8
Shanghai	3,562	(1.0)	(1.4)	9.0
Sensex	61,143	(0.3)	1.8	53.2
<b>India FII (US\$ mn)</b>	<b>26-Oct</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-D	(33.1)	(114.7)	(39.6)	1,987.6
FII-E	(303.6)	(970.8)	7,559.1	232.8

Source: Bloomberg



**HOLD**  
 TP: Rs 395 | ▲ 12%

**GREENPANEL INDUSTRIES**

Construction Materials

28 October 2021

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**Strong growth aided by MDF segment:** GREENP’s consolidated Q2FY22 revenue grew 88% YoY to Rs 4.2bn, with MDF up 103% as the segment’s volumes climbed 67% and blended realisations up 22% YoY/13% QoQ. In plywood, revenue grew 38% YoY as volumes increased 22% and blended realisations rose 13% YoY/8% QoQ. In MDF, demand was driven by both exports (+69% YoY) and domestic sales (+65%). As per management, export demand remains strong even now, supporting elevated sales in Q3 as well. Export/domestic realisations improved 31%/19% YoY.

**Operating margin improves:** EBITDA margin (ex-forex losses) stood at 26.8% vs. 20.8% in the year-ago quarter aided by higher MDF and plywood profitability and better capacity utilisation. MDF EBIT margin expanded to 28.4% (vs. 16.7% in Q2FY21) backed by better utilisation (95% vs. 61%) and price hikes. Plywood earned lower 15.3% margins (vs. 17.4%) due to higher RM cost. Management indicated that the company has taken a price hike in plywood, the benefit of which will be visible in Q3.

**Growth outlook:** Management believes MDF margins are sustainable given price hikes in the domestic segment, and could expand further if utilisation levels hold. Export realisations should improve in Q3 vs. Q2 which had old orders fulfilled at lower rates. However, with onset of the festive season (Durga Puja in Oct and Diwali in Nov), Q3 will not witness similar growth. GREENP is expanding capacity by 1,20,000cbm which will come onstream in Q4FY22 and should propel growth thereon.

**Earnings upgraded...:** Healthy domestic MDF demand, rising exports and the uptick in prices are likely to contain rising RM costs, in our view. Plywood too has seen healthy demand while price hike benefits should flow in Q3. GREENP continues to focus on capacity debottlenecking which will aid volume growth (20% increase in capacity) and product mix optimisation, thus enabling further improvement in margins. We raise FY22/FY23/FY24 PAT 15%/11%/6% on robust demand and realisations.

**...but upside limited:** We roll over to a new Sep’22 TP of Rs 395 (vs. Rs 315) based on 20x (vs. 18x) one-year forward P/E, which is a ~20% discount to peers. Current valuations look full at 19.2x FY23E P/E – downgrade to HOLD.

**Key changes**

Target	Rating
▲	▼

Ticker/Price	GREENP IN/Rs 351
Market cap	US\$ 574.1mn
Free float	47%
3M ADV	US\$ 1.2mn
52wk high/low	Rs 359/Rs 67
Promoter/FPI/DII	53%/3%/44%

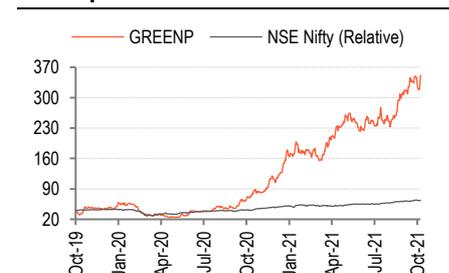
Source: NSE | Price as of 27 Oct 2021

**Key financials**

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	10,208	14,275	16,627
EBITDA (Rs mn)	2,077	3,404	4,082
Adj. net profit (Rs mn)	808	1,723	2,241
Adj. EPS (Rs)	6.6	14.1	18.3
Consensus EPS (Rs)	6.6	11.6	16.5
Adj. ROAE (%)	11.6	21.1	22.1
Adj. P/E (x)	53.3	25.0	19.2
EV/EBITDA (x)	23.4	14.0	11.3
Adj. EPS growth (%)	219.4	113.2	30.0

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



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### 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

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