

## RESEARCH

### Greenpanel Industries | Target: Rs 235 | +48% | BUY

MDF demand remains robust

## SUMMARY

### Greenpanel Industries

Key takeaways from our interaction with the management of Greenpanel Industries (GREENP): (1) Demand trends remain robust and continue to improve QoQ in Q4FY21. GREENP is on track to achieve its Q4 guidance of 95-100% utilisation. (2) MDF plant debottlenecking will be completed by Q3FY22, adding 50,000cbm of capacity. (3) The company hiked prices by ~3% in South India (40% of total revenue share) and ~6.5% in the rest of India during Dec'20 to Jan'21 to offset the increase in raw material cost.

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

## TOP PICKS

### LARGE-CAP IDEAS

Company	Rating	Target
<a href="#">Cipla</a>	Buy	1,000
<a href="#">GAIL</a>	Buy	160
<a href="#">Petronet LNG</a>	Buy	330
<a href="#">TCS</a>	Buy	3,710
<a href="#">Tech Mahindra</a>	Buy	1,130

### MID-CAP IDEAS

Company	Rating	Target
<a href="#">Alkem Labs</a>	Buy	3,750
<a href="#">Greenply Industries</a>	Buy	195
<a href="#">Laurus Labs</a>	Buy	480
<a href="#">Transport Corp</a>	Buy	330
<a href="#">Mahanagar Gas</a>	Sell	750

Source: BOBCAPS Research

## DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.61	(1bps)	27bps	74bps
India 10Y yield (%)	6.15	1bps	2bps	(15bps)
USD/INR	72.56	(0.2)	0.1	4.6
Brent Crude (US\$/bbl)	64.41	6.0	2.4	135.2
Dow	32,420	0	2.9	52.9
Shanghai	3,367	(1.3)	(8.9)	21.0
Sensex	49,180	(1.7)	(3.4)	72.3
India FII (US\$ mn)	23 Mar	MTD	CYTD	FYTD
FII-D	25.1	(1,158.7)	(2,642.9)	(6,736.5)
FII-E	(4.1)	3,192.1	8,185.9	38,161.7

Source: Bank of Baroda Economics Research

## BOBCAPS Research

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**BUY**

TP: Rs 235 | ▲ 48%

**GREENPANEL  
INDUSTRIES**

Construction Materials

25 March 2021

**MDF demand remains robust**

We recently interacted with the management of Greenpanel Industries (GREENP) for an update on MDF business prospects.

**Key takeaways**

- Demand trends remain robust and continue to improve QoQ in Q4FY21. GREENP is on track to achieve its Q4 guidance of 95-100% utilisation.
- Tier-2-and-below cities remain demand drivers in the domestic market; metro cities are also recovering post unlocking. Exports, however, have been delayed during Q4 due to a scarcity of containers.
- Domestic MDF demand trends look sustainable and GREENP is targeting full capacity utilisation at the very least in FY22. The business has a rated capacity of 540,000cbm which can run at peak utilisation levels of 110%.
- MDF plant debottlenecking will be completed by Q3FY22, adding 50,000cbm of capacity. Capex for debottlenecking and backward integration totals ~Rs 550mn.
- GREENP hiked prices by ~3% in South India (40% of total revenue share) and ~6.5% in the rest of India during Dec'20 to Jan'21 due to an increase in raw material cost. These hikes will fully offset the higher RM cost burden.
- Management expects stronger operating leverage from rising utilisation to bolster MDF EBITDA margins (24.5% in Q3FY21).
- GREENP has been focusing on domestic distribution and now has over 1,400 MDF dealers 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 plans to reduce net debt from ~Rs 4.5bn as of 31<sup>st</sup> Dec'20 to Rs 4bn by end-FY21 and further to Rs 2.5bn in FY22.
- In the plywood business, demand has improved in Q4 and management expects to see sequential improvement in revenue along with sustainable EBITDA margins of 14-15%.

**Our view:** We continue to like GREENP for its robust growth prospects and improving debt and return ratio profile. Maintain BUY with a Mar'22 TP of Rs 235, set at an unchanged 15x FY23E P/E.

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Ticker/Price	GREENP IN/Rs 158
Market cap	US\$ 267.3mn
Shares o/s	123mn
3M ADV	US\$ 1.1mn
52wk high/low	Rs 203/Rs 24
Promoter/FPI/DII	53%/11%/36%

Source: NSE

**KEY FINANCIALS**

Y/E 31 Mar	FY21E	FY22E	FY23E
Total revenue (Rs mn)	9,589	13,174	15,227
EBITDA (Rs mn)	1,818	2,965	3,622
Adj. net profit (Rs mn)	616	1,418	1,913
Adj. EPS (Rs)	5.0	11.6	15.6
Adj. EPS growth (%)	143.6	130.1	34.9
Adj. ROAE (%)	9.0	18.2	20.3
Adj. P/E (x)	31.5	13.7	10.1
EV/EBITDA (x)	13.7	8.2	6.3

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)

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