

**BUY**

TP: Rs 55 | ▲ 20%

**GREENPANEL  
INDUSTRIES**

Construction Materials

07 September 2020

**MDF segment in strong recovery mode**

We recently interacted with the management of Greenpanel Industries (GREENP). Following are the key takeaways:

- MDF demand continues to rise steadily following the easing of lockdowns across the country. GREENP has averaged high double-digit YoY sales growth in July and August.
- While domestic MDF demand has been robust thus far in Q2FY21 with double-digit growth, the company's exports have surged 40-50% YoY. This was due to a sizeable first-time order from a new geography that was delivered during the quarter and also a lower base.
- In FY20, MDF exports accounted for ~22% of segmental revenues; management expects the share to remain similar in FY21.
- Tier-2 towns and below have been demand drivers in domestic markets during the initial lockdown period. GREENP is hopeful of gradual pick-up from urban centres alongside progressive unlocking.
- The company has been focusing on domestic distribution and now has over 1,530 dealers across India (vs. ~1,420 as on Mar'20). It plans to continue scaling up its reach and targeting smaller cities to widen the market.
- GREENP has seen no pricing pressure in the MDF segment in either domestic or export markets.
- The industry's demand for a countervailing duty (CVD) on MDF imports is currently under scrutiny by authorities. Management is hopeful of CVD by Dec'20 which will be beneficial for domestic players. About 60-65% of total imports comprise thick MDF where the import price is 6-8% lower than that of domestic manufacturers.
- Management believes it is on track to achieve guidance of at least flattish revenues YoY in Q2FY21.
- Demand for plywood has also improved with the company witnessing ~90% of year-ago sales thus far in Q2 (vs. ~70% in June).
- GREENP has scheduled debt repayment of Rs 510mn for FY21 and Rs 720mn each for FY22 and FY23.

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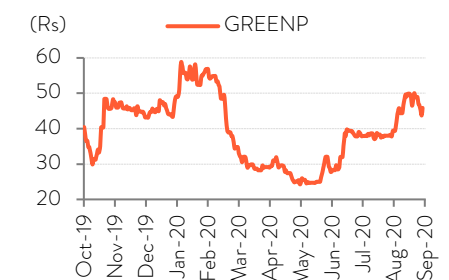
Ticker/Price	GREENP IN/Rs 46
Market cap	US\$ 76.9mn
Shares o/s	123mn
3M ADV	US\$ 0.0mn
52wk high/low	Rs 61/Rs 24
Promoter/FPI/DII	53%/11%/36%

Source: NSE

**KEY FINANCIALS**

Y/E 31 Mar	FY21E	FY22E	FY23E
Total revenue (Rs mn)	7,726	10,188	11,465
EBITDA (Rs mn)	1,181	1,614	1,857
Adj. net profit (Rs mn)	119	429	605
Adj. EPS (Rs)	1.0	3.5	4.9
Adj. EPS growth (%)	(53.1)	262.1	40.9
Adj. ROAE (%)	1.8	6.2	8.1
Adj. P/E (x)	47.4	13.1	9.3
EV/EBITDA (x)	9.4	6.6	5.3

Source: Company, BOBCAPS Research

**STOCK PERFORMANCE**

Source: NSE

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### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

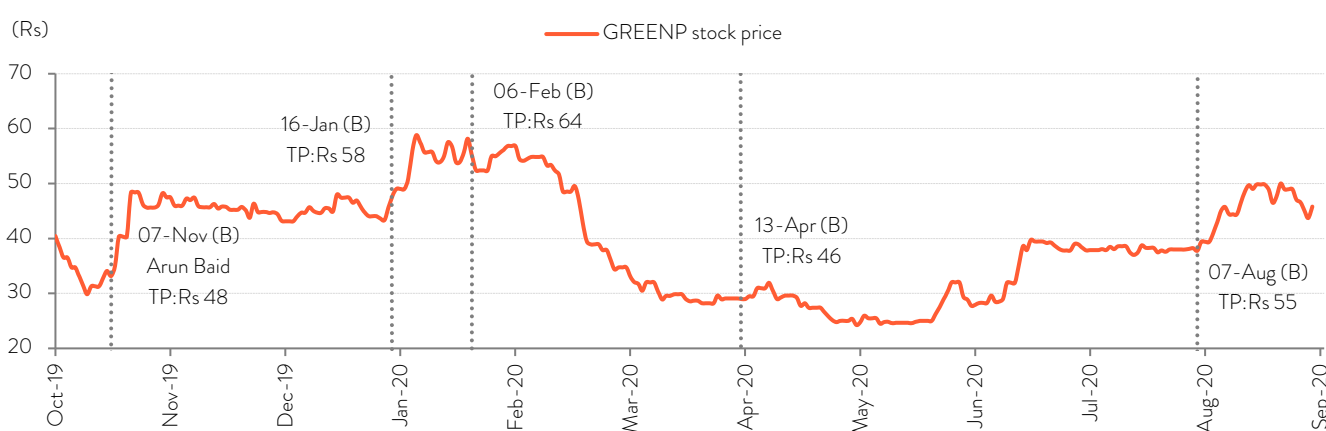
**ADD** – Expected return from >+5% to +15%

**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)

### RATINGS AND TARGET PRICE (3-YEAR HISTORY): GREENPANEL INDUSTRIES (GREENP IN)



Note: B – Buy, A – Add, R – Reduce, S – Sell

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