

HOLD
 TP: Rs 360 | ▼ 4%

**GREENPANEL
 INDUSTRIES**

| Building Materials

| 06 February 2025

Dismal Q3 on MDF supply overhang and rising timber prices

- Sharp contraction in GREENP EBITDA (-71% YoY) for ninth straight quarter on supply overhang in MDF industry and high timber prices
- GREENP MDF EBITDA margin has fallen well below the level seen in the previous bear cycle (5.1% in Q3FY25 vs 14.5% in FY19)
- Maintain HOLD in anticipation of gradual recovery in MDF sector margin; TP cut by 10% to Rs 360

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Dismal Q3FY25: GREENP Q3FY25 result came below our estimates (Revenue: -8%; EBITDA: -47%; APAT: -29%) due to weak MDF sales volume (-1.9% YoY vs +2.5% estimated) and sharp contraction in MDF segment margin (-473bps QoQ to 5.1% vs 9.0% estimated). Overall, GREENP Revenue/EBITDA/APAT fell by 7%/71%/75% YoY in Q3FY25.

Key highlights: GREENP reported sharp YoY contraction in EBITDA for the ninth straight quarter due to supply overhang in the MDF industry. MDF segment EBITDA de-grew by 73% YoY in Q3FY25 driven by lower volumes and sharp margin contraction on account of higher discounts offered to dealers, steep rise in timber prices (+17% QoQ), and higher fuel costs. Plywood volume fell for the tenth consecutive quarter (-17% YoY) due to internal restructuring.

Guidance: The company expects its MDF sales volume to be flat in FY25 over FY24 (which implies an asking growth rate of 13% YoY for Q4FY25). Going ahead, the company expects its MDF volume to grow at 8-10% for existing capacity and the new capacity (which is expected to commence operation by Mar'25) to operate at 40-50% rate in FY26. The company expects timber prices may increase slightly over the next couple of quarters and then it should correct from Q2FY26.

MDF industry dynamics: Management believes the domestic MDF capacity is expected to be 4.5mn CBM as against demand of 2.7mn-2.8mn CBM in FY25. Management expects the excess capacity to get absorbed over the next few years.

Maintain HOLD; TP cut by 10% to Rs 360: We maintain our HOLD rating on the GREENP stock in anticipation of gradual recovery in margin as its MDF margin has already fallen well below the level seen in the previous bear cycle (5.1% in Q3FY25 vs 14.5% in FY19). We cut our TP to Rs 360 (Rs 400 earlier) due to earnings downgrade (-31%/-35%/-14% for FY25E/FY26E/FY27E) based on weak Q3FY25 result. Our target P/E remains unchanged at 22x on Dec'26 estimate. At CMP, the stock trades at 44.7x on 1Y forward P/E vs. the 5Y average of 31.4x.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	GREENP IN/Rs 377
Market cap	US\$ 527.2mn
Free float	47%
3M ADV	US\$ 0.6mn
52wk high/low	Rs 427/Rs 268
Promoter/FPI/DII	53%/3%/28%

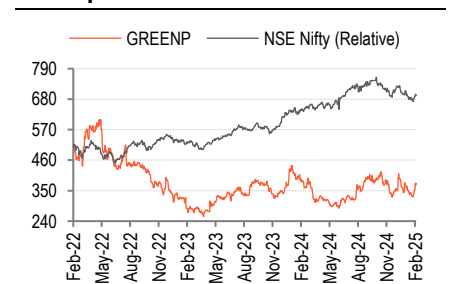
Source: NSE | Price as of 6 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	15,673	15,102	18,948
EBITDA (Rs mn)	2,465	1,151	2,243
Adj. net profit (Rs mn)	1,428	572	1,075
Adj. EPS (Rs)	11.6	4.7	8.8
Consensus EPS (Rs)	11.6	6.9	13.2
Adj. ROAE (%)	11.4	4.3	7.7
Adj. P/E (x)	32.3	80.7	43.0
EV/EBITDA (x)	19.0	40.8	20.2
Adj. EPS growth (%)	(43.4)	(59.9)	87.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance – Consolidated

(Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)	BOBCAPS Q3FY25E	Variance (%)
Total operating income	3,594	3,857	(6.8)	3,369	6.7	10,613	11,707	(9.3)	3,915	(8.2)
Raw-Material expense	2,034	1,692	20.2	1,711	18.8	5,529	5,073	9.0		
Gross Profit	1,561	2,166	(27.9)	1,658	(5.8)	5,083	6,633	(23.4)		
Employee expense	344	335	2.9	354	(2.8)	1,061	1,021	3.9		
Sales Promotion	25	85	(70.4)	13	86.7	163	267	(39.1)		
Other expense	1,018	1,143	(11.0)	991	2.7	3,027	3,393	(10.8)		
EBITDA	173	603	(71.2)	299	(41.9)	833	1,952	(57.3)	325	(46.7)
D&A	194	179	8.2	193	0.5	576	546	5.5		
EBIT	(20)	424	(104.8)	106	(119.4)	256	1,405	(81.8)		
Interest cost	(7)	62	(111.3)	34	(120.7)	29	121	(75.9)		
Non-operating expense/(income)	(66)	(13)	401.9	(62)	5.6	(173)	(145)	19.3		
PBT	52	374	(86.1)	134	(61.1)	400	1,429	(72.0)		
Tax	(33)	28	(216.3)	(51)	(35.5)	(27)	300	(109.1)		
Reported PAT	85	346	(75.4)	185	(54.0)	427	1,129	(62.2)		
Adjusted PAT	86	347	(75.3)	97	(11.6)	340	1,130	(69.9)	120	(28.7)
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	43.4	56.1	(1,272)	49.2	(578)	47.9	56.7	(876)		
Employee cost	9.6	8.7	91	10.5	(93)	10.0	8.7	127		
Sales Promotion	0.7	2.2	(150)	0.4	30	1.5	2.3	(75)		
Other cost	28.3	29.6	(133)	29.4	(111)	28.5	29.0	(46)		
EBITDA margin	4.8	15.6	(1,080)	8.9	(404)	7.8	16.7	(883)		
Tax rate	(63.3)	7.6	(7,082)	(38.1)	(2,511)	(6.9)	21.0	(2,786)		
APAT margin	2.4	9.0	(661)	2.9	(49)	3.2	9.6	(645)		

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

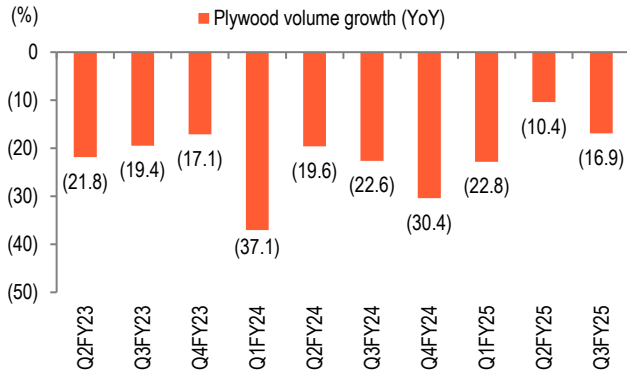
Segment Analysis	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue (Rs mn)								
Plywood	322	384	(16.1)	369	(12.7)	1,014	1,266	(19.9)
MDF	3,272	3,474	(5.8)	3,000	9.1	9,598	10,441	(8.1)
Total	3,594	3,857	(6.8)	3,369	6.7	10,613	11,707	(9.3)
Volumes								
Plywood (mn sqm)	1.3	1.5	(16.9)	1.47	(12.9)	4.0	4.8	(16.6)
MDF (CBM)	116,077	118,301	(1.9)	101,546	14.3	336,694	357,714	(5.9)
Realisation								
Plywood (Rs/sq ft)	251	249	0.9	251	0.3	255	266	(3.9)
MDF (Rs/CBM)	28,079	29,300	(4.2)	29,131	(3.6)	28,508	29,188	(2.3)
Adjusted EBITDA (Rs mn)								
Plywood	4	(16)	(124.7)	4	(4.0)	0	0	11.8
MDF	168	619	(72.9)	296	(43.2)	83	194	(57.1)
Total	172	603	(71.5)	300	(42.7)	83	194	(57.2)
Adjusted EBITDA margin (%)								
Plywood	1.3	(4.3)	556bps	1.2	11bps	(0.0)	(0.0)	(1bps)
MDF	5.1	17.8	(1269bps)	9.9	(473bps)	0.9	1.9	(99bps)
Total	4.8	15.6	(1084bps)	8.9	(412bps)	0.8	1.7	(88bps)

Source: Company, BOBCAPS Research

Earnings call highlights

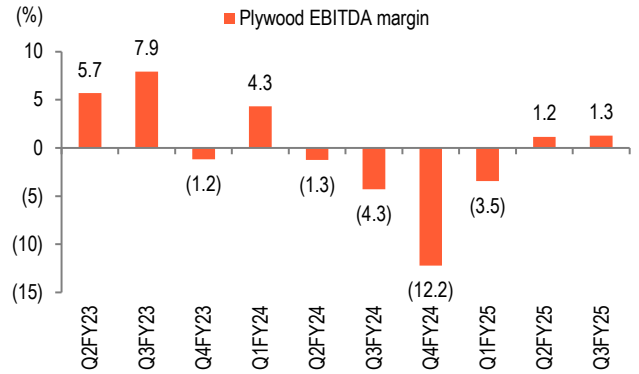
- **MDF industry dynamics:** Management believes the domestic MDF capacity is expected to be 4.5mn CBM as against demand of 2.7mn-2.8mn CBM in FY25. Management expects the excess capacity to get absorbed over the next few years. Management believes the spike in MDF monthly imports in India (from ~10,000 CBM in Q2Y25 to 20,000-22,000 CBM in Q3FY25) is in anticipation of implementation of BIS norms from Feb'25 onwards.
- **MDF pricing scenario:** The company has not taken any price cut in Q3FY25 and has no plans to take any pricing action in Q4FY25 as well.
- **MDF segment:** Sales volume fell by 1.9% YoY in Q3FY25 driven by lower volume for both domestic (-0.6%) as well as exports (-7.6%). MDF segment EBITDA per unit fell by 50% QoQ to a record low level of Rs 1,447/CBM in Q3FY25 due to lower realisation (-3.6% QoQ), sharp increase in timber prices (+17% QoQ) and higher fuel costs. Exports margin was in the low single digit in Q3FY25.
- **MDF outlook:** The company expects its MDF sales volume to be flat in FY25 over FY24 (which implies an asking growth rate of 13% YoY for Q4FY25). Going ahead, the company expects its MDF volume to grow at 8-10% for existing capacity and the new capacity to operate at 40-50% rate in FY26. At optimum capacity utilisation, the new plant is likely to be margin accretive due to low fixed cost on account of the brownfield nature of operations.
- **Timber:** Timber prices has gone up by 17% QoQ in Q3FY25. Management expects timber prices may increase slightly over the next couple of quarters and then it should correct from Q2FY26 onwards.
- **Capex:** The company plans to add 231,000 CBM of MDF capacity at its existing Andhra Pradesh plant at a cost of Rs 6bn by Mar'25 (vs Q3FY25 earlier). The company expects its new MDF plant to operate at 40-50% in FY26 (breakeven point is 40%).
- **Value-added product (VAP):** Share of value-added products was 49% in volume terms and 61% in value terms for Q3FY25.
- **Plywood:** volume de-grew by 16.9% YoY in Q3FY25 over a weak base (-23% YoY in Q3FY24) due to the impact of the restructuring of its team and distribution network. Plywood segment reported operating profit of Rs 4mn in Q3FY25 (vs loss of Rs 16mn in Q3FY24). Going ahead, management expects the segment volume to grow at 15-20% YoY in FY26 as it expects to see the benefit of consolidation of its dealer base from Q1FY26 onwards.
- **Net debt:** GREENP's net debt remained relatively flat at Rs 1.0bn in Dec'24.

Fig 3 – GREENP reported a sharp decline in plywood volumes for the 10th consecutive quarter



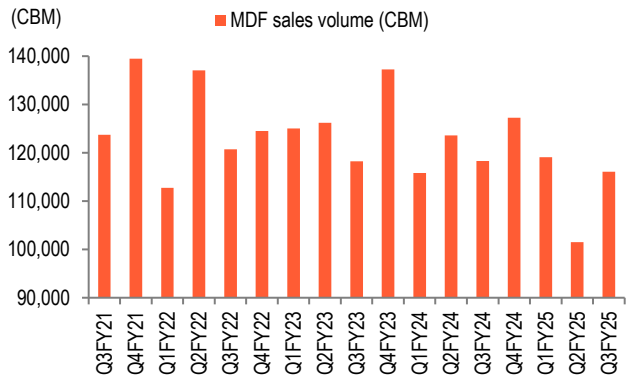
Source: Company, BOBCAPS Research

Fig 4 – Plywood segment posted positive operating margin due to cost savings benefits from restructuring



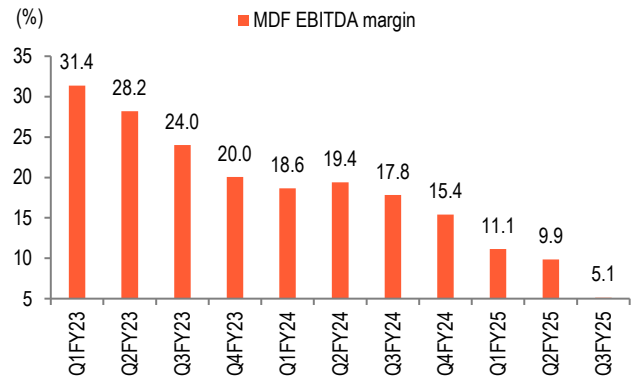
Source: Company, BOBCAPS Research

Fig 5 – GREENP has struggled to grow its MDF volumes over the past 17 consecutive quarters...



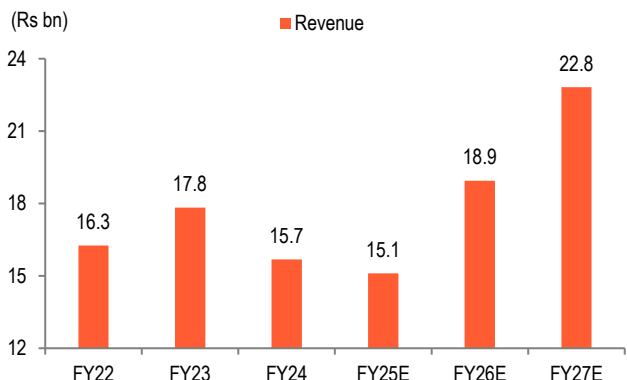
Source: Company, BOBCAPS Research

Fig 6 – ... and margins have come under severe stress over the past few quarters on supply-side pressure



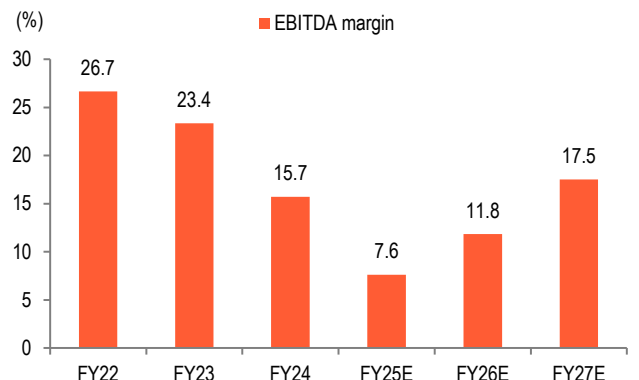
Source: Company, BOBCAPS Research

Fig 7 – GREENP’s revenue is projected to grow at 13.3% CAGR over FY24-FY27E



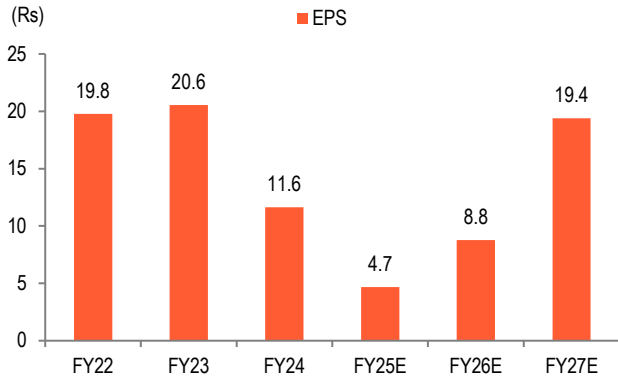
Source: Company, BOBCAPS Research

Fig 8 – EBITDA margin to improve gradually over the next 4-6 quarters with the ramp up of new MDF capacity



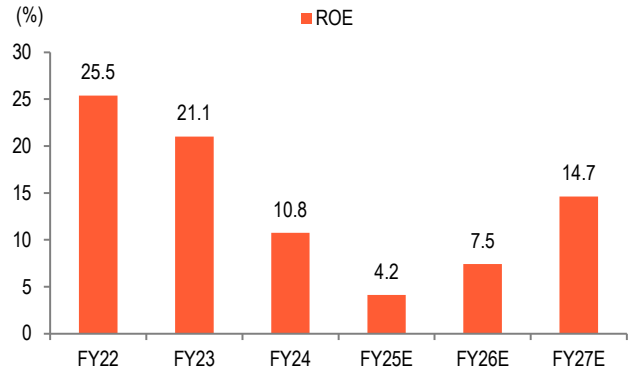
Source: Company, BOBCAPS Research

Fig 9 – EPS is projected to grow at 18.7% CAGR over FY24-FY27E over a low base...



Source: Company, BOBCAPS Research

Fig 10 – ... and ROE is expected to improve gradually from 10.8% in FY24 to 14.7% in FY27E



Source: Company, BOBCAPS Research

Valuation methodology

We maintain our HOLD rating on the GREENP stock in anticipation of gradual recovery in margin as its MDF margin has already fallen well below the level seen in the previous bear cycle (5.1% in Q3FY25 vs 14.5% in FY19).

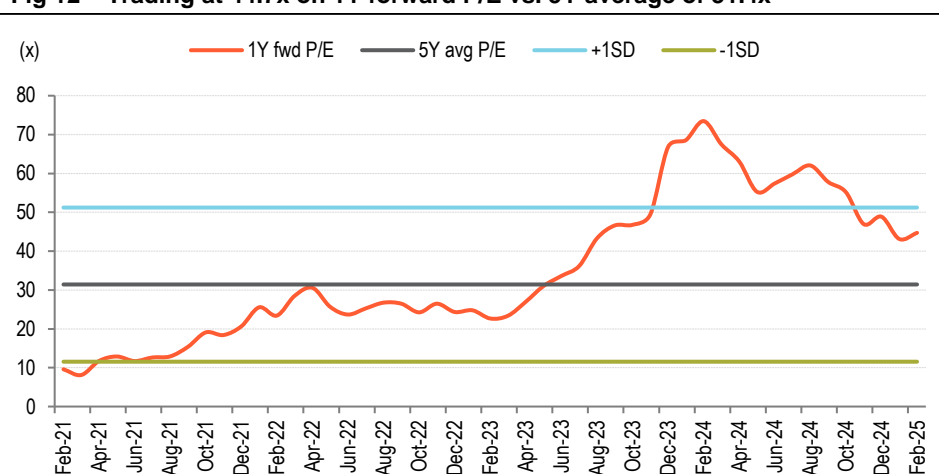
We cut our TP to Rs 360 (Rs 400 earlier) due to earnings downgrade (-31%/-35%/-14% for FY25E/FY26E/FY27E) based on weak Q3FY25 result. Our target P/E remains unchanged at 22x on Dec'26 estimate. At CMP, the stock trades at 44.7x on 1Y forward P/E vs. the 5Y average of 31.4x.

Fig 11 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Total operating income	15.1	18.9	22.8	16.1	20.8	24.5	(6.3)	(8.8)	(6.9)
EBITDA	1.2	2.2	4.0	1.7	3.1	4.6	(32.7)	(28.1)	(13.4)
EBITDA Margin	7.6	11.8	17.5	10.6	15.0	18.8	(299bps)	(318bps)	(131bps)
Adjusted PAT	0.6	1.1	2.4	0.8	1.7	2.8	(31.4)	(35.4)	(14.0)
EPS (Rs)	4.7	8.8	19.4	6.8	13.6	22.5	(31.4)	(35.4)	(14.0)

Source: Company, BOBCAPS Research

Fig 12 – Trading at 44.7x on 1Y forward P/E vs. 5Y average of 31.4x



Source: Bloomberg, BOBCAPS Research

Fig 13 – Key assumptions

(%)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue mix						
MDF	84.2	86.3	89.6	90.5	91.6	92.1
Plywood	15.8	13.7	10.4	9.5	8.4	7.9
Sales volume growth						
MDF	30.1	2.4	(4.3)	(0.9)	24.4	15.0
Plywood	9.5	(7.7)	(28.0)	(9.3)	10.0	10.0
EBITDA margin						
MDF	30.5	26.0	17.8	8.2	12.2	18.4
Plywood	9.9	5.0	(1.8)	1.2	4.8	5.1

Source: Company, BOBCAPS Research

Key risks

- Lower imports and a steep increase in global MDF prices are the key upside risks to our estimates.
- Weak domestic MDF prices and material delays along with cost escalation in ongoing capex projects are the key downside risks.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	17,829	15,673	15,102	18,948	22,821
EBITDA	4,165	2,465	1,151	2,243	3,997
Depreciation	720	729	766	898	920
EBIT	3,445	1,736	385	1,345	3,077
Net interest inc./(exp.)	(190)	(123)	(39)	(207)	(198)
Other inc./(exp.)	194	219	247	298	298
Exceptional items	0	0	0	0	0
EBT	3,449	1,832	593	1,436	3,177
Income taxes	944	405	21	362	800
Extraordinary items	(61)	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	2,565	1,427	572	1,075	2,378
Adjustments	(45)	1	0	0	0
Adjusted net profit	2,521	1,428	572	1,075	2,378

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	1,111	1,094	1,056	1,325	1,596
Other current liabilities	578	622	432	432	432
Provisions	17	25	24	30	36
Debt funds	1,904	2,680	2,375	1,875	1,375
Other liabilities	1,499	1,316	1,316	1,316	1,316
Equity capital	123	123	123	123	123
Reserves & surplus	11,816	13,049	13,375	14,144	16,031
Shareholders' fund	11,939	13,171	13,498	14,266	16,153
Total liab. and equities	17,048	18,907	18,702	19,245	20,909
Cash and cash eq.	3,778	2,379	1,025	1,379	2,975
Accounts receivables	444	290	280	351	423
Inventories	1,525	2,016	1,891	2,345	2,701
Other current assets	592	610	601	662	724
Investments	0	0	0	0	0
Net fixed assets	9,453	9,447	14,178	13,781	13,361
CWIP	49	3,127	130	130	130
Intangible assets	463	375	375	375	375
Deferred tax assets, net	0	0	0	0	0
Other assets	744	664	222	222	222
Total assets	17,048	18,907	18,702	19,245	20,909

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	3,376	1,553	1,153	1,728	3,144
Capital expenditures	(823)	(3,629)	(2,057)	(500)	(500)
Change in investments	0	0	0	0	0
Other investing cash flows	255	219	139	139	139
Cash flow from investing	(569)	(3,411)	(1,918)	(361)	(361)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(922)	775	(304)	(500)	(500)
Interest expenses	(190)	(123)	(39)	(207)	(198)
Dividends paid	(184)	(184)	(245)	(307)	(491)
Other financing cash flows	41	(11)	0	0	0
Cash flow from financing	(1,255)	458	(589)	(1,014)	(1,189)
Chg in cash & cash eq.	1,552	(1,399)	(1,353)	354	1,595
Closing cash & cash eq.	3,778	2,379	1,025	1,379	2,975

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	20.9	11.6	4.7	8.8	19.4
Adjusted EPS	20.6	11.6	4.7	8.8	19.4
Dividend per share	1.5	1.5	2.0	2.5	4.0
Book value per share	97.4	107.4	110.1	116.3	131.7

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	2.5	3.0	3.1	2.4	2.0
EV/EBITDA	10.6	19.0	40.8	20.2	11.2
Adjusted P/E	18.3	32.3	80.7	43.0	19.4
P/BV	3.9	3.5	3.4	3.2	2.9

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	73.1	77.9	96.4	74.8	74.8
Interest burden (PBT/EBIT)	100.1	105.5	154.0	106.8	103.3
EBIT margin (EBIT/Revenue)	19.3	11.1	2.6	7.1	13.5
Asset turnover (Rev./Avg TA)	104.6	82.9	80.8	98.5	109.1
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.3	1.3
Adjusted ROAE	21.1	10.8	4.2	7.5	14.7

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	9.7	(12.1)	(3.6)	25.5	20.4
EBITDA	(3.9)	(40.8)	(53.3)	94.9	78.2
Adjusted EPS	3.9	(43.4)	(59.9)	87.9	121.2
Profitability & Return ratios (%)					
EBITDA margin	23.4	15.7	7.6	11.8	17.5
EBIT margin	19.3	11.1	2.6	7.1	13.5
Adjusted profit margin	14.1	9.1	3.8	5.7	10.4
Adjusted ROAE	23.5	11.4	4.3	7.7	15.6
ROCE	26.3	12.3	4.0	10.2	19.3
Working capital days (days)					
Receivables	9	7	7	7	7
Inventory	31	47	46	45	43
Payables	23	25	26	26	26
Ratios (x)					
Gross asset turnover	1.3	1.1	0.9	0.9	1.1
Current ratio	2.7	2.6	1.9	2.1	2.7
Net interest coverage ratio	18.1	14.2	9.8	6.5	15.5
Adjusted debt/equity	(0.2)	0.0	0.1	0.1	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

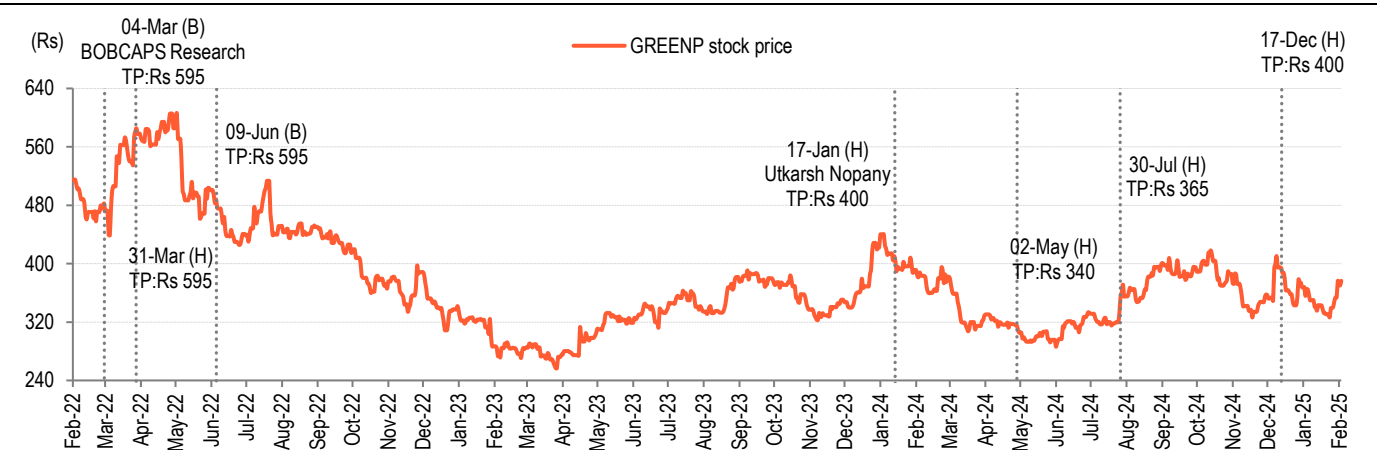
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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.

Ratings and Target Price (3-year history): GREENPANEL INDUSTRIES (GREENP IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Analyst certification

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