

BUY
 TP: Rs 360 | ▲ 21%

GREENPLY INDUSTRIES | Building Materials

08 February 2025

Resilient performance; upgrade to BUY

- Broadly in-line operating performance; sharp beat in APAT by 53% in Q3 due to lower interest expense on account of forex gain
- Management guided for positive outlook across segments; plans to put up a greenfield plywood plant in Odisha by Q4FY26
- Upgrade to BUY on strong earnings growth prospects with healthy ROE and reasonable valuations; TP cut by 5% to Rs 360 per share

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In-line Q3: MTLM’s Q3FY25 result came broadly in line with our estimate (Revenue: -1.3%; EBITDA: -0.5%), but there was a sharp beat at the APAT level by 53% due to lower interest expense (-65% QoQ on account of forex gain of Rs 46mn). Overall, MTLM’s Revenue/EBITDA/APAT grew by 5.6%/7.2%/2.4% YoY in Q3FY25.

Key highlights: Plywood EBITDA grew by 12.2% YoY in Q3FY25 driven by higher volumes (+2.2%) and improved margin (+149bps YoY to 8.4% on a low base). MDF EBITDA was down 18.1% YoY in Q3FY25 due to relatively flat volume (+0.8%) and sharp margin compression (-306bps YoY to 10.4%) on account of a plant shutdown and higher timber prices. Share of loss from furniture fittings stood at Rs 47mn in Q3FY25 due to initial start-up cost.

Guidance: MTLM expects its plywood volume to grow at 7%+ along with improvement in margin to 10% in Q4FY25 due to benefit of proposed price hike of 1.5% from Feb’25 onwards and operating leverage benefits. The company expects MDF segment revenue to be substantially better along with improvement in margin of about 16% in Q4FY25. The company believes timber prices are near the peak level and expects correction in timber prices over the next six to nine months in anticipation of sharp increase in its supply. Furniture fittings division revenue is expected to be Rs 0.8bn-1.0bn in FY26. The company plans to put up a 13.5mn sqf greenfield plywood plant in Odisha at a cost of Rs 1.34bn by Q4FY26.

Upgrade to BUY; TP cut by 5% to Rs 360: We upgrade our rating to BUY from HOLD as we see strong earnings growth prospects (EPS to grow at a healthy 36% CAGR over FY24-FY27E) along with sharp improvement in ROE profile (from 10.7% in FY24 to 17.0% in FY27E) and reasonable valuations (trades at 26.8x on 1Y forward P/E vs 5Y average of 24.0x). We have cut our TP to Rs 360 (Rs 380 earlier) due to the downward revision of our EPS estimates (-11.5%/-19.3%/-16.1% for FY25E/FY26E/FY27E) based on moderation in the demand scenario in H2FY25. Our target P/E remains unchanged at 25x on Dec’26 (Sep’26 earlier).

Key changes

Target	Rating
▼	▲

Ticker/Price	MTLM IN/Rs 298
Market cap	US\$ 422.0mn
Free float	48%
3M ADV	US\$ 0.5mn
52wk high/low	Rs 412/Rs 211
Promoter/FPI/DII	52%/6%/31%

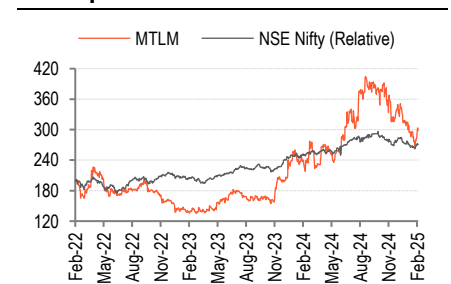
Source: NSE | Price as of 7 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	21,799	25,135	28,022
EBITDA (Rs mn)	1,875	2,432	2,925
Adj. net profit (Rs mn)	757	1,062	1,408
Adj. EPS (Rs)	6.1	8.6	11.4
Consensus EPS (Rs)	6.1	9.9	13.8
Adj. ROAE (%)	11.2	14.0	16.0
Adj. P/E (x)	48.8	34.8	26.2
EV/EBITDA (x)	17.5	12.9	11.0
Adj. EPS growth (%)	(26.7)	40.2	32.6

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	6,145	5,821	5.6	6,405	(4.1)	18,388	15,801	16.4	6224	(1.28)
Raw-Material expense	3,683	3,495	5.4	3,904	(5.7)	11,047	9,470	16.7		
Gross Profit	2,462	2,326	5.8	2,501	(1.6)	7,341	6,332	15.9		
Employee expense	811	734	10.5	825	(1.7)	2,370	2,110	12.4		
Other expense	1,110	1,088	2.0	1,100	0.9	3,275	2,963	10.5		
EBITDA	540	504	7.2	576	(6.2)	1,696	1,259	34.7	543	(0.5)
D&A	151	149	1.1	151	0.1	452	400	13.0		
EBIT	389	355	9.7	425	(8.4)	1,244	859	44.8		
Interest cost	51	147	(65.4)	145	(64.7)	300	343	(12.8)		
Non-operating expense/(income)	7	-170	(104.0)	24	(72.5)	19	(215)	(108.9)		
PBT	332	377	(12.1)	256	29.4	925	731	26.6		
Tax	88	96	(8.5)	81	9.1	174	204	(14.6)		
Reported PAT	244	281	(13.3)	176	38.7	751	527	42.5		
Adjusted PAT	219	214	2.4	145	50.8	524	460	13.8	143	53.4
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	40.1	40.0	10	39.1	101	39.9	40.1	(15)		
Employee cost	13.2	12.6	59	12.9	32	12.9	13.4	(46)		
Other cost	18.1	18.7	(62)	17.2	90	17.8	18.8	(94)		
EBITDA margin	8.8	8.7	13	9.0	(20)	9.2	8.0	125		
Tax rate	26.6	25.5	105	31.5	(493)	18.8	27.9	(906)		
APAT margin	3.6	3.7	(11)	2.3	130	2.8	2.9	(6)		

Source: Company, BOBCAPS Research

Fig 2 – Segment Financials

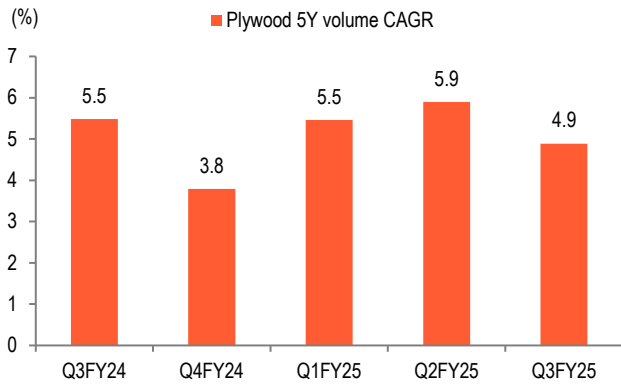
	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue (Rs mn)								
Plywood	4,793	5,189	(7.6)	5,141	(6.8)	14,452	15,243	(5.2)
MDF	1,360	1,284	6.0	1,265	7.5	3,947	2,362	67.1
Total	6,153	6,473	(4.9)	6,406	(4.0)	18,399	17,605	4.5
Volumes								
Plywood (mn sqm)	18.2	17.8	2.2	20.2	(9.9)	56	53	5.5
MDF (CBM)	42,259	41,928	0.8	40,553	4.2	125,536	79,009	58.9
Realisation								
Plywood (Rs/sqm)	257	252	2.0	251	2.4	258	287	(10.1)
MDF (Rs/CBM)	32,192	30,617	5.1	31,197	3.2	31,440	29,896	5.2
EBITDA (Rs mn)								
Plywood	404	360	12.2	429	(5.8)	1,188	1,100	8.0
MDF	142	173	(18.1)	149	(4.7)	511	218	134.9
Others	-6	(29)	(80.7)	(2)	209.6	-3	(59)	(94.4)
Total	540	504	7.2	576	(6.2)	1,696	1,259	34.7
EBITDA margin (%)								
Plywood	8.4	6.9	149bps	8.3	9bps	8.2	7.2	100bps
MDF	10.4	13.5	(306bps)	11.8	(134bps)	12.9	9.2	374bps
Total	8.8	7.8	99bps	9.0	(21bps)	9.2	7.2	207bps

Source: Company, BOBCAPS Research

Earnings call highlights

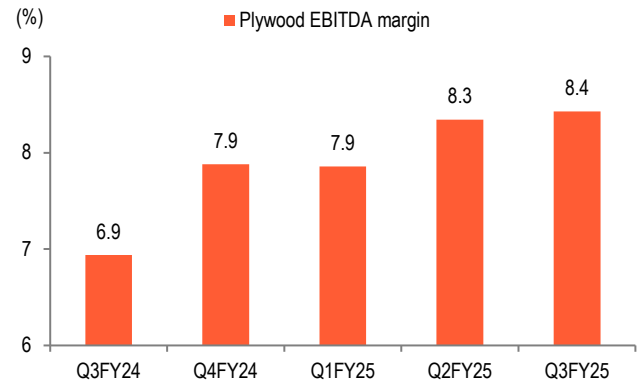
- **Demand scenario:** Demand conditions were weak in Q3FY25 due to tight liquidity conditions, but the company expects improvement in the medium term due to positive measures implemented by the government to improve the liquidity conditions in the market.
- **MDF imports scenario:** Management believes the increase in MDF monthly imports in India is in anticipation of stocking of inventory by OEMs/dealers in anticipation of implementation of BIS norms from Feb'25 onwards. The company is confident that MDF imports will be curbed post implementation of BIS norms and domestic industry is likely to see good growth from May'25 onwards.
- **Plywood:** Volume grew by a meagre 2.2% YoY (5Y CAGR: +4.9%) in Q3FY25. Plywood margin improved by 149bps YoY to 8.4% in Q3FY25 on account of improved realisation (+2.0% YoY) and weak base effect. Going ahead, the company expects a rebound in its plywood volume (7%+) along with improvement in margin to 10% in Q4FY25. The company hiked prices by 1.5% in Q3FY25 and by another 1.5% from Feb'25 as well.
- **MDF:** Volume was relatively flat (+0.8% YoY) in Q3FY25. Despite improvement in realisation (+3.2% QoQ), MDF segment EBITDA margin fell sharply (-134bps QoQ to 10.4% in Q3FY25) due to the impact of the plant shutdown on account of equipment failure (impact of Rs 100mn on topline) and high timber prices. With the resumption of plant operations, the company expects MDF segment revenue to be substantially better and segment margin to improve to about 16% in Q4FY25. The company hiked prices by 1.5% in Q3FY25 and has no plans to increase them in Q4FY25. For FY25, the company maintains its guidance of growing MDF volume at +50% YoY with revised margin guidance of 13-14% (earlier 16%+).
- **Timber prices:** Average timber prices have gone up by 3% QoQ to Rs 6.7/kg in Q3FY25. Management expects the timber price cycle is near the peak level and expects correction in its prices over the next six to nine months in anticipation of a sharp increase in its supply.
- **Furniture fittings:** MTLM's reported share of loss from furniture fittings was Rs 47mn in Q3FY25. Segment revenue is expected to be ramped up in Q4FY25. The company targets clocking revenues of Rs 80mn-100mn from this segment in FY26.
- **Capex:** The company plans to come up with a 13.5mn sqf greenfield plywood plant in Odisha at a cost of Rs 1.34bn by Q4FY26. The company also plans to add a flooring line in its existing MDF capacity to increase the share of value-added products by Q1FY26. It has no major expansion plans for MDF in the near term.
- **Net debt:** has gone up from Rs 3.47bn in Sep'24 to Rs 4.13bn in Dec'24. The company expects peak net debt to be Rs 4.5bn by the end of FY25.

Fig 3 – MTLM’s plywood volume grew by 2.2% YoY (5Y CAGR: +4.9%) in Q3FY25



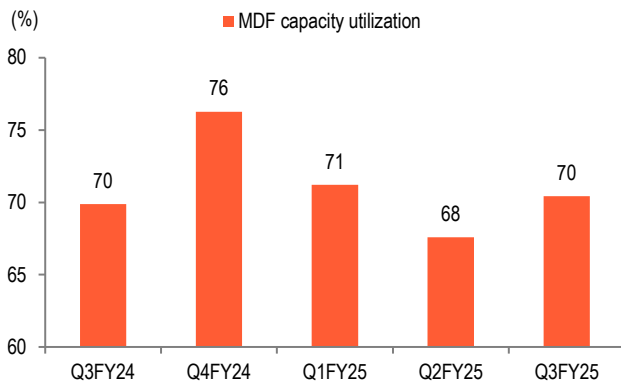
Source: Company, BOBCAPS Research

Fig 4 – Plywood margin improved by 149bps YoY to 8.4% in Q3FY25 over a weak base



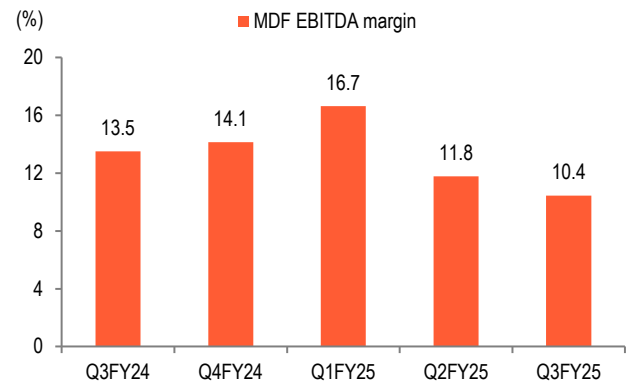
Source: Company, BOBCAPS Research

Fig 5 – Operating rate of new MDF unit was ramped up quickly in a challenging environment



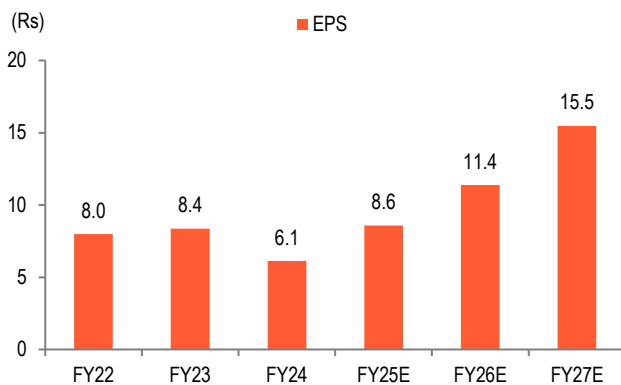
Source: Company, BOBCAPS Research

Fig 6 – MDF EBITDA margin fell by 134bps QoQ to 10.4% in Q3FY25 due to plant shutdown & high timber prices



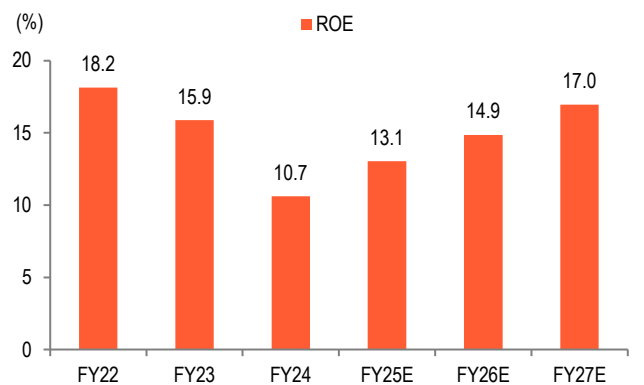
Source: Company, BOBCAPS Research

Fig 7 – MTLM’s EPS is projected to grow at a strong 36.2% CAGR over FY24-FY27E over a low base



Source: Company, BOBCAPS Research

Fig 8 – ROE is also expected to improve from 10.7% in FY24 to 17.0% in FY27E



Source: Company, BOBCAPS Research

Valuation methodology

We upgrade our rating to BUY from HOLD as we see strong earnings growth prospects (EPS to grow at a healthy 36% CAGR over FY24-FY27E) along with sharp improvement in ROE profile (from 10.7% in FY24 to 17.0% in FY27E) and reasonable valuations (trades at 26.8x on 1Y forward P/E vs 5Y average of 24.0x).

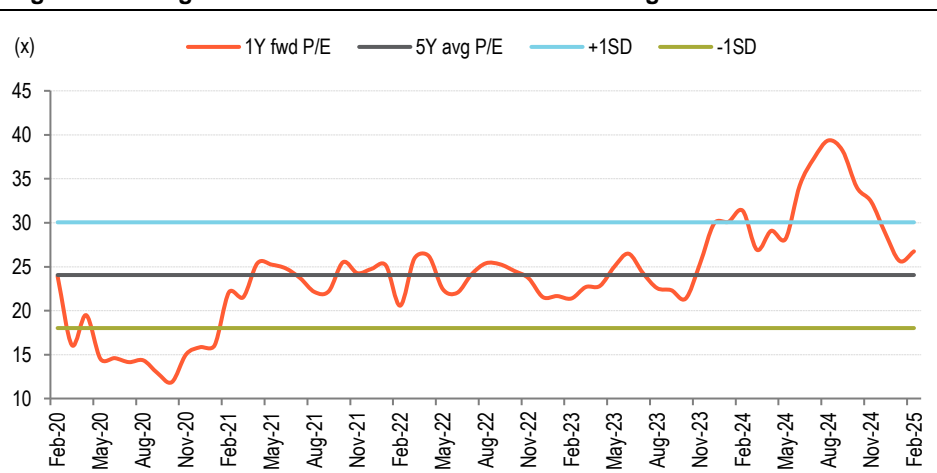
We have cut our TP to Rs 360 (Rs 380 earlier) due to the downward revision of our EPS estimates (-11.5%/-19.3%/-16.1% for FY25E/FY26E/FY27E) based on moderation in demand scenario in H2FY25. Our target P/E remains unchanged at 25x on Dec'26 (Sep'26 earlier).

Fig 9 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Total operating income	25.1	28.0	30.8	25.3	29.8	32.6	(0.7)	(5.9)	(5.6)
EBITDA	2.4	2.9	3.6	2.5	3.3	3.9	(3.5)	(12.0)	(9.7)
EBITDA Margin	9.7	10.4	11.5	9.9	11.2	12.1	(27bps)	(72bps)	(52bps)
Adjusted PAT	1.1	1.4	1.9	1.2	1.7	2.3	(11.5)	(19.3)	(16.1)
EPS (Rs)	8.6	11.4	15.5	9.7	14.1	18.4	(11.5)	(19.3)	(16.1)

Source: BOBCAPS Research

Fig 10 – Trading at 26.8x on 1Y forward P/E vs. 5Y average of 24.0x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

(%)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue mix						
Plywood	100.0	100.0	84.7	78.2	77.1	77.2
MDF	0.0	0.0	15.3	21.8	22.9	22.8
Sales volume growth						
Plywood	26.0	15.1	8.6	5.1	6.4	8.0
MDF	NA	NA	NA	39.1	10.6	6.3
EBITDA margin						
Plywood	10.0	8.7	7.7	8.7	9.0	9.3
MDF	NA	NA	11.0	13.0	15.4	19.1

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- slow recovery in real estate demand, and
- sharp rise in MDF imports and elevated timber prices.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	16,631	21,799	25,135	28,022	30,763
EBITDA	1,598	1,875	2,432	2,925	3,553
Depreciation	260	545	631	679	727
EBIT	1,338	1,329	1,801	2,246	2,826
Net interest inc./(exp.)	(91)	(433)	(401)	(352)	(300)
Other inc./(exp.)	172	139	91	106	106
Exceptional items	56	7	0	0	0
EBT	1,363	1,028	1,492	2,001	2,633
Income taxes	192	298	288	474	644
Extraordinary items	(96)	(135)	0	0	0
Min. int./Inc. from assoc.	(208)	(13)	(142)	(119)	(75)
Reported net profit	1,060	852	1,062	1,408	1,914
Adjustments	(34)	(95)	0	0	0
Adjusted net profit	1,026	757	1,062	1,408	1,914

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	2,427	3,329	3,848	4,290	4,710
Other current liabilities	934	700	700	700	700
Provisions	73	23	26	29	32
Debt funds	6,620	5,246	4,679	4,039	3,399
Other liabilities	318	246	246	246	246
Equity capital	123	124	124	124	124
Reserves & surplus	6,315	6,970	7,979	9,317	11,135
Shareholders' fund	6,438	7,096	8,105	9,442	11,261
Total liab. and equities	16,810	16,639	17,604	18,746	20,347
Cash and cash eq.	314	224	198	375	1,133
Accounts receivables	2,287	2,490	2,871	3,201	3,514
Inventories	2,784	3,478	3,604	4,022	4,387
Other current assets	1,143	724	837	933	1,025
Investments	64	435	635	635	635
Net fixed assets	4,014	8,096	8,265	8,386	8,460
CWIP	5,130	124	124	124	124
Intangible assets	578	555	555	555	555
Deferred tax assets, net	55	131	131	131	131
Other assets	442	384	384	384	384
Total assets	16,810	16,639	17,604	18,746	20,347

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	627	1,461	1,904	1,933	2,487
Capital expenditures	(5,507)	402	(800)	(800)	(800)
Change in investments	194	(371)	(200)	0	0
Other investing cash flows	212	267	91	106	106
Cash flow from investing	(5,100)	298	(909)	(694)	(694)
Equities issued/Others	0	1	0	0	0
Debt raised/repaid	3,702	(1,374)	(567)	(640)	(640)
Interest expenses	(91)	(433)	(401)	(352)	(300)
Dividends paid	(61)	(62)	(53)	(70)	(96)
Other financing cash flows	203	19	0	0	0
Cash flow from financing	3,753	(1,849)	(1,020)	(1,062)	(1,036)
Chg in cash & cash eq.	(721)	(90)	(25)	177	758
Closing cash & cash eq.	314	224	198	375	1,133

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	8.6	6.9	8.6	11.4	15.5
Adjusted EPS	8.4	6.1	8.6	11.4	15.5
Dividend per share	0.5	0.5	0.4	0.6	0.8
Book value per share	52.4	57.4	65.5	76.3	91.0

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	2.1	1.5	1.2	1.1	1.1
EV/EBITDA	22.3	17.5	12.9	11.0	9.2
Adjusted P/E	35.7	48.8	34.8	26.2	19.3
P/BV	5.7	5.2	4.6	3.9	3.3

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	75.3	73.7	71.2	70.4	72.7
Interest burden (PBT/EBIT)	101.9	77.3	82.8	89.1	93.1
EBIT margin (EBIT/Revenue)	8.0	6.1	7.2	8.0	9.2
Asset turnover (Rev./Avg TA)	98.9	131.0	142.8	149.5	151.2
Leverage (Avg TA/Avg Equity)	2.6	2.3	2.2	2.0	1.8
Adjusted ROAE	15.9	10.7	13.1	14.9	17.0

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	6.4	31.1	15.3	11.5	9.8
EBITDA	3.6	17.3	29.7	20.3	21.5
Adjusted EPS	4.7	(26.7)	40.2	32.6	35.9
Profitability & Return ratios (%)					
EBITDA margin	9.6	8.6	9.7	10.4	11.5
EBIT margin	8.0	6.1	7.2	8.0	9.2
Adjusted profit margin	6.2	3.5	4.2	5.0	6.2
Adjusted ROAE	17.4	11.2	14.0	16.0	18.5
ROCE	11.6	11.9	14.8	17.5	20.0
Working capital days (days)					
Receivables	50	42	42	42	42
Inventory	61	58	52	52	52
Payables	53	56	56	56	56
Ratios (x)					
Gross asset turnover	3.1	2.7	2.4	2.5	2.5
Current ratio	1.3	1.3	1.3	1.3	1.5
Net interest coverage ratio	14.7	3.1	4.5	6.4	9.4
Adjusted debt/equity	1.0	0.7	0.6	0.4	0.2

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%

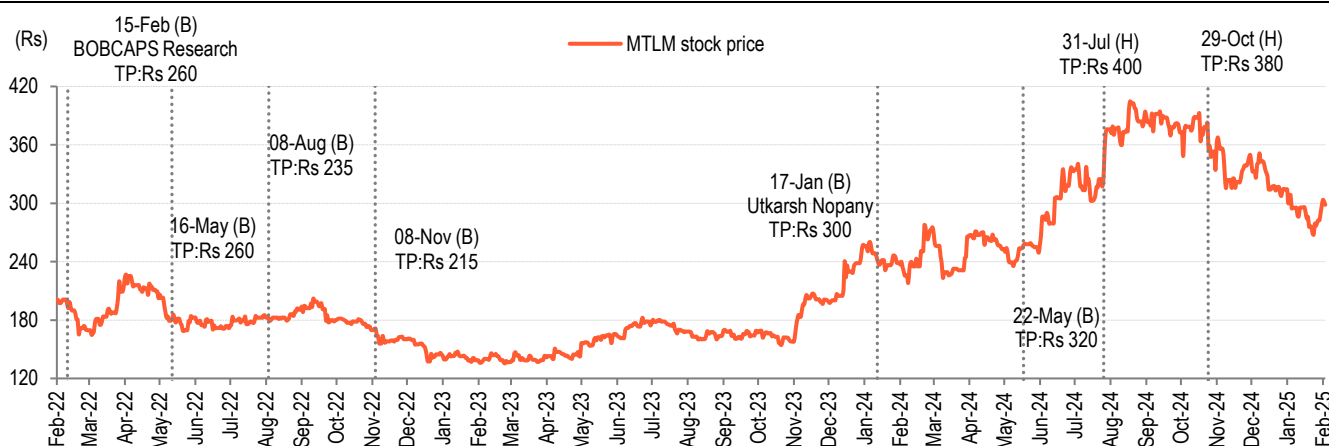
HOLD – Expected return from -6% to +15%

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): GREENPLY INDUSTRIES (MTLM IN)



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

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