

HOLD

TP: Rs 345 | ▲ 15%

GREENPLY INDUSTRIES | Building Materials

29 April 2025

Optimistic FY26 guidance priced in; D/G to HOLD

- Beats EBITDA estimate on unexpected sharp improvement in MDF gross margin, despite weak realisations and higher timber prices
- Management provided optimistic guidance of growing revenue in double-digits, along with margin improvement for plywood/MDF in FY26
- Downgrade from BUY to HOLD on near-term earnings risks and rich valuations; TP cut by 4% to Rs 345 per share

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Mixed Q4: MTLM revenue came slightly below our estimate (-1.4%) in Q4FY25, but there was a sharp 15.8% beat at EBITDA due to unexpected sharp improvement in MDF gross margin (from 44.8% in Q3FY25 to 54.6% in Q4FY25, despite weak realisations and higher timber prices). The company sharply missed our PAT estimates by 32.4% owing to higher interest expense (+46% YoY on stretched working capital), increase in loss of share from furniture JV business (from Rs 47mn in Q3FY25 to Rs 86mn in Q4FY25) and impairment loss of Rs 130mn related to Gabon and Singapore subsidiary. Overall, MTLM Revenue/EBITDA grew by 8.2%/18.1% YoY, but PAT de-grew by 42.5% YoY in Q4FY25.

Highlights: Market conditions remained quite challenging in Q4FY25, as MTLM posted muted sales volume (Plywood: +4.8%; MDF -6.7% YoY) with lower realisation (Plywood: -1.6%; MDF: -1.2% QoQ) and sharp increase in gross working capital cycle (from 100 days in FY24 to 123 days in FY25). Timber prices moved up on QoQ basis. Surprisingly, the company has seen improvement in EBITDA margin for both plywood (+78bps QoQ to 9.2%) and MDF (+452bps QoQ to 15.0%).

Guidance: MTLM has guided for an optimistic outlook for FY26 as it targets to grow revenue at a double-digit rate, along with margin improvement for plywood (from 8.5% in FY25 to +10.0% in FY26) and MDF (from 13.5% in FY25 to 16.0% in FY26). We believe it would be a difficult task for the company to achieve its guidance based on a weak demand environment, expectation of no price hike in MDF (industry took a price cut of 5% in plain MDF from April 15, 2025) and timber price likely to moderate from Nov-Dev'25 onwards. No major impairment loss likely in future.

Downgrade to HOLD; TP cut by 4% to Rs 345: We downgrade our rating from BUY to HOLD due to near-term earnings risk and rich valuations (the stock trades at 28.8x on 1YF P/E vs 5Y avg of 25.7x). We have cut our TP to Rs 345 (vs Rs 360 earlier), due to downward revision in our EPS estimates (-9.8%/-8.1% for FY26E/FY27E) based on weak Q4FY25. Our target P/E remains unchanged at 25x on Mar'27 (vs Dec'26 earlier).

Key changes

Target	Rating
▼	▼

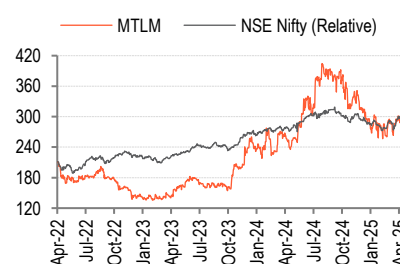
Ticker/Price	MTLM IN/Rs 301
Market cap	US\$ 440.7mn
Free float	48%
3M ADV	US\$ 0.5mn
52wk high/low	Rs 412/Rs 230
Promoter/FPI/DII	52%/5%/31%

Source: NSE | Price as of 29 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	24,876	27,321	30,465
EBITDA (Rs mn)	2,377	2,794	3,332
Adj. net profit (Rs mn)	916	1,270	1,759
Adj. EPS (Rs)	7.3	10.2	14.1
Consensus EPS (Rs)	7.3	12.9	17.2
Adj. ROAE (%)	12.1	14.6	17.4
Adj. P/E (x)	41.0	29.6	21.4
EV/EBITDA (x)	13.4	11.7	10.3
Adj. EPS growth (%)	19.9	38.6	38.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Fig 1 – Quarterly Performance - Consolidated

Particulars (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)	BOBCAPS Q2FY25E	Variance (%)
Total operating income	6,488	5,998	8.2	6,145	5.6	24,876	21,799	14.1	6580	(1.41)
Raw-Material expense	3,794	3,686	2.9	3,683	3.0	14,841	13,155	12.8		
Gross Profit	2,694	2,312	16.5	2,462	9.4	10,034	8,644	16.1		
Employee expense	790	681	15.9	811	(2.7)	3,160	2,791	13.2		
Other expense	1,223	1,054	16.0	1,110	10.2	4,498	4,017	12.0		
EBITDA	681	577	18.1	540	26.0	2,377	1,835	29.5	588	15.8
D&A	150	145	2.9	151	(0.8)	601	545	10.3		
EBIT	531	431	23.2	389	36.4	1,775	1,290	37.6		
Interest cost	131	90	45.8	51	157.5	431	433	(0.6)		
Non-operating expense/(income)	155	-78	(299.6)	7	2,212.6	174	(293)	(159.5)		
PBT	245	419	(41.6)	332	(26.3)	1,170	1,150	1.7		
Tax	79	94	(16.1)	88	(10.9)	253	298	(15.0)		
Reported PAT	166	325	(48.9)	244	(31.8)	917	852	7.6		
Adjusted PAT	166	289	(42.5)	244	(31.8)	789	749	5.4	246	(32.4)
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	41.5	38.6	297	40.1	146	40.3	39.7	69		
Employee cost	12.2	11.4	81	13.2	(103)	12.7	12.8	(10)		
Other cost	18.9	17.6	127	18.1	79	18.1	18.4	(35)		
EBITDA margin	10.5	9.6	88	8.8	170	9.6	8.4	113		
Tax rate	32.1	22.4	976	26.6	556	21.6	25.9	(427)		
APAT margin	2.6	4.8	(226)	4.0	(141)	3.2	3.4	(26)		

Source: Company, BOBCAPS Research

Fig 2 – Segment Financials

Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Revenue (Rs mn)								
Plywood	5,135	5,075	1.2	4,793	7.1	19,587	20,318	(3.6)
MDF	1,357	1,322	2.7	1,360	(0.2)	5,304	3,684	44.0
Total	6,492	6,397	1.5	6,153	5.5	24,891	24,002	3.7
Volumes								
Plywood (mn sqm)	19.7	18.8	4.8	18.2	8.2	76	72	5.3
MDF (CBM)	42,688	45,764	(6.7)	42,259	1.0	168,224	124,773	34.8
Realization								
Plywood (Rs/sqm)	253	244	3.7	257	(1.6)	258	282	(8.4)
MDF (Rs/CBM)	31,792	28,881	10.1	32,192	(1.2)	31,529	29,524	6.8
EBITDA (Rs mn)								
Plywood	473	400	18.3	404	17.1	1,661	1,500	10.7
MDF	203	187	8.6	142	43.0	714	405	76.5
Total	681	577	18.1	540	26.0	2,377	1,835	29.5
EBITDA margin (%)								
Plywood	9.2	7.9	133bps	8.4	78bps	8.5	7.4	110bps
MDF	15.0	14.1	81bps	10.4	452bps	13.5	11.0	248bps
Total	10.5	9.0	147bps	8.8	170bps	9.5	7.6	190bps

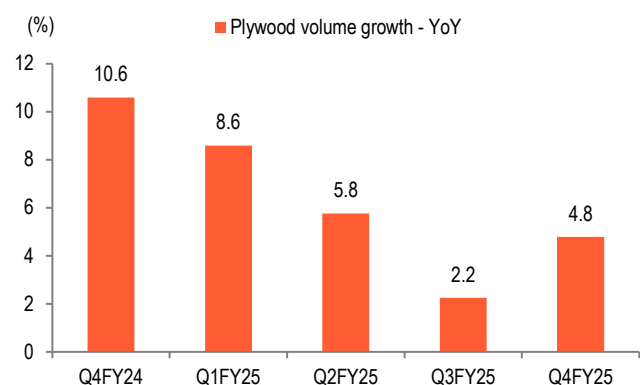
Source: Company, BOBCAPS Research

Earnings call highlights

- **Demand scenario:** Demand conditions remained weak in Q4FY25, given tight liquidity conditions. Hence, dealers are not able to make timely payment.
- **MDF imports scenario:** Management believes that the pace of MDF imports has come down recently, but there is excess inventory of cheap imported MDF products in the channel due to heavy imports over Dec'24-Feb'25 (expected to be liquidated over the next 3-4 months).
- **MDF pricing scenario:** The industry has taken a price cut of 5% from 15th April, 2025 due to supply side pressure in domestic market. MTLM has taken a price cut of 1.0-1.5% in Apr'25. The company does not expect MDF industry to see a hike in prices in the near future.
- **Plywood:** sales volume grew by 4.8% YoY in Q4FY25, driven by higher trading sales (+15.3%). Own manufactured plywood volume was up only 2.9% YoY in Q4FY25. The company took a price hike of 1.5% from Feb'25, but plywood realisation was down 1.6% QoQ in Q4FY25, due to inferior product mix. Despite weak realisation and higher timber prices, plywood EBITDA margin improved by 133bps YoY to 9.2% in Q4FY25, due to benefit of operating leverage and a weak base. For FY26, the company targets the plywood revenue to grow at a double-digit rate along with improvement in margin (8.5% in FY25 to +10.0% in FY26).
- **MDF:** sales volume was down 6.7% YoY owing to the impact of heavy imports. Despite weak realisation (-1.2% QoQ) and higher timber prices, MDF EBITDA margin improved sharply 452bps QoQ to 15.0%, driven by unexpected sharp improvement in gross margin (+973bps QoQ). Going ahead, the company targets MDF volume to grow in double digits and expects margin to further improve to 16.0% in FY26 in anticipation of a better product-mix, lower timber prices from H2FY26 and operating leverage benefit.
- **Timber Prices:** went up on QoQ basis in Q4FY25, but have now come back to the level seen in Q3FY25. Management expects correction in timber prices from Q3FY26 onwards, as new crop is expected to come by Nov-Dec'25.
- **Furniture fittings (Samet JV):** The company has reported share of loss from furniture fittings of Rs 86mn (vs Rs 47mn in Q3FY25) on revenue of Rs 38mn (vs Rs 20mn in Q3FY25) in Q4FY25, due to heavy brand promotion spend. MTLM has invested Rs 750mn in this JV business till Mar'25 and plans to invest another Rs 250mn in FY26. Going ahead, the company's target revenue of Rs 0.7-0.8bn with near cash breakeven in FY26, and incremental annual revenue of Rs 0.8-1.0bn in the coming years with PBT breakeven by FY27 and PAT positive by FY28.
- **Impairment:** The company has booked an impairment loss of Rs 100mn for its exposure in Gabon and Rs 60mn for that in the Singapore subsidiary. The company does not expect any major impairment loss in future.
- **Capex:** Plans to spend Rs 0.60-0.65bn in FY26 for brownfield expansion of MDF capacity (from 800 CBM per day to 1,000 CBM per day at a cost of Rs 0.25-0.30bn) and the remaining for plywood line balancing equipment. The company would take up the Odisha plywood project on receiving approval.

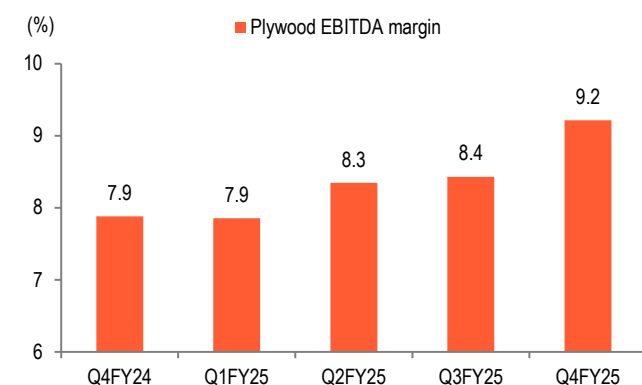
- **Working capital:** Plywood inventory has increased from Rs 2.7bn in Mar'24 to Rs 4.3bn in Mar'25 due to build-up of excess timber inventory of Rs 0.7-0.8bn and higher finished good inventory. Management targets to reduce the plywood inventory of Rs 1.0bn by Sep'25. MDF inventory has gone up from Rs 0.8bn in Mar'24 to Rs 0.9bn in Mar'25, as the company plans to take a 20-day shutdown for line extension in Q2FY26. MDF inventory is expected to come back to a normal level post completion of brownfield expansion project.
- **Net debt:** has gone down up from Rs 4.1bn in Dec'24 to Rs 4.6bn in Mar'25, due to high working capital borrowings, but the company targets to pare it by Rs 1.0-1.2bn in FY26 and another Rs 1.0-1.5bn by FY25, due to release of working capital and free cash flow.

Fig 3 – MTLM's plywood volume grew by 4.8% YoY in Q4FY25 on muted demand environment



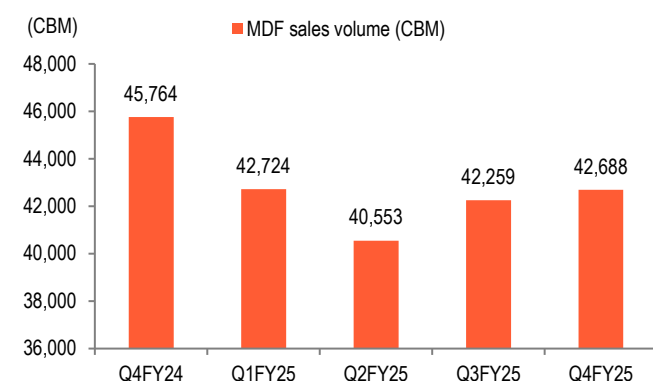
Source: Company, BOBCAPS Research

Fig 4 – Plywood margin improved by 133bps YoY to 9.2% in Q2FY25 on operating leverage and weak base



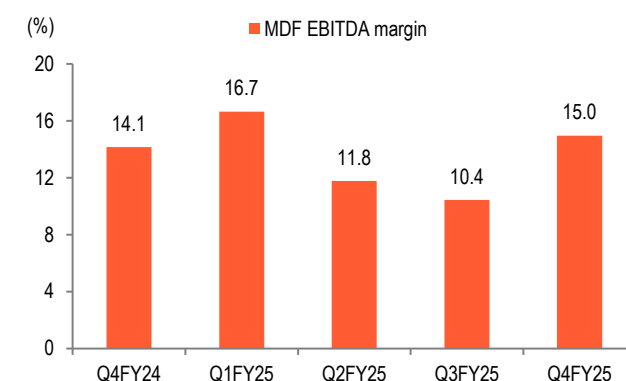
Source: Company, BOBCAPS Research

Fig 5 – Despite relatively flat MDF sales volume with weak realisation (-1.2%) and higher timber prices,



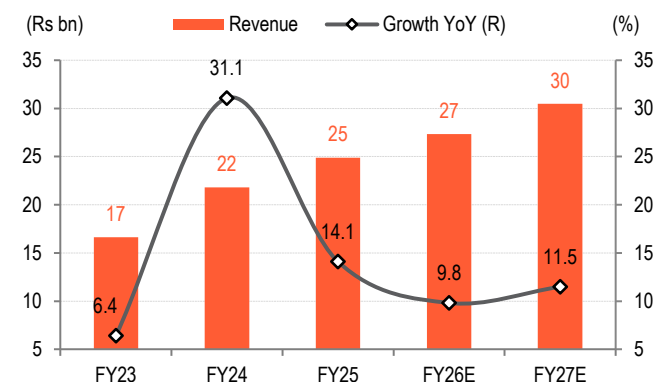
Source: Company, BOBCAPS Research

Fig 6 – MDF EBITDA margin unexpectedly improved by 452bps QoQ to 15.0% in Q4FY25



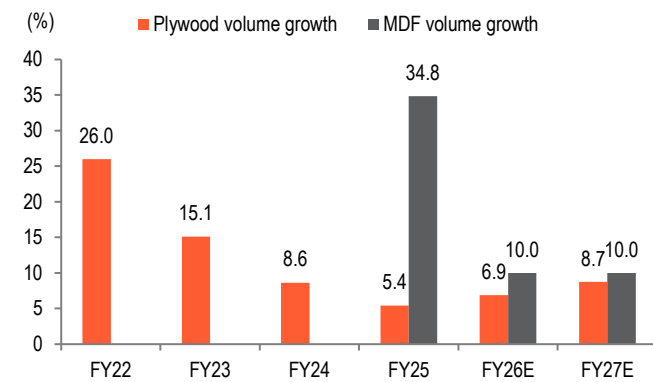
Source: Company, BOBCAPS Research

Fig 7 – MTLM revenue to grow at 10.7% CAGR over FY25-FY27..



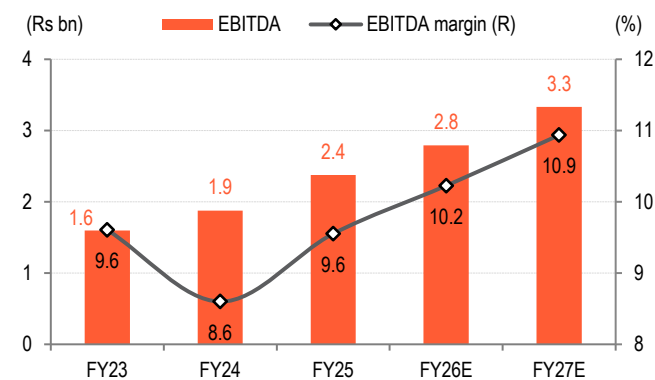
Source: Company, BOBCAPS Research

Fig 8 – ..to be driven by higher plywood and MDF sales volume



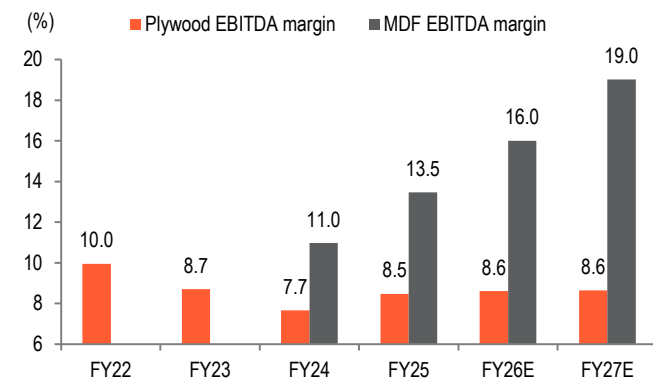
Source: Company, BOBCAPS Research

Fig 9 – MTLM EBITDA margin is forecast to improve from 9.8% in FY25 to 10.9% in FY27..



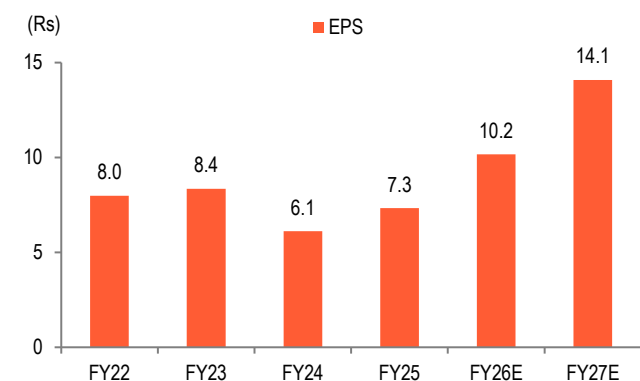
Source: Company, BOBCAPS Research

Fig 10 – ..in anticipation of margin improvement for both plywood as well as MDF segment



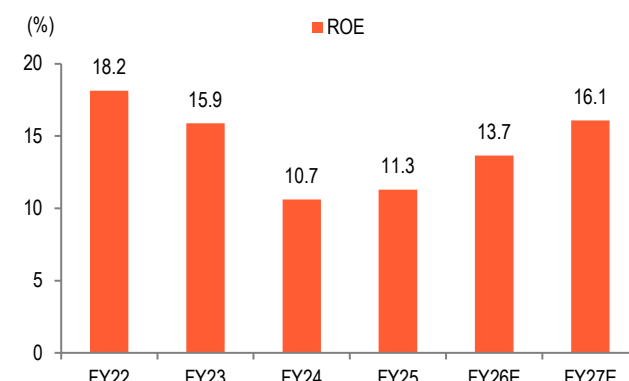
Source: Company, BOBCAPS Research

Fig 11 – MTLM's EPS is projected to grow at a strong 38.6% CAGR over FY25-FY27E over a low base



Source: Company, BOBCAPS Research

Fig 12 – ROE is also expected to improve from 11.3% in FY25 to 16.1% in FY27E



Source: Company, BOBCAPS Research

Valuation methodology

We expect MTLM EPS to grow at a healthy 38.6% CAGR over FY25-FY27E over a weak base, along with improvement in ROE profile (from 11.3% in FY25 to 16.1% in FY27). However, we downgrade our rating from BUY to HOLD on near-term earnings risk (due to no signs of improvement in market demand conditions and supply side pressure in MDF market) and rich valuations (the stock trades at 28.8x on 1YF P/E vs 5Y avg of 25.7x).

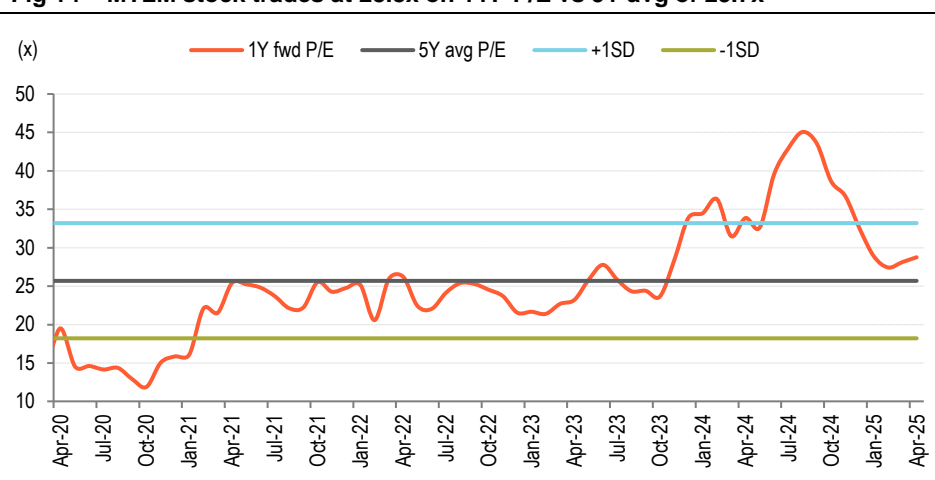
We have cut our TP to Rs 345 (vs Rs 360 earlier) due to downward revision in our EPS estimates (-9.8%/-8.1% for FY26E/FY27E), based on a weak Q4FY25. Our target P/E remain unchanged at 25x on Mar'27 (vs Dec'26 earlier).

Fig 13 – Revised estimates

Particulars	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Consolidated (Rs bn)						
Total operating income	27.3	30.5	28.0	30.8	(2.5)	(1.0)
EBITDA	2.8	3.3	2.9	3.6	(4.5)	(6.2)
EBITDA Margin	10.2	10.9	10.4	11.5	(21bps)	(61bps)
Adjusted PAT	1.3	1.8	1.4	1.9	(9.8)	(8.1)

Source: Company, BOBCAPS Research

Fig 14 – MTLM stock trades at 28.8x on 1YF P/E vs 5Y avg of 25.7x



Source: Bloomberg, BOBCAPS Research

Fig 15 – Key Assumptions

Particulars (%)	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue mix						
Plywood	100.0	100.0	84.7	78.7	78.2	77.9
MDF	0.0	0.0	15.3	21.3	21.8	22.1
Sales volume growth						
Plywood	26.0	15.1	8.6	5.4	6.9	8.7
MDF	NA	NA	NA	34.8	10.0	10.0
EBITDA margin						
Plywood	10.0	8.7	7.7	8.5	8.6	8.6
MDF	NA	NA	11.0	13.5	16.0	19.0

Source: Company, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates are:

- Sharp recovery in plywood demand and MDF prices and quick turnaround of furniture hardware JV business are key upside risks
- Muted plywood demand, weak domestic MDF prices and elevated timber prices are key downside risks to our call

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	16,631	21,799	24,876	27,321	30,465
EBITDA	1,598	1,875	2,377	2,794	3,332
Depreciation	260	545	601	640	688
EBIT	1,338	1,329	1,775	2,154	2,644
Net interest inc./(exp.)	(91)	(433)	(431)	(388)	(334)
Other inc./(exp.)	172	139	165	126	126
Exceptional items	56	7	0	0	0
EBT	1,363	1,028	1,509	1,891	2,435
Income taxes	192	298	253	427	592
Extraordinary items	(96)	(135)	0	0	0
Min. int./Inc. from assoc.	(208)	(13)	(340)	(194)	(84)
Reported net profit	1,060	852	916	1,270	1,759
Adjustments	(34)	(95)	0	0	0
Adjusted net profit	1,026	757	916	1,270	1,759

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	2,427	3,329	5,354	5,881	6,557
Other current liabilities	934	700	890	890	890
Provisions	73	23	34	38	42
Debt funds	6,620	5,246	4,883	4,243	3,603
Other liabilities	318	246	272	272	272
Equity capital	123	124	125	125	125
Reserves & surplus	6,315	6,970	7,962	9,145	10,785
Shareholders' fund	6,438	7,096	8,087	9,271	10,910
Total liab. and equities	16,810	16,639	19,520	20,593	22,274
Cash and cash eq.	314	224	247	2,110	2,702
Accounts receivables	2,287	2,490	3,233	3,551	3,959
Inventories	2,784	3,478	5,179	3,824	4,289
Other current assets	1,143	724	574	630	703
Investments	64	435	673	673	673
Net fixed assets	4,014	8,096	8,007	8,197	8,339
CWIP	5,130	124	442	442	442
Intangible assets	578	555	561	561	561
Deferred tax assets, net	55	131	178	178	178
Other assets	442	384	429	429	429
Total assets	16,810	16,639	19,522	20,595	22,276

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	627	1,461	1,650	3,683	2,391
Capital expenditures	(5,507)	402	(837)	(830)	(830)
Change in investments	194	(371)	(238)	0	0
Other investing cash flows	212	267	165	126	126
Cash flow from investing	(5,100)	298	(910)	(705)	(705)
Equities issued/Others	0	1	1	0	0
Debt raised/repaid	3,702	(1,374)	(363)	(640)	(640)
Interest expenses	(91)	(433)	(431)	(388)	(334)
Dividends paid	(61)	(62)	(62)	(87)	(120)
Other financing cash flows	203	19	137	0	0
Cash flow from financing	3,753	(1,850)	(718)	(1,115)	(1,094)
Chg in cash & cash eq.	(721)	(90)	22	1,863	592
Closing cash & cash eq.	314	224	246	2,109	2,701

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	8.6	6.9	7.3	10.2	14.1
Adjusted EPS	8.4	6.1	7.3	10.2	14.1
Dividend per share	0.5	0.5	0.5	0.7	1.0
Book value per share	52.4	57.4	64.8	74.2	87.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	2.2	1.5	1.3	1.2	1.1
EV/EBITDA	22.7	17.9	13.4	11.7	10.3
Adjusted P/E	36.0	49.2	41.0	29.6	21.4
P/BV	5.7	5.2	4.6	4.1	3.4

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	75.3	73.7	60.7	67.2	72.2
Interest burden (PBT/EBIT)	101.9	77.3	85.0	87.8	92.1
EBIT margin (EBIT/Revenue)	8.0	6.1	7.1	7.9	8.7
Asset turnover (Rev./Avg TA)	98.9	131.0	127.4	132.7	136.8
Leverage (Avg TA/Avg Equity)	2.6	2.3	2.4	2.2	2.0
Adjusted ROAE	15.9	10.7	11.3	13.7	16.1

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	6.4	31.1	14.1	9.8	11.5
EBITDA	3.6	17.3	26.8	17.6	19.2
Adjusted EPS	4.7	(26.7)	19.9	38.6	38.5

Profitability & Return ratios (%)

EBITDA margin	9.6	8.6	9.6	10.2	10.9
EBIT margin	8.0	6.1	7.1	7.9	8.7
Adjusted profit margin	6.2	3.5	3.7	4.6	5.8
Adjusted ROAE	17.4	11.2	12.1	14.6	17.4
ROCE	11.6	11.9	15.0	16.9	19.1

Working capital days (days)

Receivables	50	42	47	47	47
Inventory	61	58	76	51	51
Payables	53	56	79	79	79

Ratios (x)

Gross asset turnover	3.1	2.7	2.4	2.5	2.6
Current ratio	1.3	1.3	1.2	1.3	1.3
Net interest coverage ratio	14.7	3.1	4.1	5.5	7.9
Adjusted debt/equity	1.0	0.7	0.6	0.2	0.1

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

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Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

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SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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

BUY – Expected return >+15%

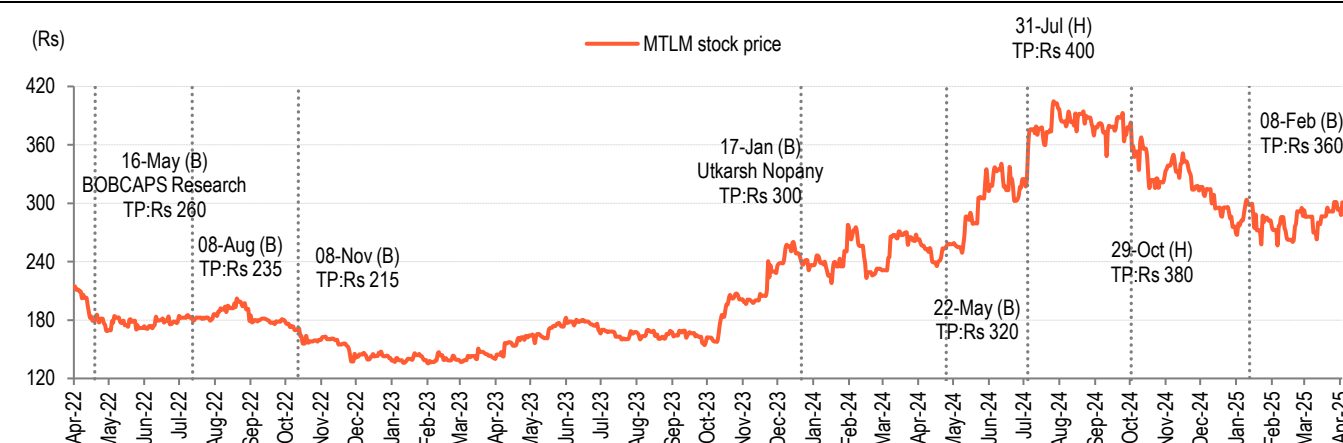
HOLD – Expected return from -6% to +15%

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)



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