

01 August 2024

India | Equity Research | Q1FY25 results review

Greenply Industries

Wood Panel

MDF margins surprise positively; downgrade the stock to HOLD post the recent rally

Greenply Industries' (MTLM) Q1FY25 consolidated revenue grew 35.7% YoY, driven by 9.6% YoY growth in India plywood and MDF growth of 661% YoY (on low base, as operations commenced in Q1FY24). Plywood volume grew 8.6% YoY (5-year CAGR of 5.5%) and MDF volumes grew 605% YoY. Consolidated OPM expanded 362bps YoY to 9.9% (+31bps QoQ), primarily due to higher OPM contribution from MDF (+250bps QoQ to 16.6% in Q1 due to better product mix); plywood OPM (adj. for ESOP cost) declined 45bps YoY/65bps QoQ as RM pressure continues (plywood gross margin down 170bps YoY). For FY25, management maintains its guidance of 8–10% YoY plywood volume growth and up to 50bps YoY improvement in plywood OPM; for MDF, it guides for >50% YoY volume growth (on low base) and margin of >16%. We tweak our PAT estimates by ~2% each for FY25/FY26, but downgrade the stock to **HOLD** (from Buy) due to the ~39% run-up in stock price in the past three months. Target price revised to INR 355 (earlier: INR 297), rolled over to Jun'25E, and set at 22x PER (earlier 20x PER).

Higher MDF utilisation drives +35.7% YoY consol. revenue

MTLM reported consol. revenue growth of 35.7% YoY with India plywood operations growing 9.6%/8.6% YoY in revenue/volume terms (5-year CAGR of 8.2%/5.5%). MDF segment (launched in Q1FY24) saw sales volume decline 6.6% QoQ to 42,724cbm (+661% YoY on low base) with revenue of INR 1.3bn in Q1 (+605% YoY). Realisation for MDF improved 8%/7.6% YoY/ QoQ due to higher share of value-added products (VAP), which the company shall continue to improve. Management maintains its FY25 guidance of 8–10% YoY India plywood volume growth and guided for >50% YoY MDF volume growth in FY25. Consol. working capital days improved by 9 days YoY to 38 in Q1 with both inventory and debtor days declining. Net debt fell by ~INR 0.7bn QoQ to ~INR 4.3bn in Q1; management guides for net debt of INR 4.5bn at end-FY25.

MDF segment drives consolidated OPM improvement

MTLM's consol. OPM expanded 362bps YoY to 9.9% (+31bps QoQ) primarily due to higher EBITDA contribution from MDF (+250bps QoQ) while plywood EBITDA margin declined 45bps YoY (-65bps QoQ) due to elevated RM cost (GM declined 170bps YoY). MDF OPM expanded 250bps QoQ to 16.6% due to higher share of VAP (higher realisation and margins). In FY25, management guides for >16% OPM for MDF (driven by improving product mix); for plywood, up to 50bps YoY OPM improvement (driven by 1.5–2% price hikes taken in Q1 and further hikes expected in Q2) in FY25. We have modelled FY25–27E OPM of 8.5–9.2% for plywood and 17–21.5% for MDF.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	21,799	25,783	28,829	31,821
EBITDA	1,868	2,695	3,314	3,892
EBITDA %	8.6	10.5	11.5	12.2
Net Profit	712	1,427	1,872	2,372
EPS (INR)	5.8	11.5	15.1	19.2
EPS % Chg YoY	(10.8)	100.3	31.2	26.7
P/E (x)	61.8	30.8	23.5	18.5
EV/EBITDA (x)	26.2	18.0	14.3	12.0
RoCE (%)	7.4	12.9	15.4	16.9
RoE (%)	10.5	18.4	20.3	21.3

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Market Data

Market Cap (INR)	44bn
Market Cap (USD)	526mn
Bloomberg Code	MTLM IN
Reuters Code	GRPL.BO
52-week Range (INR)	374 /149
Free Float (%)	48.0
ADTV-3M (mn) (USD)	1.5

Price Performance (%)	3m	6m	12m
Absolute	38.6	44.4	110.6
Relative to Sensex	28.8	30.5	87.8

Earnings Revisions (%)	FY25E	FY26E
Revenue	(0.5)	0.4
EBITDA	1.5	0.8
EPS	2.2	2.0

Previous Reports

22-05-2024: [Q4FY24 results review](#)
02-02-2024: [Q3FY24 results review](#)

Valuation and View

MTLM's plywood volumes were in line with our expectations while the MDF segment surprised positively on operating margins. The company has demand tailwinds for its MDF segment due to increased acceptance of the product and healthy real estate market. However, in the near-term, it has margin headwinds due to higher RM (timber) cost, which is expected to normalise in FY26 due to increased availability on account of higher plantation done in earlier years.

MTLM balance sheet is expected to improve due to reduction of debt and also see improved profitability as RM prices start normalising and MDF's plant utilisation improves. However, we downgrade the stock from Buy to **HOLD** due to the ~39% run-up in the stock's price over the past three months. We revise our target price to INR 355, rolled over to Jun'25E, and set at 22x P/E (earlier 20x). We have increased our target multiple due to better-than-expected profitability in the MDF segment and the company's improving balance sheet.

Exhibit 1: Q1FY25 consolidated result review

INR Mn	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Net Revenue	5,839	4,304	35.7%	5,998	(2.7%)
Raw Material	3,461	2,525	37.0%	3,686	(6.1%)
% of sales	59.3%	58.7%	59 bps	61.4%	-218 bps
Employee expenses	734	651	12.7%	681	7.7%
% of sales	12.6%	15.1%	-256 bps	11.4%	121 bps
Other Expenses	1,065	856	24.5%	1,054	1.0%
% of sales	18.2%	19.9%	-164 bps	17.6%	66 bps
Total Expenditure	5,260	4,032	30.4%	5,421	(3.0%)
% of sales	90.1%	93.7%	-362 bps	90.4%	-31 bps
EBITDA	579	271	113.5%	577	0.4%
EBITDA Margin	9.9%	6.3%	362 bps	9.6%	31 bps
Depreciation/Amortisation	150	111	34.7%	145	3.0%
EBIT	429	160	168.2%	431	(0.4%)
EBIT Margin	7.4%	3.7%	363 bps	7.2%	16 bps
Interest Expense	104	78	33.5%	90	15.6%
Other Income	18	17	3.6%	38	(52.2%)
PBT	343	100	244.7%	379	(9.4%)
Tax Expenses	95	38	150.1%	94	1.0%
PAT before extraordinary items	249	62	302.7%	285	(12.8%)
Extraordinary items	129	-50	(356.2%)	5	NM
Tax refund from previous years	0	0	NM	0	NM
Share of profit/(loss) from JV	-45	-3	NM	-7	NM
Reported PAT	332	8	3961.6%	284	17.0%
Adjusted PAT	239	39	507.0%	280	(14.7%)

Source: I-Sec research, Company data

Exhibit 2: Q1FY25 segmental result review

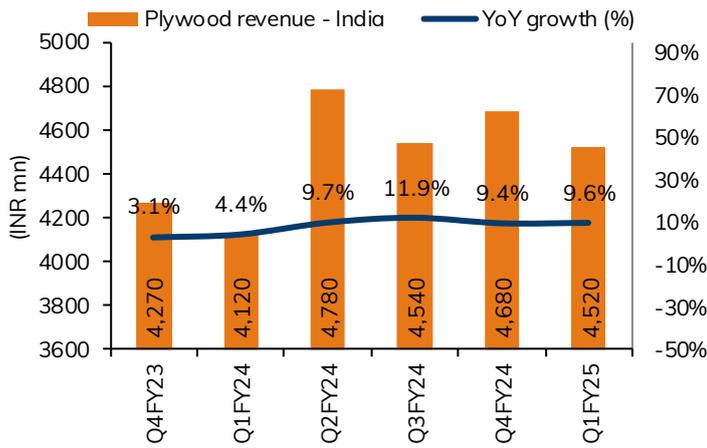
INR Mn	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
India Plywood (Standalone +Sandila)					
Revenue	4,520	4,120	9.6%	4,680	(3.4%)
EBIDTA (adj for ESOP)	355	342	3.8%	398	(10.8%)
EBITDA Margin (%)	7.9%	8.3%	-45 bps	8.5%	-65 bps
Sales Volume (MSM)	17.7	16.3	8.6%	18.8	(6.1%)
Realisation (INR/sqm)	245	249	(1.4%)	244	(0.3%)
MDF					
Revenue	1,317	173	661.3%	1,310	0.5%
EBIDTA	220	-73	nm	187	17.5%
EBITDA Margin (%)	16.6%	-40.6%	nm	14.1%	250 bps
Sales Volume (CBM)	42,724	6,062	604.8%	45,764	-6.6%
Realisation (INR/CBM)	30,817	28,640	8.0%	28,547	7.6%
EBITDA/CBM (INR/CBM)	5,149	NA	nm	4,086	26.0%

Source: I-Sec research, Company data

Takeaways from Q1FY25 earnings conference call

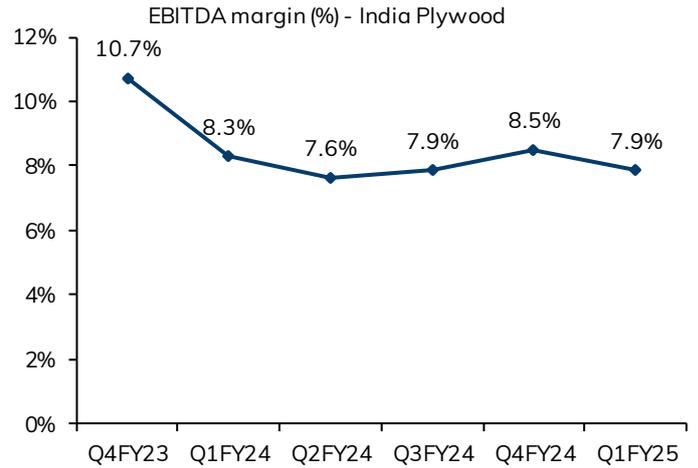
- **Plywood:** Management indicated that plywood segment continues to see margin pressure due to higher RM cost. It does not expect margins to improve in Q2. It has taken 1.5–2% price hike in Jun'24, which is expected to reflect in Q2FY24. It has also planned to take another price hike in Q2FY24.
- **MDF segment:** Margins improved 250bps QoQ despite RM pressure, due to higher share of VAP and better cost optimisations methods. Management indicated that it will continue to focus on improving the share of VAP. It has already invested in developing wooden flooring and some pre-laminated MDF presses, which should enhance its VAP portfolio. Management target 88% of sales from trade channels and 12% from OEMs in FY25. The company procures 65–70% of its MDF wood from Gujarat and Maharashtra; and the rest from other parts of India.
- **RM prices:** Timber cost for MDF in Q1 was ~INR 6/kg (slight increase QoQ). The company enjoys benefit of cheap timber prices compared to plants in north India, where timber prices are higher by ~INR 0.5–0.8/kg.
- **Guidance:** Management has maintained its guidance for plywood volume growth of 8–10% YoY and guided for MDF volume growth of >50% YoY in FY25. It has also guided for plywood OPM improvement of up to 50bps YoY in FY25 and >16% OPM for MDF (driven by improving product mix).
- **Product mix:** Economy/premium segment formed 56%/44% in volume terms and 43%/57% in value terms in Q1FY25. Economy/premium segment formed 57%/43% in volume terms in Q4FY24.
- **Capacity expansion:** The company is doing capex to manufacture its own resin for MDF, so as to have better quality control and steady supply. Management also indicated that it is planning to announce a plywood plant in the next six months, which it expects to commercialise in the next 15–18 months. This plywood plant is expected to incur a capex of INR 1–1.25bn.
- **Greenply Samet JV:** With regard to the 50:50 JV 'Greenply Samet India Private Limited', management indicated that it plans to spend ~INR 2.5bn over FY24–26 (INR 1.4–1.5bn in FY24; INR 0.5bn each in FY25/FY26). Management expects to generate sales end-Q2FY25 onwards (some delays encountered in delivery of machines). It expects revenue of INR 2.5–3bn in FY27 and healthy EBITDA margins.
- **Debt:** Net debt for the company reduced by ~INR 0.7bn QoQ to ~INR 4.3bn. Management indicated a peak net debt of INR 4.5bn for FY25.

Exhibit 3: Quarterly India plywood revenue



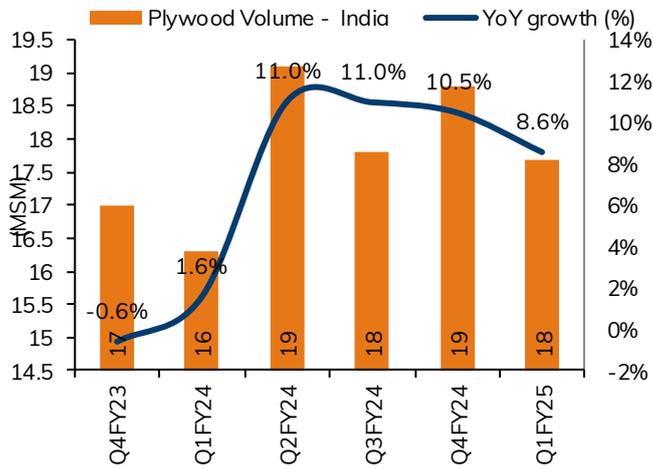
Source: Company data, I-Sec research

Exhibit 4: Quarterly India plywood adj. EBITDA margin



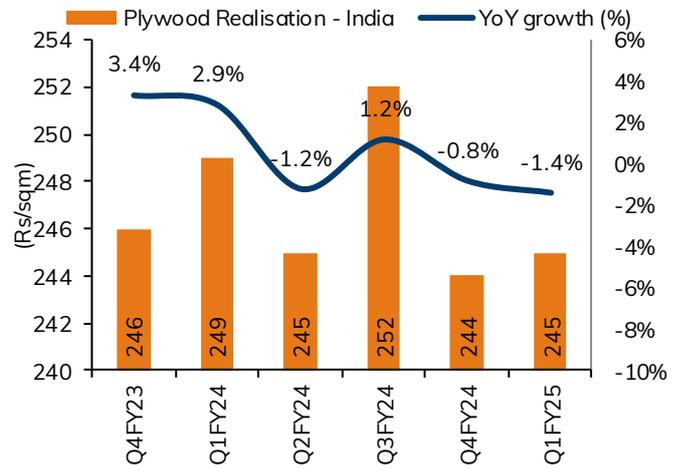
Source: Company data, I-Sec research

Exhibit 5: Quarterly India plywood volume



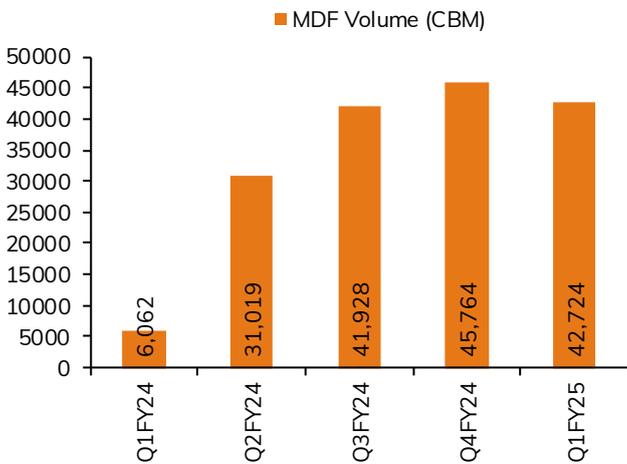
Source: Company data, I-Sec research

Exhibit 6: Quarterly India plywood realisation



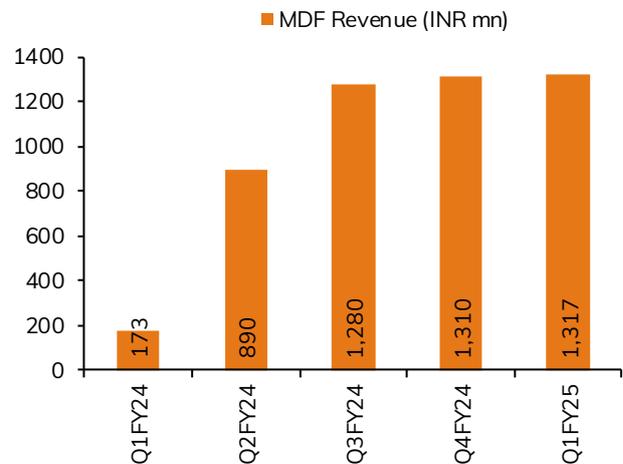
Source: Company data, I-Sec research

Exhibit 7: Quarterly MDF sales volume



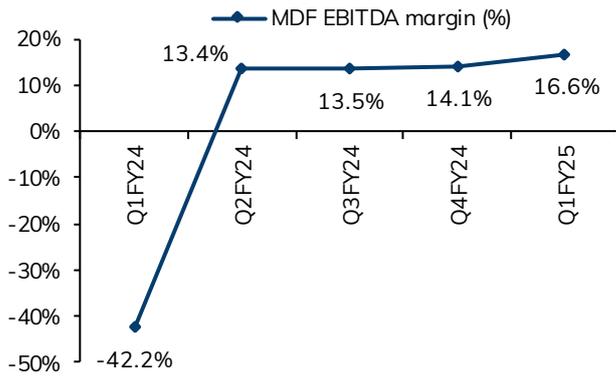
Source: Company data, I-Sec research

Exhibit 8: Quarterly MDF revenue



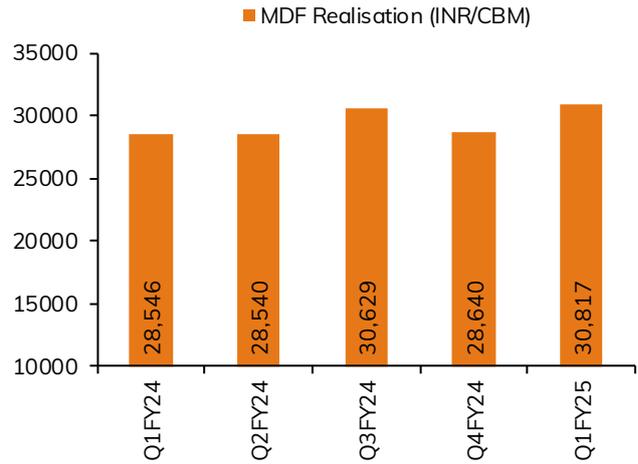
Source: Company data, I-Sec research

Exhibit 9: Quarterly MDF EBITDA margin



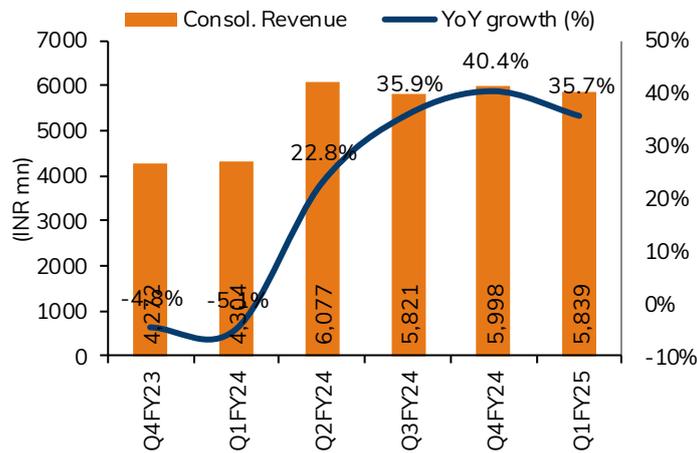
Source: Company data, I-Sec research

Exhibit 10: Quarterly MDF realisation



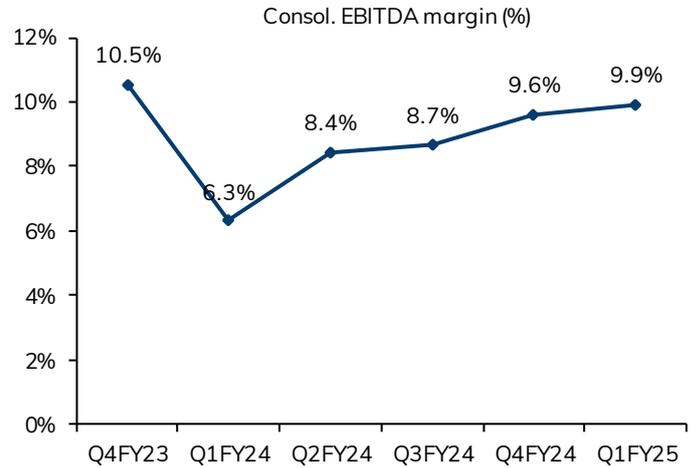
Source: Company data, I-Sec research

Exhibit 11: Quarterly consolidated revenue



Source: Company data, I-Sec research

Exhibit 12: Quarterly consolidated EBITDA margin



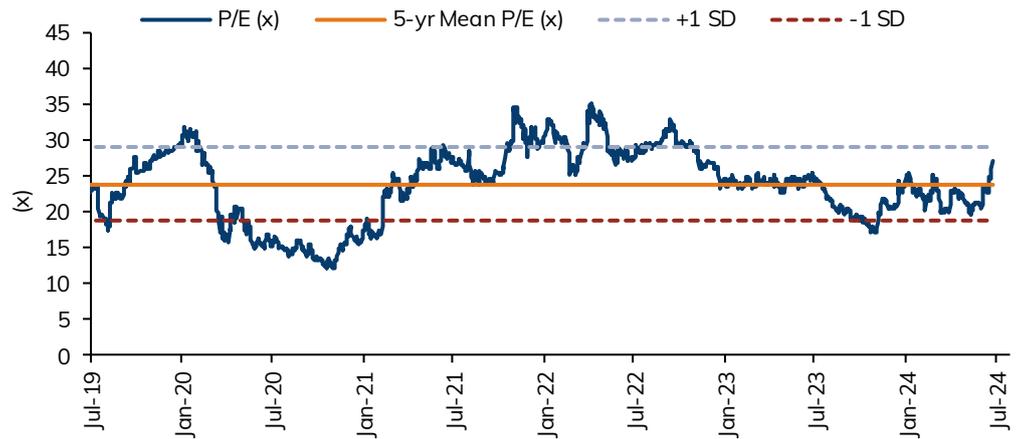
Source: Company data, I-Sec research

Valuation and View

MTLM is one of the major plywood players in the country. It has in FY24 expanded into fast growing MDF market too whereby being a comprehensive woodpanel player. We believe MTLM is poised for growth in the wood panel market, enabled by its wide distribution reach, strong brand focus, diverse product portfolio and increased preference of customers towards organised players.

MTLM is likely to report revenue/EBITDA CAGRs of 27.7%/49.3% over FY24–27E led by its entry into MDF. Downgrade from **Buy** to **HOLD** post the recent rally of ~39% in the stock price over the past three months; TP of INR 355 rolled over to Jun'25E.

Exhibit 13: 1-year forward P/E band



Source: I-Sec research, Company data, Bloomberg

Key downside risks

- **Regulatory concerns on RM sourcing:** Wood is a key raw material for plywood. Any regulatory restrictions on the sourcing of wood or face veneer will hit margins.
- **Sharp rise in raw material prices:** Higher raw material prices and inability to pass them on may hurt profitability.
- **Prolonged slowdown in housing market:** Continued slowdown in the housing market would hit growth prospects.

Key upside risks

- **Lower MDF Imports:** Elevated ocean freight rates may continue to deter MDF imports into the country, thereby alleviating pricing pressure.
- **Decline in raw material prices:** Lower raw material prices will improve operating margins for both MDF and plywood.
- **Better than expected demand:** Better-than-expected utilisation (MDF/plywood) resulting from higher demand.

Exhibit 14: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	52.0	52.0	52.0
Institutional investors	34.1	34.8	34.8
MFs and others	29.3	29.6	29.5
FIs / Insurance Cos	0.4	0.4	0.4
FIIIs	4.4	4.8	4.9
Others	13.9	13.2	13.2

Source: Bloomberg, I-Sec research

Exhibit 15: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 16: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	21,799	25,783	28,829	31,821
Operating Expenses	19,931	23,089	25,514	27,928
EBITDA	1,868	2,695	3,314	3,892
EBITDA Margin (%)	8.6	10.5	11.5	12.2
Depreciation & Amortization	545	598	643	723
EBIT	1,323	2,096	2,671	3,170
Interest expenditure	433	402	376	313
Other Non-operating Income	139	134	89	165
Recurring PBT	1,028	1,829	2,384	3,021
Less: Taxes	(298)	(402)	(513)	(650)
PAT	730	1,427	1,872	2,372
Profit / (Loss) from Associates	(13)	-	-	-
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	(18)	-	-	-
Net Income (Reported)	700	1,427	1,872	2,372
Net Income (Adjusted)	712	1,427	1,872	2,372

Source Company data, I-Sec research

Exhibit 17: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Assets				
Inventories	3,478	3,985	4,334	4,744
Cash & cash eqv.	224	285	817	754
Sundry Debtors	2,490	2,896	3,159	3,487
Other Current Assets	1,165	1,342	1,501	1,656
Trade payables	3,329	3,441	3,769	4,156
Other Current Liabilities	714	884	971	1,071
Net Current Assets	3,313	4,183	5,071	5,414
Investments	435	435	435	435
Net Fixed Assets	8,219	8,197	8,254	9,305
Other Non Current Assets	555	555	555	555
Total Assets	12,522	13,370	14,314	15,709
Liabilities				
Borrowings	5,246	4,796	4,056	3,316
Other Non Current Liabilities	180	180	180	180
Total Liabilities	5,426	4,976	4,236	3,496
Equity Share Capital	124	124	124	124
Reserves & Surplus	6,970	8,269	9,953	12,088
Total Net Worth	7,094	8,392	10,077	12,211
Minority Interest	2	2	2	2
Total Liabilities & Net Worth	12,522	13,370	14,314	15,709

Source Company data, I-Sec research

Exhibit 18: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	6,077	5,821	5,998	5,839
% growth (YOY)	22.8	35.9	40.4	35.7
EBITDA	513	504	577	579
Margin %	8.4	8.7	9.6	9.9
Other Income	37	83	38	18
Extraordinaries	0	76	5	129
Adjusted Net Profit	139	218	280	239

Source Company data, I-Sec research

Exhibit 19: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	1,393	1,216	2,158	2,689
Working Capital Changes	195	(809)	(356)	(406)
Capital Commitments	295	(576)	(700)	(1,774)
Free Cashflow	1,688	640	1,458	915
Other investing cashflow	(371)	-	-	-
Cashflow from Investing Activities	(76)	(576)	(700)	(1,774)
Issue of Share Capital	1	-	-	-
Inc (Dec) in Borrowings	(1,388)	(450)	(740)	(740)
Dividend paid	(62)	(128)	(187)	(237)
Others	42	0	0	-
Cash flow from Financing Activities	(1,408)	(578)	(927)	(977)
Chg. in Cash & Bank balance	(90)	62	531	(62)
Closing cash & balance	224	285	817	754

Source Company data, I-Sec research

Exhibit 20: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	5.7	11.5	15.1	19.2
Adjusted EPS (Diluted)	5.8	11.5	15.1	19.2
Cash EPS	10.2	16.4	20.3	25.0
Dividend per share (DPS)	0.5	1.0	1.5	1.9
Book Value per share (BV)	57.3	67.8	81.4	98.7
Dividend Payout (%)	8.7	9.0	10.0	10.0
Growth (%)				
Net Sales	18.1	18.3	11.8	10.4
EBITDA	5.9	44.3	23.0	17.5
EPS (INR)	(10.8)	100.3	31.2	26.7
Valuation Ratios (x)				
P/E	61.8	30.8	23.5	18.5
P/CEPS	35.0	21.7	17.5	14.2
P/BV	6.2	5.2	4.4	3.6
EV / EBITDA	26.2	18.0	14.3	12.0
EV / Sales	2.2	1.9	1.6	1.5
Dividend Yield (%)	0.1	0.3	0.4	0.5
Operating Ratios				
Gross Profit Margins (%)	39.7	40.6	41.8	41.9
EBITDA Margins (%)	8.6	10.5	11.5	12.2
Effective Tax Rate (%)	28.9	22.0	21.5	21.5
Net Profit Margins (%)	3.3	5.5	6.5	7.5
NWC / Total Assets (%)	18.6	22.0	22.3	22.3
Net Debt / Equity (x)	0.7	0.5	0.3	0.2
Net Debt / EBITDA (x)	2.7	1.7	1.0	0.7
Profitability Ratios				
RoCE (%)	7.4	12.9	15.4	16.9
RoE (%)	10.5	18.4	20.3	21.3
Cash Conversion Cycle (on net sales)				
Inventory Turnover Days	58	56	55	54
Receivables Days	42	41	40	40
Payables Days	56	49	48	48

Source Company data, I-Sec research

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