

CMP: ₹ 370

Target: ₹ 440 (19%)

Target Period: 12 months

BUY

August 2, 2024

## MDF ramp up drive profitability

**About the stock:** Greenply Industries (GIL) is one the leading players in the plywood business in India with capacity of 48.4 mn sq. mt. per annum. It has a dealer distribution network of 3000+ pan-India.

- It has MDF boards business with manufacturing at Vadodara, Gujarat of 800 CBM/day. It will further incur capex of ₹ 40 crore in FY25 for MDF segment to add balancing equipment to take capacity to 1,000CBM/day for value added products capability.

**Q1 Performance:** Greenply consolidated topline was at ₹ 584 crore, up 22.6% YoY. MDF revenues stood at ₹ 132 crore with volumes of 45764 CBM. The plywood volumes were up 8.6% YoY at 17.7 MSM with Plywood revenues up 7.1% YoY at ₹ 433 crore. EBITDA was at ₹ 57.9 crore with margin of 9.9% (up 360 bps YoY). The Ply margin at 7.9% declined by 40 bps YoY due to increase in raw material prices, MDF margins stood at 16.7% up 240 bps.

### Investment Rationale

- Higher Value-added mix ramp up drive MDF margins:** The MDF plant has seen a strong ramp and coupled with higher value-added products, Q1FY24 saw realisations at ₹30,817 per CBM, up 7.6% QoQ. The MDF margin consequently, at 16.7%, was up 239 bps QoQ and is likely to inch up further with higher value-added products. The company has guided for MDF volume growth of >50% YoY & sustained margins in FY25. We bake in MDF revenues to reach ₹ 659 crore in FY26 with margins of 18%.
- Plywood volume to grow at 8-10%:** GIL expects 8-10% Plywood volume growth in FY25 and sustainably thereafter. It has guided for flattish to +/- 50 bps EBITDA margins for Plywood for FY25. We have baked Plywood revenues CAGR of ~9.6% over FY24-26 to ₹ 2177 crore, driven by value segment growth with margins reaching 9.8% in FY26.
- Improving Margins/Earnings to drive return ratios expansion;** Given the higher margins of MDF in the mix, overall margins are likely to expand to 11.6% in FY26 vs. 8.6%, currently. The earnings CAGR of ~65.8% over FY24-26 to drive improvement in return ratios with ROCE likely to expand to 21.7% in FY26 vs. 12% in FY23.

### Rating and Target Price

- Greenply remains on a sweet spot for growth ahead with bulk of residential real estate hitting completion, driving the building materials segments growth including Woodpanel in medium term.
- We value Greenply at ₹ 440, at 28x FY26 P/E and maintain our BUY rating

### Key Financial Summary

(₹ Crore)	FY21	FY22	FY23	FY24	5 yr CAGR (FY19-24)	FY25E	FY26E	2 yr CAGR (FY24-26E)
Net Sales	1165.3	1562.8	1845.6	2179.9	9.1%	2531.0	2836.1	14.1%
EBITDA	116.7	150.3	169.1	186.8	5.3%	257.8	329.0	32.7%
Net Profit	60.9	94.7	91.4	70.0	-2.6%	129.1	192.4	65.8%
EPS (₹)	5.0	7.7	7.4	5.7		10.4	15.6	
P/E (x)	75.3	48.4	50.3	66.1		35.8	24.0	
EV/EBITDA (x)	40.2	32.2	31.1	27.5		19.7	15.0	
RoCE (%)	16.4	16.4	11.5	12.0		16.8	21.6	
RoE (%)	13.9	17.6	12.7	10.1		15.4	18.7	

Source: Company, ICICI Direct Research



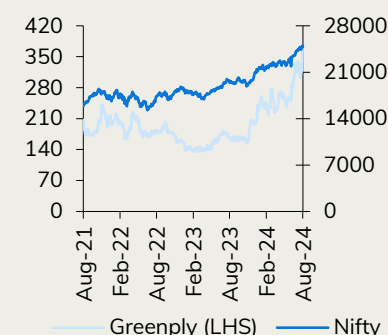
### Particulars

Particulars	(₹ crore)
Market Cap	4,582
Total Debt	446
Cash	15
EV	5,013
52 week H/L (₹)	392 / 149
Equity capital	12.3
Face value (₹)	1.0

### Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoters	52.1	52.0	52.0	52.0
DII	33.1	30.1	30.3	30.3
FII	2.1	4.1	4.1	4.9
Other	12.7	13.9	13.6	12.8

### Price Chart



### Key risks

- Slowdown in demand
- Continued high imports of MDF

### Research Analyst

Bhupendra Tiwary, CFA  
bhupendra.tiwary@icicisecurities.com

Hammaad Ahmed Ulde  
hammaad.ulde@icicisecurities.com

## Performance highlights and outlook

- **Guidance** – The Management has guided for a volume growth of 8-10% YoY in the plywood business for FY25. It has guided for flattish to +/-50 bps EBITDA margins for Plywood for FY25. The company is also confident to achieve more than 50% YoY sales volume growth in the MDF business in FY25. For MDF business, the company has guided for EBITDA margin in the range of 16%-17% in FY25, driven by operating leverage and increased share of value added MDF products which has higher margins.
- **Plywood Business:** In the Plywood business, the volume growth for the quarter was 8.6% YoY, while value growth was 7.1% YoY. On the margin front, the adjusted core EBITDA margin for the Plywood business for Q1 was 7.9%, down 80 bps YoY, due to increase in raw material prices.
- **Product mix:** Economy/premium segment formed 56%/44% (vs. 57%/43% in Q4) in volume terms and 43%/57% in value terms in Q1FY25.
- **MDF business:** The MDF revenues stood at ₹132 crore with volumes of 42,724 CBM in Q1FY25. The realization at ₹30,817 per CBM, was up 7.6% QoQ. The Company reported EBITDA margin of 16.7% as against 14.3% in Q1FY25 and are confident of continuing this improvement in performance in the coming quarters. The company is also focused on value added products such as pre laminated boards which contribute to ~22% of total sales during the quarter. The company has also initiated a capex program to set up production capabilities in the value-added products, such as MDF flooring, pre-laminated boards. It is also building in-house resin production capabilities and for acquisition of other general fixed assets.
- **Timber prices:** The company reported a slight increase in timber prices, having incurred average timber prices of ₹ 6.2/kg up 2% QoQ. The company are expecting a decrease in timber prices in the second half of FY26 on account of increased timber plantation. The company enjoys the benefit of cheap timber prices compared to plants in north and south India, where timber prices are higher by ₹ 0.5–0.8/kg.
- **Pricing:** The company has taken a price increase during the quarter of ~1.5-2% in the Plywood segment and may plan another price increase in the coming quarter. As per the management, the prices in the MDF segment are expected to remain benign and with the implementation of BIS in the MDF segment should improve MDF pricing in FY26.
- **Investment in JV with Samet:** The Company has formed a 50:50 JV with Samet for furniture hardware. The management indicated that it plans to spend ₹ 250 crore over FY24–FY26 with ₹140-150 crore in FY24 and ₹ 50 crore each in FY25 and FY26. The planned investment will be funded with a mix of equity and debt. The management expects sales to pick up by the end of Q2 FY25 and expects revenue of ₹250-300 crore by FY27.
- **Debt:** Consolidated net debt at the end of Q1FY25 was at ₹ 431 crore vs. ₹ 502 crore Q4FY24. The reduction was owing to reduction in working capital, utilization of GST credit in the MDF business. The company maintained year-end debt guidance of around ₹450 crore. The company expects to maintain a net debt to equity of 0.5x going forward.
- **Capex:** It plans to incur capex of ₹ 70 crore in FY25. The company have guided to expect capex of ₹ 100-125 crore on setting up a new plywood plant which will help the company cater to their demand for the next 2-3 years.

## Exhibit 1: Quarter Performance

Particular	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comments
Net Sales	583.9	476.1	22.6	599.8	-2.7	MDF revenues stood at ₹ 132 crore with volumes of 45764 CBM. The plywood volumes were up 8.6% YoY at 17.7 MSM with Plywood revenues up 7.1% YoY at ₹ 433 crore.
Other Income	5.7	1.4	309.4	3.8	51.7	
Material Consumed	223.1	187.3	19.1	250.7	-11.0	
Purchase of Stock in Trade	106.7	115.4	-7.5	121.3	-12.0	
Changes in Inventories of WIP	16.3	-24.3	-167.1	-3.4	-580.4	
Employee Benefit Expenses	73.4	71.0	3.4	68.1	7.7	
Other Expenses	106.5	96.9	9.9	105.4	1.0	
EBITDA	57.9	29.8	94.2	57.7	0.4	Higher MDF mix aided margins
EBITDA Margin (%)	9.9	6.3	366 bps	9.6	31 bps	
Depreciation	15.0	13.3	12.5	14.5	3.0	
Interest	10.4	13.0	-19.7	9.0	15.6	
PBT	38.3	4.9	675.5	37.9	1.0	
Taxes	0.5	3.8	-86.2	9.4	-94.4	
PAT	33.1	0.8	3,945.6	28.4	16.6	
Plywood Volume (MSM)	17.7	16.3	8.6	18.8	-5.9	
Realisation (₹/sq mt)	245.0	249.0	-1.6	244.0	0.4	
MDF Volume (CBM)	42,724	6,062	604.8	45,764	-6.6	
Realisation (₹/MSM)	30,817	28,546	8.0	28,640	7.6	

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 2: Profit and loss statement ₹ crore

(₹ Crore)	FY23	FY24	FY25E	FY26E
Net Sales	1,845.6	2,179.9	2,531.0	2,836.1
Gross Profit	719.0	864.4	1,011.7	1,134.7
Employee expenses	243.1	279.1	303.7	340.3
Other Expenses	306.8	398.5	435.2	445.4
EBITDA	169.1	186.8	257.8	329.0
Interest	26.2	43.3	40.9	28.3
Depreciation	36.5	54.5	58.4	62.0
Other income	15.3	13.9	15.0	20.0
PBT	121.7	102.8	173.5	258.6
Taxes	19.2	29.8	44.4	66.2
PAT	91.4	70.0	129.1	192.4
EPS (Diluted)	7.4	5.7	10.4	15.6

Source: Company, ICICI Direct Research

### Exhibit 4: Balance Sheet ₹ crore

(₹ Crore)	FY23	FY24	FY25E	FY26E
<b>Liabilities</b>				
Equity Capital	12.3	12.4	12.4	12.4
Reserve and Surplus	631.5	697.0	826.1	1,018.5
Total Shareholders funds	643.8	709.4	838.5	1,030.9
Total Debt	663.4	524.6	454.6	314.6
Deferred Tax Liability	1.0	1.1	1.1	1.1
Total Liabilities	1,332.2	1,250.2	1,309.3	1,361.7
<b>Assets</b>				
Gross Block	590.4	1,053.1	1,123.1	1,193.1
Less Acc. Dep	189.0	243.6	302.0	364.0
Net Block	401.4	809.6	821.2	829.1
Net Intangibles Assets	10.2	19.0	19.0	19.0
Capital WIP	513.3	12.4	12.4	12.4
Total Fixed Assets	924.9	841.0	852.6	860.5
Investments	6.4	43.5	43.5	43.5
Inventory	278.4	347.8	403.8	452.4
Sundry Debtors	228.7	249.0	289.1	324.0
Loans & Advances	21.6	8.5	8.5	8.5
Cash & Bank Balances	31.4	22.4	14.6	11.0
Other Current Assets	190.87	135.37	145.71	154.70
Total Current Assets	751.0	763.0	861.7	950.6
Trade Payable	242.7	332.9	386.5	433.1
Other Current Liabilities	116.0	85.1	85.1	85.1
Provisions	14.1	10.8	10.8	10.8
Net Current Assets	378.2	334.1	379.2	421.5
Total Assets	1,332.2	1,250.2	1,309.3	1,361.7

Source: Company, ICICI Direct Research

### Exhibit 3: Cash flow statement ₹ crore

(₹ Crore)	FY23E	FY24E	FY25E	FY26E
Profit after Tax	91.4	70.0	129.1	192.4
Depreciation	36.5	54.5	58.4	62.0
Interest	26.2	43.3	40.9	28.3
Taxes	19.2	29.8	44.4	66.2
CF before wc changes	159.4	175.0	257.8	329.0
Cash generated from op.	125.4	163.9	202.5	280.9
Income Tax paid	19.2	29.8	44.4	66.2
Net CF from op. activities	106.2	134.2	158.1	214.7
Others	15.3	13.9	15.0	20.0
(Purchase)/Sale of FA	(522.3)	29.5	(70.0)	(70.0)
Net CF from Inv. activities	(506.9)	43.3	(55.0)	(50.0)
Others	14.2	(4.4)	-	-
Interest paid	(26.2)	(43.3)	(40.9)	(28.3)
Inc/ (Dec) in Loans	371.6	(138.8)	(70.0)	(140.0)
Net CF from Fin. activities	359.5	(186.5)	(110.9)	(168.3)
Net Cash flow	(41.2)	(9.0)	(7.8)	(3.6)
Opening Cash	72.6	31.4	22.4	14.6
Closing Cash	31.4	22.4	14.6	11.0

Source: Company, ICICI Direct Research

### Exhibit 5: Key ratios

	FY23	FY24E	FY25E	FY26E
<b>Per Share Data (₹)</b>				
EPS - Diluted	7.4	5.7	10.4	15.6
Cash EPS	10.4	10.1	15.2	20.6
Book Value	52.4	57.4	67.8	83.3
Dividend per share	-	-	-	-
<b>Operating Ratios (%)</b>				
EBITDA / Net Sales	9.2	8.6	10.2	11.6
PAT / Net Sales	4.4	3.3	5.1	6.8
Inventory Days	55	58	58	58
Debtor Days	49	45	45	45
Creditor Days	69	69	69	69
<b>Return Ratios (%)</b>				
RoE	12.7	10.1	15.4	18.7
RoCE	11.5	12.0	16.8	21.6
RoIC	16.8	11.1	15.8	20.3
<b>Valuation Ratios (x)</b>				
EV / EBITDA	31.1	27.5	19.7	15.0
P/E (Diluted)	50.3	66.1	35.8	24.0
EV / Net Sales	2.8	2.4	2.0	1.7
Market Cap / Sales	2.5	2.1	1.8	1.6
Price to Book Value	7.1	6.5	5.5	4.5
Dividend Yield	-	-	-	-
<b>Solvency Ratios (x)</b>				
Net Debt / Equity	1.0	0.7	0.5	0.3
Net Debt / EBITDA	3.7	2.7	1.7	0.9
Current Ratio	1.8	1.6	1.7	1.7
Quick Ratio	1.0	0.8	0.8	0.8

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com

## ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA (Finance), Hammaad Ahmed Ulde, MMS (Finance), Research Analysts Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock broking and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

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. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Bhavesh Soni Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.