

## Primed for growth ahead! ...

About the stock: Greenply Industries (GIL) is one the leading players in the plywood business in India with capacity of 48 mn sq. mt. per annum. It has a distribution network of 2,300+dealers/authorised stockists pan-India.

- It has also forayed into the MDF boards business with manufacturing at Vadodara, Gujarat of 800 CBM/day with revenue potential of ~₹ 650-700 crore per annum). 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.

### Investment Rationale

- MDF ramp up to drive revenues and margins:** The MDF plant which was operationalised in H1FY24, has seen a strong ramp up with utilisation at 70% in Q3FY24. Overall MDF imports which are currently very high, are likely to moderate in FY25 with BIS certification rule kicking in from February, 2024 onwards, making it tedious/ increase in costs for imported products (also owing to higher freight costs). The MDF margin currently at 13.5% is likely to expand ~20% in a normalized operational state and with higher value-added products. We bake in MDF revenues to reach ₹ 630 crore in FY26 with margins of 20%.
- Plywood volume to grow at 8-10% sustainably:** The company expects 8-10% Plywood volume growth in FY24 and sustainably thereafter. We have baked Plywood revenues CAGR of ~10% over FY23-26 to ₹ 2220 crore, driven by value segment growth with margins reaching 9.7% in FY25.
- Improving Margins/Earnings to drive return ratios expansion; Debt to reduce:** Given the higher margins of MDF in the mix, overall margins are likely to expand to 12% in FY26 vs. 9.1%, currently. The earnings CAGR of ~24.6% over FY23-26 to drive improvement in return ratios with ROCE likely to expand to 20.3% in FT26 vs. 11.5% in FY23. The company has also divested 51% stake (for US\$ 1.57 mn) in its loss-making subsidiary in Gabon (also impacted by political unrest). This will reduce will reduce debt by ₹ 237 crore and coupled with further debt reduction of MDF (from revenues and profitability ramp up), we expect net debt to EBITDA to reach at comfortable levels of 1x in FY26 vs. ~3x, currently.

### Rating and Target Price

- The bulk of the residential real estate in last 2-3 years will start hitting completion in FY25 onwards driving the building materials segments growth including Woodpanel (Ply, Laminates and MDF). Greenply will be one of the key beneficiaries of the same.
- We assign a BUY rating on the stock.
- We value Greenply at ₹ 320 i.e. 22x P/E on 26E EPS of ₹ 14.4

### Key Financial Summary

(₹ Crore)	FY21	FY22	FY23	5 yr CAGR (FY18-23)	FY24E	FY25E	FY26E	3 yr CAGR (FY23-26E)
Net Sales	1165.3	1562.8	1845.6	15.1%	2349.3	2583.0	2850.4	15.6%
EBITDA	116.7	150.3	169.1	20.5%	206.4	295.8	341.4	26.4%
Net Profit	60.9	94.7	91.4	34.5%	69.5	137.7	177.0	24.6%
EPS (₹)	5.0	7.7	7.4		5.7	11.2	14.4	
P/E (x)	50.5	32.5	33.7		44.3	22.4	17.4	
EV/EBITDA (x)	26.9	22.0	22.0		18.1	12.2	10.1	
RoCE (%)	16.4	16.4	11.5		11.7	17.6	20.3	
RoE (%)	13.9	17.6	12.7		8.5	16.2	17.2	

Source: Company, ICICI Direct Research



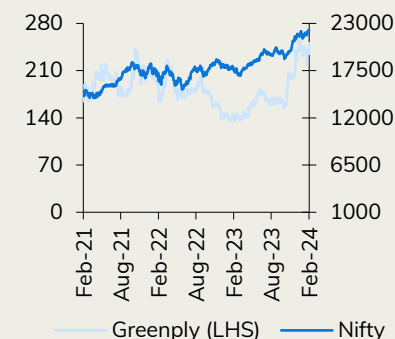
#### Particulars

Particulars	(₹ crore)
Market Cap	3,081
Total Debt	754
Cash	22
EV	3,813
52 week H/L (₹)	268 / 135
Equity capital	12.3
Face value (₹)	1.0

#### Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoters	52.3	52.1	52.1	52.0
DII	33.2	33.1	33.1	30.1
FII	2.2	2.2	2.1	4.1
Other	12.3	12.6	12.7	13.9

#### Price Chart



#### Key risks

- Key Risk: (i) Higher raw material (timber) prices (ii) Slower than expected ramp up in MDF

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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