

## Company Essentials

Market Cap	₹ 2786.8 Cr.
Total Shares	12.37 Cr.
P/E	26.81
P/B	4.12
Cash	₹ 20.20 Cr.
Debt	₹ 18.39 Cr.
EPS	₹ 8.35
ROE	19.93 %
Profit Growth	23.12%
Sales Growth	19.34%
Promoter Holding	52.12%

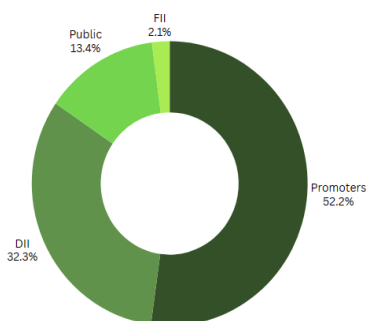
## Efficiency

Gross Margin	40%
Operating Margin	6%
Net Margin	3%
FCF Margin	-8%
ROA	4%
ROIC	7%
ROCE	10%

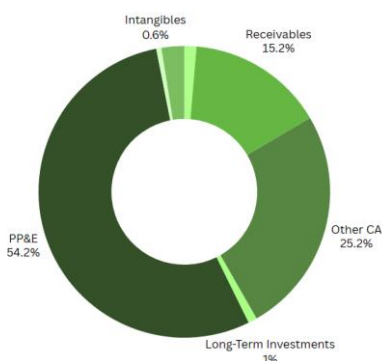
## Solvency

D/E	1.14
D/A	0.64
Cash Ratio	0.03
Quick Ratio	0.04
Current Ratio	1.17
Altman Z-Score	3.02

## Share-Holding Pattern



## Balance Sheet Decomposition



<b>Wood Products</b>	<b>NSE: GREENPLY</b>	<b>BSE: 526797</b>
<b>Opinion: Buy</b>	<b>CMP: Rs. 223.5</b>	<b>Price Target: Rs. 245</b>

### Summary

- Implementing a strategy of purchasing GREENPLY stock when it was undervalued by at least 20% and selling when it became overvalued would have yielded a potential profit of 162% over the last five years.
- The market capitalization of GREENPLY shares witnessed a significant surge of 73.69% in the last five years. The primary driving force behind this change was the notable increase in revenue growth, rising from 10.2 billion to 19.8 billion. As a result, the market capitalization of Greenply Industries Ltd experienced a growth of 88.56%.
- According to Wall Street analysts, the average 1-year price target for GREENPLY is 217.57 INR with a low forecast of 156.55 INR and a high forecast of 315 INR.
- The estimated Discounted Cash Flow (DCF) value of one GREENPLY stock is 289.81 INR. In comparison to the current market price, the stock is deemed undervalued by 18%.

Greenply Industries Ltd (GIL) delivered a strong quarter with a notable 23% YoY and 28% QoQ growth in revenue, reaching Rs 6.07 billion. The Plywood business achieved record volumes of 19.1 million square meters, marking an impressive 11% YoY and 17% QoQ growth, with a 2-year CAGR at 10%. This growth was primarily fueled by an increased demand in the value segment, constituting 43% of plywood sales compared to 37% in Q2FY23. The management reaffirmed their guidance for volume growth in the plywood segment at 8-10%. Although the margins of the Plywood segment were affected by higher input costs and changes in the product mix, the management expects an improvement in margins in H2FY24 due to stability in timber prices and price hikes implemented in Aug-Sep'23. The Gabon business faced challenges due to ongoing political issues, and a significant turnaround is not anticipated in this fiscal. In the MDF business, volumes for the quarter reached 31,019 cubic meters, translating into revenue of Rs 890 million at an average realization of Rs 28,692/cbm, a substantial increase from Rs 180 million in Q1FY24. The MDF business turned EBITDA positive during the quarter, achieving margins of 16%. The company is on track to meet its annual guidance of 100,000 cubic meters for FY24. Additionally, the management is focused on augmenting the contribution of value-added products, aiming to expand realizations and margins in this segment.

- Consolidated revenue reached Rs 6.07 billion, demonstrating a robust growth of 23% YoY and 28% QoQ. However, EBITDA margins were at 8.4%, a decrease compared to 9.9% in Q2FY23 and an increase from 6.3% in Q1FY24. The absolute EBITDA amounted to Rs 513 million, showing a growth of 5% YoY and a substantial 72% QoQ increase.
- Net profit stood at Rs 140 million, reflecting a decline of 41% YoY. This decrease was largely attributed to higher depreciation and finance costs associated with the MDF plant. Despite the challenges in net profit, the company experienced significant growth in revenue and EBITDA, indicating a mixed performance in different financial aspects.
- In the Plywood segment, which constitutes 85% of the revenue, the company achieved record volumes of 19.1 million square meters, marking a growth of 11% YoY and 17% QoQ. Revenue increased by 5% YoY and 13% QoQ, reaching Rs 5.18 billion. The Average Selling Price (ASP) stood at Rs 250, compared to Rs 248/Rs 249 in Q2FY23/Q1FY24, respectively. Gross profit (GP) margins came in at 36%, showing a contraction from 38%/40% in Q2FY23/Q1FY24, mainly due to a change in the product mix. EBITDA margins for the Plywood segment were at 8%, compared to 10.6%/8.7% in Q2FY23/Q1FY24, respectively.
- In the MDF segment, representing 15% of the revenue, volumes reached 31,019 cubic meters, a significant increase from 6,062 cubic meters in the previous quarter. Revenue stood at Rs 890 million compared to Rs 181 million in the previous quarter, which was the first full operational quarter. The ASP for MDF was Rs 28,692/cbm, slightly lower than Rs 29,858/cbm. The segment reported an EBITDA profit of Rs 140 million, a turnaround from a loss of Rs 73 million in the previous quarter. This indicates a positive performance in the MDF segment, marked by increased volumes and profitability.

### Key Strengths

The company has achieved an impressive profit growth of 49.70% over the past three years and significantly reduced its debt by 25.30 Crore. Maintaining a healthy Return on Capital Employed (ROCE) at 21.78% during this period reflects effective capital utilization. Notably, the company is virtually debt-free, signifying a strong financial position, and boasts a robust Interest Coverage Ratio of 21.84, demonstrating its ability to comfortably meet interest obligations. These financial indicators collectively portray the company's sound financial health and efficient management.

### Key Risks

The company has experienced a modest revenue growth of 9.03% over the past three years. However, there is a notable concern as it carries substantial contingent liabilities totaling 593.90 Crore, which may pose financial risks.

### Quarterly Result

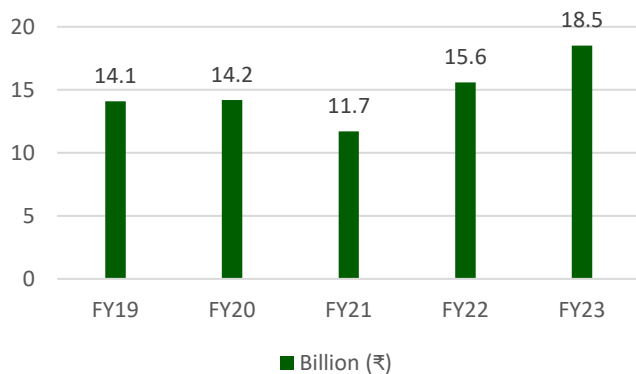
Particulars	Rs Cr.			
	DEC 2022	MAR 2023	JUN 2023	SEP 2023
Net Sales	399.36	417.49	404.76	465.92
Total Expenditure	368.74	381.67	378.50	436.04
Operating Profit	30.62	35.82	26.26	29.88
Other Income	5.66	12.80	6.38	6.91
Interest	1.08	2.22	1.71	1.60
Depreciation	5.24	5.38	5.25	5.48
Profit Before Tax	39.57	24.64	25.68	29.72
Profit After Tax	47.94	14.09	19.15	22.09
Tax	-8.37	10.55	6.52	7.63
Adjusted EPS	3.90	1.15	1.55	1.79

## Highlights

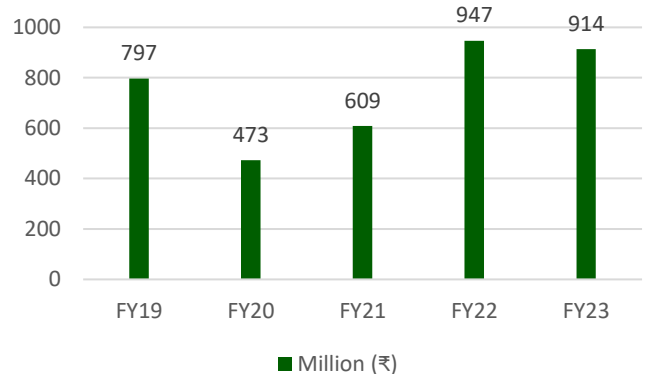
1. Management reiterated their guidance of 8-10% volume growth in Plywoods and aims to achieve 100,000 cubic meters in MDF sales for FY24.
2. The company expects timber prices to stabilize at current levels, and with price hikes implemented in Aug-Sep'23, they anticipate improved margins.
3. Margins were under pressure due to a one-time expense of Rs 32 million, which is non-recurring. Margins for MDFs are expected to improve sequentially over the next two quarters.
4. The Gabon business continues to face challenges, and the management does not foresee a major turnaround in this fiscal year.
5. The company mentioned that peak debt will be Rs 7.5 billion, and the management is comfortable with a Debt-to-Equity ratio at 1x.
6. Plywood growth was mainly in the Value segment, with the premium segment remaining subdued. The Value segment contributed 43% of plywood sales compared to 37% in Q2FY23.
7. The management plans to invest Rs 3-3.5 billion (50-50 JV with SAMET) over the next 4-5 years for the furniture hardware business, with plans to commence the plant by Q1FY25.
8. In MDFs, the company will focus on the West and North regions (75% of this segment) and aims to significantly grow the share of value-added products.
9. The company has 300+ dealers for MDFs, with 80% being new partners. Current MDF prices are similar to organized peers, and from the next fiscal year, prices will align with industry levels.
10. For sustainable timber supply, Greenply has planted 27 million saplings before commencing the plant, and in the current fiscal year, they have already planted 15 million saplings.
11. Advertisement spends stood at 4.1% of sales in H1FY24 compared to 3.1% in FY23.
12. Net debt stood at Rs 7.13 billion, and Net Debt/Equity came in at 1.09.
13. Working capital days stood at 48, compared to 44/63 in Q2FY23/Q1FY24, respectively.
14. Volume breakup for the quarter: Own/JV/Outsourced constituted 53%/4%/43% compared to 50%/8%/42% in Q2FY23 and 55%/6%/39% in Q1FY24, respectively.
15. Revenue breakup for the quarter: Own/JV/Outsourced contributed 63%/4%/33% compared to 60%/7%/33% in Q2FY23 and 64%/5%/31% in Q1FY24, respectively.

## Financials

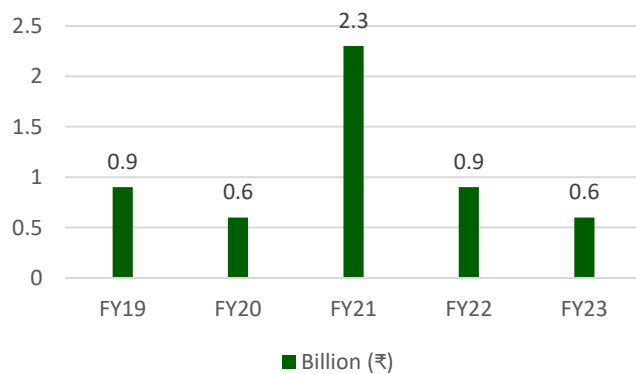
### Revenue



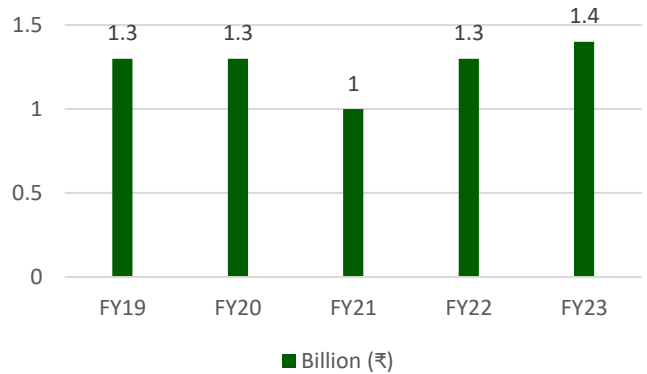
### Net Income



### Operating Cash Flow



### Operating Income



## About The Company

Greenply Industries Ltd., headquartered in Kolkata, West Bengal, is a company primarily engaged in the manufacturing and trading of plywood and related products. The company's product portfolio includes plywoods and blockboards, decorative veneers, flush doors, specialty plywood, and polyvinyl chloride (PVC) products. Notable brand names associated with their offerings include Green, Optima G, Ecotec, Bharosa Ply, Jansathi, Wood Crests, Royal Crown, Kohl Forest, Burma Teak, and Engineered Veneers. The company caters to diverse needs, producing specialty plywood for various applications, including automotive, railways, and construction-specific uses. Additionally, Greenply Industries markets PVC boards, doors, and plastic sections under the brand name Green Ndure.

## Key Risks

The key risks to the company's performance include regulatory concerns related to the sourcing of raw materials, particularly wood, which is a crucial component for plywood production. Any regulatory restrictions on the procurement of wood or face veneer could adversely impact profit margins. Another significant risk is the potential for a sharp increase in raw material prices; if the company is unable to pass these higher costs on to consumers, it may negatively affect profitability. Additionally, a prolonged slowdown in the housing market represents a notable risk, as it could impact the company's growth prospects. Finally, the company is exposed to the risk of rate hikes; in a high-interest-rate environment, there may be a slowdown in real estate demand, influencing the overall performance of the business.

## Additional Data

### Key management personnel

Rajesh Mittal	Chairman Cum Managing Director
Sanidhya Mittal	Joint Managing Director
Manoj Tulsian	Joint Managing Director and CEO
Indranil Roy	Chief Sales and Business Officer

## Top Shareholders

Sr. No.	Holder Name	Holding (%)
1	Bandhan Hybrid Equity Fund	2.25
2	Canara Robeco Mutual Fund	1.67
3	HDFC Trustee Compant Ltd	8.94
4	HSBC Small Cap Fund	2.31
5	SBI Contra Fund	9.97
6	Tata Mutual Fund	4.88



