

## Greenply Industries

BUY

## MDF Disruptions Weigh on Margins and Profitability

## Summary

Greenply's Q3FY26 profitability was below our expectations. Revenue grew 10% YoY to Rs6.7bn, driven by robust growth in MDF segment. EBITDA increased by 9% YoY to Rs589mn, with EBITDA margin remaining flat YoY at 8.7%, impacted by production glitches at MDF plant. PAT declined by 25% YoY to Rs182mn. Net debt increased by Rs170mn QoQ to Rs5.2bn, and is expected to further rise to Rs6-6.5bn by Mar'27. Greenply plans to add a new MDF line by Q2FY28, which will increase capacity by 700 CBM/day with a capex outlay of Rs4.25bn and a peak revenue potential of Rs6bn. We roll over to FY28E estimates and value the stock at PER of 20x FY28E EPS estimates to derive at TP of 341. We maintain BUY rating on the stock.

## Key Highlights and Investment Rationale

- Steady plywood performance:** Plywood revenue grew 9% YoY to Rs5.2bn, driven by a 13% increase in volumes, while NSR fell 5% YoY due to higher share of mid-segment products. EBITDA margin increased by 44bps YoY to 8.9%, driven by improved operational efficiencies. Management expects to achieve double digit to mid teen volume growth going forward.
- Margin pressure in MDF segment:** MDF revenue grew 13% YoY, led by 14% YoY volume growth, realisations fell 1% YoY. However, EBITDA margin contracted by 42bps YoY to 10.1%, owing to the operational glitches affecting production for nearly two months. Management expects 20%+ YoY volume growth as operations normalize, with EBITDA margins of 16% in Q4FY26. Commercial production for the HDF flooring line, as well as the PVC and WPC plants, is scheduled to commence by Mar'26. The new MDF line at Vadodara is expected to give 16%-18% ROCE. The furniture hardware joint venture is expected to turn profitable by FY28, aided by strong growth and a transition to local manufacturing.

TP	Rs344	Key Stock Data	
<b>CMP</b>	<b>Rs220</b>	Bloomberg / Reuters	MTLM IN / GRPL.BO
Potential upside	56%	Sector	Plywood Boards/ Laminates
Previous Rating	HOLD	Shares o/s (mn)	125
Price Performance (%)		Market cap. (Rs mn)	27,513
	-1m -3m -12m	3-m daily average value (Rs mn)	4.4
Absolute	(17.3) (26.4) (27.4)	52-week high / low	Rs351 / 215
Rel to Sensex	(14.8) (26.2) (33.8)	Sensex / Nifty	83,314 / 25,643

V/s Consensus				Shareholding Pattern (%)	
EPS (Rs)	FY26E	FY26E	FY28E	Promoters	51.8
IDBI Capital	7.2	11.0	14.9	FII	4.3
Consensus	9.3	14.6	18.2	DII	31.0
% difference	(23.0)	(24.9)	(18.0)	Public	12.9

## Financial snapshot

Year	FY24	FY25	FY26E	FY27E	FY28E
Revenue	21,799	24,876	26,794	30,197	34,062
Change (yoy, %)	31.1	14.1	7.7	12.7	12.8
EBITDA	1,868	2,377	2,492	3,141	3,679
Change (yoy, %)	21.2	27.2	4.9	26.0	17.1
EBITDA Margin(%)	8.6	9.6	9.3	10.4	10.8
Adj.PAT	717	917	895	1,370	1,860
EPS (Rs)	5.7	7.3	7.2	11.0	14.9
Change (yoy, %)	(25.6)	27.9	(2.4)	53.0	35.8
PE(x)	39.1	30.6	31.3	20.5	15.1
Dividend Yield (%)	0.2	0.2	0	0	0
EV/EBITDA (x)	17.7	13.7	13.4	10.7	9.2
RoE (%)	10.6	12.1	10.1	13.6	15.7
RoCE (%)	10.2	13.8	12.8	14.8	15.7

Source: IDBI Capital Research

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**Exhibit 1: Quarterly Snapshot (Consolidated)**

(Rs mn)

Year-end: March	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)
<b>Net sales</b>	<b>6,886</b>	<b>6,008</b>	<b>14.6</b>	<b>6,405</b>	<b>7.5</b>
Expenditure	6,318	5,392	17.2	5,829	8.4
<b>EBITDA</b>	<b>568</b>	<b>616</b>	<b>(7.9)</b>	<b>576</b>	<b>(1.5)</b>
<i>EBITDA margin (%)</i>	8.2	10.3	-201bps	9.0	-75bps
Interest	135	185	(27.1)	145	(6.7)
Depreciation	158	154	3.0	151	5.0
<b>PBT</b>	<b>292</b>	<b>453</b>	<b>(35.6)</b>	<b>301</b>	<b>(2.9)</b>
Tax	73	77	(5.1)	81	(9.3)
<b>Reported PAT</b>	<b>160</b>	<b>285</b>	<b>(43.8)</b>	<b>176</b>	<b>(9.0)</b>
<b>Adjusted PAT</b>	<b>160</b>	<b>240</b>	<b>(33.5)</b>	<b>176</b>	<b>(9.0)</b>
<b>Diluted EPS</b>	<b>1.3</b>	<b>2.3</b>	<b>(43.8)</b>	<b>1.4</b>	<b>(9.0)</b>

Source: Company; IDBI Capital Research

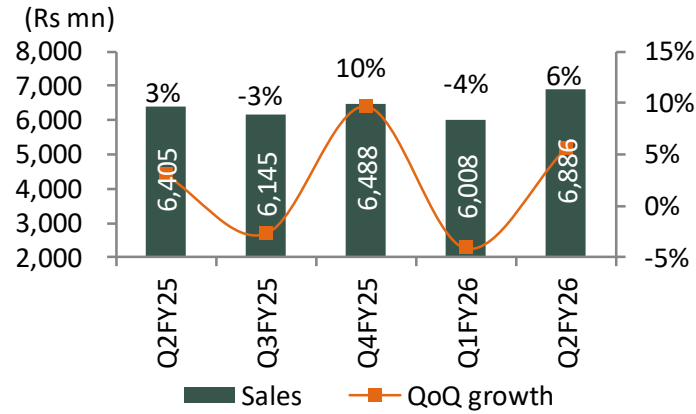
**Exhibit 2: Actual vs. Estimates**

(Rs mn)

	Q3FY26E	Q3FY26A	Variance (%)
<b>Net sales</b>	<b>6,888</b>	<b>6,886</b>	<b>(0.0)</b>
EBTIDA	679	568	(16.3)
<i>Margin (%)</i>	9.9	8.2	-161bps
<b>Adj. PAT</b>	<b>244</b>	<b>160</b>	<b>(34.4)</b>
Adj. diluted EPS (Rs)	2.0	1.3	(34.4)

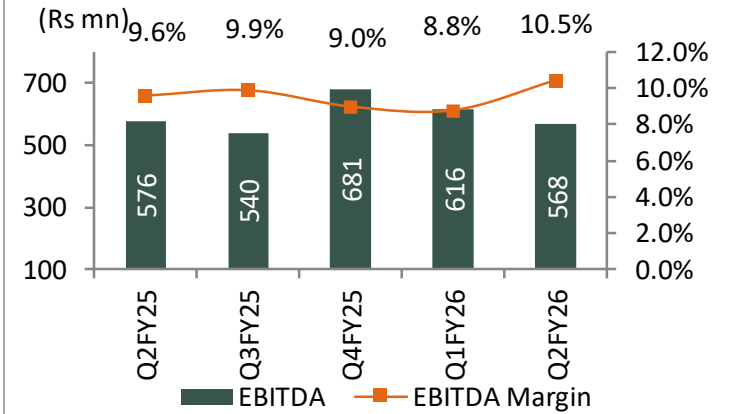
Source: Company; IDBI Capital Research

**Exhibit 3: Consolidated Revenue**



Source: Company; IDBI Capital Research

**Exhibit 4: Consolidated EBITDA and EBITDA Margins**



Source: Company; IDBI Capital Research

## Conference call highlights

### Business overview

- Consolidated net debt was Rs510 crores at the end of Q2, expected to reduce with inventory liquidation. The debt/equity ratio is projected to remain near 0.5 despite further Capex in H2. Contingent liability related to Greenply Middle East was reduced from Rs32 crores to approximately Rs24 crores.

### Plywood Business Segment

- Average realization per square meter decreased 3.5% YoY to Rs242 due to significant demand for mid-value segments.
- Management is confident of achieving 10% plus volume growth in H2 FY26. H2 margins are expected to be better than H1 margins. If volume growth exceeds 15% in H2, the margin could potentially touch 10% plus.
- Communication has been extended to the value segment (Ecotech), positioning the brand with a focus on practicality and smart spending.

### MDF Business Segment

- The margin was moderate at 8.3% due to a temporary shutdown for expansion. The margin decline was a one-off event caused by: under-absorption of overheads from reducing inventory, liquidation of old/slow-moving inventory at high discounts, and consumption of outsourced material. Capacity utilization in Q2 was about 70%.
- Manufacturing capacity was successfully expanded from 800 cbm per day to 1,000 cbm per day during Q2.
- Management expects a strong rebound and is confident of achieving double-digit margins in the range of 16% plus. This is supported by normalized operations and higher operating efficiencies, which are expected to offset price pressures and rising resin costs. Higher double-digit volume growth is anticipated.

### Strategic Initiatives and Other Updates

- Implementation is gradually progressing, leading to a favorable environment for organized players. Imports of both MDF and plywood have significantly reduced to 3% to 4% of last year's numbers, which is the first level of improvement.

- Furniture & Fittings JV Q2 sales were Rs11.4 crores. The JV incurred a PAT loss of Rs11.8 crores in Q2, as the company continues to invest significantly in brand building. The H2 FY26 revenue target is Rs25 crores plus, with an aggressive target of Rs100 crores turnover for the full next year (FY27).
- The estimated full-year FY26 Capex is Rs155 to Rs160 crores, including JV investments. H2 Capex (Rs100–Rs110 crores) covers plywood process improvements, line balancing, PVC plant construction, and further JV investment.
- A decision on the next significant leg of MDF capacity expansion, required to sustain growth in FY28, needs to be finalized within the next five to six months.
- HDF Flooring trials are currently underway, with commercial sales expected to begin in early December.

**Exhibit 5: Change in estimates**

	FY26E			FY27E			FY28E
	Old	New	(%) Chg	Old	New	(%) Chg	New
Revenue (Rs bn)	26,665	26,794	0.5	30,065	30,197	0.4	34,062
EBITDA (Rs bn)	2,693	2,492	(7.5)	3,307	3,141	(5.0)	3,679
<i>EBITDA margin (%)</i>	<i>10.1</i>	<i>9.3</i>	<i>-80bps</i>	11.0	10.4	<i>-60bps</i>	10.8
Adj. Net profit (Rs bn)	1,042	895	(14.1)	1,719	1,370	(20.3)	1,860
Adj. EPS (Rs)	8.3	7.2	(14.1)	13.8	11.0	(20.3)	14.9

Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Net sales</b>	<b>16,631</b>	<b>21,799</b>	<b>24,876</b>	<b>26,794</b>	<b>30,197</b>	<b>34,062</b>
<i>Change (yoy, %)</i>	6.4	31.1	14.1	7.7	12.7	12.8
Operating expenses	(15,090)	(19,931)	(22,499)	(24,302)	(27,057)	(30,384)
<b>EBITDA</b>	<b>1,541</b>	<b>1,868</b>	<b>2,377</b>	<b>2,492</b>	<b>3,141</b>	<b>3,679</b>
<i>Change (yoy, %)</i>	3	21	27	5	26	17
<i>Margin (%)</i>	9.3	8.6	9.6	9.3	10.4	10.8
Depreciation	(260)	(545)	(601)	(642)	(750)	(862)
<b>EBIT</b>	<b>1,282</b>	<b>1,323</b>	<b>1,775</b>	<b>1,850</b>	<b>2,391</b>	<b>2,817</b>
Interest paid	(91)	(433)	(431)	(503)	(552)	(576)
Other income	172	139	165	200	215	230
<b>Pre-tax profit</b>	<b>1,252</b>	<b>1,150</b>	<b>1,170</b>	<b>1,251</b>	<b>1,842</b>	<b>2,428</b>
Tax	(192)	(298)	(253)	(350)	(472)	(568)
<i>Effective tax rate (%)</i>	15.3	25.9	21.6	28.0	25.6	23.4
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>1,060</b>	<b>852</b>	<b>917</b>	<b>901</b>	<b>1,370</b>	<b>1,860</b>
Exceptional items	96	135	-	6	-	-
<b>Adjusted net profit</b>	<b>964</b>	<b>717</b>	<b>917</b>	<b>895</b>	<b>1,370</b>	<b>1,860</b>
<i>Change (yoy, %)</i>	2	(26)	28	(2)	53	36
EPS	7.7	5.7	7.3	7.2	11.0	14.9
Dividend per share	0.5	0.5	0.5	1.0	1.0	1.0
<i>Dividend Payout (%)</i>	6.4	8.6	6.7	14.0	9.1	6.7

**Balance Sheet**

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Shareholders' funds</b>	<b>6,438</b>	<b>7,094</b>	<b>8,086</b>	<b>8,863</b>	<b>10,108</b>	<b>11,843</b>
Share capital	123	124	125	125	125	125
Reserves & surplus	6,315	6,970	7,962	8,738	9,983	11,718
<b>Total Debt</b>	<b>6,620</b>	<b>5,246</b>	<b>4,883</b>	<b>5,383</b>	<b>5,883</b>	<b>5,883</b>
Other liabilities	250	160	163	163	6,046	6,046
<b>Curr Liab &amp; prov</b>	<b>3,502</b>	<b>4,137</b>	<b>6,387</b>	<b>6,392</b>	<b>7,216</b>	<b>7,989</b>
Current liabilities	3,361	4,029	6,244	6,248	7,072	7,845
Provisions	141	108	143	143	143	143
<b>Total liabilities</b>	<b>10,372</b>	<b>9,543</b>	<b>11,433</b>	<b>11,937</b>	<b>13,118</b>	<b>13,891</b>
<b>Total equity &amp; liabilities</b>	<b>16,810</b>	<b>16,639</b>	<b>19,522</b>	<b>20,803</b>	<b>23,229</b>	<b>25,737</b>
Net fixed assets	9,143	8,219	8,449	9,356	10,732	11,995
Investments	-	-	-	-	-	-
Other non-curr assets	1,138	1,504	1,841	1,747	1,535	1,493
<b>Current assets</b>	<b>6,529</b>	<b>6,916</b>	<b>9,232</b>	<b>9,700</b>	<b>10,962</b>	<b>12,249</b>
Inventories	2,784	3,478	5,179	5,579	6,288	7,092
Sundry Debtors	2,287	2,490	3,233	3,450	3,888	4,386
Cash and Bank	314	224	247	97	212	196
Other current assets	1,143	724	574	574	574	574
<b>Total assets</b>	<b>16,810</b>	<b>16,639</b>	<b>19,522</b>	<b>20,803</b>	<b>23,229</b>	<b>25,737</b>

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Pre-tax profit	1,252	1,150	1,170	1,251	1,842	2,428
Depreciation	365	638	605	642	750	862
Tax paid	(36)	(376)	(294)	(350)	(472)	(568)
Chg in working capital	(1,200)	(648)	(133)	(613)	(466)	(529)
Other operating activities	242	345	1,179	302	211	42
<b>Cash flow from operations (a)</b>	<b>622</b>	<b>1,109</b>	<b>2,526</b>	<b>1,232</b>	<b>1,865</b>	<b>2,235</b>
Capital expenditure	(4,117)	(1,229)	(733)	(1,550)	(2,125)	(2,125)
Chg in investments	(65)	(167)	(636)	(207)	-	-
Other investing activities	96	(31)	(101)	-	-	-
<b>Cash flow from investing (b)</b>	<b>(4,085)</b>	<b>(1,427)</b>	<b>(1,470)</b>	<b>(1,757)</b>	<b>(2,125)</b>	<b>(2,125)</b>
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	3,640	1,204	(375)	500	500	-
Dividend (incl. tax)	(61)	(62)	(62)	(125)	(125)	(125)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(401)	(671)	(393)	-	-	-
<b>Cash flow from financing (c)</b>	<b>3,177</b>	<b>471</b>	<b>(829)</b>	<b>375</b>	<b>375</b>	<b>(125)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(286)</b>	<b>153</b>	<b>227</b>	<b>(150)</b>	<b>115</b>	<b>(15)</b>

### Financial Ratios

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Book Value (Rs)	52	57	65	71	81	95
Adj EPS (Rs)	7.7	5.7	7.3	7.2	11.0	14.9
Adj EPS growth (%)	1.8	-25.6	27.9	-2.4	53.0	35.8
EBITDA margin (%)	9.3	8.6	9.6	9.3	10.4	10.8
Pre-tax margin (%)	7.5	5.3	4.7	4.7	6.1	7.1
Net Debt/Equity (x)	1.0	0.7	0.6	0.6	0.6	0.5
ROCE (%)	12	10	14	13	15	16
ROE (%)	16	11	12	10	14	16
<b>DuPont Analysis</b>						
Asset turnover (x)	1.2	1.3	1.4	1.3	1.3	1.3
Leverage factor (x)	2.4	2.5	2.4	2.3	2.3	2.2
Net margin (%)	5.8	3.3	3.7	3.3	4.5	5.5
<b>Working Capital &amp; Liquidity ratio</b>						
Inventory days	61	58	76	76	76	76
Receivable days	50	42	47	47	47	47
Payable days	59	61	87	80	81	82

### Valuations

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
PER (x)	29.1	39.1	30.6	31.3	20.5	15.1
Price/Book value (x)	4.4	4.0	3.5	3.2	2.8	2.4
EV/Net sales (x)	2.1	1.5	1.3	1.2	1.1	1.0
EV/EBITDA (x)	22.3	17.7	13.7	13.4	10.7	9.2
Dividend Yield (%)	0.2	0.2	0.2	0.4	0.4	0.4

Source: Company; IDBI Capital Research

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**Key to Ratings Stocks:****BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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1. These terms and conditions, and consent thereon are for the research services provided by the Research Analyst (RA) and RA cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit RA to execute any trade on their behalf.
2. The fee charged by RA to the client will be subject to the maximum of amount prescribed by SEBI/ Research Analyst Administration and Supervisory Body (RAASB) from time to time (applicable only for Individual and HUF Clients).  
Note:
  - 2.1. The current fee limit is Rs 1,51,000/- per annum per family of client for all research services of the RA.
  - 2.2. The fee limit does not include statutory charges.
  - 2.3. The fee limits do not apply to a non-individual client / accredited investor.
3. RA may charge fees in advance if agreed by the client. Such advance shall not exceed the period stipulated by SEBI; presently it is one quarter. In case of pre-mature termination of the RA services by either the client or the RA, the client shall be entitled to seek refund of proportionate fees only for unexpired period.
4. Fees to RA may be paid by the client through any of the specified modes like cheque, online bank transfer, UPI, etc. Cash payment is not allowed. Optionally the client can make payments through Centralized Fee Collection Mechanism (CeFCoM) managed by BSE Limited (i.e. currently recognized RAASB).
5. The RA is required to abide by the applicable regulations/ circulars/ directions specified by SEBI and RAASB from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. The RA will endeavor to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.
6. Any assured/guaranteed/fixed returns schemes or any other schemes of similar nature are prohibited by law. No scheme of this nature shall be offered to the client by the RA.
7. The RA cannot guarantee returns, profits, accuracy, or risk-free investments from the use of the RA's research services. All opinions, projections, estimates of the RA are based on the analysis of available data under certain assumptions as of the date of preparation/publication of research report.
8. Any investment made based on recommendations in research reports are subject to market risks, and recommendations do not provide any assurance of returns. There is no recourse to claim any losses incurred on the investments made based on the recommendations in the research report. Any reliance placed on the research report provided by the RA shall be as per the client's own judgement and assessment of the conclusions contained in the research report.
9. The SEBI registration, Enlistment with RAASB, and NISM certification do not guarantee the performance of the RA or assure any returns to the client.
10. For any grievances,  
Step 1: the client should first contact the RA using the details on its website or following contact details:  
(RA to provide details as per 'Grievance Redressal / Escalation Matrix')  
Step 2: If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at [www.scores.sebi.gov.in](http://www.scores.sebi.gov.in)  
Step 3: The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at <https://smartodr.in>
11. Clients are required to keep contact details, including email id and mobile number/s updated with the RA at all times.
12. The RA shall never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. Never share such information with anyone including RA.