

February 6, 2026

## MDF margins to improve ahead!

**About the stock:** Greenply Industries (GIL) is one the leading players in the plywood business in India with capacity of 52.8 mn sq. mt. per annum. It has a dealer distribution network of 3000+ pan-India.

- It has MDF boards manufacturing at Vadodara, Gujarat of 1000 CBM/day. It is adding capacity in plywood segment and MDF segment which will take total capacity to 66.3 Mn Sqm/annum and 1700 CBM/day, respectively.

**Q3FY26 Performance:** Greenply Industries reported a 9.6% YoY growth in consolidated revenue at ₹673.4 crore. The MDF segment revenues at ₹151.9 crore, was up 12.9% YoY, with volumes of 48,383 CBM, a growth of 14.5% YoY, and realizations down 1.5% YoY. The plywood revenue at ₹521.7 crore, was up 9% YoY, with volumes up 12.6% YoY at 20.5 MSM. Consolidated EBITDA at ₹58.9 crore, was up 9% YoY with EBITDA margins at 8.7%, flattish YoY. MDF margins stood at 10.1%, down 30 bps YoY, impacted by ~200 bps due to deficit in production in initial months of Q3, while plywood margins remained broadly stable at 8.4%, flat YoY. PAT came in at ₹14.3 crore, down 41.4% YoY, also impacted by ₹3.5 crore on account one-time impact due to implementation of new labour code.

## Investment Rationale

- MDF segment growth/margins to ramp up ahead:** The company announced capacity expansion by 600-700 CBM/Day, expected to be completed by Q2FY28 at Vadodara, Gujarat Plant at a capex of ₹425 crore and a revenue potential of ₹600 crore. The management attributed the weakness in MDF margins was due to slower production ramp up and trading activity in Q3. With operations now normalized the management, guided for healthy double digit volume growth driving operating leverage, with guidance of 16%+ margins. We bake in MDF revenues to reach ₹821 crore in FY28 (~15.7% CAGR over FY25-28) with margins of 14% in FY27/28. For Plywood, management reiterated double digit growth outlook (as stated earlier) for H2FY26. We bake 8.7% CAGR over FY25-28 in Plywood revenues to ₹ 2513 crore in FY28.
- Margins to inch up with MDF growth:** With ramp up in MDF growth and steady Plywood segment, we expect, the overall margins to expand to 10.6% in FY28 vs. 9.6% in FY25. This will result in earnings CAGR of ~19.4% over FY25-28E which will drive improvement in return ratios with ROCE likely to expand to 15.6% in FY28.

## Rating and Target Price

- The implementation of BIS norms and consumer preference for branded products should aid growth of MDF and plywood segments in medium term
- We maintain BUY with a revised TP of ₹275, valuing at 22x FY28 P/E

## Key Financial Summary

(₹ Crore)	FY23	FY24	FY25E	5 yr CAGR (FY20-25)	FY26E	FY27E	FY28E	3 yr CAGR (FY25-28E)
Net Sales	1845.6	2179.9	2487.6	11.9%	2676.5	2968.6	3334.3	10.3%
EBITDA	169.1	186.8	237.7	8.8%	249.0	296.8	354.0	14.2%
Net Profit	91.4	70.0	91.6	14.2%	76.1	111.8	155.9	19.4%
EPS (₹)	7.4	5.7	7.3		6.1	9.0	12.5	
P/E (x)	30.9	40.7	31.3		37.7	25.7	18.4	
EV/EBITDA (x)	20.7	18.1	14.0		13.7	12.0	10.1	
RoCE (%)	11.1	11.7	14.8		14.0	14.6	15.6	
RoE (%)	12.7	10.1	11.3		8.6	11.2	13.5	

Source: Company, ICICI Direct Research



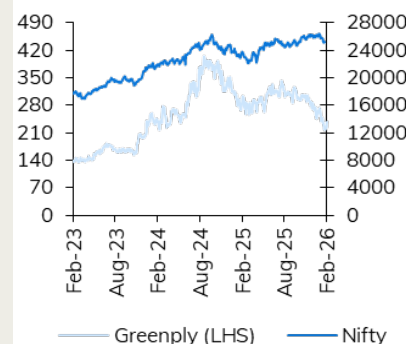
## Particulars

Particulars	(₹ crore)
Market Cap	2,763
Total Debt	510
Cash	528
EV	2,745
52 week H/L (₹)	369 / 245
Equity capital	12.3
Face value (₹)	1.0

## Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	51.7	51.7	51.7	51.7
FII	5.4	4.5	4.5	4.5
DII	31.1	32.4	32.4	32.4
Other	11.8	11.4	11.4	11.4

## Price Chart



## Key risks

- Slowdown in demand.
- Spike in Input costs.

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## Performance highlights and outlook

- **Guidance:** The management guided for digit volume growth in plywood and 20%+ volume growth and margins return back to 16%+ by Q4 in MDF segment. They expect mid teen volumes growth of MDF in medium term
- **Plywood Business:** Revenue for Q3FY26 stood at ₹521.7 crore, up 9% YoY, with volume of 20.5 MSM posting growth of 12.5% YoY, even as average realization moderated 4.9% YoY to ₹244 per sq. m due to a higher contribution from mid-value products. Core EBITDA increased 8% YoY to ₹43.6 crore, improving by +20bps to 8.4% margin, flat YoY.
- **MDF Business:** The MDF capacity is now 1000CBM/Day post expansion completion in Q2, with this the company's share in domestic market is now ~7%. The MDF business delivered a healthy revenue performance in Q3FY26, with revenue rising 12.8% year-on-year to ₹151.9 crore and volumes up 14.5% to 48,383 CBM, supported by healthy demand and a capacity utilization of 71%. EBITDA was ₹15.4 crore up 8.6% YoY with margins at 10.1%, down 30bps YoY, partially affected due to trading of MDF to bridge gap between demand and slowly picking up production post capex, which diluted segment margins by ~200 bps. January saw record high production, indicating normalization of the of operations. With the plant now running at steady state, the company expects margins to rebound to around 16%. The management announced capacity expansion by 700 CBM/Day, expected to be completed by Q2FY28 at Vadodara, Gujrat Plant at a capex of ₹425 crore.
- **Furniture and Fittings JV:** In Q3FY26, The Furniture & Fittings JV reported ₹13.4 crore revenue. The venture recorded a PAT loss of ~₹15 crore for the quarter (Company's share: ₹7.7 crore), translating into a 9MFY26 loss of ₹37.9 crore (Company's share: ₹19 crore). Elevated losses were majorly attributable towards increase advertisement expenses. The company appointed 98 dealers in Q3, taking total active dealers count to 472. Recall, it is targeting ₹25-30 crore turnover in H2FY26 implying a full-year turnover of roughly ₹50 crore and an aggressive ramp-up to ₹100 crore in FY27 as distribution expands and brand visibility improves. Losses are expected to narrow as operating leverage kicks in.
- **Capex:** The management noted that at Odisha plywood plant, out of total capex of ₹130 crore, ~₹30 crore have been already incurred, this plant is expected to be operational by Q4FY27. Additionally, it has announced capex of ₹400 crore, at Vadodara MDF plant having revenue potential of ₹600 crore, which is expected to be completed by Q2FY28.
- **Debt:** The company's net debt as of Q3FY26 stood at ₹528 crore, while Net-Debt/EBITDA stood at 0.6x. Despite planned capital expenditure, management remains confident of maintaining a comfortable Net-D/E ratio below 1x in long run, supported by disciplined working capital management and steady cash generation.
- **Working Capital:** The working days increased by 14 days YoY to 47 days, down 4 days QoQ. The company is taking measures including introduction of dealers financing to improve ROI and working capital cycle.

**Exhibit 1: Quarter Performance**

Particular	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Net Sales	673.4	614.5	9.6	688.6	-2.2	The MDF segment delivered revenue of ₹151.9 crore, up 12.9% YoY, on volumes of 48,383 CBM, a growth of 14.5% YoY, with realizations down 1.5% YoY. The plywood segment reported revenue of ₹521.7 crore, up 9% YoY, with volumes up 12.6% YoY at 20.5 MSM.
Other Income	1.0	2.7	-60.6	1.8	-40.2	
Material Consumed	302.2	259.0	16.7	248.1	21.8	
Purchase of Stock in Trade	145.7	156.2	-6.7	117.4	24.1	
Changes in Inventories of WIP	-47.4	-46.9	1.3	63.2	-175.1	
Employee Benefit Expenses	90.3	81.1	11.3	90.0	0.4	
Other Expenses	123.8	111.0	11.5	113.2	9.4	
EBITDA	58.9	54.0	9.0	56.8	3.8	
EBITDA Margin (%)	8.7	8.8	-5 bps	8.2	51 bps	
Depreciation	16.6	15.1	10.0	15.8	4.8	
Interest	9.8	5.1	92.6	13.5	-27.2	Plywood Volume (MSM)
PBT	33.5	36.5	-8.1	29.2	14.9	
Taxes	7.6	8.8	-13.7	7.3	3.9	
PAT	14.3	24.5	-41.4	16.0	-10.3	
Plywood Volume (MSM)	20.5	18.2	12.6	21.7	-5.5	
Realisation (₹/sq mt)	244.0	257.0	-5.1	242.0	0.8	
MDF Volume (CBM)	48,383	42,259	14.5	47,018	2.9	
Realisation (₹/MSM)	31,385	31,850	-1.5	31,161	0.7	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in Estimates**

(₹ Crore)	FY26E			FY27E			FY28E	Comments
	Old	New	% Change	Old	New	% Change	New	
Revenue	2,684.7	2,676.5	-0.3	3,004.7	2,968.6	-1.2	3,334.3	Realign estimates
EBITDA	269.5	249.0	-7.6	322.0	296.8	-7.8	354.0	
EBITDA Margin (%)	10.0	9.3	-73 bps	10.7	10.0	-72 bps	10.6	
PAT	128.6	76.1	-40.8	174.9	111.8	-36.1	155.9	Bake in higher interest costs and lower margins
EPS (₹)	10.3	6.1	-40.8	12.0	9.0	-36.1	12.5	

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 3: Profit and loss statement ₹ crore

(₹ Crore)	FY25	FY26E	FY27E	FY28E
Net Sales	2,487.6	2,676.5	2,968.6	3,334.3
Gross Profit	1,003.4	1,069.9	1,187.0	1,336.4
Employee expenses	316.0	347.9	362.2	406.8
Other Expenses	449.8	454.0	506.1	550.6
EBITDA	237.7	249.0	296.8	354.0
Interest	43.1	63.1	79.2	76.8
Depreciation	60.1	64.6	70.1	87.1
Other income	16.5	19.0	22.0	25.0
PBT	150.9	140.4	169.6	215.2
Taxes	25.3	32.3	42.7	54.2
PAT	91.6	76.1	111.8	155.9
EPS (Diluted)	7.3	6.1	9.0	12.5
Adjusted PAT	91.6	76.1	111.8	155.9

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(₹ Crore)	FY24	FY25E	FY27E	FY28E
Profit after Tax	70.0	91.6	111.8	155.9
Depreciation	54.5	60.1	70.1	87.1
Interest	43.3	43.1	79.2	76.8
Taxes	29.8	25.3	42.7	54.2
CF before wc changes	175.0	204.0	281.8	349.0
Cash generated from op.	163.9	166.0	226.0	279.2
Income Tax paid	29.8	25.3	42.7	54.2
Net CF from op. activities	134.2	140.7	183.3	225.0
Others	13.9	16.5	22.0	25.0
(Purchase)/Sale of FA	29.5	(83.1)	(275.8)	(180.0)
Net CF from Inv. activities	43.3	(66.6)	(253.8)	(155.0)
Others	(4.4)	7.5	-	-
Interest paid	(43.3)	(43.1)	(79.2)	(76.8)
Inc / (Dec) in Loans	(138.8)	(36.3)	140.0	10.0
Net CF from Fin. activities	(186.5)	(71.8)	60.8	(66.8)
Net Cash flow	(9.0)	2.3	(9.7)	3.2
Opening Cash	31.4	22.4	16.2	6.5
Closing Cash	22.4	24.7	6.5	9.7

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet ₹ crore

(₹ Crore)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	12	12	12	12
Reserve and Surplus	796	872	984	1,140
Total Shareholders funds	809	885	997	1,153
Total Debt	488	548	688	698
Deferred Tax Liability	1	1	1	1
Total Liabilities	1,313	1,450	1,701	1,867
Assets				
Gross Block	1,104	1,174	1,274	1,674
Less Acc. Dep	304	368	438	525
Net Block	801	806	836	1,149
Net Intangibles Assets	19	19	19	19
Capital WIP	44	44	220	-
Total Fixed Assets	864	869	1,075	1,168
Investments	67	67	67	67
Inventory	518	557	618	694
Sundry Debtors	323	381	423	475
Loans & Advances	4	4	4	4
Cash & Bank Balances	25	16	7	10
Other Current Assets	59	63	70	79
Total Current Assets	928	1,021	1,121	1,261
Trade Payable	535	499	553	621
Other Current Liabilities	89	89	89	89
Provisions	3	3	3	3
Net Current Assets	293	424	470	543
Total Assets	1,313	1,450	1,701	1,867

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

	FY25	FY26E	FY27E	FY28E
Per Share Data (₹)				
EPS - Diluted	7.3	6.1	9.0	12.5
Cash EPS	12.2	11.3	14.6	19.5
Book Value	64.8	70.9	79.8	92.3
Dividend per share	-	-	-	-
Operating Ratios (%)				
EBITDA / Net Sales	9.6	9.3	10.0	10.6
PAT / Net Sales	3.7	2.8	3.8	4.7
Inventory Days	55	58	76	76
Debtor Days	49	45	49	54
Creditor Days	69	69	94	83
Return Ratios (%)				
RoE	11.3	8.6	11.2	13.5
RoCE	14.8	14.0	14.6	15.6
RoIC	14.3	13.3	15.4	14.4
Valuation Ratios (x)				
EV / EBITDA	14.0	13.7	12.0	10.1
P/E (Diluted)	31.3	37.7	25.7	18.4
EV / Net Sales	1.3	1.3	1.2	1.1
Market Cap / Sales	1.2	1.1	1.0	0.9
Price to Book Value	3.6	3.2	2.9	2.5
Dividend Yield	-	-	-	-
Solvency Ratios (x)				
Net Debt / Equity	0.6	0.6	0.7	0.6
Net Debt / EBITDA	2.0	2.1	2.3	1.9
Current Ratio	1.4	1.7	1.7	1.7
Quick Ratio	0.6	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%

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