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Company update and
earnings revision

Wood Panel

Target price: Rs196

Earnings revision

(%)	FY21E	FY22E
Sales	↑ 0.5	↑ 4.7
EBITDA	↑ 9.9	↑ 12.9
PAT	↑ 10.7	↑ 16.5

Target price revision

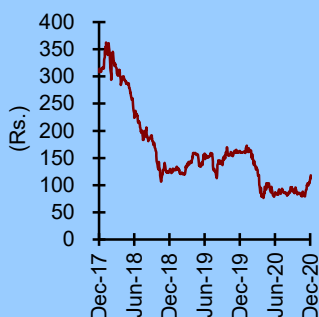
Rs196 from Rs135

Shareholding pattern

	Mar '20	Jun '20	Sep '20
Promoters	52.0	52.0	52.0
Institutional investors	33.7	33.8	31.3
MFs and other	22.4	22.6	23.8
Insurance	0.0	0.0	0.0
FII	11.3	11.2	7.5
Others	14.3	14.2	16.7

Source: NSE

Price chart



Research Analysts:

Nehal Shah

nehal.shah@icicisecurities.com
+91 22 6637 7235

Jigar Shah

jigar.shah@icicisecurities.com
+91 22 6637 7416

INDIA

ICICI Securities

Greenply Industries

BUY

Maintained

Rs118

A rerating candidate

Greenply Industries' (MTLM) is well geared to witness smart recovery in plywood volumes aided by: a) considerable balance sheet strengthening post Covid driven by the company's stricter control on receivables (which is likely to continue in the near term); and b) impressive recovery in secondary real estate market post Q2FY21 resulting in higher rate of occupation of premises. Standalone margins too are likely to improve considerably driven by operating leverage and sustained cost rationalisation measures. The likely sharp improvement in profitability, aggressive debt reduction (amid muted capex and strict working capital discipline) and its sustained focus on outsourcing is likely to push its consolidated RoCEs higher to >27% by FY23E. Maintain BUY.

- **Valuation and outlook.** The ongoing balance sheet strengthening and improving growth outlook in both the plywood and Gabon businesses post Q2FY21 is expected to drive impressive earnings recovery in FY22E/FY23E. While we increase our revenue / PAT expectations by 0.5% / 4.7% and 10.7% / 16.5% for FY21 / FY22 respectively, we roll forward our numbers to FY23. We expect MTLM to report overall revenue/PAT CAGRs of 18.5%/52.8% over FY21E-23E respectively. At CMP, the stock attractively trades at 12x Sep'22E earnings. With the likely sharp improvement in RoCEs going forward, we reiterate **BUY** on the stock with a revised target price of Rs196 (Rs135 earlier), valuing it at 20x Sep'22E earnings (18x earlier).
- **Material recovery in plywood volumes likely post-Q2FY21:** The prolonged nationwide lockdown and muted demand recovery in discretionary-based premium plywood and decorative veneer (DV) segments led to 47% decline in the company's plywood revenues in H1FY21. However, with considerable recovery witnessed in secondary real estate market in India post Q2FY21 and sharp correction seen in its receivables in the recent past, we expect the plywood volumes to recover faster (than anticipated earlier) amid considerably low base of FY21E. We also expect its standalone EBITDA margin to improve by 330bps to 13.1% in FY23E led by operating deleverage and recent cost rationalisation in particular.
- **Traction in Gabon business to continue:** MTLM commenced commercial veneer operations in Gabon, West Africa, in FY18 with an installed annual peeling capacity of 36,000-CBM per annum, which was fully utilised in FY20 itself. With the recently concluded expansion (capacity now at 96,000-CBM per annum), the Gabon subsidiary is likely to witness increasing exports of Okoume commercial veneers, particularly to European countries. While we expect Gabon revenues to grow in double digits over the next two years (19% revenue CAGR over FY21E-FY23E), its EBITDA margin is likely to improve gradually to 15% in FY23E from 13.3% in FY21E.
- **RoCEs likely to recover to >27% by FY23E led by sustained balance sheet improvement and strong traction in profitability.** Stricter working capital discipline (focus on curtailing receivables), increasing asset-light approach and muted capex over the next three years would drive strong FCF generation over FY21E-FY23E. We expect the consolidated entity to become net cash positive in FY23E. The expected traction in earnings and the consequent debt reduction is likely to drive 1,180bps improvement in its RoCEs to 27.4% in FY23E from 15.5% in FY21E. This we believe would result in rerating of the stock going forward.

Market Cap	Rs13.2bn/US\$180mn	Year to Mar	FY20	FY21E	FY22E	FY23E
Reuters/Bloomberg	GRPL.BO/MTLM IN	Revenue (Rs mn)	14,204	11,168	14,250	15,675
Shares Outstanding (mn)	122.6	Rec. Net Income (Rs mn)	473	574	1,069	1,340
52-week Range (Rs)	178/70	EPS (Rs)	7.9	4.7	8.7	10.9
Free Float (%)	48.0	% Chg YoY	22.0	(40.9)	86.1	25.4
FII (%)	7.5	P/E (x)	14.9	25.2	13.5	10.8
Daily Volume (US\$/000)	672	CEPS (Rs)	6.0	6.6	11.0	13.3
Absolute Return 3m (%)	29.5	EV/E (x)	10.9	13.5	8.3	6.5
Absolute Return 12m (%)	(27.5)	Dividend Yield (%)	0.3	0.5	0.5	0.5
Sensex Return 3m (%)	14.7	RoCE (%)	20.9	15.5	25.5	27.4
Sensex Return 12m (%)	11.0	RoE (%)	27.3	14.3	22.5	22.8

Please refer to important disclosures at the end of this report

Table 1: Change in estimates

	Old		New			Change	
	FY21E	FY22E	FY21E	FY22E	FY23E	FY21E	FY22E
Revenue	11111.2	13610.0	11,168.0	14,250.0	15,675.0	0.5%	4.7%
EBITDA	1050.2	1589.8	1,154.1	1,794.8	2,099.6	9.9%	12.9%
EBITDA margin (%)	9.5%	11.7%	10.3%	12.6%	13.4%	80bps	90bps
PAT	518.5	917.2	574.2	1,068.6	1,339.8	10.7%	16.5%
EPS	4.2	7.5	4.7	8.7	10.9	10.7%	16.5%

Source: Company data, I-Sec research

Financial summary

Table 2: Profit & Loss statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Net Revenues	14,204	11,168	14,250	15,675
Operating Expenses	12,648	10,014	12,455	13,575
EBITDA	1,556	1,154	1,795	2,100
% margins	11.0%	10.3%	12.6%	13.4%
Depreciation & Amortisation	257	234	285	295
Gross Interest	208	153	115	80
Other Income	20	26	20	20
Recurring PBT	1,112	794	1,415	1,745
Less: Taxes	134	184	331	405
Less: Minority Interest	-	-	-	-
Add: Share of Profit of Associates	(5)	(35)	(15)	-
Net Income (Reported)	972	574	1,069	1,340
Extraordinaries (Net)	(500)	-	-	-
Recurring Net Income	473	574	1,069	1,340

Source: Company data, I-Sec research

Table 3: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Assets				
Total Current Assets	6,189	5,002	6,099	7,280
of which cash & cash eqv.	103	210	289	1,136
Total Current Liabilities & Provisions	3,187	2,786	3,317	3,602
Net Current Assets	3,002	2,216	2,781	3,678
Investments	238	238	238	238
Net Fixed Assets	3,143	3,110	3,025	2,980
Capital Work-in-Progress	52	-	-	-
Goodwill	-	-	-	-
Total Assets	6,435	5,565	6,045	6,897
Liabilities				
Borrowings	2,656	1,300	800	400
Deferred Tax Liability	-	-	-	-
Minority Interest	-	-	-	-
Equity Share Capital	123	123	123	123
Face Value per share (Rs)	1	1	1	1
Reserves & Surplus*	3,656	4,142	5,123	6,374
Less: Misc. Exp. n.w.o.	-	-	-	-
Net Worth	3,779	4,265	5,245	6,497
Total Liabilities	6,435	5,565	6,045	6,897

*Excluding revaluation reserves

Source: Company data, I-Sec research

Table 4: Quarterly trend

(Rs mn, year ending March 31)

	Dec-19	Mar-20	Jun-20	Sep-20
Net revenues	3,460	3,447	1,327	2,955
% growth (YoY)	(1.0)	(12.0)	(62.0)	(22.3)
EBITDA	397	299	(28)	323
Margin (%)	11.5	8.7	(2.1)	10.9
Other income	2	13	2	11
Extraordinaries (Net)	-	(500)	-	-
Net profit	213	(215)	(113)	186

Source: Company data, I-Sec research

Table 5: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Cashflow	743	808	1,354	1,635
Working Capital Changes	191	704	(496)	(50)
Capital Commitments	(760)	(150)	(200)	(250)
Free Cashflow	175	1,362	657	1,335
Cashflow from Investing Activities	(16)	-	-	-
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	(107)	(1,356)	(500)	(400)
Dividend paid	(59)	(88)	(88)	(88)
Change in Deferred Tax Liability	(96)	190	10	-
Chg. in Cash & Bank balance	(103)	108	79	846

Source: Company data, I-Sec research

Table 6: Key ratios

(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
Per Share Data (in Rs.)				
EPS	7.9	4.7	8.7	10.9
Cash EPS	6.0	6.6	11.0	13.3
Dividend per share (DPS)	0.4	0.6	0.6	0.6
Book Value per share (BV)	30.8	34.8	42.8	53.0
Growth (%)				
Net Sales	0.6	-21.4	27.6	10.0
EBITDA	8.0	-25.8	55.5	17.0
PAT	22.0	-40.9	86.1	25.4
Cash EPS	-28.5	10.8	67.5	20.8
Valuation Ratios (x)				
P/E	14.9	25.2	13.5	10.8
P/CEPS	19.8	17.9	10.7	8.9
P/BV	3.8	3.4	2.8	2.2
EV / EBITDA	10.9	13.5	8.3	6.5
EV / Sales	1.2	1.4	1.1	0.9
Operating Ratios				
Raw Material / Sales (%)	59.8	60.8	58.5	57.7
Employee cost / Sales (%)	10.5	10.9	10.8	10.8
SG&A / Sales (%)	36.6	36.0	36.2	36.2
Other Income / PBT (%)	3.3	3.3	1.4	1.1
Effective Tax Rate (%)	22.0	23.2	23.4	23.2
Working Capital (days)	77.6	60.0	55.0	50.0
Inventory Turnover (days)	45.5	45.0	45.0	45.0
Receivables (days)	91.6	75.0	70.0	65.0
Payables (days)	59.5	60.0	60.0	60.0
Net D/E Ratio (x)	0.7	0.3	0.1	-0.1

Return/Profitability Ratios (%)

Net Income Margins	6.8	5.1	7.5	8.5
RoACE	20.9	15.5	25.5	27.4
RoAE	27.3	14.3	22.5	22.8
Dividend Payout	12.5	15.4	8.3	6.6
Dividend Yield	0.3	0.5	0.5	0.5
EBITDA Margins	11.0	10.3	12.6	13.4

Source: Company data, I-Sec research

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