

RESEARCH
Greenply Industries | Target: Rs 195 | +42% | BUY

Q3 beat as demand gains traction

MRF | Target: Rs 67,000 | -26% | SELL

Near-term headwinds persist; maintain SELL

SUMMARY
Greenply Industries

Greenply Industries' (GIL) consolidated Q3FY21 revenue dipped 2% YoY, bettering our estimate of a 6% drop. Though India operations declined 3% YoY, Gabon subsidiary revenue rose 15%. Operating margins increased 80bps YoY, causing EBITDA/PBT to rise 5%/18%. Management expects to see high-double-digit topline growth and sustained margin improvement in FY22. We raise FY21-FY23 EBITDA 3-19% to bake in a faster demand rebound than anticipated and better margins. On rollover, our Mar'22 TP rises to Rs 195 (from Rs 150).

[Click here for the full report.](#)
MRF

MRF delivered Q3FY21 revenue as per projections but above-expected gross margins led to a beat on both EBITDA (+58% YoY to Rs 9.6bn) and operating margins (21.1% vs. 16.2% estimated). Adj. PAT more than doubled to Rs 5.1bn. MRF's board has approved NCD borrowings of Rs 10bn in one or more tranches. We expect near-term pressure on operating performance from rising rubber & crude prices and estimate ~350bps EBITDA margin contraction over FY21-FY23. Our Mar'22 TP remains at Rs 67,000 based on 22x one-year fwd EPS.

[Click here for the full report.](#)
TOP PICKS
LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	1,000
GAIL	Buy	160
Petronet LNG	Buy	330
TCS	Buy	3,710
Tech Mahindra	Buy	1,130

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,750
Greenply Industries	Buy	195
Laurus Labs	Buy	480
Transport Corp	Buy	330
Mahanagar Gas	Sell	750

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.12	(3bps)	1bps	(51bps)
India 10Y yield (%)	6.01	(6bps)	14bps	(47bps)
USD/INR	72.85	0	0.5	(2.1)
Brent Crude (US\$/bbl)	61.47	0.6	9.8	10.2
Dow	31,438	0.2	1.1	6.4
Shanghai	3,655	1.4	2.4	24.9
Sensex	51,309	0	5.2	23.4
India FII (US\$ mn)	9 Feb	MTD	CYTD	FYTD
FII-D	11.8	(30.9)	(529.2)	(4,622.8)
FII-E	453.8	3,020.3	4,998.5	34,974.3

Source: Bank of Baroda Economics Research

BOBCAPS Research
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BUY

TP: Rs 195 | ▲ 42%

GREENPLY INDUSTRIES

Construction Materials

11 February 2021

Q3 beat as demand gains traction

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Flattish revenues: GIL's consolidated Q3 revenue dipped 2% YoY to Rs 3.4bn as India business declined 3% (volumes down 2.4%) to Rs 3.1bn. Face veneer operations at the Gabon subsidiary posted a healthy 15% YoY increase to Rs 303mn. GIL has seen good demand traction in the India plywood business in January with all major cities reopening. Management has guided for high-double-digit revenue growth in FY22 due to a low base. GIL also indicated that the Gabon subsidiary may face logistical challenges in the next 1-2 quarters.

Healthy margins: Consolidated operating margins increased 80bps YoY to 12.3%, yielding EBITDA/PBT growth of 5%/18% YoY. India plywood margins expanded 130bps YoY to 12% backed by higher gross margins, whereas Gabon operations saw 630bps contraction to 14.9% owing to an adverse product mix and higher logistics cost. Management has guided for further improvement in India margins and 13-14% levels for Gabon in FY22.

Maintain BUY: GIL's consolidated net debt has declined by Rs 1.75bn to Rs 827mn in 9MFY21, aided by reduction in debtors. The company is on track to be net debt-free by FY23. Alongside the significant improvement in balance sheet, management is guiding for better revenue growth and profitability. We raise FY21-FY23 PAT 8-27% and roll to a Mar'22 TP of Rs 195 (18x fwd P/E).

Ticker/Price	MTLM IN/Rs 137
Market cap	US\$ 230.6mn
Shares o/s	123mn
3M ADV	US\$ 1.4mn
52wk high/low	Rs 155/Rs 73
Promoter/FPI/DII	52%/2%/46%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	14,122	14,204	11,651	14,533	15,952
EBITDA (Rs mn)	1,507	1,562	1,192	1,806	2,038
Adj. net profit (Rs mn)	852	841	626	1,129	1,320
Adj. EPS (Rs)	6.9	6.9	5.1	9.2	10.8
Adj. EPS growth (%)	236.1	(1.3)	(25.6)	80.4	16.9
Adj. ROAE (%)	14.0	23.6	15.4	23.5	22.9
Adj. P/E (x)	19.7	20.0	26.8	14.9	12.7
EV/EBITDA (x)	14.5	13.7	16.1	10.3	8.6

Source: Company, BOBCAPS Research



SELL

TP: Rs 67,000 | ▼ 26%

MRF

| Auto Components

| 11 February 2021

Near-term headwinds persist; maintain SELL

MRF delivered Q3FY21 revenue as per projections but above-expected gross margins led to a beat on both EBITDA (+58% YoY to Rs 9.6bn) and operating margins (21.1% vs. 16.2% estimated). Adj. PAT more than doubled to Rs 5.1bn. MRF's board has approved NCD borrowings of Rs 10bn in one or more tranches. We expect near-term pressure on operating performance from rising rubber & crude prices and estimate ~350bps EBITDA margin contraction over FY21-FY23. Our Mar'22 TP remains at Rs 67,000 based on 22x one-year fwd EPS.

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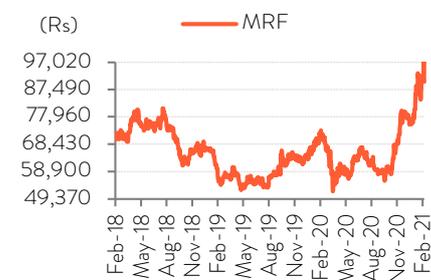
Healthy Q3: MRF's revenue was in line with projections at Rs 45.7bn (+14% YoY). Gross margin was far better than expected, improving 50bps QoQ against our estimate of a 460bps QoQ decline, while better operating efficiencies further supported EBITDA performance (+58% YoY to Rs 9.6bn). EBITDA margin thus expanded 590bps YoY to 21.1% (vs. 16.2% est.). Adj. PAT increased 116% YoY to Rs 5.1bn. MRF's board has approved raising funds via the issue of non-convertible debentures not exceeding Rs 10bn in one or more tranches.

Ticker/Price	MRF IN/Rs 90,085
Market cap	US\$ 5.2bn
Shares o/s	4mn
3M ADV	US\$ 55.4mn
52wk high/low	Rs 98,600/Rs 49,915
Promoter/FPI/DII	28%/5%/14%

Source: NSE

Near-term headwinds: With the >30% rise in both rubber and Brent crude prices from Q2FY21 levels, we anticipate gross margin deterioration for tyre companies (see our recent report [Spiking RM costs to puncture earnings](#)). To mitigate this impact, players will have to effect price hikes of over 15% which looks difficult. We forecast an EBITDA margin decline of ~350bps for MRF over FY21-FY23 (from 18.5% in FY21E).

STOCK PERFORMANCE



Maintain SELL: Our revenue/EBITDA/earnings CAGR projections remain at 16%/4%/2% over FY21-FY23 and we maintain our Mar'22 TP at Rs 67,000, based on an unchanged 22x target P/E. The stock has rallied 18% over the last three months, raising valuations to 32x FY22E EPS which limits upsides. SELL.

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	158,370	159,911	157,078	192,002	212,354
EBITDA (Rs mn)	22,504	23,237	29,088	28,394	31,763
Adj. net profit (Rs mn)	10,969	13,950	12,429	11,737	12,983
Adj. EPS (Rs)	2,587.0	3,290.0	2,931.4	2,768.3	3,062.1
Adj. EPS growth (%)	0.4	27.2	(10.9)	(5.6)	10.6
Adj. ROAE (%)	10.3	11.6	9.4	8.2	8.3
Adj. P/E (x)	34.8	27.4	30.7	32.5	29.4
EV/EBITDA (x)	17.6	17.0	13.3	13.4	12.1

Source: Company, BOBCAPS Research



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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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