

RESEARCH
Greenply Industries | Target: Rs 210 | +31% | BUY

Upbeat margin guidance

SUMMARY
Greenply Industries

We attended Greenply Industries' (GIL) analyst meet. Key takeaways:

- (1) GIL aims to achieve pre-tax ROCE of 30% over the next three years.
 - (2) Management is focused on tightening the working capital cycle, especially debtor days which are guided to improve to 81-85 days from ~93 in H1FY20.
 - (3) The company expects consolidated revenue growth of 12-14% YoY in FY20 alongside better operating margins in both India and Gabon operations.
- Maintain BUY with an unchanged Sep'20 TP of Rs 210.

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

TOP PICKS
LARGE-CAP IDEAS

| Company | Rating | Target |
|-------------------------------------|--------|--------|
| Cipla | Buy | 570 |
| ONGC | Buy | 210 |
| Petronet LNG | Buy | 400 |
| Reliance Industries | Buy | 1,670 |
| TCS | Add | 2,230 |

MID-CAP IDEAS

| Company | Rating | Target |
|-------------------------------------|--------|--------|
| Alkem Labs | Buy | 2,290 |
| Future Supply | Buy | 680 |
| Greenply Industries | Buy | 210 |
| Laurus Labs | Buy | 480 |
| PNC Infratech | Buy | 245 |

Source: BOBCAPS Research

DAILY MACRO INDICATORS

| Indicator | Current | 2D (%) | 1M (%) | 12M (%) |
|----------------------------|---------------|------------|-------------|-------------|
| US 10Y yield (%) | 1.74 | (1bps) | (5bps) | (132bps) |
| India 10Y yield (%) | 6.48 | 1bps | (2bps) | (125bps) |
| USD/INR | 71.49 | 0.3 | (0.9) | (1.0) |
| Brent Crude (US\$/bbl) | 64.27 | 1.0 | 3.6 | 6.7 |
| Dow | 28,122 | 0.2 | 4.3 | 13.6 |
| Shanghai | 2,907 | 0 | (1.6) | 12.9 |
| Sensex | 40,821 | (0.2) | 4.5 | 14.9 |
| India FII (US\$ mn) | 25 Nov | MTD | CYTD | FYTD |
| FII-D | (50.9) | (108.7) | 4,578.2 | 4,033.5 |
| FII-E | 277.3 | 2,543.7 | 12,766.4 | 5,921.2 |

Source: Bank of Baroda Economics Research

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BUY

TP: Rs 210 | ▲ 31%

GREENPLY INDUSTRIES

Construction Materials

27 November 2019

Upbeat margin guidance

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Revenue growth of 12-14% guided for FY20: Management has guided for consolidated revenue growth of 12-14% in FY20, with India business growing at 8-10% YoY. Gabon revenues for the year are guided to increase to ~Rs 2bn (+55% YoY) aided by the expanded capacity commissioned in Nov'19.

Robust margin outlook for India and Gabon: GIL expects blended EBITDA margins to improve in FY20, with the India margin outlook at ~11% (vs. 9.4% in FY19) and Gabon at 17-18% (vs. 16.1% in FY19). India business margins should benefit from stable raw material cost and discontinuation of the lossmaking wallpaper business, while Gabon could gain from better utilisation of capacities.

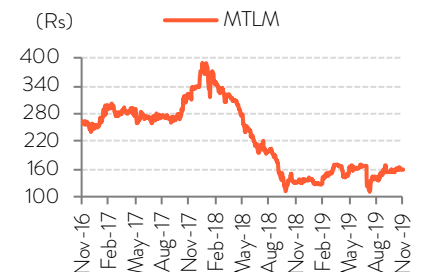
Targeting pre-tax ROCE of 30%, tighter working capital cycle: GIL aims to have pre-tax ROCE of 30% over the next three years, driven by lower capex (following increased outsourcing) and optimum utilisation of the Gabon expansion. The working capital cycle which rose by ~11 days in H1FY20 mainly due to higher debtor days (+12 days YoY) is expected to improve in H2.

Maintain BUY: We continue to like GIL for its market leadership in the organised plywood segment, strong brand name and wide distribution reach. Maintain BUY with an unchanged TP of Rs 210, set at 18x forward P/E.

| | |
|------------------|----------------|
| Ticker/Price | MTLM IN/Rs 161 |
| Market cap | US\$ 275.9mn |
| Shares o/s | 123mn |
| 3M ADV | US\$ 0.2mn |
| 52wk high/low | Rs 195/Rs 112 |
| Promoter/FPI/DII | 52%/11%/37% |

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

| Y/E 31 Mar | FY18A | FY19A | FY20E | FY21E | FY22E |
|-------------------------|-------|--------|--------|--------|--------|
| Total revenue (Rs mn) | 9,123 | 14,122 | 15,612 | 17,804 | 19,584 |
| EBITDA (Rs mn) | 715 | 1,507 | 1,772 | 2,088 | 2,330 |
| Adj. net profit (Rs mn) | 253 | 852 | 1,025 | 1,325 | 1,526 |
| Adj. EPS (Rs) | 2.1 | 6.9 | 8.4 | 10.8 | 12.4 |
| Adj. EPS growth (%) | NA | 236.1 | 20.3 | 29.3 | 15.2 |
| Adj. ROAE (%) | 3.1 | 14.0 | 27.4 | 28.6 | 26.7 |
| Adj. P/E (x) | 77.7 | 23.1 | 19.2 | 14.9 | 12.9 |
| EV/EBITDA (x) | NA | NA | 13.7 | 10.5 | 9.2 |

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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