FIRST LIGHT

16 August 2019

RESEARCH

Container Corp of India | Target: Rs 530 | +12% | ADD
Annual report analysis: Well-rounded FY19 – raise to ADD

BOB Economics Research | Wholesale Inflation
WPI inflation sees a steep fall

BOB Economics Research | Trade
Gold and oil imports decline

Indraprastha Gas | Target: Rs 425 | +34% | BUY
Volumes robust, margins improve

PNC Infratech | Target: Rs 250 | +23% | BUY
Execution par excellence; momentum to pick up further in H2

Century Plyboards | Target: Rs 200 | +52% | BUY
MDF and laminate segments shore up growth

Greenply Industries | Target: Rs 195 | +34% | BUY
Margin expansion continues

SUMMARY

Container Corp of India

Container Corp (CCRI) posted a well-rounded performance in FY19. Steady volume growth, healthy core realisation gains and secular margin improvement were key positives, albeit tempered by EXIM market share losses and negative OCF/FCF generation. While FY20 is likely to be a challenging year in a slowing economy, we are upbeat on long-term prospects aided by an impending DFC boost. Post the recent stock correction, we are more comfortable on valuations – raise from REDUCE to ADD with an unchanged Jun'20 TP of Rs 530 (25x P/E).

Click here for the full report.

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	595
GAIL	Buy	175
ONGC	Buy	175
TCS	Add	2,360
HPCL	Sell	200

MID-CAP IDEAS

Company	Rating	Target
Balkrishna Ind	Buy	1,290
Future Supply	Buy	715
Greenply Industries	Buy	195
Laurus Labs	Buy	480
PNC Infratech	Buy	250

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.70	(4bps)	(42bps)	(120bps)
India 10Y yield (%)	6.53	3bps	4bps	(129bps)
USD/INR	71.40	(0.9)	(4.0)	(2.1)
Brent Crude (US$/bbl)	26,280	1.4	(3.8)	3.9
Dow	2,797	(0.6)	(4.5)	0.6
Shanghai	36,958	(1.7)	(4.6)	(2.4)
Sensex	61.30	4.7	(8.1)	(15.4)
India FII (US$ mn)	**9 Aug**	**MTD**	**CYTD**	**FYTD**
FII-D	11.8	163.7	2,817.7	2,273.0
FII-E	(105.8)	(1,485.9)	7,918.8	1,073.6

Source: Bank of Baroda Economics Research

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India Economics: Wholesale Inflation

WPI inflation moderated to 1.1% in Jul'19 from 2% in Jun'19. All three categories of WPI reported a dip. Food inflation fell to 4.5% in Jul'19 (5% in Jun'19). Fuel and power index contracted by (-) 3.6% in Jul'19 (-2.2% in Jun'19) and manufactured product inflation fell to 0.3% in Jul'19 (0.9% in Jun'19). International oil and commodity prices have fallen further in Aug'19. Thus WPI inflation is likely to remain benign in the near-term. Outlook for CPI inflation is also favourable and it is expected to remain below RBI's target of 4%.

Click here for the full report.

India Economics: Trade

India's trade deficit declined to US$ 13.4bn from US$ 15.3bn in Jun'19 on the back of higher exports and lower imports. The decline in imports was led by gold at (-) 42% followed by oil at (-) 22%. Non-oil-non-gold imports too fell. On the other hand, exports showed a marginal uptick led by pharma and chemicals. Lower oil prices and domestic slowdown has resulted in a decline in trade deficit this year. Given the muted global and domestic backdrop, this implies lower trade deficit in FY20 and thus a positive outlook for INR.

Click here for the full report.

Indraprastha Gas

Indraprastha Gas' (IGL) Q1FY20 earnings were in line at Rs 2.2bn (+24% YoY). Core volumes at 6.25mmscmd (+12.7% YoY) also met estimates – CNG/PNG sales slowed a bit to +11.7%/+12.4% YoY. EBITDA margins outperformed at Rs 6.3/scm (+8% YoY), gaining from the crash in spot LNG prices. IGL's margins still trend well below its CGD peers with a similar volume mix. Our DCF-based TP increases to Rs 425 (from Rs 360) on rollover to Sep'21 valuations and lower cost of equity assumptions (10.1% vs. 10.9%).

Click here for the full report.

PNC Infratech

PNC Infratech's (PNCL) Q1FY20 revenue surpassed expectations, scaling a new high of Rs 13.2bn (+86% YoY) fuelled by strong execution. EBITDA margin declined 110bps YoY to 13.6% (14.1% est.), in line with guidance, and adj. PAT grew 32% YoY to Rs 1bn. PNCL's Jun'19 order backlog stood at Rs 118.9bn and is ~91% executable. AD for the Challakere-Hariyur HAM project is expected by Nov'19, making the order backlog 100% executable by Q3. We adjust estimates and roll over to a new Jun'20 TP of Rs 250 (vs. Rs 235).

Click here for the full report.

Century Plyboards

Century Plyboards' (CPBI) standalone revenue growth for Q1FY20 was better than estimates at 6.8% YoY, aided by the MDF (+32%) and laminate (+17%) divisions. Standalone operating margins were stable YoY at 16.1%, accompanied by a 7%/6% YoY increase in EBITDA/PAT. Management retained guidance of 10%+ revenue growth in FY20 backed by MDF and laminates, with better blended operating margins of 15%. We largely maintain our estimates and roll over to an unchanged Jun'20 TP of Rs 200. BUY.

Click here for the full report.

Greenply Industries

Greenply Industries (GIL) reported consolidated Q1FY20 revenue growth of 13%, with India plywood operations growing at 6.2% YoY. Consolidated operating margins expanded 510bps as both India and Gabon operations performed well, driving EBITDA/PAT growth of 100%/82% YoY. Management has guided for 8-10% revenue growth in India and ~Rs 2.15bn in revenues from Gabon. Post MDF demerger, our TP moves to Rs 195 as the value of GIL's plywood business, set at an unchanged 18x P/E (vs. Rs 245 for merged entity).

Click here for the full report.

ADD
TP: Rs 530 | ▲ 12%

CONTAINER CORP OF INDIA | Logistics | 14 August 2019

Annual report analysis: Well-rounded FY19 – raise to ADD

Container Corp (CCRI) posted a well-rounded performance in FY19. Steady volume growth, healthy core realisation gains and secular margin improvement were key positives, albeit tempered by EXIM market share losses and negative OCF/FCF generation. While FY20 is likely to be a challenging year in a slowing economy, we are upbeat on long-term prospects aided by an impending DFC boost. Post the recent stock correction, we are more comfortable on valuations – raise from REDUCE to ADD with an unchanged Jun'20 TP of Rs 530 (25x P/E).

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Bolstering multi-modal capabilities: Management's commentary in the FY19 Annual Report clearly reflects CCRI's commitment towards bolstering its multi-modal capabilities. In FY19, the company started coastal shipping operations, identified strategic locations for launching distribution logistics centres, and also embarked on international ventures. Further, it launched proactive initiatives such as extension of free storage in ICDs, timely increases in freight/service charges, and development of terminals along the DFC route.

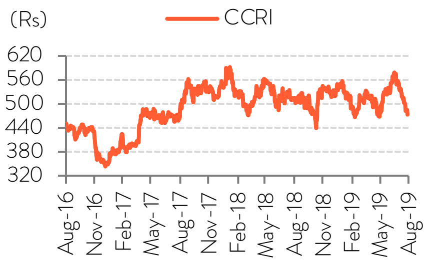
FY19 – more hits than misses: The annual report points to improvement on most fronts for CCRI – (1) volume growth at a steady 8% on the heels of a healthy FY18; (2) core realisation (per TEU-km) gains of 4%, (3) 110bps expansion in EBITDA margin led by 200bps/90bps increase in EXIM/domestic margins, and (4) improvement in ROE/ROCE by 60bps/70bps. Key negatives included (1) 210bps/170bps dip in EXIM market share in tonnage/tkm terms, and (2) negative OCF/FCF due to advance freight payment of Rs 30bn to the IR.

Upgrade to ADD: A subdued demand climate notwithstanding, CCRI is well placed to capitalise on DFC-led opportunities. After the recent correction in stock price, valuations appear more appealing at ~21x one-year forward P/E, prompting us to upgrade the stock to ADD.

Ticker/Price	CCRI IN/Rs 474
Market cap	US$ 4.1bn
Shares o/s	609mn
3M ADV	US$ 5.8mn
52wk high/low	Rs 583/Rs 461
Promoter/FPI/DII	55%/28%/12%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Adj. net profit (Rs mn)	10,619	12,154	12,384	12,467	15,372
Adj. EPS (Rs)	17.4	19.9	20.3	20.5	25.2
Adj. EPS growth (%)	12.4	14.5	1.9	0.7	23.3
Adj. ROAE (%)	11.7	12.3	11.5	10.8	12.3
Adj. P/E (x)	27.2	23.8	23.3	23.2	18.8
EV/EBITDA (x)	22.6	19.1	17.5	13.8	11.2

Source: Company, BOBCAPS Research

WHOLESALE INFLATION

14 August 2019

WPI inflation sees a steep fall

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WPI inflation moderated to 1.1% in Jul'19 from 2% in Jun'19. All three categories of WPI reported a dip. Food inflation fell to 4.5% in Jul'19 (5% in Jun'19). Fuel and power index contracted by (-) 3.6% in Jul'19 (-2.2% in Jun'19) and manufactured product inflation fell to 0.3% in Jul'19 (0.9% in Jun'19). International oil and commodity prices have fallen further in Aug'19. Thus WPI inflation is likely to remain benign in the near-term. Outlook for CPI inflation is also favourable and it is expected to remain below RBI's target of 4%.

Food prices decline: WPI inflation dropped to 1.1% in Jul'19 (2% in Jun'19) led by dip in food inflation to 4.5% in Jul'19 compared with 5% in Jun'19. Softer food inflation was driven by moderation in veggie prices from 24.8% in Jun'19 to 10.7% in Jul'19. Even amongst protein based items, prices of milk as well as eggs, meat and fish moderated to 0.3% and 3.2% respectively in Jul'19 from 0.9% and 5.6% in Jun'19 respectively. However, cereal prices continued to rise at a steady pace at 8.6% in Jul'19 (7.9% in Jun'19) and prices of fruits surged by 15.4% in Jul'19 which can be explained by rains and a low base.

Fuel & power inflation dips further: Fuel and power inflation fell to nearly 3 year low of (-) 3.6% in Jul'19 vs (-) 2.2% in Jun'19. This was driven by second consecutive decline in mineral oil index (-6.3% vs -3.1% in Jun'19) on account of (-) 14.3% fall in average international crude oil prices in Jul'19. Coal prices on the other hand were steady (0.8%). In Aug'19, oil prices have declined further (-18.6% MTD). This will give a negative inflationary impulse in Aug'19 as well.

Core inflation at 33-month low: Both core and manufactured product inflation eased further in Jul'19. While core inflation fell to 0.2% in Jul'19 from 0.8% in Jun'19, manufactured product inflation slipped to 0.3% from 0.9% in Jun'19. With the exception of printing, computer and electronic products, and other manufacturing items, prices of all other items decreased on a YoY basis. The decline was most visible in fabricated metals, textiles, paper and leather products. International commodity prices too declined by (-) 6.9% in Jul'19 on a YoY basis. In Aug'19 the trend is again downward at (-) 5.1%.

Bank of Baroda
India's International Bank

TRADE

14 August 2019

Gold and oil imports decline

India's trade deficit declined to US$ 13.4bn from US$ 15.3bn in Jun'19 on the back of higher exports and lower imports. The decline in imports was led by gold at (-) 42% followed by oil at (-) 22%. Non-oil-non-gold imports too fell. On the other hand, exports showed a marginal uptick led by pharma and chemicals. Lower oil prices and domestic slowdown has resulted in a decline in trade deficit this year. Given the muted global and domestic backdrop, this implies lower trade deficit in FY20 and thus a positive outlook for INR.

Sameer Narang
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Exports see marginal uptick: India's exports rose by 2.3% in Jul'19 vs (-) 9.7% in Jun'19. The revival was led by pharma products (21.7% vs 16.2% in Jun'19), organic chemicals (13.4% vs -8.2%) and textiles (1.3% vs -12.3%). Owing to decline in international prices, oil exports declined for the third consecutive month in Jul'19 (-5%). On a FYTD basis export growth is still weak at (-) 0.8%, compared with the same period last year at 15.4%. Region wise, the slowdown in exports is broad-based as global growth decelerates. Exports to Asia-Pacific (ex-China) and Europe have declined the most. Global slowdown implies export growth is likely to remain muted in the near-term.

Imports fall: Imports continue to decline in Jul'19 by (-) 10.4% from (-) 9.1% in Jun'19. Gold imports plunged by (-) 42.2% in Jul'19 vs an increase of 13% in Jun'19. Led by lower oil prices, oil imports fell by (-) 22.1% in Jul'19 compared with (-) 13.3% in Jun'19. Non-oil-non-gold imports continued to contract albeit at a slower pace of (-) 2.2% in Jul'19 vs (-) 9% in Jun'19. This was led by lower imports of pearls and precious metals which contracted by (-) 31% in Jul'19. In addition, ores and minerals (-37.1%), non-ferrous metals (-8.8%) and capital goods (-4.4%) too added to the decline.

Lower trade deficit, positive for INR: India's trade deficit narrows to US$ 13.4bn in Jul'19 from US$ 15.3bn in Jun'19 on the back of broad-based decline in imports. Trade deficit has fallen to US$ 59.4bn in FYTD20 compared with US$ 64.2bn last year. Going ahead, subdued consumption demand coupled with lower oil prices is likely to ensure a lower trade deficit in FY20 compared with FY19. While INR has depreciated by (-) 2.3% in Aug'19 on the back of FPI outflows of US$ 1.3bn, lower oil prices bode well for INR. However, higher oil prices and sharper global growth slowdown remain a key risk to our view.

KEY HIGHLIGHTS

- Exports rise by 2.3% in Jul'19 compared with (-) 9.7% in Jun'19.
- Imports dip further by (-) 10.4% in Jul'19 compared with (-) 9.1% in Jun'19.
- Trade deficit declines to US$ 13.4bn in Jul'19 versus US$ 15.3bn in Jun'19.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 425 | ⮝ 34%

INDRAPRASTHA GAS | Oil & Gas | 14 August 2019

Volumes robust, margins improve

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Indraprastha Gas' (IGL) Q1FY20 earnings were in line at Rs 2.2bn (+24% YoY). Core volumes at 6.25mmscmd (+12.7% YoY) also met estimates – CNG/PNG sales slowed a bit to +11.7%/+12.4% YoY. EBITDA margins outperformed at Rs 6.3/scm (+8% YoY), gaining from the crash in spot LNG prices. IGL's margins still trend well below its CGD peers with a similar volume mix. Our DCF-based TP increases to Rs 425 (from Rs 360) on rollover to Sep'21 valuations and lower cost of equity assumptions (10.1% vs. 10.9%).

Volume growth remains robust: IGL appears to be persisting with its strategy of prioritising volume growth (especially from the CNG and industrials segments) over margins, as volumes continue to grow well above the long-term average (~10%). EBITDA margins improved to Rs 6.3/scm in Q1, but still trend below CGD peers (Rs 10/scm for MAHGL in Q1) and its JV subsidiary MNGL (~Rs 9/scm in FY19). Low spot LNG prices and a possible cut in domestic gas prices from Oct'19 make a favourable case for IGL to sustain margins.

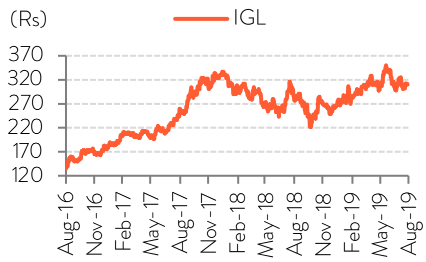
New areas offer near-term volume traction…: IGL sees overall volume potential of ~3mmscmd from recently won geographical areas (GA) in Uttar Pradesh – Meerut, Muzaffarnagar, Kanpur – and others such as Karnal and Ajmer. Management sees no immediate threat to volume growth from electric vehicles.

…EV threat remains distant: Three-wheelers constitute ~15% of IGL's CNG volumes, but even if this entire fleet were to go electric, CNG and industrial PNG volume growth from new areas could more than make up for the volume loss. EV buses and cars are not a threat for at least 10 years, as per management. Alternatively, IGL could explore diversifying into the setup of charging stations for EVs, should demand materialise.

Ticker/Price	IGL IN/Rs 316
Market cap	US$ 3.1bn
Shares o/s	700mn
3M ADV	US$ 8.6mn
52wk high/low	Rs 351/Rs 215
Promoter/FPI/DII	45%/23%/32%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19P	FY20E	FY21E	FY22E
Adj. net profit (Rs mn)	7,217	8,739	9,816	11,540	12,985
Adj. EPS (Rs)	10.3	12.5	14.0	16.5	18.6
Adj. EPS growth (%)	19.0	21.1	12.3	17.6	12.5
Adj. ROAE (%)	21.7	21.7	20.4	20.1	19.0
Adj. P/E (x)	30.7	25.3	22.6	19.2	17.1
EV/EBITDA (x)	19.3	17.2	14.6	12.4	11.2

Source: Company, BOBCAPS Research

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 250 | 23%

PNC INFRATECH | Infrastructure | 14 August 2019

Execution par excellence; momentum to pick up further in H2

PNC Infratech's (PNCL) Q1FY20 revenue surpassed expectations, scaling a new high of Rs 13.2bn (+86% YoY) fuelled by strong execution. EBITDA margin declined 110bps YoY to 13.6% (14.1% est.), in line with guidance, and adj. PAT grew 32% YoY to Rs 1bn. PNCL's Jun'19 order backlog stood at Rs 118.9bn and is ~91% executable. AD for the Challakere-Hariyur HAM project is expected by Nov'19, making the order backlog 100% executable by Q3. We adjust estimates and roll over to a new Jun'20 TP of Rs 250 (vs. Rs 235).

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Execution accelerates: A strong order backlog aided an 86% YoY upswing in Q1FY20 revenue to Rs 13.2bn (Rs 11.9bn est.). EBITDA rose 73% YoY to Rs 1.8bn and margins stood at 13.6% (14.1% est.). The order backlog was at Rs 118.9bn as on Jun'19, 3.2x FY19 revenues (incl. L1 of Rs 9.4bn).

Overall execution has slowed in Q2 as the heavy monsoons affected key projects, viz. Mumbai-Nagpur Expressway and Chitradurga-Davanagere. Post monsoon, these revenues are likely to be recouped. Led by a robust order book, we forecast a 30% revenue CAGR over FY19-FY22.

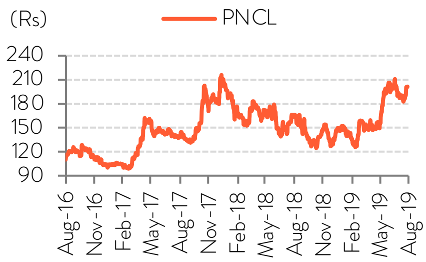
FY20 revenue guidance maintained: Management maintained its guidance of 45-50% revenue growth (our estimate at 56.9%) and EBITDA margins at 13.5-14%. Capex is guided at Rs 1.25bn-1.5bn, gross debt at Rs 4.8bn-5.3bn, cash balance at ~Rs 1bn as on Mar'20, and order inflows at Rs 60bn-70bn.

Maintain BUY: We upgrade our FY20/FY21 EPS estimates by 1%/6% to factor in higher revenues and reduction in interest cost/depreciation. On rolling valuations forward, we have a revised Jun'20 TP of Rs 250.

Ticker/Price	PNCL IN/Rs 204
Market cap	US$ 733.5mn
Shares o/s	257mn
3M ADV	US$ 0.7mn
52wk high/low	Rs 219/Rs 122
Promoter/FPI/DII	56%/6%/21%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Adj. net profit (Rs mn)	1,604	2,326	3,480	4,325	4,716
Adj. EPS (Rs)	6.3	9.1	13.6	16.9	18.4
Adj. EPS growth (%)	(13.0)	45.0	49.6	24.3	9.0
Adj. ROAE (%)	9.5	11.9	14.9	15.7	14.7
Adj. P/E (x)	32.6	22.5	15.0	12.1	11.1
EV/EBITDA (x)	20.5	12.2	7.9	6.7	6.3

Source: Company, BOBCAPS Research

BUY
TP: Rs 200 | ⮝ 52%

CENTURY PLYBOARDS | Construction Materials | 14 August 2019

MDF and laminate segments shore up growth

Century Plyboards' (CPBI) standalone revenue growth for Q1FY20 was better than estimates at 6.8% YoY, aided by the MDF (+32%) and laminate (+17%) divisions. Standalone operating margins were stable YoY at 16.1%, accompanied by a 7%/6% YoY increase in EBITDA/PAT. Management retained guidance of 10%+ revenue growth in FY20 backed by MDF and laminates, with better blended operating margins of 15%. We largely maintain our estimates and roll over to an unchanged Jun'20 TP of Rs 200. BUY.

Arun Baid
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MDF and laminate segments step up; plywood underperforms: CPBI's standalone revenues grew 6.8% YoY to Rs 5.7bn, underpinned by the MDF (+32%) and laminate (+17%) segments. The plywood segment was up just 1% YoY, whereas commercial veneer sales declined 33% due to sluggish demand. Management has guided for blended revenue growth of 10%+, with ~5% growth in plywood (earlier 10%), 15% growth in laminates and ~90% utilisation in MDF for FY20.

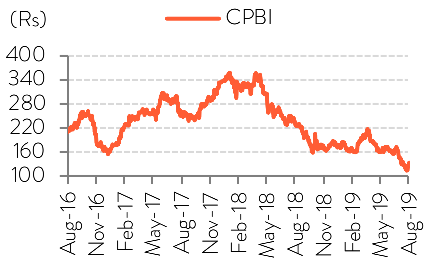
EBITDA margins flat YoY: CPBI's gross margins increased 34bps YoY whereas other expenditure rose 29bps YoY, yielding EBITDA/PAT growth of 7%/6% YoY. Plywood margins declined 270bps YoY (+480bps QoQ) to 14.6%, while laminate margins increased 110bps YoY (160bps QoQ) on lower raw material cost. MDF saw a 1,050bps surge to 23.5% due to higher capacity utilisation and a better product mix. Management has guided for 15% blended operating margins in FY20, with plywood at ~14% and MDF margins to remain robust at ~20% (on better utilisation).

Maintain BUY: We continue to like CPBI for its comprehensive product portfolio, strong brand and wide distribution. Our estimates remain broadly intact and our TP unchanged at Rs 200, set at 20x one-year forward P/E.

Ticker/Price	CPBI IN/Rs 132
Market cap	US$ 411.9mn
Shares o/s	223mn
3M ADV	US$ 0.4mn
52wk high/low	Rs 238/Rs 112
Promoter/FPI/DII	73%/8%/20%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19P	FY20E	FY21E	FY22E
Adj. net profit (Rs mn)	1,598	1,485	1,800	2,184	2,441
Adj. EPS (Rs)	7.2	6.7	8.1	9.8	11.0
Adj. EPS growth (%)	(5.4)	(7.1)	21.2	21.3	11.8
Adj. ROAE (%)	20.4	16.3	17.1	17.9	17.3
Adj. P/E (x)	18.3	19.7	16.3	13.4	12.0
EV/EBITDA (x)	10.4	11.5	9.9	8.4	7.2

Source: Company, BOBCAPS Research

RESULT REVIEW

BUY
TP: Rs 195 | ⮝ 34%

GREENPLY INDUSTRIES | Construction Materials | 15 August 2019

Margin expansion continues

Greenply Industries (GIL) reported consolidated Q1FY20 revenue growth of 13%, with India plywood operations growing at 6.2% YoY. Consolidated operating margins expanded 510bps as both India and Gabon operations performed well, driving EBITDA/PAT growth of 100%/82% YoY. Management has guided for 8-10% revenue growth in India and ~Rs 2.15bn in revenues from Gabon. Post MDF demerger, our TP moves to Rs 195 as the value of GIL's plywood business, set at an unchanged 18x P/E (vs. Rs 245 for merged entity).

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Strong revenue growth: GIL reported consolidated revenue growth of 13% YoY to Rs 3.5bn. India plywood revenues grew 6.2% YoY to Rs 3.1bn (plywood volume growth at 4.1%) and Gabon face veneer operations rose 110% YoY to Rs 440mn. Gabon saw a growth surge due to better utilisation of the capacities commissioned in FY19. Consolidated working capital days declined by ~7 days to 60 days.

Operating margins swell 510bps: GIL's consolidated operating margins expanded 510bps YoY to 11.8% aided by higher profitability in both India and Gabon operations. India margins rose 310bps YoY to 10.7% (as Q1FY19 had a wallpaper inventory write-down of ~Rs 70mn). Gabon face veneer operations which largely started in H2FY18 have stabilised and thus witnessed margin expansion to 17.9% (vs. an EBITDA loss of Rs 20mn in Q1FY19). Strong operating margins propelled EBITDA/PAT growth to 100%/82% YoY.

FY20 guidance healthy: GIL's management has guided for 8-10% growth with ~11% operating margins in Indian plywood operations and ~Rs 2.15bn revenues with ~18% margins from Gabon face veneer operations. Management expects ROCE to improve as the company will focus on outsourcing of plywood manufacture in Indian operations. Also, higher utilisation at the Gabon subsidiary should aid better profitability and return ratios ahead.

Maintain BUY: We like GIL for its market leadership in organised plywood, strong brand as well as wide distribution, and expect a 13%/26% revenue/PAT CAGR over FY19-FY21, aided by expansion in Gabon. Post MDF demerger, our TP moves to Rs 195 as the value of GIL's plywood business, set at an unchanged 18x forward P/E. Note that we have not included financials in this report as we await the company's revised FY19 balance sheet post-demerger in July.

Ticker/Price	MTLM IN/Rs 146
Market cap	US$ 250.5mn
Shares o/s	123mn
3M ADV	US$ 0.2mn
52wk high/low	Rs 207/Rs 110
Promoter/FPI/DII	51%/11%/38%

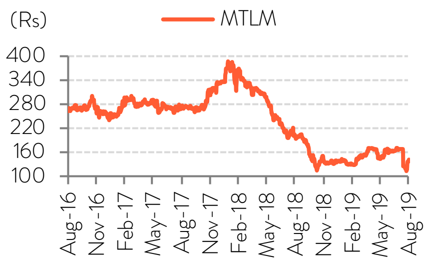
Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19P	FY20E	FY21E
Adj. net profit (Rs mn)	797	1,002	1,273
Adj. EPS (Rs)	6.1	8.2	10.4
Adj. EPS growth (%)	NA	34.1	27.0
Adj. ROAE (%)	23.8	24.4	25.0
Adj. P/E (x)	23.9	17.8	14.0
EV/EBITDA (x)	14.0	11.1	9.3

Source: Company, BOBCAPS Research

STOCK PERFORMANCE



Source: NSE

Disclaimer

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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