

RESEARCH

Greenply Industries | Target: Rs 195 | +17% | BUY

Demand trends strong

IT Services

Accenture posts stellar Q2 performance, raises guidance

SUMMARY

Greenply Industries

Key takeaways from our interaction with the management of Greenply Industries (GIL): (1) Demand continues to improve every month and GIL is on track to achieve mid-double-digit growth YoY in Q4FY21. (2) Post unlocking, offtake from metro and tier-1 cities has returned in Q3. (3) Management believes current demand trends are sustainable considering increased traction from the housing segment and expansion of its distribution network (~350 dealers added in 9MFY21, taking the total count to ~2,200).

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

IT Services

Accenture's (ACN) Q2FY21 dollar revenue surpassed guidance by US\$ 140mn, rising 8% YoY and 5.4% CC. QoQ growth at 2.8% USD was among its best Q2 performances in the last decade. Utilisation at 94% was at a 10-year peak. FY21 revenue growth guidance has been hiked to 6.5-8.5% from 4-6% CC guided in Q1. Bookings held strong at US\$ 16bn, (+13% YoY) and consulting and outsourcing grew 2-4% QoQ USD, signaling good momentum for Indian counterparts for the Mar'21 quarter. Prefer TCS, HCLT, TECHM (large-caps); LTI, Coforge (mid-caps).

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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 (%)	1.71	7bps	50bps	57bps
India 10Y yield (%)	6.20	1bps	18bps	(21bps)
USD/INR	72.53	0	0.2	3.3
Brent Crude (US\$/bbl)	63.28	(6.9)	0	122.3
Dow	32,862	(0.5)	4.5	63.6
Shanghai	3,463	0.5	(5.3)	28.2
Sensex	49,217	(1.2)	(5.6)	74.0
India FII (US\$ mn)	17 Mar	MTD	CYTD	FYTD
FII-D	(29.5)	(1,150.8)	(2,635.0)	(6,728.6)
FII-E	445.3	2,893.2	7,886.9	37,862.7

Source: Bank of Baroda Economics Research

BOBCAPS Research

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BUY

TP: Rs 195 | ▲ 17%

GREENPLY INDUSTRIES

Construction Materials

19 March 2021

Demand trends strong

We recently interacted with the management of Greenply Industries (GIL).

Following are the key takeaways:

- Demand continues to improve every month and GIL is on track to achieve mid-double-digit growth YoY in Q4FY21.
- Post unlocking, demand from metro and tier-1 cities has returned from Q3, aiding growth.
- The company remains focused on enhancing its dealer network, especially in semiurban and rural markets where its presence is limited. It has added ~350 dealers in 9MFY21, taking the total count to ~2,200.
- Management believes current demand trends are sustainable considering increased demand from housing and expansion of its distribution network.
- GIL has taken price hikes of 1-3% from Feb'21 due to an increase in raw material cost. These hikes will fully offset the higher cost burden.
- Management expects steady margin improvement and indicated that the company is on track to achieve the guided 300-400bps expansion by FY23.
- Working capital discipline undertaken from early-FY21 will continue. Debtor days which have reduced by ~17 days to ~73 in Dec'20 are targeted at 60-65 days in FY22.
- The company is already net debt-free on a standalone basis and will achieve this status on a consolidated basis by FY23.
- GIL is exploring opportunities to enter other products in the building material segment and will take a final decision by H1FY22.
- Gabon operations are still facing logistical issues on account of a dearth of ships and containers.
- Europe remains a major market for GIL's face veneer exports from Gabon, accounting for ~53% of its veneer revenues in 9MFY21.

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Ticker/Price	MTLM IN/Rs 166
Market cap	US\$ 280.9mn
Shares o/s	123mn
3M ADV	US\$ 2.2mn
52wk high/low	Rs 204/Rs 73
Promoter/FPI/DII	52%/2%/46%

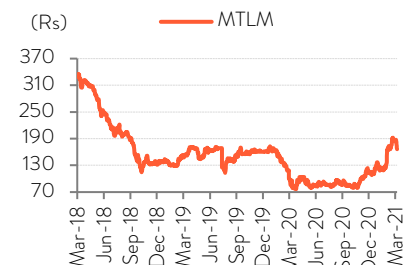
Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY21E	FY22E	FY23E
Total revenue (Rs mn)	11,651	14,533	15,952
EBITDA (Rs mn)	1,192	1,806	2,038
Adj. net profit (Rs mn)	626	1,129	1,320
Adj. EPS (Rs)	5.1	9.2	10.8
Adj. EPS growth (%)	(25.6)	80.4	16.9
Adj. ROAE (%)	15.4	23.5	22.9
Adj. P/E (x)	32.6	18.0	15.4
EV/EBITDA (x)	19.1	12.2	10.3

Source: Company, BOBCAPS Research

STOCK PERFORMANCE



Source: NSE

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IT SERVICES

19 March 2021

Accenture posts stellar Q2 performance, raises guidance

Accenture's (ACN) Q2FY21 dollar revenue surpassed guidance by US\$ 140mn, rising 8% YoY and 5.4% CC. QoQ growth at 2.8% USD was among its best Q2 performances in the last decade. Utilisation at 94% was at a 10-year peak. FY21 revenue growth guidance has been hiked to 6.5-8.5% from 4-6% CC guided in Q1. Bookings held strong at US\$ 16bn, (+13% YoY) and consulting and outsourcing grew 2-4% QoQ USD, signaling good momentum for Indian counterparts for the Mar'21 quarter. Prefer TCS, HCLT, TECHM (large-caps); LTI, Coforge (mid-caps).

Strongest ever outsourcing pipeline: ACN's Q2FY21 (Y/E Aug) deal pipeline was at an all-time high of US\$ 16bn, up by a stellar 13% YoY and 24% QoQ. The pipeline includes 18 new clients with over US\$ 100mn in booking. Consulting formed 50.1% of the pipeline and grew 11% YoY. Outsourcing formed the balance 49.9%, increasing by a strong 14% YoY with a strong book-to-bill ratio of 1.4 (vs. 1.2 in Q1FY21), indicating green shoots for Indian IT. Overall outsourcing revenue rose 13.7% YoY, the highest in the last 11 quarters. Utilisation at 94% was at a 10-year peak despite ACN increasing its hiring by 50% YoY, indicating a strong demand climate ahead for Indian IT counterparts.

Broad-based growth: Q2 growth was broad-based across verticals, marked by a double-digit YoY uptick across public and health services, financial services, communications and hi-tech. Products remained weak with 6% YoY growth and resources declined 4.3%, USD. The communications and hi-tech vertical posted the strongest sequential growth at 6%, USD. Pressure moderated in the troubled verticals of travel, energy and retail (~20% of revenue) which declined by mid-single digits vs. low double digits in Q1FY21. All geographies saw broad-based growth, led by EMEA. ACN has spent US\$ 1.1bn on acquisitions in H1FY21 and plans to spend a total of US\$ 2bn in FY21.

Cloud business accelerates: The company's key engines of growth are cloud, industry X (digitised manufacturing), applied intelligence, interactive and security, of which cloud has continued its strong double-digit growth streak. ACN saw broader and better-than-expected pickup in demand driven by cloud. Its US\$ 3bn initiative 'Accenture Cloud First', which helps enterprises re-platform their businesses, fuelled strong double-digit growth in the cloud segment on a high base of more than US\$ 12bn, continuing the momentum from Q1FY21.

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RECOMMENDATION SNAPSHOT

Ticker	Price	Target	Rating
TCS IN	3,037	3,710	BUY
INFO IN	1,337	1,500	ADD
WPRO IN	410	450	ADD
HCLT IN	948	1,150	BUY
TECHM IN	996	1,130	BUY
LTI IN	4,007	4,740	BUY
MPHL IN	1,638	1,550	REDUCE
MTCL IN	1,970	1,850	ADD
PSYS IN	1,849	1,260	SELL
COFORGE	2,874	2,800	BUY
ECLX IN	975	950	REDUCE

Price & Target in Rupees



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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