

BUY

TP: Rs 120 | ▲ 37%

GREENPLY INDUSTRIES

Construction Materials

15 July 2020

Management meet takeaways – Demand yet to pick up

We present key takeaways from our recent interaction with the management of Greenply Industries (GIL).

- April was a washout month due to the lockdown with May clocking 30-40% of normal revenues and June at 60-70%.
- Demand conditions remain challenging due to sporadic lockdowns across many states. Intrastate travel restrictions too are hampering business activity.
- GIL earns 40-45% of revenues from India's top-10 cities which still face myriad restrictions due to the pandemic.
- The company is not facing any raw material price pressure and thus gross margins should be insulated, barring changes in product mix. Cost-cutting measures shall cushion margins against weak demand to some extent.
- Inventory has reduced from the high levels built up in Mar'20 due to lockdown.
- Collection of receivables from dealers has also improved post lockdown.
- GIL plans to lower working capital levels which had increased in FY20 due to the unexpected lockdown.
- Similarly, debt levels will also be reduced in FY21. Apart from routine capex of Rs 120mn-150mn, no major outlay is planned for FY21.
- Management plans to extend distribution reach further to semi-urban/rural areas and continue its A&P investments to build demand traction.
- Gabon face veneer operations were affected for only 7-10 days due to the lockdown, though lack of availability of ships has been a logistical problem.
- Demand for face veneer from Europe and Southeast Asia has risen, though sales to India have slowed significantly given the tough market conditions.

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Ticker/Price	MTLM IN/Rs 87
Market cap	US\$ 142.2mn
Shares o/s	123mn
3M ADV	US\$ 0.3mn
52wk high/low	Rs 195/Rs 73
Promoter/FPI/DII	52%/11%/37%

Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY20P	FY21E	FY22E
Total revenue (Rs mn)	14,204	11,694	13,817
EBITDA (Rs mn)	1,556	1,156	1,524
Adj. net profit (Rs mn)	853	517	827
Adj. EPS (Rs)	7.0	4.2	6.7
Adj. EPS growth (%)	0.2	(39.4)	60.0
Adj. ROAE (%)	23.9	12.9	18.1
Adj. P/E (x)	12.6	20.7	13.0
EV/EBITDA (x)	9.8	11.4	8.6

Source: Company, BOBCAPS Research

STOCK PERFORMANCE



Source: NSE

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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)

HISTORICAL RATINGS AND TARGET PRICE: GREENPLY INDUSTRIES (MTLM IN)



Note: B – Buy, A – Add, R – Reduce, S – Sell

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