

BUY

TP: Rs 135 | ▲ 47%

GREENPLY INDUSTRIES

Construction Materials

17 September 2020

Demand conditions improving gradually

We recently interacted with the management of Greenply Industries (GIL). Following are the key takeaways:

- Plywood demand is inching up with progressive unlocking of the country. GIL's sales have retraced to 70-75% of year-ago levels in July/August as compared to ~65% in June.
- Demand has come primarily from markets beyond tier-I cities which account for 45-50% of revenues.
- Premium plywood sales have recovered over the past two months and contribution to revenue is now similar to FY20 levels (~72%).
- South India, which accounts for ~40% of GIL's revenue, has seen better traction post unlocking; the northern and western regions continue to languish.
- The company has launched a dealer addition programme in FY21, wherein it adds new dealers (with no credit) at district-and-below levels in which it currently has limited reach. So far, ~400 dealers (net) have been added under the scheme and these now account for ~15% of plywood revenues.
- If current sales are sustained, GIL believes it can maintain FY20 EBITDA margins (~10%) in FY21. Management has guided for 300-400bps of margin gains over three years aided by higher gross margins and cost control.
- Cost rationalisation measures taken during the pandemic should enable savings of Rs 200mn-250mn in FY21. The company believes ~30% of these savings can be retained in the future as well.
- Receivable collections have been robust since June and the trend continues. The company is focusing on working capital improvement in FY21 with tighter control on debtors and better inventory management.
- Management plans to cut consolidated debt by Rs 700mn-750mn to ~Rs 2bn in FY21 aided by better working capital management. The target is to be net debt-free by FY23.
- The Gabon subsidiary is now at 90-95% of YoY sales and aims to maintain stable YoY revenues and margins in FY21. Europe and Southeast Asia are major exports markets from Gabon.

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Ticker/Price	MTLM IN/Rs 92
Market cap	US\$ 153.4mn
Shares o/s	123mn
3M ADV	US\$ 0.5mn
52wk high/low	Rs 195/Rs 73
Promoter/FPI/DII	52%/11%/37%

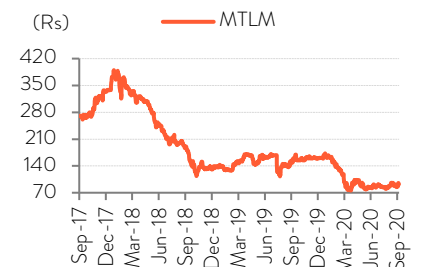
Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY21E	FY22E	FY23E
Total revenue (Rs mn)	11,693	13,816	15,278
EBITDA (Rs mn)	1,156	1,524	1,727
Adj. net profit (Rs mn)	517	827	1,009
Adj. EPS (Rs)	4.2	6.7	8.2
Adj. EPS growth (%)	(39.3)	60.0	22.1
Adj. ROAE (%)	12.9	18.1	19.2
Adj. P/E (x)	21.8	13.7	11.2
EV/EBITDA (x)	11.9	8.9	7.6

Source: Company, BOBCAPS Research

STOCK PERFORMANCE



Source: NSE

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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

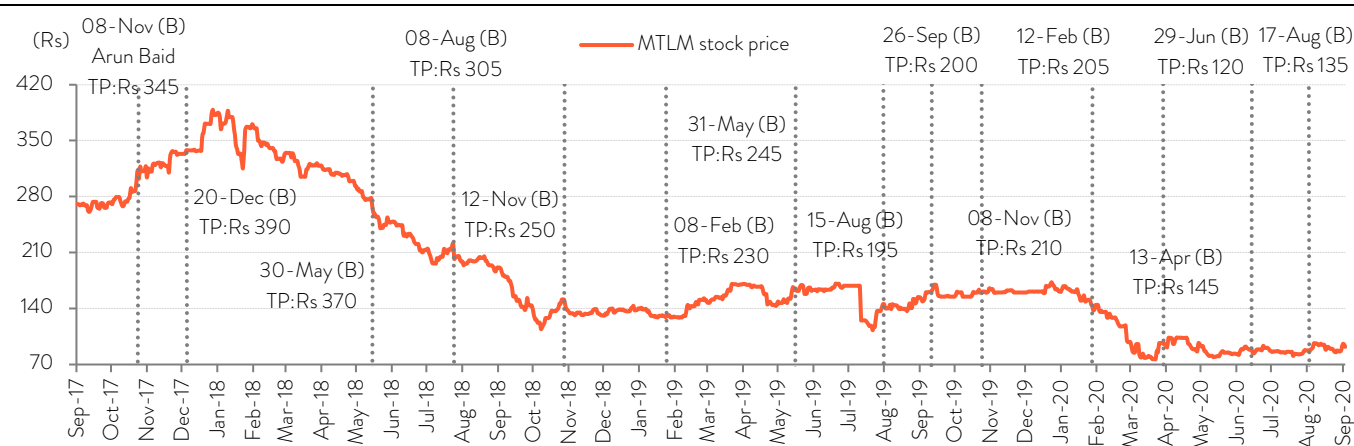
ADD – Expected return from >+5% to +15%

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)

RATINGS AND TARGET PRICE (3-YEAR HISTORY): GREENPLY INDUSTRIES (MTLM IN)



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

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