

**BUY**

TP: Rs 150 | ▲ 21%

**GREENPLY INDUSTRIES**

Construction Materials

08 December 2020

## Plywood demand recovering steadily

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

Following are the key takeaways:

- Demand traction for plywood has improved in the current quarter alongside gradual unlocking. GIL's sales have retraced to 85-90% of year-ago levels in Q3FY21 YTD as compared to ~70% in Q2.
- Demand continues to be steered by markets beyond tier-1 cities which account for 45-50% of revenues. However, major cities have started to witness traction during the current quarter. Management is thus hopeful that growth will return from Q4, barring an unforeseen demand hit due to resurgence of the pandemic.
- South India, which accounts for ~40% of GIL's revenue, has seen better traction post unlocking; the northern and western regions continue to languish.
- Premium plywood sales continue to recover and contribution to revenue is now similar to FY20 levels (~72%).
- Despite a tough H1, GIL believes it can maintain FY20 EBITDA margins of ~10% in FY21 due to various cost rationalisation measures and improving sales. Management has guided for 300-400bps of margin gains over three years aided by higher gross margins and cost control.
- Dealer addition has been a focus area for GIL with ~350 dealers added in FY21 YTD, taking the tally to ~2,220. Most of the additions have been in tier-3-and-below cities where the company's presence is limited.
- As in H1, receivable collections remain robust. Management is maintaining its focus on working capital improvement in FY21 with tighter control on debtors and better inventory management.
- GIL is on track to be net debt-free by FY23. The company plans to reduce consolidated net debt by ~Rs 1.5bn in FY21 to close the year at ~Rs 1.1bn.
- Management expects the Gabon subsidiary to post double-digit growth in H2. Europe continues to be a demand driver for Gabon and traction from Indian markets due to unlocking will also aid growth.

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Ticker/Price	MTLM IN/Rs 124
Market cap	US\$ 205.0mn
Shares o/s	123mn
3M ADV	US\$ 0.8mn
52wk high/low	Rs 179/Rs 73
Promoter/FPI/DII	52%/7%/41%

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)	577	891	1,083
Adj. EPS (Rs)	4.7	7.3	8.8
Adj. EPS growth (%)	(31.4)	54.4	21.5
Adj. ROAE (%)	14.3	19.1	19.9
Adj. P/E (x)	26.2	17.0	14.0
EV/EBITDA (x)	15.2	11.2	9.5

Source: Company, BOBCAPS Research

### STOCK PERFORMANCE



Source: NSE

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### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

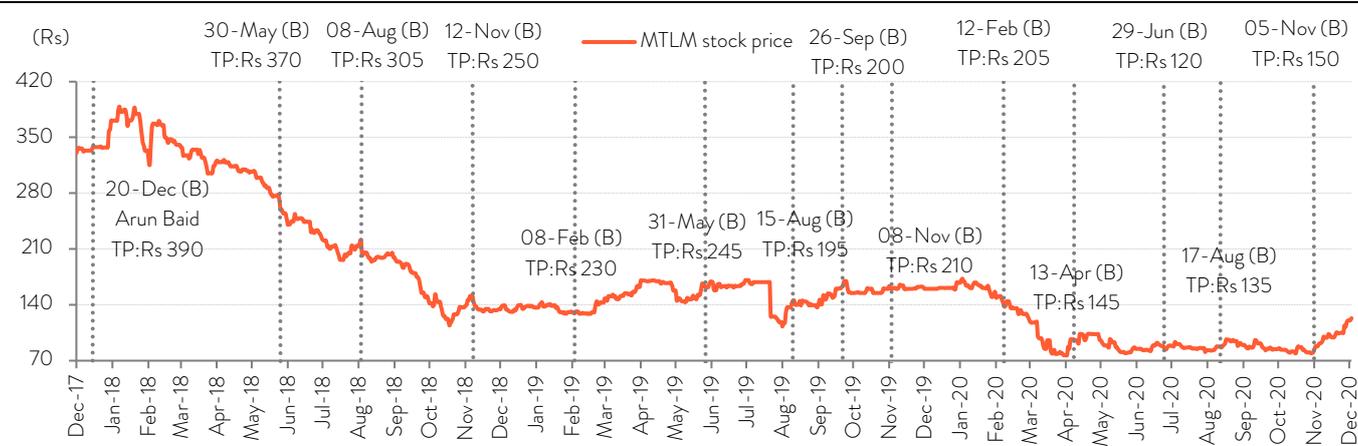
**ADD** – Expected return from >+5% to +15%

**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)



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

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