

RESEARCH
Greenply Industries | Target: Rs 260 | +42% | BUY

Steady revenue; new capacities to form next leg of growth

SUMMARY
Greenply Industries

- Consolidated Q4 revenue grew 13% YoY backed by an 8% rise in plywood volumes and 7% rise in price realisation for India operations
- Consolidated operating margin declined 525bps YoY to 9.9% (10.6% excluding non-cash ESOP cost of Rs 30mn)
- Reiterate BUY with an unchanged TP of Rs 260 based on 22x FY24E EPS

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

Indicator	11-May	12-May	Chg (%)
US 10Y yield (%)	2.92	2.85	(7bps)
India 10Y yield (%)	7.22	7.24	3bps
USD/INR	77.24	77.43	(0.2)
Brent Crude (US\$/bbl)	107.5	107.5	(0.1)
Dow	31,834	31,730	(0.3)
Hang Seng	19,825	19,380	(2.2)
Sensex	54,088	52,930	(2.1)
India FII (US\$ mn)	10-May	11-May	Chg (\$ mn)
FII-D	(201.3)	3.0	204.3
FII-E	(449.4)	(388.7)	60.6

Source: Bank of Baroda Economics Research



BUY

TP: Rs 260 | ▲ 42%

GREENPLY INDUSTRIES

Construction Materials

16 May 2022

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Steady revenue growth: Greenply (GIL) reported consolidated Q4FY22 revenue growth of 13% YoY to Rs 4.5bn, with India business up 15% as plywood volumes grew 8% and price realisation increased 7% to Rs 238/sqm. Gabon subsidiary revenue declined 8% YoY.

Higher RM cost and marketing spend put pressure on margin: A 20-25% increase in the cost of timber, among other inputs, resulted in sequential gross margin contraction of 370bps YoY to 40% in Q4. Operating margin stood at 9.9% (10.6% adjusted for non-cash ESOP cost) and EBITDA was at Rs 445mn (adj. Rs 475mn). India business had a 9.7% EBITDA margin (adj. 10.4%) with gross margin down 140bps YoY. Management has taken a 1-1.25% price hike in Q1FY23 to mitigate the rising inflation.

MDF foray to cost Rs 5.5bn: GIL is foraying into MDF manufacturing with the setup of an 800cbm-per-day capacity at a cost of Rs 5.5bn in Gujarat by Q4FY23, funded via debt and internal accruals. Per management, this will be the first MDF facility in Western India, giving the company a freight advantage over peers when catering to demand in the region. With this foray, GIL will be able to broaden its wood panel portfolio and deepen its presence in a growing market. Management expects MDF revenue of Rs 3bn-3.5bn in FY24 at 65-70% plant utilisation, reaching Rs 7bn-7.2bn on full utilisation.

Guidance for FY23: Management has guided for 15% revenue growth in FY23, of which 10-11% will come from volume growth and 3-4% from price hikes.

Maintain BUY: The stock is trading at 16.3x FY24E P/E compared to its 5Y median of 21.8x. We maintain our target FY24E P/E multiple at 22x for an unchanged TP of Rs 260 on the back of the anticipated revival in plywood, GIL's entry into the high-margin MDF business, strong brand and pan-India distribution network. Retain BUY.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	MTLM IN/Rs 182
Market cap	US\$ 287.5mn
Free float	48%
3M ADV	US\$ 0.8mn
52wk high/low	Rs 255/Rs 161
Promoter/FPI/DII	52%/4%/44%

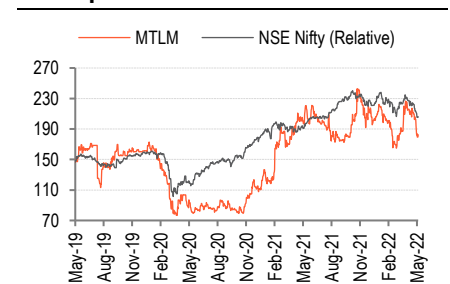
Source: NSE | Price as of 16 May 2022

Key financials

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	15,628	16,231	21,436
EBITDA (Rs mn)	1,503	2,088	2,959
Adj. net profit (Rs mn)	947	1,057	1,447
Adj. EPS (Rs)	7.7	8.6	11.8
Consensus EPS (Rs)	7.7	11.0	12.9
Adj. ROAE (%)	19.4	18.0	20.5
Adj. P/E (x)	23.6	21.2	15.5
EV/EBITDA (x)	16.0	11.4	8.8
Adj. EPS growth (%)	55.5	11.6	36.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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