

Rating matrix		
Rating	:	Hold
Target	:	₹ 140
Target Period	:	12-18 months
Potential Upside	:	8%

What's changed?		
Target		Unchanged
EPS FY19E	Changed from ₹ 7.0 to ₹ 8.2	
EPS FY20E	Changed from ₹ 10.2 to ₹ 10.5	
Rating		Unchanged

Quarterly performance					
(₹ crore)	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	462.9	399.3	15.9	448.3	3.2
EBITDA	58.3	62.7	-6.9	41.6	40.2
EBITDA (%)	12.6	15.7	-309 bps	9.3	332 bps
PAT	35.7	36.1	-1.0	14.2	150.5

Key financials				
(₹ Crore)	FY17	FY18	FY19E	FY20E
Net Sales	1,663.1	1,680.4	1,822.3	2,306.2
EBITDA	253.2	239.7	198.5	294.4
Net Profit	135.0	135.7	99.2	126.2
EPS (₹)	11.2	11.2	8.2	10.5

Valuation summary				
(x)	FY17	FY18	FY19E	FY20E
P/E	11.6	11.6	15.8	12.4
Target P/E	12.5	12.5	17.0	13.4
EV / EBITDA	7.4	9.0	11.0	7.3
P/BV	2.0	1.7	1.6	1.4
RoNW (%)	17.2	14.8	9.9	11.2
RoCE (%)	17.6	12.1	7.5	12.4

Stock data	
Particulars	Amount (₹ crore)
Market Capitalization	1,677.5
Total Debt (FY18)	597.6
Cash (FY18)	30.0
EV	2,245.0
52 week H/L (₹)	110 / 379
Equity capital	12.1
Face value (₹)	1.0

Comparative Return Matrix (%)				
(%)	1M	3M	6M	12M
Greenply Industries	4.6	10.1	(32.6)	(61.8)
Century Plyboard	0.9	(4.2)	(21.2)	(47.3)

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## Greenply Industries (GREIN)

₹ 130

### MDF revival to take time...

- Greenply Industries' (GIL) topline grew 15.9% YoY to ₹ 462.9 crore on account of strong growth in plywood business
- EBITDA margins contracted sharply by 300 bps YoY to 12.6% on account of weak realisation in the MDF segment
- PAT declined 1% YoY to ₹ 35.7 crore mainly on lower-than-expected finance cost at -₹ 1.7 crore

### Healthy volume growth of 17.3% YoY in plywood division...

GIL's plywood volumes grew 17.3% to 14.6 million square metre (MSM) in Q3FY19. This was on account of ~22% volume growth in the premium plywood segment, leading the company to gain additional market share in this segment. Also, mid-segment plywood showed 9% volume growth during the quarter. In 9MFY19, significant sales volumes improvement has been seen in the mid-segment plywood, which grew 23% while premium plywood segment grew 15% during this period. Strong volume growth, coupled with 2.7% YoY growth in average realisations to ₹ 225/sq mt led to healthy 18.4% YoY revenue growth to ₹ 332.7 crore in Q3FY19 in the plywood division. Going ahead, the management expects double-digit growth in the plywood division in the next two to three years. Overall, we build in plywood revenue growth of 12.8% CAGR to ₹ 1469.1 crore in FY18-20E.

### MDF segment continues to face pricing pressure...

MDF division revenues grew 7.7% YoY to ₹ 123.4 crore due to strong volume growth of 33.9% YoY to 58648 CBM in Q3FY19. Of the 58648 CBM sales volumes in Q3FY19, 32279 CBM came from Uttarakhand plant, while 26369 CBM was from AP plant. With most players, including GIL, taking price cuts in the MDF segment and with higher sales volume from the export component, MDF realisations fell 19.8% YoY to ₹ 20960/CBM in Q3FY19. Additionally, the newly commissioned AP MDF facility operated at ~29% utilisation during the quarter, dragging overall MDF margins, which fell 290 bps YoY to 13.1% (after adjusting for forex gains). Going ahead, on the operational front, the management guided for 85-90% & 60% capacity utilisation at Uttarakhand & Andhra plants, respectively, in FY20E. Furthermore, it expects 16-18% blended EBITDA margins in this segment in FY20E. Overall, we expect MDF revenue growth at 30.3% CAGR to ₹ 824.6 crore in FY18-20E & margins at 17.4% in FY20E.

### WC stretched a bit with commissioning of new plant...

GIL got a complete handover of the AP MDF plant in November, 2018, which led to inventory piling at the plant (plant was commissioned in July, 2018). As a result, its working capital days stretched by 11 days YoY to 87 days. The net D/E was at 0.77 in Q3FY18 against 0.69 in Q3FY18.

### MDF margins, profitability remain under pressure; maintain HOLD!

We remain positive on GIL on a medium to long term basis as the share of organised plywood players (currently 30% of plywood market) is set to expand with GST rate cut, higher brand aspirations & GIL's strong brand presence. However, it could take 18-24 months for stability in MDF prices due to supply glut in MDF. While we expect MDF margins at 16-17% in medium term with better utilisation level and stability in MDF prices, it would still be below our initial expectation of 20-25%. Overall, we maintain our **HOLD** rating with a target price of ₹ 140/share (~14x FY20E EPS).

### Variance analysis

Particular	Q3FY19	Q3FY19E	Q3FY18	Chg (%)	Q2FY19	Chg (%)	Comments
Net Sales	462.9	469.4	399.3	15.9	448.3	3.2	Muted topline growth was on account of weak performance of MDF division
Other Income	1.5	1.1	1.0	54.0	2.7	-43.3	
Material Consumed	210.8	201.8	153.1	37.7	195.6	7.8	
Purchase of Stock in Trade	62.8	81.7	67.4	-6.7	78.0	-19.5	
Changes in Inventories of WIP	-20.6	0.0	-7.8	165.3	-29.8	-30.8	
Employee Benefit Expenses	57.6	54.0	49.1	17.3	54.3	6.1	
Other Expenses	93.9	74.4	74.9	25.5	108.6	-13.5	
EBITDA	58.3	57.5	62.7	-6.9	41.6	40.2	
EBITDA Margin (%)	12.6	12.2	15.7	-309 bps	9.3	332 bps	EBITDA margin contraction was due to margin contraction in MDF division
Depreciation	19.9	17.3	10.4	90.9	17.3	15.4	
Interest	-1.7	9.5	2.6	-164.5	23.5	-107.0	
PBT	41.6	31.7	50.7	-17.9	3.6	1,062.2	
Taxes	5.9	10.5	14.6	-59.5	-10.7	-155.4	
PAT	35.7	21.3	36.1	-1.0	14.2	150.5	

Source: Company, ICICI Direct, Research

### Change in estimates

Particulars (₹ crore)	FY17	FY18	FY19E			FY20E			Comments
			Old	New	% change	Old	New	% change	
Revenue	1,663.1	1,680.4	1,781.3	1,822.3	2.3	2,296.3	2,306.2	0.4	We change our revenue estimates in line with management guidance
EBITDA	253.2	239.7	195.2	198.5	1.7	290.5	294.4	1.3	
EBITDA Margin (%)	15.2	14.3	11.0	10.9	-11 bps	12.7	12.8	6 bps	
PAT	135.0	135.7	84.9	99.2	16.9	123.5	126.2	2.2	Topline downgrade and lower EBITDA margin leads to earnings downgrade
EPS (₹)	11.2	11.2	7.0	8.2	16.9	10.2	10.5	2.2	

Source: Company, ICICI Direct, Research

### Assumptions

Volume Assumptions	FY17	FY18E	Current		Earlier		Comments
			FY19E	FY20E	FY19E	FY20E	
Plywood (In million sq mt)	50.2	49.6	57.9	61.5	57.9	60.6	
MDF (In CBM)	189,000	190,800	209,700	378,000	207,000	378,000	We align our volume estimates in line with management commentary

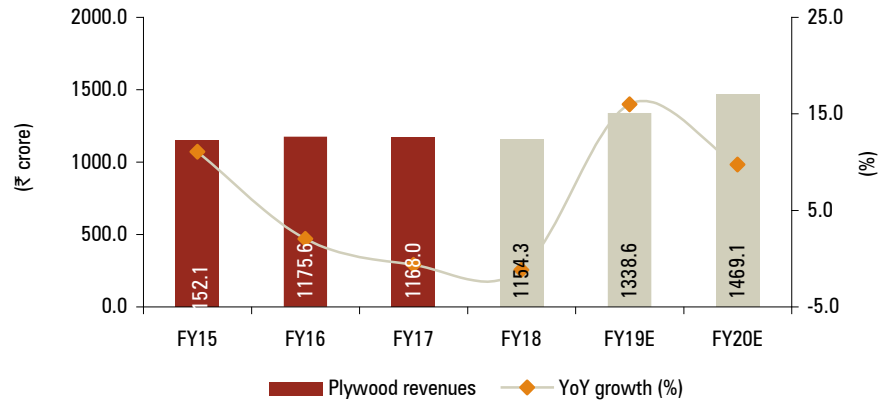
Source: Company, ICICI Direct, Research

## Conference Call Highlights

- **Growth Outlook:** The management believes the organised sector has started taking market share from the unorganised sector. Expecting an improvement in prospects ahead, the management has guided for double-digit growth for its plywood division. Furthermore, it expects significant portion of plywood revenue growth to come from mid-segment products. For the MDF division, the management expects 16-18% EBITDA margins in FY20E
- **MDF business:** The management expects MDF market prices to take at least two years to stabilise. While GIL's MDF realisations fell 19.8% to ₹ 20960/CBM in Q3FY19 because of price cuts taken by the industry, the management expects a further 50-100 bps reduction in MDF prices. Of the 58648 CBM sales volumes in Q3FY19, 32279 CBM came from Uttarakhand plant, while 26369 CBM was from AP plant. Going ahead, on the operational front, it has guided for 85-90% & 60% capacity utilisation at Uttarakhand and Andhra plants, respectively, in FY20E. The management said while 7.5% of EBITDA margins came from forex gains, 13-14% of the EBITDA margin came from core operations. Furthermore, the management expects 16-18% blended EBITDA margins in FY20E - 23% and 15% EBITDA margins at Uttarakhand and AP MDF units, respectively
- **MDF Exports:** The company exported 12679 CBM of MDF in Q3FY19. Of this, 11095 CBM was from Andhra plant at a realisation of ₹ 12397/CBM and the rest from Uttarakhand plant at ₹ 21292/CBM
- **Plywood business:** The double-digit sales volume growth at 17.3% YoY to 14.6 MSM in Q3FY19 was on account of ~22% volume growth in the premium plywood segment. Also, the mid-segment plywood showed 9% volume growth during the quarter. In 9MFY19, mid-segment plywood volumes grew 23% YoY while premium plywood volumes rose 15% YoY. The management expects both these segments of plywood to continue double-digit sales volume growth in till FY22E
- **Finance cost:** Finance cost for GIL was at -₹ 1.7 crore in Q3FY19. This was on account of ₹ 12 crore forex gain on international debt during the quarter
- **Advertising cost:** Advertising cost (as a percentage of overall sales was at 3.2% in Q3FY19 vs. 1.6% in Q3FY18
- **Capex & Investments:** GIL incurred capex of ₹ 95 crore in 9MFY19, which comprised ₹ 69 crore for the Andhra Pradesh MDF plant, ₹ 14 crore towards Gujarat Decorative Veneers unit and ₹ 12 crore for the UP Plywood unit
- **Balance sheet update:** Working capital cycle increased by 11 days YoY at 79 days due to increase in inventories. Net D/E was at 0.77 as of Q3FY19 compared to 0.69 as on Q3FY18

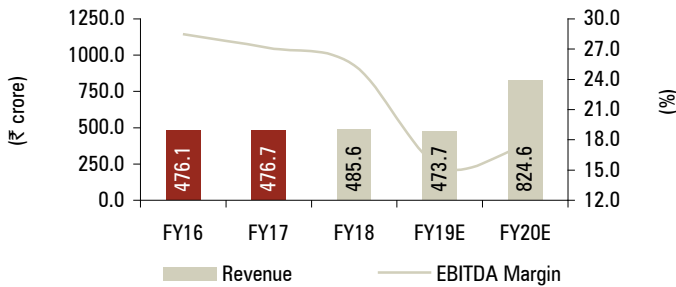
## Company Analysis

**Exhibit 1: Plywood revenues to recover from FY19E onwards...**



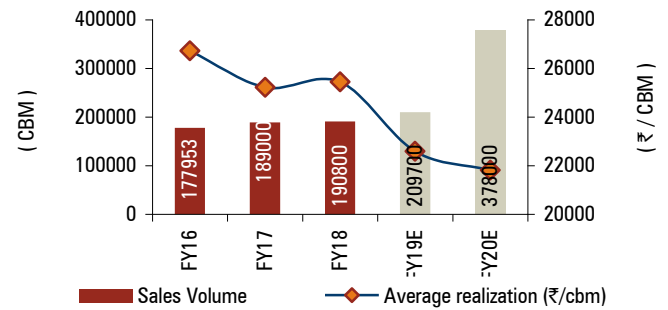
Source: Company, ICICI Direct Research

**Exhibit 2: MDF revenue & EBITDA margin trend...**



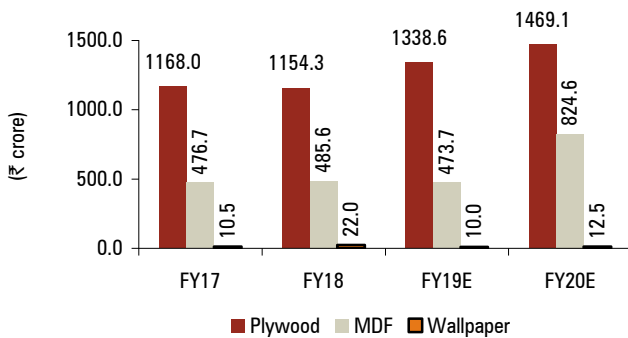
Source: Company, ICICI Direct Research

**Exhibit 3: Sales volume & average realisation trend...**



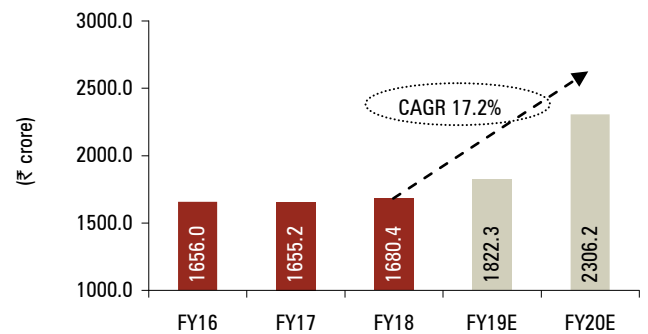
Source: Company, ICICI Direct Research

**Exhibit 4: Segmental revenue trend...**



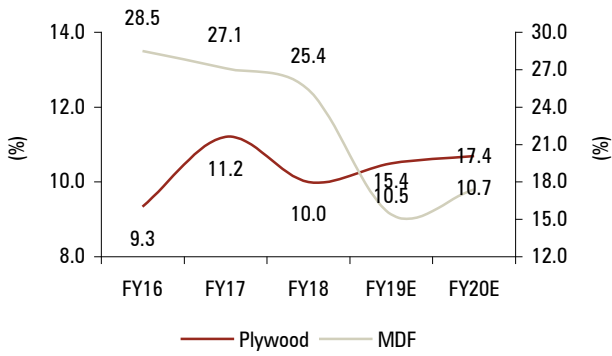
Source: Company, ICICI Direct Research

**Exhibit 5: Standalone revenue trend...**



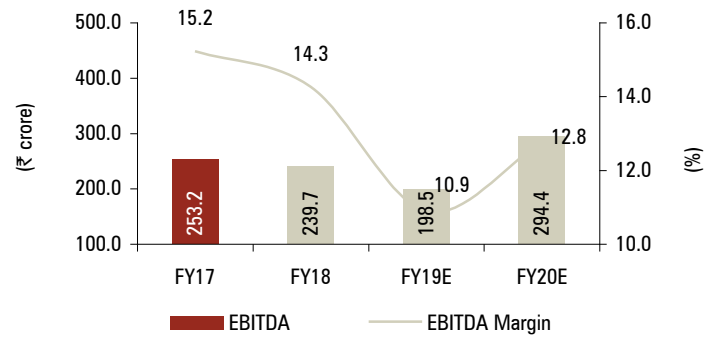
Source: Company, ICICI Direct Research

**Exhibit 6: Segmental EBITDA margin trend...**



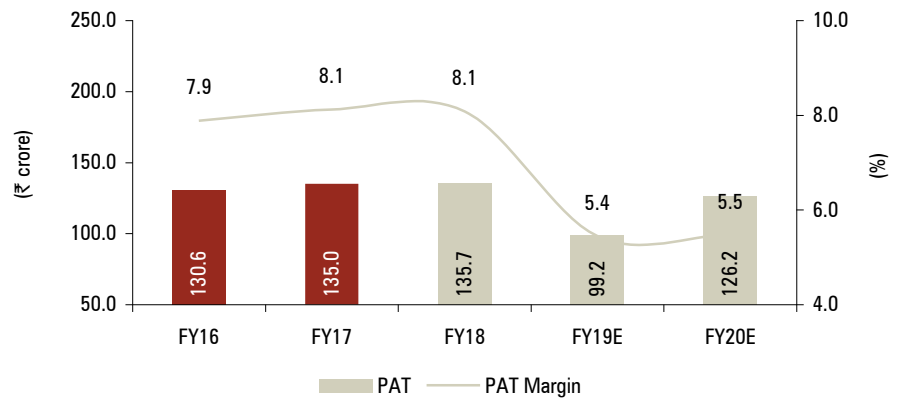
Source: Company, ICICI Direct Research

**Exhibit 7: EBITDA margin trend...**



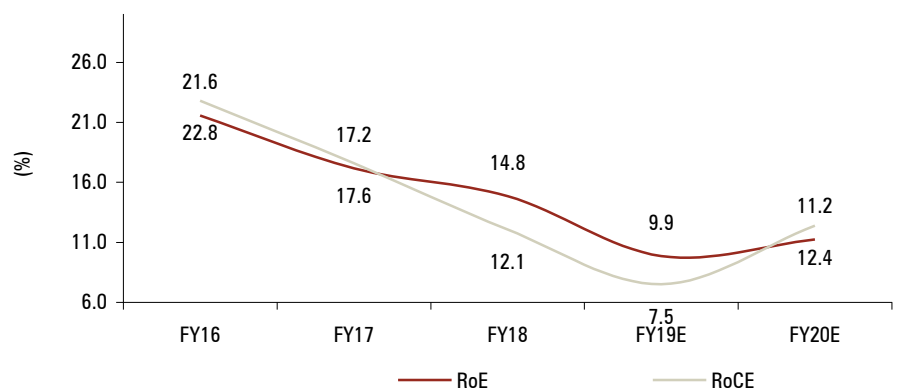
Source: Company, ICICI Direct Research

**Exhibit 8: PAT growth trend...**



Source: Company, ICICI Direct Research

**Exhibit 9: Return ratio trend...**



Source: Company, ICICI Direct Research

We have a HOLD rating on the stock with a target price of ₹ 140 (14x FY20E EPS)

## Valuation

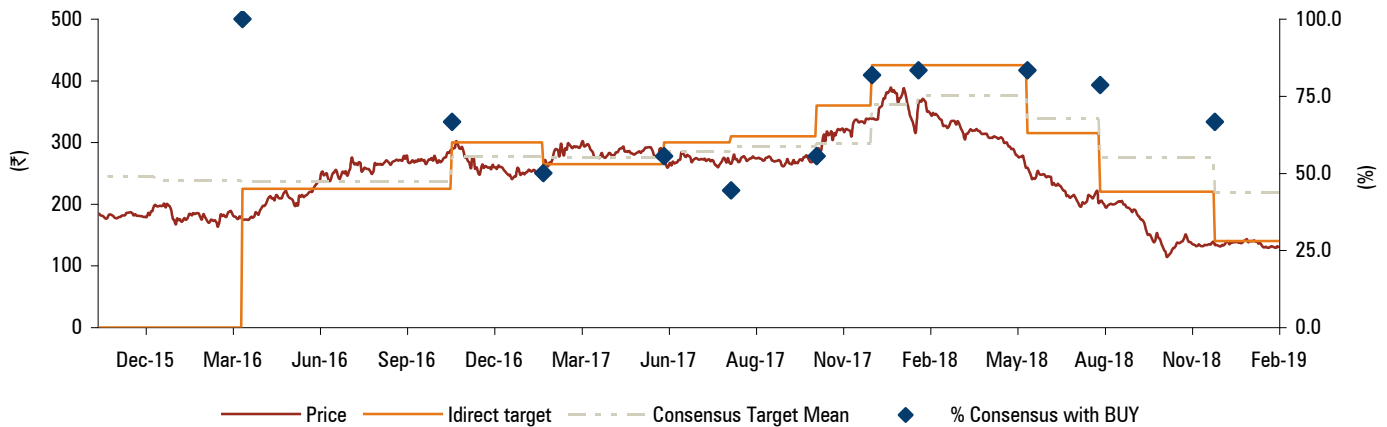
We remain positive on GIL in medium to long term basis as the share of organised plywood players (currently 30% of plywood market) is set to expand with GST rate cut, higher brand aspirations & GIL's strong brand presence. However, it could take 18-24 months for stability in MDF prices due to supply glut in MDF. While we anticipate MDF margins at 16-17% in medium term with better utilisation level and stability in MDF prices, it would still be below our initial expectation of 20-25%. Overall, we maintain our **HOLD** recommendation with a target price of ₹ 140/share (~14x FY20E EPS).

**Exhibit 10: Valuation Metrics**

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	1656.1	6.1	10.8	8.3	12.0	7.2	21.6	22.8
FY17	1663.1	0.4	11.2	3.4	11.6	7.4	17.2	17.6
FY18	1680.4	1.0	11.2	0.5	11.6	9.0	14.8	12.1
FY19E	1822.3	8.4	8.2	-26.9	15.8	11.0	9.9	7.5
FY20E	2306.2	26.6	10.5	27.2	12.4	7.3	11.2	12.4

Source: Company, ICICI Direct Research

### Recommendation History vs. Consensus...



Source: Bloomberg, Company, ICICI Direct Research

### Key events

Date	Event
Mar-15	Private equity firm WestBridge raises stake in Greenply to 12.8% for around \$10M
Sep-15	Credit ratings firm Credit Analysis & Research (CARE) upgrades long term banking facilities of Greenply Industries to CARE AA- and short term banking facilities of the company to CARE A1+. CARE also upgraded short term debt (including commercial paper) of Greenply Industries to CARE A1+.
Oct-15	Greenply announces a major modernisation of their data centre infrastructure by implementing SAP HANA, Cisco UCS C240 servers and Commvault's data protection and information management solution.
Oct-15	Greenply says the Board of Directors of the company has approved the sub-division of equity shares of the company from the face value of ₹ 5 to face value of ₹ 1 per equity share in compliance with applicable provisions of the Companies Act, 2013, to the extant rules notified
Mar-16	Greenply receives permission from excise authorities to avail benefit of exemption and consequential refund of excise duty under Notification dated April 25, 2007 for a period of 10 years from July, 2015, in respect of company's plywood unit situated at Tizit (Nagaland)
Mar-16	Greenply decided to sell its entire holding of 16.43% in Himalaya Granites, a listed company, and exit as one of its promoters.
Mar-16	GIL incorporates a private company in Singapore as a wholly owned subsidiary to cater to export markets of MDF & laminated flooring products

Source: Company, ICICI Direct Research

### Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	S M Management Pvt. Ltd.	31-Dec-18	25.8%	31.6	0.0
2	HDFC Asset Management Co., Ltd.	30-Sep-18	9.9%	12.1	1.1
3	Prime Holdings Pvt. Ltd.	31-Dec-18	9.8%	12.0	0.0
4	Jwalamukhi Investment Holdings	31-Dec-18	9.7%	11.9	0.0
5	Mittal (Shiv Prakash & Shobhan)	31-Dec-18	9.5%	11.7	0.0
6	SBI Funds Management Pvt. Ltd.	31-Dec-18	4.3%	5.3	0.9
7	Tata Asset Management Limited	31-Dec-18	3.1%	3.9	0.3
8	WestBridge Capital Partners, LLC	31-Dec-18	3.0%	3.6	0.0
9	Mittal (Rajesh)	31-Dec-18	2.5%	3.1	0.0
10	Reliance Nippon Life Asset Management Limited	30-Sep-18	1.8%	2.2	0.0

### Shareholding Pattern

(in %)	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	51.0	51.0	51.0	51.0
Public	49.0	49.0	49.0	49.0
Others	0.0	0.0	0.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Reuters, ICICI Direct Research

### Recent Activity

Buys			Sells		
Investor name	Value (m)	Shares (m)	Investor name	Value (m)	Shares (m)
HDFC Asset Management Co., Ltd.	2.4	1.1	Union Asset Management Company Private Limited	-0.8	-0.4
SBI Funds Management Pvt. Ltd.	1.9	0.9	Invesco Asset Management (India) Private Limited	-0.6	-0.3
Tata Asset Management Limited	0.6	0.3	Mahindra Asset Management Company Pvt. Ltd.	-0.6	-0.3
IDFC Asset Management Company Private Limited	0.9	0.3	BlackRock Institutional Trust Company, N.A.	-0.1	-0.1
L&T Investment Management Limited	0.2	0.1	IDBI Asset Management Limited	-0.1	-0.1

Source: Reuters, ICICI Direct Research

## Financial Summary

Profit and loss statement		(₹ Crore)			
(₹ Crore)	FY17	FY18	FY19E	FY20E	
Net Sales	1,663.1	1,680.4	1,822.3	2,306.2	
Raw Material Expense	651.4	621.5	819.6	1,032.5	
Purchase of Traded Goods	228.3	262.5	261.0	276.9	
Employee benefit expenses	170.7	185.2	200.1	242.6	
Other Expenses	359.4	371.4	343.2	459.7	
EBITDA	253.2	239.7	198.5	294.4	
Interest	18.1	9.5	39.9	47.3	
Depreciation	48.5	44.8	70.3	80.8	
Other income	4.4	3.8	8.2	9.0	
PBT	190.9	189.2	111.5	175.3	
Taxes	55.9	53.5	12.3	49.1	
Effective tax rate (%)	29.3	28.3	11.0	28.0	
PAT	135.0	135.7	99.2	126.2	
PAT Growth rate	3.4	0.5	(26.9)	27.2	
Adjusted EPS (Diluted)	11.2	11.2	8.2	10.5	

Source: Company, ICICI Direct Research

Balance Sheet		(₹ Crore)			
(₹ Crore)	FY17	FY18	FY19E	FY20E	
Liabilities					
Equity Capital	12.3	12.3	12.3	12.3	
Reserve and Surplus	774.8	902.8	994.9	1,111.9	
Total Shareholders funds	787.0	915.1	1,007.1	1,124.2	
Total Debt	375.8	627.6	709.0	569.0	
Deferred Tax Liability	14.0	26.5	26.5	26.5	
Total Liabilities	1,188.1	1,647.2	1,820.7	1,797.8	
Assets					
Gross Block	762.5	773.8	1,615.8	1,740.8	
Less Acc. Dep	263.3	296.7	367.0	447.8	
Net Block	499.3	477.1	1,248.8	1,293.0	
Net Intangibles Assets	2.0	5.9	5.9	5.9	
Capital WIP	216.1	770.4	86.9	61.9	
Total Fixed Assets	717.4	1,253.4	1,341.6	1,360.8	
Investments	72.4	76.4	76.4	76.4	
Inventory	158.3	215.0	233.1	301.3	
Sundry Debtors	301.1	284.4	308.4	396.6	
Loans & Advances	25.7	58.0	62.9	79.6	
Cash & Bank Balances	71.6	30.0	97.6	(3.4)	
Other Current Assets	189.4	165.7	173.0	197.9	
Total Current Assets	746.1	753.0	875.0	972.0	
Trade Payable	206.4	211.0	228.8	303.3	
Other Current Liabilities	123.5	249.8	264.3	313.8	
Provisions	26.2	26.5	28.8	36.4	
Net Current Assets	390.1	265.6	353.1	318.5	
Total Assets	1,188.0	1,647.2	1,820.7	1,797.8	

Source: Company, ICICI Direct Research

Cash Flow statement		(₹ Crore)			
(₹ Crore)	FY17	FY18	FY19E	FY20E	
Profit after Tax	135.0	135.7	99.2	126.2	
Depreciation	48.5	44.8	70.3	80.8	
Interest	18.1	9.5	39.9	47.3	
Taxes	55.9	53.5	12.3	49.1	
Cash Flow before wc changes	253.2	239.7	213.5	294.4	
Cash generated from operations	181.1	278.9	195.9	235.4	
Income Tax paid	55.9	53.5	12.3	49.1	
Net CF from operating activities	125.2	225.4	183.6	186.4	
Capital Work-in-progress	(207.0)	(554.3)	683.5	25.0	
(Purchase)/Sale of Fixed Assets (Net)	11.4	11.3	842.0	125.0	
Net CF from Investing activities	(179.3)	(557.9)	(150.4)	(91.0)	
Dividend	(9.5)	(9.8)	(7.2)	(9.1)	
Interest paid	(18.1)	(9.5)	(39.9)	(47.3)	
Inc / (Dec) in Loans	154.4	251.8	81.4	(140.0)	
Net CF from Financing activities	176.8	232.5	34.3	(196.4)	
Net Cash flow	122.6	(100.0)	67.6	(101.0)	
Opening Cash	31.6	71.6	30.0	97.6	
Closing Cash/ Cash Equivalent	71.6	30.0	97.6	(3.4)	

Source: Company, ICICI Direct Research

Key Ratios		FY17	FY18	FY19E	FY20E
Per Share Data (₹)					
EPS - Diluted		11.2	11.2	8.2	10.5
Cash EPS		15.2	15.0	14.0	17.2
Book Value		65.2	75.8	83.5	93.2
Dividend per share		0.8	0.8	0.6	0.8
Operating Ratios (%)					
EBITDA / Net Sales		15.2	14.3	10.9	12.8
PAT / Net Sales		8.1	8.1	5.4	5.5
Inventory Days		35	47	47	48
Debtor Days		71	69	69	70
Creditor Days		76	89	89	91
Return Ratios (%)					
RoE		17.2	14.8	9.9	11.2
RoCE		17.6	12.1	7.5	12.4
RoC		22.7	23.0	9.5	12.3
Valuation Ratios (x)					
EV / EBITDA		7.4	9.0	11.0	7.3
P/E (Diluted)		11.6	11.6	15.8	12.4
EV / Net Sales		1.1	1.3	1.2	0.9
Market Cap / Sales		0.9	0.9	0.9	0.7
Price to Book Value		2.0	1.7	1.6	1.4
Dividend Yield		0.6	0.6	0.5	0.6
Solvency Ratios (x)					
Net Debt / Equity		0.4	0.7	0.6	0.5
Debt / EBITDA		1.5	2.6	3.6	1.9
Current Ratio		1.5	1.4	1.4	1.4
Quick Ratio		1.0	0.9	0.9	0.9

Source: Company, ICICI Direct Research



## ICICI Direct Research Coverage Universe (Plywood)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)		
	(₹)	TP(₹)	Rating		FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Century Plyboard (CENPLY)	248	250	Hold	5524	8.4	7.1	9.3	30.3	35.9	27.2	21.0	20.0	17.1	7.9	6.7	5.7	26.2	18.7	20.8
Greenply (MTML)	204	220	Hold	2481	11.2	11.2	10.5	18.4	18.3	19.6	11.0	12.9	10.4	3.2	2.7	2.4	17.2	14.8	12.3

Source: Company, ICICI Direct Research

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Strong Hold: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Hold: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



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