

17 February 2022

## Greenply Industries

Rating: Buy

Target Price: Rs.257

Share Price: Rs.194

*Q3 broadly in-line, growth visibility rises, eyes expansion; upgrading to a Buy*

**Broadly in line with our estimated Rs4.2bn/Rs310m, Greenply's Q3 revenue/PAT grew 24%/19% y/y to Rs4.2bn/Rs298m. Its gross/EBITDA margins were 334bps/208bps lower y/y to 38.7%/10.2% (ARe 40%/11.3%). Its revenue growth visibility improved, led by the standalone entity (volume/realisations up 11.4%/7.3% y/y), and the overseas subsidiary's revenue up 58.4% y/y. Margins were slashed by cost pressures, though, largely higher raw-material cost (standalone) and other expenses (subsidiary).**

**Healthy revenue growth.** The beneficial demand context supported revenue growth. Volumes increased largely on the change in strategy (manufacturing through partnership models introduced (owned: partnership: traded volume growth -3%/624%/3% y/y), Higher realisation, however, largely offset costs.

**Margins squeezed.** Higher input costs compressed the gross margin 334bps y/y to 38.7%. Adj. EBITDA (adj. for Rs30m non-cash ESOP expenses) grew 10% y/y to Rs458m and resulted in a 137bp lower margin y/y, to 10.9%.

**Growth visibility improves, expansions underway.** The company is setting up greenfield MDF capacities (800 cu.mtrs. p.d., 240,000 p.a.) and in plywood (13.5m sq.mtrs. p.a.) in UP/Gujarat at Rs1.1bn/Rs5.6bn. Expected completion: Q4 FY22/Q4 FY23; commercial production the quarter following. On optimal utilisation within 2-3 years of commissioning, the revenue potential expected is Rs2.5bn/Rs6bn-6.6bn.

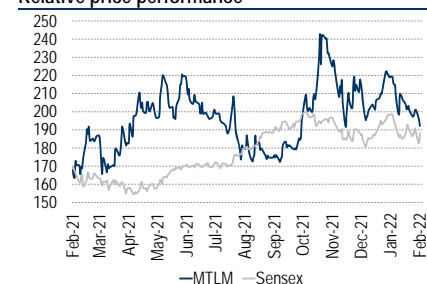
**Valuation, Outlook.** We like Greenply for its leading position in plywood. We introduce FY24e and anticipate 23%/37% revenue/earnings CAGRs over FY21-FY24. With the increased capacity to go live in FY23/FY24 and the overall outlook encouraging, we upgrade the stock to a Buy with a higher TP of Rs257, 20x FY24e earnings (earlier Rs227, 20x FY23e earnings).

| Key data           | MTLM IN / GRPL BO  |
|--------------------|--------------------|
| 52-week high / low | Rs.255 / 157       |
| Sensex / Nifty     | 57892 / 17305      |
| 3-m average volume | \$0.9m             |
| Market cap         | Rs.24bn / \$315.1m |
| Shares outstanding | 123m               |

| Shareholding pattern (%) | Dec'21 | Sep'21 | Jun'21 |
|--------------------------|--------|--------|--------|
| Promoters                | 52.3   | 52.3   | 52.2   |
| - of which, Pledged      | -      | -      | -      |
| Free float               | 47.8   | 47.8   | 47.8   |
| - Foreign institutions   | 3.6    | 2.7    | 1.8    |
| - Domestic institutions  | 31.3   | 29.8   | 31.5   |
| - Public                 | 13.0   | 15.3   | 14.5   |

| Estimates revision (%) | FY22e | FY23e  | FY24e |
|------------------------|-------|--------|-------|
| Sales                  | 7.5   | 3.7    | n/a   |
| EBITDA                 | 14.3  | 6.2    | n/a   |
| PAT                    | 19.7  | (11.1) | n/a   |

## Relative price performance



Source: Bloomberg

| Key financials (YE Mar) | FY20   | FY21   | FY22e  | FY23e  | FY24e  |
|-------------------------|--------|--------|--------|--------|--------|
| Sales (Rs m)            | 14,204 | 11,653 | 15,295 | 18,641 | 21,554 |
| Net profit (Rs m)       | 972    | 609    | 1,034  | 1,237  | 1,578  |
| EPS (Rs)                | 7.9    | 5.0    | 8.4    | 10.1   | 12.9   |
| P/E (x)                 | 24.3   | 38.9   | 22.9   | 19.1   | 15.0   |
| EV / EBITDA (x)         | 16.7   | 20.5   | 14.5   | 12.2   | 9.4    |
| P/BV (x)                | 6.3    | 5.4    | 4.4    | 3.6    | 2.9    |
| RoE (%)                 | 27.3   | 15.0   | 21.3   | 20.8   | 21.6   |
| RoCE (%) after tax      | 22.0   | 16.2   | 22.1   | 21.1   | 20.3   |
| Dividend yield (%)      | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    |
| Net debt / equity (x)   | 0.6    | 0.1    | 0.2    | 0.7    | 0.5    |

Source: Company, Anand Rathi Research

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## Quick Glance – Financials and Valuations (consol.)

**Fig 1 – Income statement (Rs m)**

| Year-end: Mar                 | FY20         | FY21         | FY22e        | FY23e        | FY24e        |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net revenues                  | 14,204       | 11,653       | 15,295       | 18,641       | 21,554       |
| <i>Growth (%)</i>             | 0.6          | -18.0        | 31.3         | 21.9         | 15.6         |
| Direct costs                  | 8,355        | 6,841        | 9,177        | 11,068       | 12,663       |
| SG&A                          | 4,293        | 3,645        | 4,397        | 5,243        | 5,927        |
| <b>EBITDA</b>                 | <b>1,556</b> | <b>1,167</b> | <b>1,721</b> | <b>2,330</b> | <b>2,964</b> |
| <i>EBITDA margins (%)</i>     | 11.0         | 10.0         | 11.3         | 12.5         | 13.8         |
| - Depreciation                | 257          | 231          | 271          | 350          | 607          |
| Other income                  | 20           | 68           | 86           | 117          | 162          |
| Interest expenses             | 208          | 166          | 201          | 500          | 482          |
| PBT                           | 612          | 837          | 1,335        | 1,597        | 2,037        |
| <i>Effective tax rate (%)</i> | 12.1         | 24.4         | 22.5         | 22.5         | 22.5         |
| + Associates / (Minorities)   | -5           | -24          | -            | -            | -            |
| Net income                    | 473          | 609          | 1,034        | 1,237        | 1,578        |
| Adjusted income               | 972          | 609          | 1,034        | 1,237        | 1,578        |
| WANS                          | 122.6        | 122.6        | 122.6        | 122.6        | 122.6        |
| FDEPS (Rs / sh)               | 7.9          | 5.0          | 8.4          | 10.1         | 12.9         |
| <i>FDEPS growth (%)</i>       | 22.0         | -37.3        | 69.8         | 19.6         | 27.6         |
| <i>Gross margins (%)</i>      | 41.2         | 41.3         | 40.0         | 40.6         | 41.3         |

**Fig 3 – Cash-flow statement (Rs m)**

| Year-end: Mar                          | FY20  | FY21  | FY22e   | FY23e   | FY24e   |
|--|-------|-------|---------|---------|---------|
| PBT (adj. for int. exp./ other income) | 612   | 837   | 1,335   | 1,597   | 2,037   |
| + Non-cash items                       | 257   | 231   | 271     | 350     | 607     |
| Oper. prof. before WC                  | 869   | 1,068 | 1,605   | 1,947   | 2,643   |
| - Incr. / (decr.) in WC                | (227) | 1,294 | (666)   | 386     | (409)   |
| Others incl. taxes                     | 10    | 3     | (99)    | 141     | 24      |
| Operating cash-flow                    | 652   | 2,365 | 840     | 2,473   | 2,258   |
| - Capex (tang. + intang.)              | (760) | (183) | (1,533) | (5,375) | (1,007) |
| Free cash-flow                         | (107) | 2,182 | (693)   | (2,902) | 1,251   |
| Acquisitions                           | -     | -     | -       | -       | -       |
| - Div.(incl. buyback & taxes)          | (59)  | (49)  | (49)    | (49)    | (49)    |
| + Equity raised                        | -     | -     | -       | -       | -       |
| + Debt raised                          | 155   | (799) | 728     | 3,033   | (799)   |
| - Fin investments                      | (16)  | 13    | -       | -       | -       |
| - Misc. (CFI + CFF)                    | (76)  | (169) | (217)   | (533)   | (511)   |
| Net cash-flow                          | (103) | 1,177 | (231)   | (451)   | (108)   |

Source: Company, Anand Rathi Research

**Fig 2 – Balance sheet (Rs m)**

| Year-end: Mar            | FY20         | FY21         | FY22e        | FY23e         | FY24e         |
|--------------------------|--------------|--------------|--------------|---------------|---------------|
| Share capital            | 123          | 123          | 123          | 123           | 123           |
| Net worth                | 3,657        | 4,244        | 5,230        | 6,418         | 7,947         |
| Debt                     | 2,371        | 1,572        | 2,300        | 5,333         | 4,535         |
| Minority interest        | -            | -            | -            | -             | -             |
| DTL / (Assets)           | -105         | -64          | -64          | -64           | -64           |
| <b>Capital employed</b>  | <b>6,045</b> | <b>5,875</b> | <b>7,588</b> | <b>11,810</b> | <b>12,541</b> |
| Net tangible assets      | 2,784        | 2,792        | 4,042        | 9,042         | 9,417         |
| Net intangible assets    | 67           | 15           | 15           | 15            | 15            |
| Goodwill                 | 292          | 277          | 277          | 277           | 277           |
| CWIP (tang. & intang.)   | 269          | 256          | 269          | 294           | 319           |
| Investments (strategic)  | 238          | 225          | 225          | 225           | 225           |
| Investments (financial)  | -            | -            | -            | -             | -             |
| Current assets (ex cash) | 646          | 704          | 844          | 962           | 1,063         |
| Cash                     | 103          | 1,280        | 1,049        | 599           | 491           |
| Current liabilities      | 1,155        | 1,170        | 1,559        | 2,602         | 2,764         |
| Working capital          | 3,019        | 1,688        | 2,619        | 3,192         | 3,691         |
| <b>Capital deployed</b>  | <b>6,263</b> | <b>6,069</b> | <b>7,782</b> | <b>12,004</b> | <b>12,735</b> |
| Contingent liabilities   | 512          | 560          | -            | -             | -             |

**Fig 4 – Ratio analysis**

| Year-end: Mar         | FY20 | FY21  | FY22e | FY23e | FY24e |
|-----------------------|------|-------|-------|-------|-------|
| P/E (x)               | 24.3 | 38.9  | 22.9  | 19.1  | 15.0  |
| EV / EBITDA (x)       | 16.7 | 20.5  | 14.5  | 12.2  | 9.4   |
| EV / Sales (x)        | 1.8  | 2.1   | 1.6   | 1.5   | 1.3   |
| P/B (x)               | 6.3  | 5.4   | 4.4   | 3.6   | 2.9   |
| RoE (%)               | 27.3 | 15.0  | 21.3  | 20.8  | 21.6  |
| RoCE (%) - after tax  | 22.0 | 16.2  | 22.1  | 21.1  | 20.3  |
| RoIC                  | 20.6 | 14.4  | 21.4  | 18.3  | 16.7  |
| DPS (Rs / sh)         | 0.4  | 0.4   | 0.4   | 0.4   | 0.4   |
| Dividend yield (%)    | 0.2  | 0.2   | 0.2   | 0.2   | 0.2   |
| Dividend payout (%)   | 12.5 | 8.1   | 4.7   | 4.0   | 3.1   |
| Net debt / equity (x) | 0.6  | 0.1   | 0.2   | 0.7   | 0.5   |
| Receivables (days)    | 91.6 | 60.7  | 75.0  | 75.0  | 75.0  |
| Inventory (days)      | 45.5 | 56.1  | 50.0  | 50.0  | 50.0  |
| Payables (days)       | 59.5 | 64.0  | 62.5  | 62.5  | 62.5  |
| CFO : PAT %           | 67.1 | 388.2 | 81.2  | 199.9 | 143.0 |

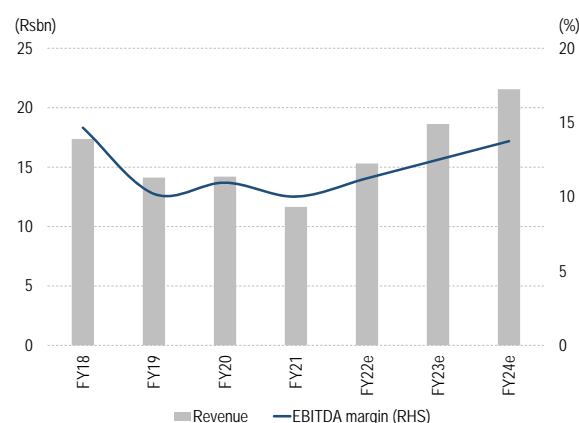
Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



Source: Company

**Fig 6 – Revenue and EBITDA margin trends**



Source: Company

## Financial highlights

Fig 7 – Financials (consolidated)

| (Rs m)                       | Q3 FY21 | Q2 FY22 | Q3 FY22 | % Y/Y   | % Q/Q   | 9M FY21 | 9M FY22 | % Y/Y   | FY20   | FY21   | % Y/Y   |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|--------|--------|---------|
| Revenue                      | 3,404   | 4,324   | 4,211   | 23.7    | (2.6)   | 7,686   | 11,143  | 45.0    | 14,204 | 11,653 | (18.0)  |
| Raw material costs           | 1,972   | 2,602   | 2,580   | 30.8    | (0.8)   | 4,459   | 6,660   | 49.3    | 8,355  | 6,841  | (18.1)  |
| Employee costs               | 385     | 506     | 477     | 23.9    | (5.7)   | 1,053   | 1,429   | 35.7    | 1,629  | 1,495  | (8.3)   |
| Other expenses               | 630     | 720     | 725     | 15.2    | 0.8     | 1,461   | 1,996   | 36.6    | 2,664  | 2,151  | (19.3)  |
| EBITDA                       | 417     | 497     | 428     | 2.7     | (13.8)  | 712     | 1,057   | 48.4    | 1,556  | 1,167  | (25.0)  |
| Depreciation                 | 59      | 64      | 65      | 10.5    | 1.5     | 167     | 191     | 14.5    | 257    | 231    | (10.3)  |
| Finance costs                | 36      | 35      | 26      | (28.4)  | (24.7)  | 129     | 94      | (26.8)  | 208    | 166    | (19.9)  |
| Other income                 | 16      | 20      | 27      | 70.1    | 34.2    | 29      | 68      | 135.8   | 20     | 68     | 231.8   |
| Profit / Loss from Associate | (1)     | 1       | 26      |         |         | (23)    | 25      | (210.9) | (5)    | (24)   | 380.2   |
| PBT                          | 337     | 419     | 390     | 15.8    | (7.0)   | 422     | 865     | 104.9   | 1,107  | 814    | (26.5)  |
| Tax                          | 86      | 100     | 92      | 5.9     | (8.7)   | 99      | 207     | 108.7   | 134    | 205    | 52.3    |
| PAT                          | 250     | 319     | 298     | 19.2    | (6.5)   | 323     | 658     | 103.7   | 972    | 609    | (37.3)  |
| EPS (Rs)                     | 2.0     | 2.6     | 2.4     | 19.2    | (6.5)   | 2.6     | 5.4     | 103.7   | 7.9    | 5.0    | (37.3)  |
| As % of income               |         |         |         | bps y/y | bps q/q |         |         | bps y/y |        |        | bps y/y |
| Gross margins                | 42.1    | 39.8    | 38.7    | (334)   | (110)   | 42.0    | 40.2    | (175)   | 41.2   | 41.3   | 12      |
| Employee costs               | 11.3    | 11.7    | 11.3    | 2       | (36)    | 13.7    | 12.8    | (88)    | 11.5   | 12.8   | 136     |
| Other expenses               | 18.5    | 16.6    | 17.2    | (128)   | 58      | 19.0    | 17.9    | (110)   | 18.8   | 18.5   | (30)    |
| EBITDA margins               | 12.3    | 11.5    | 10.2    | (208)   | (132)   | 9.3     | 9.5     | 22      | 11.0   | 10.0   | (94)    |
| Depreciation                 | 1.7     | 1.5     | 1.6     | (19)    | 6       | 2.2     | 1.7     | (46)    | 1.8    | 2.0    | 17      |
| Finance costs                | 1.1     | 0.8     | 0.6     | (45)    | (18)    | 1.7     | 0.8     | (83)    | 1.5    | 1.4    | (4)     |
| Other income                 | 0.5     | 0.5     | 0.6     | 17      | 18      | 0.4     | 0.6     | 23      | 0.1    | 0.6    | 44      |
| PBT margins                  | 9.9     | 9.7     | 9.3     | (63)    | (44)    | 5.5     | 7.8     | 227     | 7.8    | 7.0    | (81)    |
| Effective tax rates          | 25.7    | 23.9    | 23.5    | (219)   | (43)    | 23.5    | 24.0    | 44      | 12.1   | 25.2   | 1,301   |
| PAT margins                  | 7.4     | 7.4     | 7.1     | (27)    | (30)    | 4.2     | 5.9     | 170     | 6.8    | 5.2    | (162)   |

Source: Company, Anand Rathi Research

## Details - Parent and Subsidiary

**Fig 8 – Financials**

| Standalone                              | Q3 FY21    | Q2 FY22    | Q3 FY22    | % Y/Y          | % Q/Q          | 9M FY21    | 9M FY22    | % Y/Y          |
|---|------------|------------|------------|----------------|----------------|------------|------------|----------------|
| <b>Volume mix (%)</b>                   |            |            |            |                |                |            |            |                |
| Manufacturing – own                     | 60.0       | 55.0       | 52.0       | (800)          | (300)          | 60.0       | 56.0       | (400)          |
| Manufacturing - partners                | 2.0        | 10.0       | 13.0       | 550            | 30             | 1.0        | 10.0       | 900            |
| Trading                                 | 38.0       | 35.0       | 35.0       | (8)            | -              | 39.0       | 34.0       | (500)          |
| <b>Total</b>                            | <b>100</b> | <b>100</b> | <b>100</b> | <b>-</b>       | <b>-</b>       | <b>100</b> | <b>100</b> | <b>-</b>       |
| <b>Value mix (%)</b>                    |            |            |            |                |                |            |            |                |
| Manufacturing – own                     | 70.0       | 65.0       | 62.0       | (800)          | (300)          | 70.0       | 65.0       | (500)          |
| Manufacturing - partners                | 2.0        | 8.0        | 11.0       | 450            | 38             | 1.0        | 9.0        | 800            |
| Trading                                 | 28.0       | 27.0       | 27.0       | (4)            | -              | 29.0       | 26.0       | (300)          |
| <b>Total</b>                            | <b>100</b> | <b>100</b> | <b>100</b> | <b>-</b>       | <b>-</b>       | <b>100</b> | <b>100</b> | <b>-</b>       |
| <b>Quantitative details (m sq.mtr.)</b> |            |            |            |                |                |            |            |                |
|   |            |            |            | % y/y          | % q/q          |            |            | % y/y          |
| Capacity                                | 8.8        | 8.8        | 8.8        | -              | -              | 26.4       | 26.4       | -              |
| Utilisation (%)                         | 91         | 100        | 95         | 455.0(bps)     | (455)(bps)     | 67         | 88         | 2045(bps)      |
| Production                              | 8          | 9          | 8          | 5.0            | (4.5)          | 18         | 23         | 30.3           |
| Partnerships & Trading                  | 6          | 7          | 7          | 20.0           | 1.4            | 12         | 17         | 43.3           |
| Sales                                   | 14         | 16         | 16         | 11.4           | (1.9)          | 30         | 40         | 35.6           |
| Realisation (Rs /sq.mtr.)               | 219        | 233        | 235        | 7.3            | 0.9            | 217        | 234        | 7.8            |
| <b>Subsidiary - GMEL (Rs m)</b>         |            |            |            |                |                |            |            |                |
| Revenue                                 | 303        | 562        | 480        | 58.4           | (14.6)         | 1,126      | 1,516      | 34.6           |
| Gross profit                            | 151        | 271        | 239        | 58.3           | (11.8)         | 550        | 720        | 30.9           |
| EBITDA                                  | 44         | 60         | 48         | 9.1            | (20.0)         | 162        | 161        | (0.6)          |
| PAT                                     | 8          | 24         | 9          | 12.5           | (62.5)         | 55         | 38         | (30.9)         |
| <b>%</b>                                |            |            |            | <b>bps y/y</b> | <b>bps q/q</b> |            |            | <b>bps y/y</b> |
| GPM                                     | 49.8       | 48.2       | 49.8       | (4)            | 157            | 48.8       | 47.5       | (135)          |
| OPM                                     | 14.5       | 10.7       | 10.0       | (452)          | (68)           | 14.4       | 10.6       | (377)          |
| NPM                                     | 2.6        | 4.3        | 1.9        | (77)           | (240)          | 4.9        | 2.5        | (238)          |
| <b>(cu mtrs)</b>                        |            |            |            |                |                |            |            |                |
|   |            |            |            | % y/y          | % q/q          |            |            | % y/y          |
| Capacity                                | 24000      | 24000      | 24000      | -              | -              | 72000      | 72000      | -              |
| CU (%)                                  | 41         | 56         | 46         | 583 (bps)      | (913)(bps)     | 40         | 50         | 986 (bps)      |
| Production                              | 9757       | 13346      | 11156      | 14.3           | (16.4)         | 28995      | 36093      | 24.5           |
| Sales                                   | 7719       | 11954      | 11063      | 43.3           | (7.5)          | 24290      | 34565      | 42.3           |

Source: Company, Anand Rathi Research

## Q3 FY22 Concall KTAs

- The company's revenue growth momentum and margin expansion would accelerate. It is focusing on revenue from the premium segment rather than from the mass segment. This would lead to better margins.
- The company expects 5-7% additional volume growth above industry growth rates. It is confident of increasing its market share with ad spends of ~3% of sales.
- Price hikes offset higher input costs. Further price hikes are likely as key raw-material prices are still high. 9M FY22 realisations rose 8% y/y.
- ESOP expense to be high for the next two years and will fall thereafter. It should be 1% of sales in the near to medium term.

The company has adopted the strategy of forming joint ventures (less than a 20% stake) with non-regulated manufacturers to reduce competition and drive growth. These partnerships are exclusive and 100% of the finished goods will be procured by the company.

This seems to be a good move: an asset-light model which would reduce competition from the informal sector to an extent.

It also assures availability of raw material at predetermined prices (by and large, an arm's length transaction).

- Regular routine/maintenance capex is likely to be Rs250m-300m.
- The Greenply Middle-East subsidiary's Q3 FY22 revenue/PAT grew 58%/21% y/y; for 9M FY22 revenue was up 35% y/y, and PAT was down 31% y/y. Logistics challenges persist.
- The expanded capacities should have 60% utilisation in H1 of the first year of commercial production and 90% in H2. FY24 and FY25 should see the full potential of the expanded capacities.
- The greenfield plant will be constructed on only part of the land purchased. Hence, potential revenue from this plant should not be compared with the total investment, which includes the land purchase.
- Long term margin guidance remains at 13-14%.

## Q3 FY22 results analysis

- **Covid hinders growth, however maintains brand positioning, management sees encouraging outlook ahead.** Growth during the quarter could have been higher but for the Covid-19 third wave. The company maintained its brand positioning to gain traction and enhance market share. Management sees a robust outlook on the Indian economy's strong fundamentals and the promising housing sector.

- **JV with a newly incorporated entity.** The company formed a JV with the newly incorporated Hapur Plywood Pvt. Ltd., investing Rs19m for a 19% stake. This entity will set up a unit to manufacture plywood and allied products, at Hapur, U.P. The finished products will be supplied to Greenply.

- **Expanding capacities and making a foray into newer areas as the business environment is encouraging.**

The company is setting up a greenfield facility for plywood at Sandila, Lucknow, U.P. with 13.5m sq.mtr. capacity. Work on the P&M is nearly complete. Trial runs are expected in Q4 FY22, and commercial production will commence in Q1 FY23.

It is also setting up a greenfield facility for MDF board, at Vadodara, Gujarat, with 800 cu.mtr. p.d. capacity. Machinery has been ordered and implementation is in full swing. This plant is expected to be commissioned in Q4 FY23.

The company has a capital outlay of Rs1.1bn/Rs5.6bn for these projects and anticipates revenue potential of Rs2.5bn/Rs6bn-6.6bn on optimal utilisation in 2-3 years of commissioning.

Total capacity for plywood after all expansions would be 48.4m sq.mtr. (incl. 10m sq mtr. Of the JV at Bareilly, U.P.)

- **Debt levels rise, but in check.** Net debt rose 1.4x y/y, 2.1x q/q, to Rs1.2bn while net debt-to-equity was 0.24x (doubling from 0.12x a quarter ago and 0.2x a year ago). However, debt is in check as the increase has been due to ongoing capex and a slight increase in working capital (by three days q/q, though y/y 19 days lower) to 42 days).

## Other key development

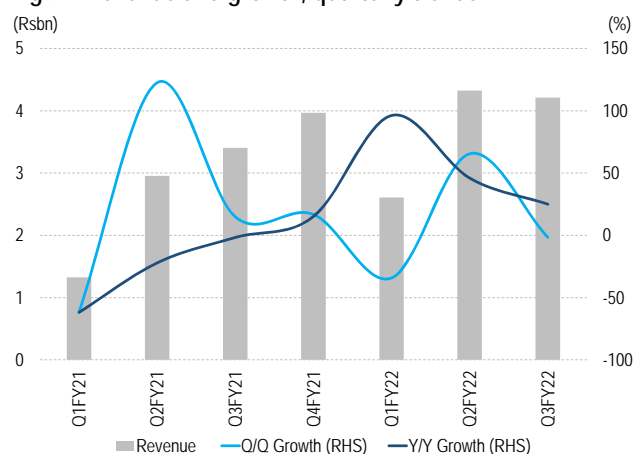
**Changes in the finance department.** Senior management is being restructured to remove overlapping and streamline decision-making.

■ **Nitin Kalani appointed Chief Financial Officer (CFO).**

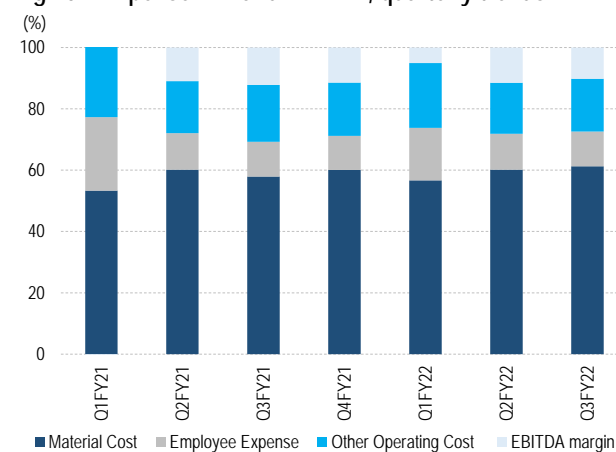
On Mukesh Agarwal's resignation as CFO on 15<sup>th</sup> Jan, Nitin Kalani has been appointed. An all-India merit-ranked CA and a CFA cum CS, Mr Kalani has over 18 years' experience (domestic and overseas) in industries such as the Varroc, RPG and Kalpataru groups, Credit Suisse, Rabobank and Tata Motors. Prior to joining, he was Head of Group Treasury, FP&A and Investor Relation, Varroc, and played a key role in raising funds (IPO in 2018, QIP in 2021) along with various fund raising activities (domestic and international) together with M&A.

■ **Gourav Chowdhary** (member, ICAI), appointed internal auditor w.e.f. 15<sup>th</sup> Feb (earlier Harsh Bajoria, resigned 14<sup>th</sup> Feb).

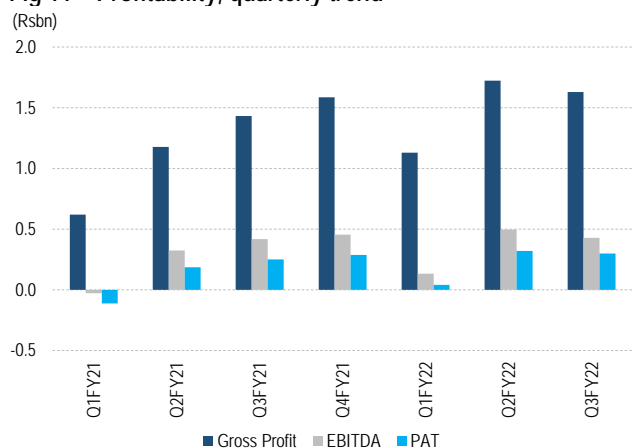
■ **Gautam Jain** appointed as Chief Investor Relations Officer.

**Fig 9 – Revenue and growth, quarterly trends**

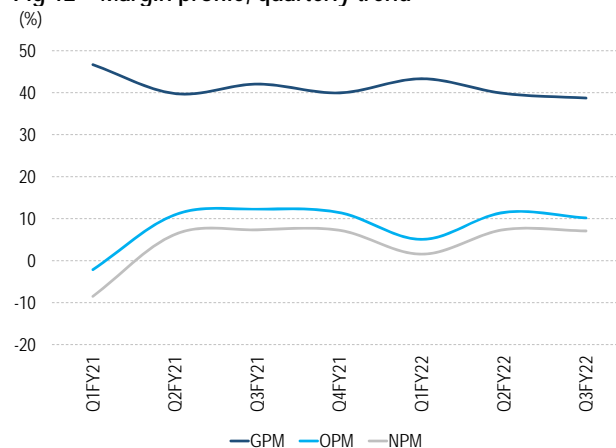
Source: Company, Anand Rathi Research

**Fig 10 – Expense mix and EBITDA, quarterly trends**

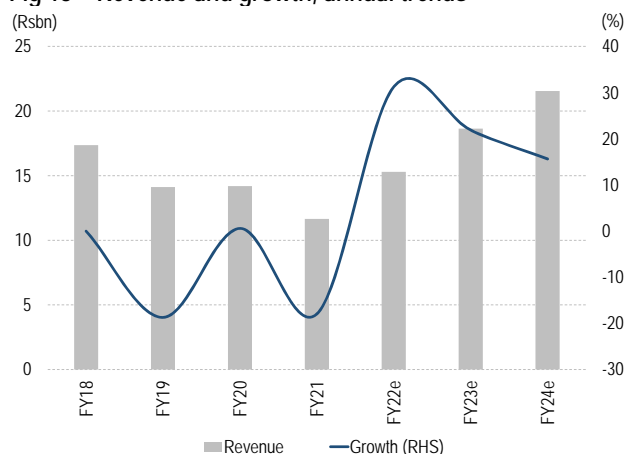
Source: Company, Anand Rathi Research

**Fig 11 – Profitability, quarterly trend**

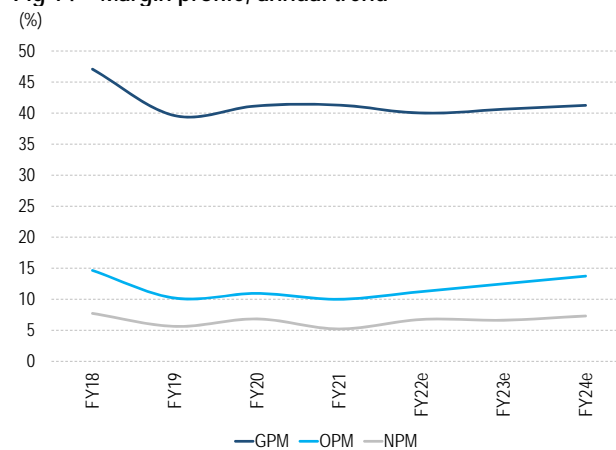
Source: Company, Anand Rathi Research

**Fig 12 – Margin profile, quarterly trend**

Source: Company, Anand Rathi Research

**Fig 13 – Revenue and growth, annual trends**

Source: Company, Anand Rathi Research

**Fig 14 – Margin profile, annual trend**

Source: Company, Anand Rathi Research



## Valuation

The brighter industry outlook on heightened consumer sentiment for home renovation/purchases and Greenply's leading position in plywood, its backward integration and market-share gains from the informal sector lead us to favour it. The backward-integration in face veneer in Gabon will play a key role in expanding its margins in the medium to long run. Also, its asset-light partnership model (a 20% stake) will help it faster scale up the business.

Largely because of the considerable expansion, consolidated net debt is likely to increase significantly in the next two years from Rs292m in FY21 to Rs4bn by FY24. Nevertheless, the better business environment would help pare the mounting debt from FY25 when cash-flow starts from the expanded capacities.

We introduce FY24e and anticipate 23%/37% revenue/earnings CAGRs over FY21-FY24. With the increased capacities to go live in FY23 and FY24 and the overall outlook encouraging, we upgrade the stock to a Buy with a higher TP of Rs257 based on 20x FY24e earnings (earlier Rs227, at 20x FY23e earnings).

**Fig 15 – Change in estimates**

| (Rs m)           | Old    |        |       | New    |        |        | % Var |        |      |
|------------------|--------|--------|-------|--------|--------|--------|-------|--------|------|
|                  | FY22e  | FY23e  | FY24e | FY22e  | FY23e  | FY24e  | FY22  | FY23   | FY24 |
| Income           | 14,222 | 17,980 | n/a   | 15,295 | 18,641 | 21,554 | 7.5   | 3.7    | n/a  |
| EBITDA           | 1,506  | 2,195  | n/a   | 1,721  | 2,330  | 2,964  | 14.3  | 6.2    | n/a  |
| EBITDA margins % | 10.6   | 12.2   | n/a   | 11.3   | 12.5   | 13.8   | 65    | 30     | n/a  |
| PAT              | 864    | 1,392  | n/a   | 1,034  | 1,237  | 1,578  | 19.7  | (11.1) | n/a  |
| EPS (Rs m)       | 7.0    | 11.3   | n/a   | 8.4    | 10.1   | 12.9   | 20.5  | (10.7) | n/a  |

Source: Anand Rathi Research

**Fig 16 – One-year-forward P/E band, Standard deviation**



Source: BSE, Anand Rathi Research

## Risks

- **Mounting competition.** With increased growth traction in real estate demand, construction companies are in a sweet spot and are expanding capacities. Competition might increase from existing/new entities in similar domains or forays into such verticals.
- **Assured raw material availability at reasonable prices is a challenge.** Margins are affected by higher key raw-material prices and adequate quantities not available in time.
- **Challenges in the new business strategy.** For faster growth the company has adopted a strategy of investing 20% in an exclusive partnership for finished goods. Misunderstandings with the joint venture partner might derail the growth momentum.
- **Delay in ramping up the Gabon subsidiary.** A slow ramp-up in the face-veneer facility in Gabon may impact revenue growth and margins.
- **Delay in commissioning capacities.** Delays in commissioning the expanded capacities could slow the growth momentum.

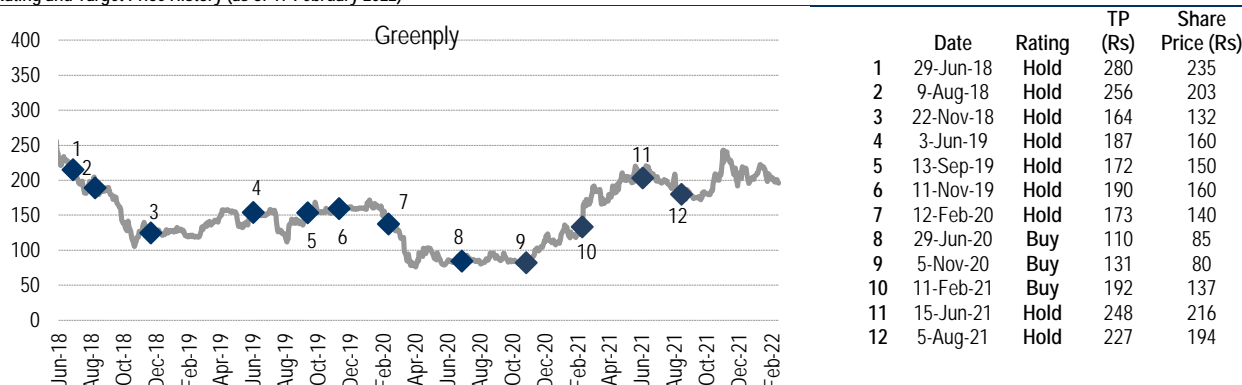
## Appendix

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|                           | Buy  | Hold  | Sell |
|---------------------------|------|-------|------|
| Large Caps (>US\$1bn)     | >15% | 5-15% | <5%  |
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