

May 16, 2022

RESULT REPORT Q4 FY22 | Sector: Building Materials

Greenply Industries Ltd

Reduce target price to Rs237!

Our view and valuation

Greenply Industries Ltd (GIL) registered a decent set of numbers for Q4FY22. Topline grew by 13%YoY (4% above our estimates), however EBITDA margins were 100bps below our estimates at 10% mainly on account of higher than expected advertisement expenses which came in at 5.2% in Q4FY22. Company's volumes increased by 8.2%YoY to 17.1msqm & realizations improved by 7%YoY on account of price hikes taken by GIL to mitigate the rise in input cost. We reckon, uptick in real-estate industry & formalization of industry should lead to higher demand for GIL which should enable the company to deliver volume growth of 10% over FY22-FY24E. Moreover, company's new plywood facility will commence commercial operations in Q1FY23 which will cater the incremental growth. Realizations should also expand by 3%YoY which will largely be to pass-on the rise in input cost. From FY24E, new MDF unit will also start to contribute to company's performance, the plant is likely to commence commercial operations by Q4FY23E. For FY24E, we reckon MDF plant to operate at 50% utilizations.

Owing to reasons stated above, we expect GIL's Revenue/EBITDA/PAT to grow by 19%/35%/30% over FY22-FY24E. EBITDA margins are likely to expand from 10% in FY22 to 11.2%/12.4% in FY23E/FY24E on account of better operational efficiencies & expected stabilization of Gabon operations. MDF unit will accelerate company's growth & lead to margin expansions from FY24E. We continue to value the company at 18x on FY24E EPS of Rs13 (revised downwards), arriving at a target price of Rs237 (previous Rs252). We maintain our BUY rating on the stock.

Result Highlights

- Revenue of the company stood at Rs4,486Mn, reporting a growth of 13%YoY & 6.5% QoQ. Greenply's standalone biz registered 15.3%YoY & 11.1%QoQ growth wherein volumes increased by 8.2%YoY & 9.6%QoQ to 17.10msqm & realizations expanded to Rs238 in Q4FY22 from Rs222/Rs235 in Q4FY21/Q3FY22 respectively.
- EBITDA for the quarter stood at Rs445Mn (Vs our estimate of Rs474Mn), a decline of 2.1%YoY & minimal growth of 3.9%QoQ. EBITDA margins came in at 9.9% Vs 11.5%/10.2% in Q4FY21/Q3FY22 respectively (excluding non-cash ESOPs costing Rs30Mn). Standalone biz margins came in at 10% as compared to 12%/11% in Q4FY21/Q3FY22 respectively. GMEL's margins expanded sharply from 9%/10% in Q4FY21/Q3FY22 to 16% in Q4FY22.
- Net profit stood at Rs290Mn for Q4FY22 as compared to Rs287Mn in Q4FY21 & Rs298Mn in Q3FY22.

Rs Mn	Actual	Estimates		% Variation	
		Yes Sec	Consensus	Yes Sec	Consensus
Sales	4,486	4,311	4,376	4.0	2.5
EBITDA	445	474	471	(6.0)	(5.4)
OPM (%)	9.9	11.0	10.8	(107) bps	(83) bps
Adjusted PAT	290	309	305	(6.2)	(4.9)

Reco	: BUY
CMP	: Rs 182
Target Price	: Rs 237
Potential Return	: +30%

Stock data (as on May 16, 2022)

Nifty	15,842
52 Week h/l (Rs)	255 / 161
Market cap (Rs/USD mn)	22373 / 289
Outstanding Shares (mn)	123
6m Avg t/o (Rs mn):	60
Div yield (%):	0.3
Bloomberg code:	MTLM IN
NSE code:	GREENPLY

Stock performance



	1M	3M	1Y
Absolute return	-15.5%	-8.1%	-7.2%

Shareholding pattern (As of Mar'22 end)

Promoter	52.3%
FII+DII	35.6%
Others	11.8%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	237	252

Δ in earnings estimates

	FY23E	FY24E
EPS (New)	7.6	13.2
EPS (Old)	11.5	13.9
% change	-34.3	-5.2

Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Net Revenue	15,628	17,443	22,298
YoY Growth	34.1	11.6	27.8
EBIDTA	1,503	1,945	2,765
EBIDTA(%)	9.6	11.2	12.4
PAT	948	927	1,616
YoY Growth	55.4	(2.2)	74.4
ROE	17.4	14.6	20.4
EPS	7.7	7.6	13.2
P/E	23.7	24.2	13.9
BV/Share	43.9	51.1	63.8
P/BV	4.2	3.6	2.9

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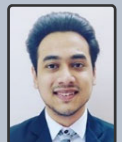

VICKY WAGHWANI, Associate

Exhibit 1: Quarterly snapshot (Consolidated)

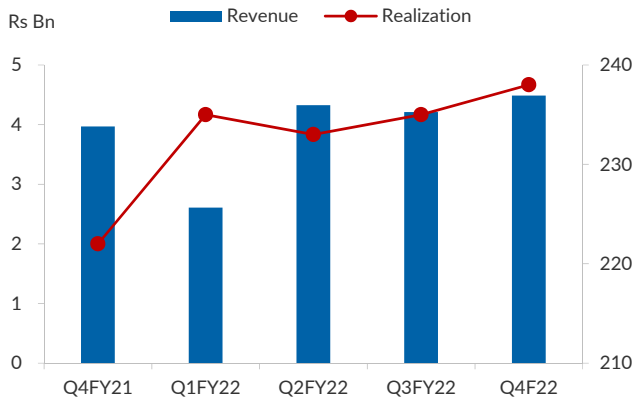
Rs mn	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	y/y (%)	q/q (%)	FY22	FY21	y/y (%)
Revenue	3,967	2,608	4,324	4,211	4,486	13.1	6.5	15,628	11,653	34.1
Expenditure	3,512	2,476	3,827	3,782	4,040	15.0	6.8	14,125	10,486	34.7
- RM	2,382	1,478	2,602	2,580	2,693	13.1	4.4	9,353	6,841	36.7
- Staff Cost	441	446	506	477	504	14.2	5.6	1,933	1,495	29.3
- Other cost	689	552	720	725	843	22.3	16.3	2,839	2,151	32.0
Operating Profit	455	132	497	429	445	(2.1)	3.9	1,503	1,167	28.7
OPM(%)	11.5	5.1	11.5	10.2	9.9	-154 bps	-25 bps	9.6	10.0	-40 bps
Other Income	39	21	20	27	31	(20)	16	99	68	46.4
Depreciation	64	61	64	65	67	5	3	258	231	12.0
Interest	37	34	35	26	25	(34)	(5)	119	166	(28.3)
PBT	393	58	418	364	384	(2.1)	5.6	1,250	814	53.5
Tax	105	16	100	92	95	(9.6)	3.9	303	205	47.9
PAT	287	43	318	273	289	0.7	6.2	948	610	55.4

KEY CON-CALL HIGHLIGHTS

- Demand is likely to remain health on account of higher demand for real-estate segment and shift in demand from unorganized to organized segment.
- Guidance: Management guided for 10-11% volume growth & 3-5% value growth for FY23 with EBITDA margins expected to expand by 100bps. Management maintained that they will reach 14% EBITDA margins eventually owing to better operational efficiencies.
- For Q4FY22 company had higher advertisement spends of 5.2% Vs avg full year expenditure of 3.5%.
- For MDF: 10% will be similar dealers but 90% will be new dealers. Company is confident that they will operate at 50% utilization in FY24E (First year of operations) and will reap benefit of being the only MDF plant in West. Moreover, with major RMs getting imported, at Gujarat port- company will have cost benefits. For MDFs, with full utilization company aims to achieve Rs7Bn revenue & ~3.5-4Bn in FY24.
- Margin difference between own manufacturing and outsourced is ~3-4%.
- From new Plywood plant- company will generate Rs1.2-1.25Bn revenue in FY23 & Rs2.2-2.4Bn in FY24.
- Capex for FY23 will be Rs4.75Bn wherein major capex will be for MDFs of Rs 4.2-5.25Bn.
- Gross debt for FY23 should be Rs7Bn & Net Debt will be Rs6-6.25Bn. Cost of debt will be ~6.25-6.5% (largely these are term loans).
- Gabon is expected to stabilize & management expects to achieve Rs2.3Bn revenue in coming 4-6quarters.
- ESOP Cost will be Rs 150Mn in FY23 & Rs3Mn in FY24

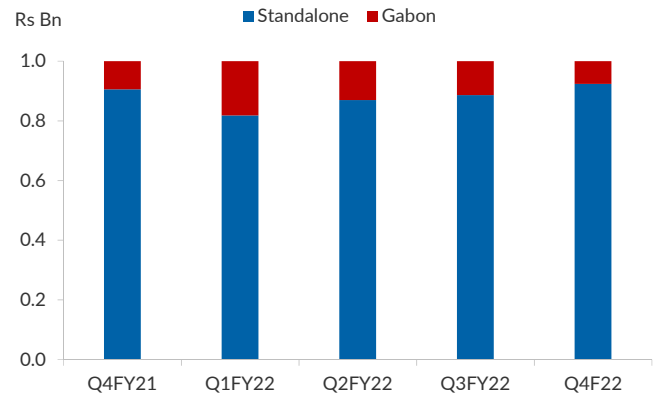
QUARTERLY TRENDS

Exhibit 2: Revenue increased by 13%YoY...



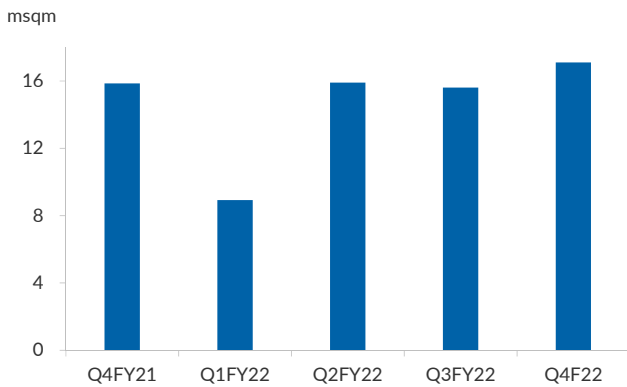
Source: Company, YES Sec

Exhibit 3: ...Standalone biz grew by 16%YoY



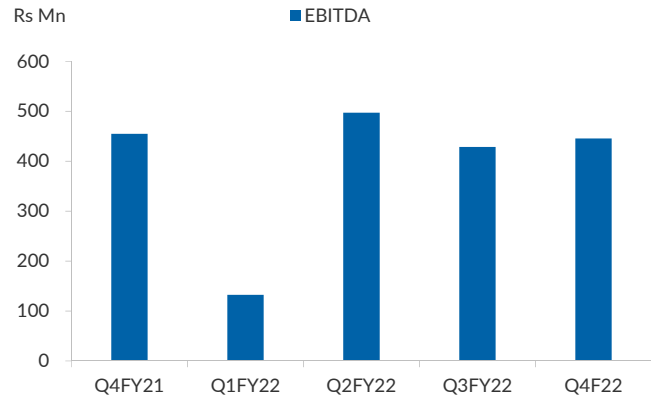
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Exhibit 4: Standalone volumes increased by 8%YoY



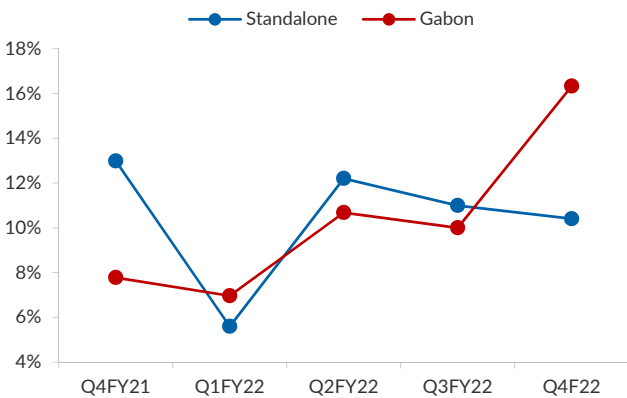
Source: Company, YES Sec

Exhibit 5: EBITDA grew marginally by 4%QoQ



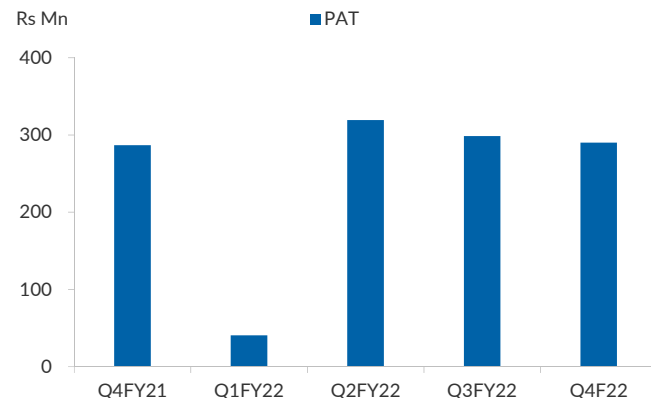
Source: Company, YES Sec

Exhibit 6: Gabon's EBITDA margins expanded sharply...



Source: Company, YES Sec

Exhibit 7: PAT remained flat YoY & QoQ...



Source: Company, YES Sec

FINANCIALS

Exhibit 8: Balance Sheet

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E
Equity Share Capital	123	123	123	123
Reserves	4,244	5,259	6,137	7,704
Total Shareholders' Funds	4,367	5,382	6,259	7,826
Long term borrowings	721	1,431	1,431	1,100
Short term borrowings	877	1,533	4,569	3,000
Trade payables	2,043	2,164	2,394	3,256
Other financial liabilities	845	721	716	716
Total equity and liabilities	9,151	11,587	15,808	16,336
Non-current assets				
PPE	2,792	3,086	7,450	7,103
CWIP	62	1,096	496	200
Current assets				
Inventories	1,792	2,256	3,927	4,602
Trade receivables	1,939	1,864	2,081	2,478
Cash and cash equivalents	181	630	430	530
Other current assets	365	638	343	343
Total assets	9,150	11,587	15,808	16,336

Exhibit 9: Income Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E
Revenues	11,653	15,628	17,443	22,298
Growth (%)	-18.0%	34.1%	11.6%	27.8%
EBITDA	1,167	1,503	1,945	2,765
EBITDA margin (%)	10.0%	9.6%	11.2%	12.4%
Growth (%)	-25.0%	28.7%	29.4%	42.1%
Depreciation & Amortization	231	258	536	547
Other income	68	99	150	178
EBIT	1,004	1,343	1,559	2,396
EBIT margin (%)	8.6%	8.6%	8.9%	10.7%
Interest	166	119	360	320
PBT	814	1,250	1,219	2,126
Tax	205	303	293	510
Net profit	610	948	927	1,616
Net profit margin (%)	5.2%	6.1%	5.3%	7.2%
EPS	5.0	7.7	7.6	13.2
Growth (%)	28.9%	55.4%	-2.2%	74.4%

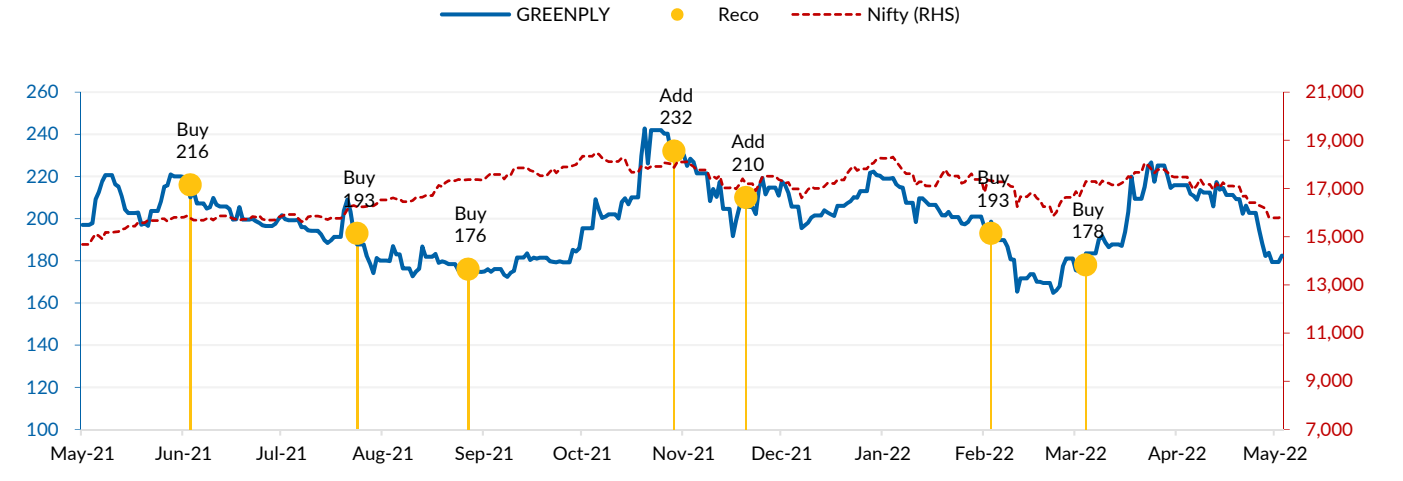
Exhibit 10: Cash Flow Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E
PBT	814	1,250	1,219	2,126
Depreciation & Amortization	231	258	536	547
Finance cost	166	119	360	320
(Incr)/Decr in Working Capital	1,240	(445)	(528)	(210)
Taxes	(151)	(321)	(293)	(510)
Cash from ops.	2,281	916	1,294	2,273
(Incr)/ Decr in PP&E	(226)	(2,320)	(4,219)	96
Cash Flow from Investing	(1,247)	(1,294)	(4,217)	96
(Decr)/Incr in Borrowings	(712)	983	3,036	(1,900)
Finance cost	(144)	(113)	(360)	(320)
Dividend	(49)	(49)	(49)	(49)
Cash Flow from Financing	(921)	804	2,627	(2,269)
Incr/(Decr) in cash	113	427	(296)	100
Cash at beginning of year	(157)	(36)	726	430
Cash at end of year	(36)	384	430	530

Exhibit 11: Ratio Analysis

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E
Growth Matrix (%)	FY21	FY22	FY23E	FY24E
Revenue growth	(18.0)	34.1%	11.6%	27.8%
EBITDA growth	(25.0)	28.7%	29.4%	42.1%
EBIT growth	(23.9)	33.8%	16.1%	53.7%
PAT growth	(21.2)	53.5%	(2.5%)	74.4%
Profitability ratios (%)				
EBITDA margin	10.0%	9.6%	11.2%	12.4%
EBIT margin	8.6%	8.6%	8.9%	10.7%
PAT margin	5.2%	6.0%	5.2%	7.2%
RoCE	16.8%	16.1%	12.7%	20.3%
RoE	14.0%	17.4%	14.6%	20.4%
Leverage ratios (x)				
Net debt/Equity	0.3	0.4	0.9	0.4
Net debt/EBITDA	1.2	1.6	2.9	1.3
Int coverage	6.0	11.3	4.3	7.5
Per share values				
EPS	5.0	7.7	7.6	13.2
CEPS	6.9	9.8	11.9	17.6
BVPS	35.6	43.9	51.1	63.8
Valuation ratios (x)				
P/E	36.8	23.7	24.2	13.9
P/CEPS	26.7	18.6	15.3	10.4
P/B	5.1	4.2	3.6	2.9
EV/EBITDA	20.4	16.5	14.4	9.4

Recommendation Tracker



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