

Greenply Industries Ltd

Performance Update

	4QFY18	4QFY17	% chg. (yoy)	3QFY18	% chg. (qoq)
Net Sales	437	478	(8.6)	399	9.5
Operating profit	57	73	(22.2)	63	(8.9)
OPM (%)	13.1	15.3	(228)	15.7	(263)
Adj. PAT	33	42	(22)	36	(10)

Source: Company, Angel Research

For 4QFY2018, Greenply Industries disappointed both on the top-line as well as on the bottom-line front. Revenue de-grew by ~8.6% yoy to ₹437cr on an account of poor performance in Plywood segment as well as in MDF segment. On the operating front, margins contracted by 228bps due to lower realisations in Plywood and losses in Wallpaper and others category. During the quarter, PAT de-grew by ~22% yoy to ₹33cr on account of lower revenue and poor operating margin.

Overall top-line subdued: The Company's top-line de-grew by ~8.6% yoy to ₹437cr on an account of poor performance in Plywood segment as well as in MDF segment. Plywood segment de-grew by ~9.1% yoy during the quarter, whereas MDF segment reported a decline of ~12.4% yoy. The Company's other segment also de-grew by ~63.4% yoy.

Lower revenue and poor operating performance drag the overall profitability: On the operating front, the company's margin contracted by 228bps yoy due to lower realisations in Plywood and losses in Wallpaper and others category. On the bottom-line front, PAT de-grew by ~22% yoy to ₹33cr on an account of lower revenue and poor operating margin.

Outlook & Valuation: We forecast GIL to report top-line CAGR of ~15% to ₹2,256cr over FY18-20E on the back of strong brand and distribution network. On the bottom-line front, we estimate ~12% CAGR to ₹139cr owing to improvement in volumes. **We recommend Buy with a revised target price of ₹364.**

Key Financials

Y/E March (₹cr)	FY2017	FY2018	FY2019E	FY2020E
Net Sales	1,664	1,713	1,938	2,256
% chg	1.0	3.0	13.1	16.4
Net Profit	125	111	120	140
% chg	(1.9)	(11.8)	8.8	16.0
OPM (%)	14.5	13.5	13.6	13.8
EPS (Rs)	10.2	9.0	9.8	11.4
P/E (x)	33.2	37.7	34.6	29.9
P/BV (x)	5.4	4.7	4.2	3.6
RoE (%)	16.2	12.5	12.0	12.2
RoCE (%)	16.3	11.6	11.5	11.8
EV/Sales (x)	2.7	2.8	2.5	2.1
EV/EBITDA (x)	18.5	20.8	18.2	15.3

Source: Company, Angel Research Note: CMP as of May 31, 2018

BUY

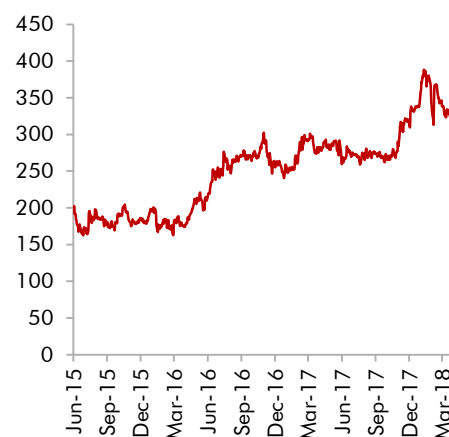
CMP	₹256
Target Price	₹364
Investment Period	12 Months

Stock Info	
Sector	Plywood
Market Cap (₹ cr)	4,155
Net Debt (₹ cr)	413
Beta	1.0
52 Week High / Low	845/587
Avg. Daily Volume	57,987
Face Value (₹)	1
BSE Sensex	33,812
Nifty	10,442
Reuters Code	GRPL.BO
Bloomberg Code	MTLM.IN

Shareholding Pattern (%)	
Promoters	51.0
MF / Banks / Indian FIs	20.6
FII / NRIs / OCBs	14.9
Indian Public / Others	13.5

Abs.(%)	3m	1yr	3yr
Sensex	7.4	27.1	22.9
Blue Star	(23.8)	(0.2)	33.9

3-year price chart



Source: Company, Angel Research

Amarjeet S Maurya

022-39357800 Ext: 6831

amarjeet.maurya@angelbroking.com

Exhibit 1: 4QFY2018 Performance

Y/E March (₹ cr)	4QFY18	4QFY17	% chg. (yoy)	3QFY18	% chg. (qoq)	FY2018	FY2017	% chg
Net Sales	437	478	(8.6)	399	9.5	1,704	1,777	(4.1)
Net raw material	232.0	232	(0.2)	213	9.1	884.1	879.7168	0.5
(% of Sales)	53.1	48.6	448	53.3	(19)	51.9	49.5	
Employee Cost	42	43	(1.8)	49	(14.9)	185	171	8.5
(% of Sales)	9.6	8.9	67	12.3	(274)	10.9	9.6	
Other Expenses	106	130	(18.3)	75	41.9	395	473	(16.5)
(% of Sales)	24.3	27.2	(287)	18.7	556	23.2	26.6	
Total Expenditure	380	405	(6.2)	337	12.9	1,464	1,524	(3.9)
Operating Profit	57	73	(22.2)	63	(8.9)	240	253	(5)
OPM (%)	13.1	15.3	(228)	15.7	(263)	14.07	14.25	(18)
Interest	1	2	(37.1)	3	(47.9)	9	18	(47.7)
Depreciation	11	12	(7.6)	10	6.7	45	49	(7.7)
Other Income	1	1	(14.3)	1	24.3	4	4	(13.5)
PBT	46	61	(24.4)	51	(9.4)	189	191	(0.9)
(% of Sales)	10.5	12.7		12.7		11.1	10.7	
Tax	13	19	(29.5)	15	(9.2)	54	56	(4.2)
(% of PBT)	28.9	31.0		28.8		28.3	29.3	
Reported PAT	33	42	(22.1)	36	(9.5)	136	135	0.5
PATM	7.5	8.8		9.0		8.0	7.6	
Adj PAT	33	42	(22.1)	36	(9.5)	136	135	0.5

Source: Company, Angel Research

Outlook & Valuation: We forecast GIL to report top-line CAGR of ~15% to `2,256cr over FY18-20E on the back of strong brand and distribution network. On the bottom-line front, we estimate ~12% CAGR to `139cr owing to improvement in volumes. **We maintain our Buy recommendation with a target price of ₹364.**

Downside risks to our estimates

- Most of the company's raw material is imported from other countries. The company also has ECB loan, hence any unfavorable change in currency may pose forex risks, which could significantly impact GIL's margins.
- The company is expanding the MDF plant with capex of ~`700cr, any slowdown in MDF market can impact the company's earnings due higher fixed cost overheads.

Company Background

Greenply Industries Limited is engaged in the business of manufacturing plywood & allied products and medium density fibreboards (MDF) through its factories at various locations. The company's segments include Plywood & Allied Products and Medium Density Fibre Boards & Allied Products. The Plywood & Allied Products segment is engaged in the business of manufacturing and trading of Plywood, block boards, veneer, doors and other wood panel products through its wholesale and retail network. The Medium Density Fibre Boards & Allied Products segment is engaged in the business of manufacturing of Medium Density Fibreboards and other allied products through its wholesale and retail network. The company offers a portfolio of residential and commercial products comprising plywood and block boards, MDF, wood floors, flush doors and decorative veneers. The company offers wood floors under the brand name Green Floormax.Electronics.

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
Total operating income	1,664	1,713	1,938	2,256
% chg	1.0	3.0	13.1	16.4
Total Expenditure	1,423	1,482	1,674	1,945
Raw Material	883	895	1,013	1,180
Personnel	177	197	225	264
Others Expenses	362	390	436	501
EBITDA	241	231	264	311
% chg	0.9	(4.2)	14.2	18.2
(% of Net Sales)	14.5	13.5	13.6	13.8
Depreciation & Amortisation	51	50	64	83
EBIT	190	181	200	228
% chg	0.6	(4.9)	10.4	14.2
(% of Net Sales)	11.4	10.6	10.3	10.1
Interest & other Charges	19	11	35	38
Other Income	10	2	10	12
(% of PBT)	5.5	1.3	5.7	5.9
Share in profit of Associates	-	-	-	-
Recurring PBT	181	172	174	202
% chg	6.9	(5.3)	1.6	16.0
Tax	56	54	54	63
(% of PBT)	30.8	31.2	31.0	31.0
PAT (reported)	125	118	120	140
% chg	(1.9)	(11.8)	8.8	16.0
(% of Net Sales)	7.5	6.5	6.2	6.2
Basic EPS (₹)	10.2	9.0	9.8	11.4
Fully Diluted EPS (Rs)	10.2	9.0	9.8	11.4
% chg	(1.9)	(11.8)	8.8	16.0

Consolidated Balance Sheet

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
SOURCES OF FUNDS				
Equity Share Capital	12	12	12	12
Reserves & Surplus	760	871	991	1,131
Shareholders Funds	773	883	1,004	1,143
Minority Interest	-	-	-	-
Total Loans	397	682	732	782
Deferred Tax Liability	49	49	49	49
Total Liabilities	1,218	1,614	1,785	1,974
APPLICATION OF FUNDS				
Gross Block	797	807	1,507	1,517
Less: Acc. Depreciation	272	321	385	468
Net Block	526	486	1,122	1,049
Capital Work-in-Progress	269	620	-	-
Investments	26	26	26	26
Current Assets	757	865	1,071	1,385
Inventories	158	215	255	297
Sundry Debtors	302	319	372	451
Cash	78	33	77	163
Loans & Advances	66	127	155	203
Other Assets	153	171	213	271
Current liabilities	395	410	462	513
Net Current Assets	363	455	609	872
Deferred Tax Asset	35	35	35	35
Mis. Exp. not written off	-	-	-	-
Total Assets	1,218	1,614	1,785	1,974

Consolidated Cash flow Statement

Y/E March (₹cr)	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	181	172	174	202
Depreciation	51	50	64	83
Change in Working Capital	(25)	(137)	(110)	(177)
Interest / Dividend (Net)	18	11	35	38
Direct taxes paid	(42)	(54)	(54)	(63)
Others	(0)	0	0	0
Cash Flow from Operations	183	42	109	84
(Inc.)/ Dec. in Fixed Assets	(295)	(10)	0	(10)
(Inc.)/ Dec. in Investments	2	(345)	(80)	0
Cash Flow from Investing	(293)	(355)	(80)	(10)
Issue of Equity	50	0	0	0
Inc./(Dec.) in loans	129	285	50	50
Dividend Paid (Incl. Tax)	(7)	0	0	0
Interest / Dividend (Net)	(22)	(11)	(35)	(38)
Cash Flow from Financing	150	274	15	12
Inc./(Dec.) in Cash	40	(38)	44	86
Opening Cash balances	31	71	33	77
Closing Cash balances	71	33	77	163

Key Ratios

Y/E March	FY2017	FY2018	FY2019E	FY2020E
Valuation Ratio (x)				
P/E (on FDEPS)	33.2	37.7	34.6	29.9
P/CEPS	23.7	24.8	22.7	18.7
P/BV	5.4	4.7	4.2	3.6
Dividend yield (%)	20.6	0.0	0.0	0.0
EV/Sales	2.7	2.8	2.5	2.1
EV/EBITDA	18.5	20.8	18.2	15.3
EV / Total Assets	3.7	3.0	2.7	2.4
Per Share Data (₹)				
EPS (Basic)	10.2	9.0	9.8	11.4
EPS (fully diluted)	10.2	9.0	9.8	11.4
Cash EPS	14.4	13.7	15.0	18.2
DPS	70.0	0.0	0.0	0.0
Book Value	63.0	72.0	81.9	93.2
Returns (%)				
ROCE	16.3	11.6	11.5	11.8
Angel ROIC (Pre-tax)	17.9	12.0	12.2	13.1
ROE	16.2	12.5	12.0	12.2
Turnover ratios (x)				
Asset Turnover (Gross Block)	2.1	2.1	1.3	1.5
Inventory / Sales (days)	35	46	48	48
Receivables (days)	66	68	70	73
Payables (days)	66	66	66	64
Working capital cycle (ex-cash) (days)	35	48	52	57

Source: Company, Angel Research

Research Team Tel: 022 - 39357800
 www.angelbroking.com

E-mail: research@angelbroking.com

Website:

DISCLAIMER

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Angel Broking Pvt. Limited, its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Pvt. Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Pvt. Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Pvt. Limited endeavours to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Angel Broking Pvt. Limited and its affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

Neither Angel Broking Pvt. Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Pvt. Limited and its affiliates may have investment positions in the stocks recommended in this report.

Disclosure of Interest Statement Nilkamal

- | | |
|--|----|
| 1. Analyst ownership of the stock | No |
| 2. Angel and its Group companies ownership of the stock | No |
| 3. Angel and its Group companies' Directors ownership of the stock | No |
| 4. Broking relationship with company covered | No |

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

Ratings (Returns):	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
---------------------------	-------------------------------------	---	--------------------