

January 6, 2015

## Greenply Industries (GREIN)

₹ 843

### Sanguine on MDF business...

We met the management of Greenply Industries (GIL) to understand GIL's business model and its plans, going ahead. GIL is one of India's leading plywood players and enjoys ~25% share of India's organised plywood market (~30% of total plywood market). Recently, GIL demerged its laminate segment into Greenlam Industries for optimal usage of resources. Also, GIL is more sanguine on MDF demand in future and expects next leg of growth to come from MDF. With the structural shift in the industry due to Myanmar ban, GST development and GIL's strong brand recall & wide distribution network, GIL is expected to outpace industry growth with significant market share from unorganised players.

#### Demerges laminate business into Greenlam Industries...

GIL recently demerged its laminate business into Greenlam Industries as the management wanted i) to separate the wood based business from the decorative business ii) to focus on exports in the laminate segment (accounted for 47% of laminates division revenues - ₹ 804 crore in FY14 iii) to have different cash flows for both businesses that would be utilised for future growth of the respective businesses. The demerger is effective from November 2014 and GIL's shareholders are likely to get one share of Greenlam for every share held in Greenply Industries. Greenlam is expected to get listed in February, 2015.

#### Outsourcing share to rise in plywood division...

GIL has capacity of 129,620 cubic metre (CBM) in the plywood division and enjoys ~25% market share in the organised plywood industry. GIL's plywood division grew at 16% CAGR during FY09-14 to ₹ 1094 crore in FY14 and is expected to maintain strong growth in the coming year on the back of expanding organised market pie post GST rollout and export ban of timber by Myanmar. Currently, its plywood plants are running at 100%+ capacity utilisation. Going ahead, the management is planning to focus more on the outsourcing model (RoCE of 39% in outsourcing vs. 19% in manufacturing) and is aiming 40% of plywood sales from the outsourcing model vs. 25% currently.

#### Focusing more on MDF segment, going ahead...

GIL has 180,000 CBM of capacity in MDF with 40% market share of 100% organised MDF market. Though MDF revenues de-grew recently due to lower acceptance from the Indian consumer, GIL is sanguine on its demand and is expecting the next leg of growth to come from MDF. For that, it is planning to do further capex to expand its existing capacity to 360,000 CBM, going ahead.

#### Exhibit 1: Financial Performance

(₹ Crore)	FY10	FY11	FY12	FY13	FY14
Net Sales (₹ crore)	959.7	1,260.7	1,708.1	2,047.5	2,216.9
EBITDA (₹ crore)	77.2	114.4	176.2	270.2	268.6
Net Profit (₹ crore)	40.7	23.5	56.7	119.7	117.6
EPS (₹)	18.4	9.7	23.5	49.6	48.7
P/E (x)	45.8	86.7	35.9	17.0	17.3
Price / Book (x)	7.7	6.5	5.6	4.3	3.5
EV/EBITDA (x)	34.0	22.9	14.9	9.7	9.8
RoCE (%)	10.8	8.3	12.5	19.3	16.3
RoE (%)	15.6	7.6	15.6	25.2	20.1

Source: Company, ICICIdirect.com Research

Rating Matrix		
Rating	:	Unrated
Target	:	NA
Target Period	:	NA
Potential Upside	:	NA

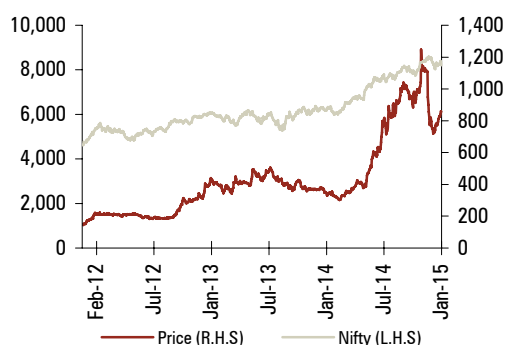
Key Financials				
(₹ Crore)	FY11	FY12	FY13	FY14
Net Sales	1,260.7	1,708.1	2,047.5	2,216.9
EBITDA	114.4	176.2	270.2	268.6
Net Profit	23.5	56.7	119.7	117.6
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Valuation Summary				
(x)	FY11	FY12	FY13	FY14
P/E	86.7	35.9	17.0	17.3
EV / EBITDA	22.9	14.9	9.7	9.8
P/BV	6.5	5.6	4.3	3.5
RoNW (%)	7.6	15.6	25.2	20.1
RoCE (%)	8.3	12.5	19.3	16.3

Stock Data	
Particular	Amount
Market Capitalization	₹ 2023.2 Crore
Total Debt	₹ 612 Crore
Cash	₹ 11.4 Crore
EV	₹ 2623.8 Crore
52 week H/L (₹)	1275 / 301
Equity capital	₹ 12.07 Crore
Face value	₹ 5
FII Holding (%)	15.7
DII Holding (%)	7.6

Price Performance				
Return (%)	1M	3M	6M	12M
Greenply Industries	8.2	(7.8)	12.0	136.5
Century Plyboards	(1.0)	42.2	90.6	546.8
Archidply Industries	(0.6)	73.8	177.2	459.7
Sarda Plywood	37.0	47.3	73.0	125.3

#### Price Movement



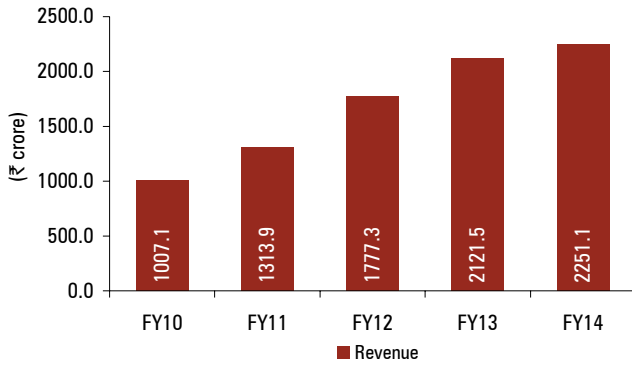
#### Research Analysts

Deepak Purswani, CFA  
deepak.purswani@icicisecurities.com

Nikunj Gala  
nikunj.gala@icicisecurities.com

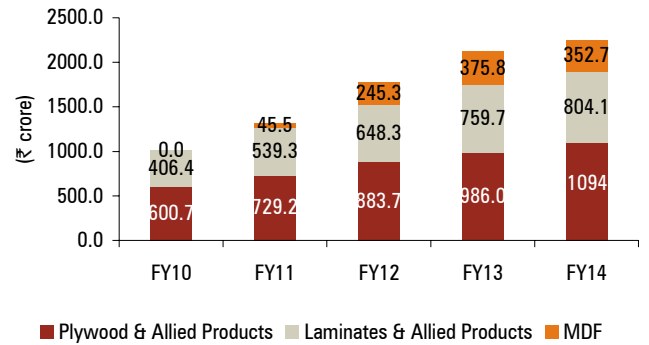
## Key financials

**Exhibit 2: Gross revenue trend**



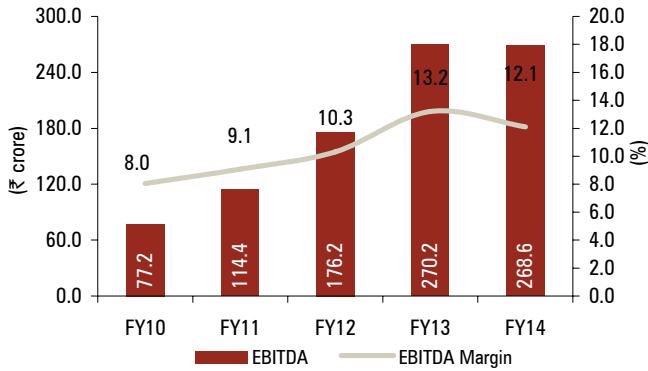
Source: Company, ICICIdirect.com Research

**Exhibit 3: Segmental revenue trend**



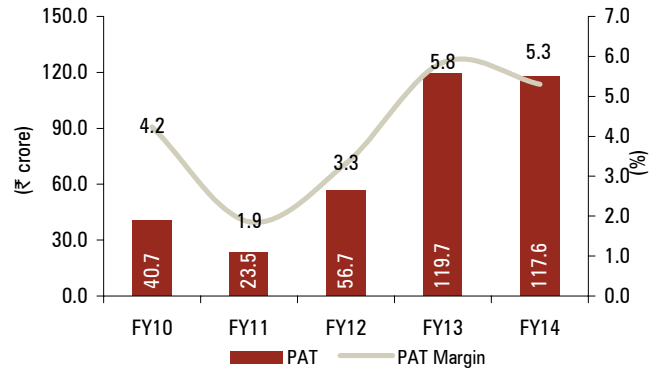
Source: Company, ICICIdirect.com Research

**Exhibit 4: EBITDA & EBITDA margin trend**



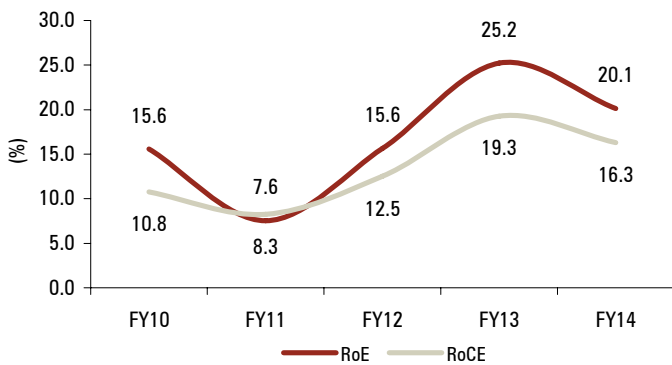
Source: Company, ICICIdirect.com Research

**Exhibit 5: PAT & PAT margin trend**



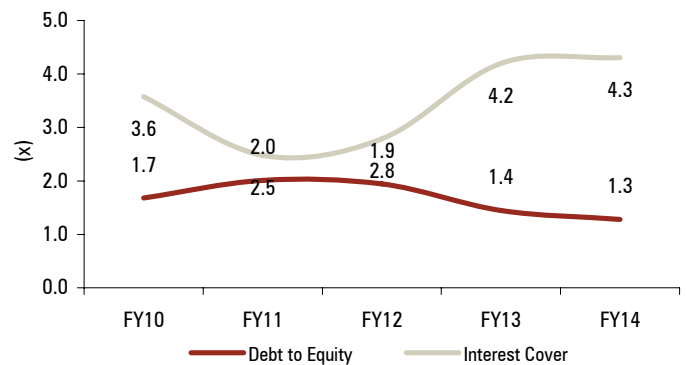
Source: Company, ICICIdirect.com Research

**Exhibit 6: Return ratios**



Source: Company, ICICIdirect.com Research

**Exhibit 7: Leverage**



Source: Company, ICICIdirect.com Research

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**Pankaj Pandey**

**Head – Research**

**pankaj.pandey@icicisecurities.com**

**ICICIdirect.com Research Desk,  
ICICI Securities Limited,  
1<sup>st</sup> Floor, Akruiti Trade Centre,  
Road No. 7, MIDC,  
Andheri (East)  
Mumbai – 400 093**

**research@icicidirect.com**

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