

CMP (₹)	Target (₹)
910	1070
Potential upside	Absolute Rating
18%	BUY

Market Info (as on 28th September 2015)

BSE Sensex	25616
Nifty S&P	7795

Stock Detail

BSE Group	B Group
BSE Code	526797
NSE Code	GREENPLY
Bloomberg Code	MTLM.IN
Market Cap (₹bn)	21.8bn
Free Float (%)	44.9
52wk Hi/Low	1277/699
Avg. Daily Volume (NSE)	3691
Face Value / Div. per share (₹)	5.00/3.00
Shares Outstanding (mn)	24

Shareholding Pattern

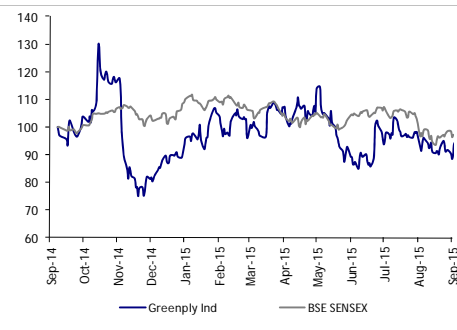
Promoters	FII	DII	Others
55.00	11.59	9.45	23.96

Financial Snapshot

(₹mn)

Y/E March	FY13	FY14	FY15	FY16E
Net Sales	13148	13908	15643	17539
EBITDA	1770	1733	2010	2455
Adj. PAT	829	773	1074	1228
P/E(x)	10	12	21	21
ROE (%)	17	13	22	24
EPS	34	32	45	51

Share Price Performance



Rel. Perf.	1Mth	3 Mths	6Mths	1Yr
GIL (%)	(1.5)	7.9	(6.0)	(6.8)
Sensex (%)	(2.9)	(7.3)	(8.4)	(3.7)

Source: Company data, Retail Research

Company Snapshot

Greenply Industries Limited (GIL) is Assam based, India's largest interior infrastructure company. Company manufactures & markets Plywood & Medium-density fibreboard (MDF) with an installed capacity of 32.4mn sqm & 0.18mn cbm respectively. GIL has comprehensive product portfolio under brand names of Greenply Plywood, Green Club Premium Ply, Optima Red, Ecotec, Green Panelmax and Green Floormax, among others. Company has a presence in over 300 cities across 21 states serviced through a well-entrenched distribution network of 1,550 distributors and 10,000 retailers and 46 branches pan-India.

Investment Rationale

Capacity expansion to drive Medium Density Fibreboard (MDF) business growth

The MDF market is worth Rs 13 billion in India, growing at a CAGR of 15-20% over the last five years. It is used as a superior substitute for cheap unorganised plywood. Demand in this sector is driven by ready-made modular furniture, modular kitchen, ready-to-move into offices/retail outlets etc. In last five years, revenue contribution from MDF business has increased from 6% in FY11 to 26% in FY15. Also, MDF EBITDA margin has improved substantially from 15.4% in FY12 to 23.3% in FY15. Company currently operates at 92% of installed capacity. Hence, company is planning to set up the new plant in Andhra Pradesh with an installed capacity to produce 1200cbm of MDF per day for an estimated investment of over Rs 600cr. This will help in doubling the capacity upto 0.36mn cbm going ahead.

Robust product portfolio

Company has comprehensive product portfolio under brand names of Greenply Plywood, Green Club Premium Ply, Optima Red, Ecotec, Green Panelmax and Green Floormax, among others. In last few years, company has successfully added high margin products in its portfolio. Company expects better sales realization through improving product mix in plywood segment as well as MDF segment. Also, company to increased outsourcing of mid-segment plywood variant from 20% to 30% & thus help in freeing existing capacities for premium product range. Further, company has decided to start new business venture of trading in wallpaper of different categories & this has to be sourced from overseas suppliers & marketed in India. Domestic wallpaper market is currently estimated to be worth Rs 800 Crores growing at a CAGR of 20%. Globally, wallpaper has emerged as strong substitutes for textured paints & thus this will boost revenue growth going ahead.

Implementation of GST to benefit the company

The Indian wood panel market is valued at Rs 285 billion. Plywood has a share of 63% i.e. Rs 180 billion. The industry comprises unorganised players, making up for 75% of the market share. Organised players command 25% share & a market size of Rs 45 billion. With implementation of GST, unorganized sector will fall under the purview of tax & thus benefits the organized players significantly. Company believes price difference between organized & unorganized player is 15% & with GST in place, this will narrow the price gap by 5%-10%. Hence, rollout of GST will facilitate faster shift from unorganized to branded product.

Valuation

At CMP of ₹910, Greenply Industries trades at 18 x its FY16E EPS. With GST implementation going ahead & robust product portfolio, company revenue & margins to improve in future. Management has guided for 10-12% revenue growth in FY16. We believe stock to trade at 21x its FY16E EPS of ₹51.1. We assign a **BUY** rating on the stock with a target price of ₹1,070, which implies 18% upside from current level.

NOTES

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Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report:

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Sector : Plywood & MDF

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