

We attended the analyst meet for Greenply Industries to gain perspectives on the Company's operations and its strategy going forward. The following are the key takeaways from the meet:

- Update on de-merger:** Company is in the process of de-merging its laminate business into separate entity "Greenlam Industries" which will be listed separately in the stock exchange. Company is awaiting final approval from the High Court which is expected by August 2014. Company plans to complete the de-merger process by Oct 2014. Post the de-merger; Greenply industries would operate plywood biz & MDF biz. and Greenlam Industries would operate laminate and decorative veneers biz. Management stated that the independent marketing team for plywood/MDF & Laminates already in place who are dealing with the dealers and distributors.
- Management Guidance:**
 - Management is targeting growth of 10-12% in plywood & MDF biz and 18-20% in decorative biz in FY15.
 - It expects 50 bps improvement in EBITDA margins for plywood & MDF and 100bps improvement in Laminates biz.
 - Company plans to spend Rs 1bn for FY15, out of which Rs 450mn would be towards Plywood & MDF and Rs550mn towards Laminates biz (Rs 450mn out of Rs 1250mn capex planned for engineered wooden flooring at Behror, Rajasthan and balance on maintenance purpose). Capex for FY16 would be largely the maintenance purpose at Rs 200mn. The wooden flooring facility is expected to commence production by Q1FY15. This facility is expected to generate Rs 3500mn of additional revenue at optimum capacity utilization.
 - Management targeting to achieve 90% capacity utilisation in FY 2015 and generate estimated revenue of Rs 4.4bn in FY 2016 at optimum capacity utilisation. Company is focusing towards value-added products with expansion of pre-lam capacity and entry into Laminated Flooring and UV Coated boards.

Valuation and Estimates

- We expect the company to report 21% earnings CAGR over FY14-16. Margins are expected to improve by 40-50bps at around 13.7% levels.
- The stock has run-up significantly (1m, 36%) on the back of positive consumer sentiments evolving from new government. On our estimates, the stock is currently trading at **10x FY16E earnings**.
- We have marginal uptick in our estimates for FY15 & FY16 to factor in improvement in the MDF revenue growth driven by uptick in Commercial real estate.
- We value the company at **12x FY16 earnings**, giving us a **price target of Rs836** representing **20% upside** from current levels. We upgrade to **BUY** rating on higher visibility on earnings and deleveraging of balance sheet.

Upgrade to BUY

MTLM IN | CMP RS 695
TARGET RS 836 (+20%)

Company Data

O/S SHARES (MN) :	24
MARKET CAP (RSBN) :	16.8
MARKET CAP (USDBN) :	0.2
52 - WK HI/LO (RS) :	706 / 476
LIQUIDITY 3M (USDMN) :	0.05
FACE VALUE (RS) :	5

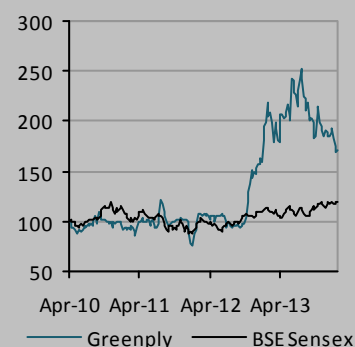
Share Holding Pattern, %

PROMOTERS :	55.0
FII / NRI :	13.6
FI / MF :	5.8
NON PROMOTER CORP. HOLDINGS :	4.9
PUBLIC & OTHERS :	20.8

Price Performance, %

	1mth	3mth	1yr
ABS	35.9	69.9	16.5
REL TO BSE	25.7	53.0	-8.4

Price Vs. Sensex (Rebased values)



Source: PhillipCapital India Research

Other Key Ratios

Rs mn	FY14	FY15E	FY16E
Net Sales	21,595	24,308	27,923
EBIDTA	2,773	3,257	3,825
Net Profit	1,145	1,352	1,682
EPS, Rs	47.4	56.0	69.7
PER, x	14.7	12.4	10.0
EV/EBIDTA, x	8.4	7.1	6.1
P/BV, x	2.9	2.4	1.9
ROE, %	19.6	19.0	19.3
Debt/Equity (%)	115.5	94.9	77.4

Source: PhillipCapital India Research Est.

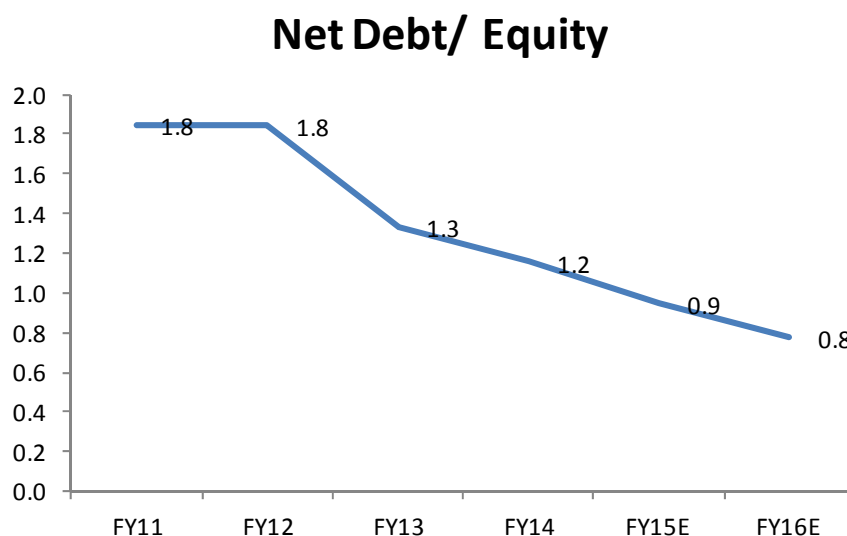
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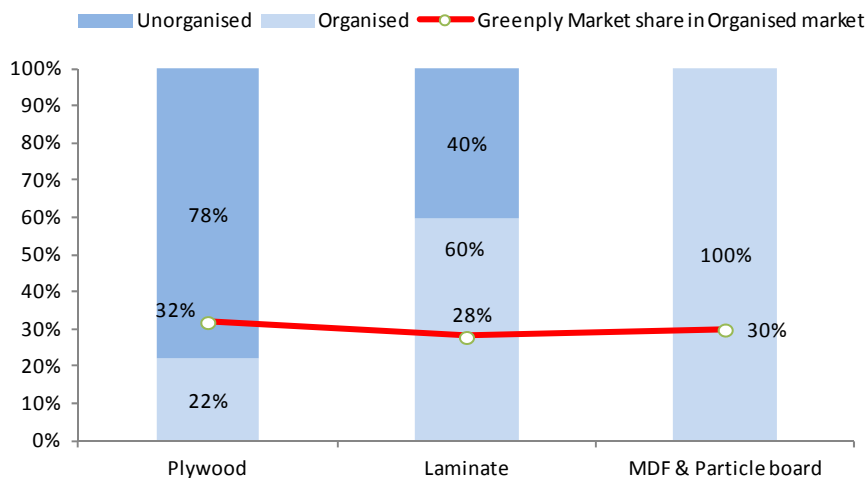
Other Key takeaways

- Company is planning to increase the share of outsourcing in plywood segment as it is asset light model and will help to improve the ROC's of the business. Outsourcing Model ROC was 39% in FY 2014 against 18% in the Manufacturing Model.
- Company is setting up a subsidiary for Plantation activities around existing Plywood and MDF units. The objective is to decrease the dependence on imports and for long term raw material sustainability and controlling of raw material prices.
- Share of Greenply brand is now close to 60% of the total plywood sales. Sales of super premium Greenply Club jumped by 23% in volume terms and 27% in value terms.
- The global laminate market size is \$7bn and company's share is just 0.8%. Therefore, there is huge opportunity to increase market share Focused on exports to counter slowdown in domestic markets as a long term strategy.

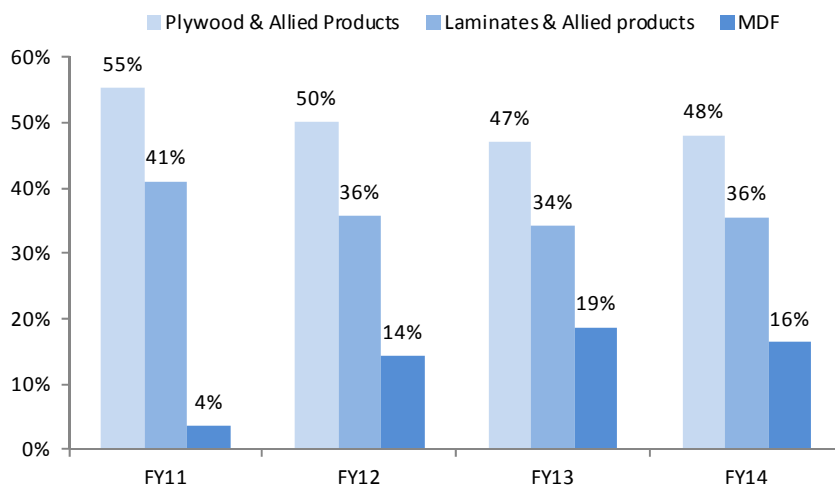
Net Debt/Equity to reduce as capex phase comes to an end



Percentage of Organised/ Unorganised market and Company's market share



Revenue- Mix across the segments



Financials

Income Statement

Y/E Mar, Rs mn	FY13	FY14	FY15E	FY16E
Net sales	20,008	21,595	24,308	27,923
Growth, %	22	8	12.6	14.9
Total income	20,008	21,595	24,308	27,923
Raw material expenses	-11,874	-12,864	-14,366	-16,447
Employee expenses	-1,617	-1,935	-2,212	-2,541
Other Operating expenses	-3,871	-4,022	-4,473	-5,110
EBITDA (Core)	2,646	2,773	3,257	3,825
Growth, %	43.2	4.8	17.4	17.4
Margin, %	13.2	12.8	13.4	13.7
Depreciation	-520	-576	-672	-718
EBIT	2,126	2,198	2,585	3,108
Growth, %	54.1	3.4	17.6	20.2
Margin, %	10.6	10.2	10.6	11.1
Interest paid	-607	-583	-606	-559
Other Non-Operating Income	65	68	74	49
Pre-tax profit	1,514	1,494	1,865	2,410
Tax provided	-372	-349	-513	-727
Profit after tax	1,142	1,145	1,352	1,683
Net Profit	1,142	1,145	1,352	1,683
Growth, %	113.7	0.3	18.1	24.4
Net Profit (adjusted)	1,142	1,145	1,352	1,682
Unadj. shares (m)	24	24	24	24
Wtd avg shares (m)	24	24	24	24

Balance Sheet

Y/E Mar, Rs mn	FY13	FY14	FY15E	FY16E
Cash & bank	163	108	269	221
Debtors	3,432	3,503	3,924	4,509
Inventory	3,279	3,829	4,257	4,585
Loans & advances	1,455	1,669	1,663	1,911
Other current assets	3	3	3	3
Total current assets	8,332	9,112	10,116	11,228
Investments	175	313	175	175
Gross fixed assets	8,656	10,685	11,685	12,185
Less: Depreciation	-2,138	-2,787	-3,459	-4,177
Add: Capital WIP	234	234	234	234
Net fixed assets	6,752	8,131	8,459	8,241
Total assets	15,259	17,556	18,750	19,644
Current liabilities	3,714	4,175	4,431	4,777
Total current liabilities	3,714	4,175	4,431	4,777
Non-current liabilities	6,773	7,221	7,221	7,221
Total liabilities	10,487	11,396	11,652	11,998
Paid-up capital	121	121	121	121
Reserves & surplus	4,651	5,711	6,978	8,575
Shareholders' equity	4,771	5,832	7,099	8,696
Total equity & liabilities	15,259	17,228	18,750	20,694

Source: Company, PhillipCapital India Research Estimates

Cash Flow

Y/E Mar, Rs mn	FY13	FY14	FY15E	FY16E
Pre-tax profit	1,514	1,494	1,865	2,410
Depreciation	520	576	672	718
Chg in working capital	-98	-374	-588	-813
Total tax paid	-304	-266	-513	-727
Cash flow from operating activities	1,632	1,429	1,435	1,587
Capital expenditure	-944	-1,955	-1,000	-500
Cash flow from investing activities	-1,031	-2,093	-862	-500
Free cash flow	600	-663	573	1,087
Equity raised/(repaid)	-1	0	0	0
Debt raised/(repaid)	-474	365	0	0
Dividend (incl. tax)	-84	-84	-84	-84
Other financing activities	0	0	0	0
Cash flow from financing activities	-559	281	-84	-84
Net chg in cash	41	-383	489	1,003

Valuation Ratios & Per Share Data

	FY13	FY14	FY15E	FY16E
Per Share data				
EPS (INR)	47.3	47.4	56.0	69.7
Growth, %	113.7	0.3	18.1	24.4
Book NAV/share (INR)	197.7	241.6	294.1	360.3
FDEPS (INR)	47.3	47.4	56.0	69.7
CEPS (INR)	68.8	71.3	83.8	99.4
CFPS (INR)	67.8	64.2	64.2	71.5
DPS (INR)	3.0	3.0	3.0	3.0
Return ratios				
Return on assets (%)	10.8	9.2	9.6	10.6
Return on equity (%)	23.9	19.6	19.0	19.3
Return on capital employed (%)	13.6	12.3	12.7	13.5
Turnover ratios				
Asset turnover (x)	1.8	1.8	1.8	2.0
Sales/Total assets (x)	1.4	1.3	1.3	1.5
Sales/Net FA (x)	3.1	2.9	2.9	3.3
Working capital days	81.3	81.6	81.3	81.4
Liquidity ratios				
Current ratio (x)	2.2	2.2	2.3	2.4
Quick ratio (x)	1.4	1.3	1.3	1.4
Interest cover (x)	3.5	3.8	4.3	5.6
Dividend cover (x)	15.8	15.8	18.7	23.2
Total debt/Equity (%)	133.5	115.5	94.9	77.4
Net debt/Equity (%)	130.1	113.6	91.1	74.9
Valuation				
PER (x)	14.7	14.7	12.4	10.0
Price/Book (x)	3.5	2.9	2.4	1.9
EV/Net sales (x)	1.1	1.1	1.0	0.8
EV/EBITDA (x)	8.7	8.4	7.1	6.1
EV/EBIT (x)	10.8	10.6	9.0	7.5

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