

Greenply Industries

Performance Highlights

Particulars (Rs cr)	1QFY2011	1QFY2010	%chg (yoy)	4QFY2010	%chg (qoq)
Net Sales	262	178	47.7	259	1.3
EBITDA	31	24	28.6	25	24.4
EBITDA Margin (%)	11.7	13.4	(174)bp	9.5	217bp
Net Profit	10	11	(4.9)	13	(21.9)

Source: Company, Angel Research

Greenply Industries (GIL) has reported higher-than-estimated 1QFY2010 numbers. Net sales grew by 47.7% yoy to Rs262cr (Rs178cr). The company reported (174)bp contraction in OPM to 11.7% (13.4%) mainly due to the increase in raw material cost. Net profit declined by 4.9% yoy to Rs10cr (Rs11cr) on higher depreciation and interest cost. **We maintain a Buy on the stock.**

Results above expectation: GIL reported a growth of 47.7% yoy to Rs262cr (Rs178cr) mainly on the back of laminate capacity expansion during the year and higher capacity utilisation during the quarter. The plywood segment reported 124% capacity utilisation v/s 98% in 1QFY2010, while the laminate segment reported 86% capacity utilisation v/s 105% in 1QFY2010 even after doubling their capacity in FY2010. GIL reported OPM of 11.7% (13.4%) for the quarter, which contracted by 174bp yoy, but expanded by 217bp qoq on lower administrative expenses. Net profit fell 4.9% yoy to Rs10cr (Rs11cr) largely due to higher depreciation and interest cost on the new MDF unit, which did not contribute to sales in the quarter.

Outlook and Valuation: We believe that the company is well placed to benefit from its laminates capacity expansion (which increased nearly two-folds in FY2010), commencement of the new MDF plant at Uttarakhand, which will contribute to revenues in 2HFY2011E. At the CMP of Rs190, the stock is trading at 8.0x FY2011E and 5.2x FY2012E earnings. We maintain a Buy on the stock, with a Target Price of Rs291, valuing the stock at 8x FY2012E earnings of Rs36.4.

Key Financials

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	725	871	1,088	1,279
% chg	33.8	20.2	24.8	17.5
Net Profit	37.3	49.6	57.1	87.8
% chg	(3.7)	32.9	15.2	53.8
EBITDA Margin (%)	10.9	11.6	14.0	14.9
FDEPS (Rs)	21.9	20.5	23.7	36.4
P/E (x)	8.6	8.4	8.0	5.2
RoE (%)	21.7	21.3	18.4	22.7
RoCE (%)	15.8	13.7	15.1	18.3
P/BV (x)	1.8	1.5	1.3	1.1
EV/Sales (x)	0.8	0.9	0.8	0.6
EV/EBITDA (x)	7.1	8.0	5.5	4.3

Source: Company, Angel Research

BUY

CMP	Rs190
Target Price	Rs291

Investment Period	12 Months
-------------------	-----------

Stock Info

Sector	Laminates
Market Cap (Rs cr)	419
Beta	0.4
52 Week High / Low	213/100
Avg. Daily Volume	5064869
Face Value (Rs)	5
BSE Sensex	17,868
Nifty	5,368
Reuters Code	GRPL.BO
Bloomberg Code	MTML@IN

Shareholding Pattern (%)

Promoters	55.0
MF / Banks / Indian Fls	14.3
FII / NRIs / OCBs	7.4
Indian Public / Others	23.3

Abs. (%)	3m	1yr	3yr
Sensex	1.8	16.1	17.1
Greenply Ind.	4.4	73.6	7.0

Sharan Lillaney

Tel: 022-40403800 Ext: 338

sharanb.lillaney@angeltrade.com

Exhibit 1: 1QFY2011 performance

Particulars (Rs cr)	1QFY2011	4QFY2010	%chg (qoq)	1QFY2010	%chg (yoy)	FY2010	FY2009	%chg (yoy)
Net Sales	262	259	1.3	178	47.7	871	725	20.2
Total Expenditure	232	234	(1.1)	154	50.7	771	646	19.3
EBITDA	31	25	24.4	24	28.6	101	79	27.7
OPM (%)	11.7	9.5	217bp	13.4	(174)bp	11.6	10.9	68bp
Depreciation	10	6	57.6	5	112.0	22	17	29.2
EBIT	21	18	13.1	19	8.4	79	62	27.3
Interest	9	6	57.1	6	59.0	24	20	20.7
Other Income	-	0	-	-	-	2	2	(10.0)
PBT	12	13	(6.2)	14	(11.9)	57.0	44.3	28.5
Tax	2	(0)	-	3	-	7.4	7.0	5.3
Net Profit	10.4	13.3	(21.9)	10.9	(4.9)	49.6	37.3	32.9
NPM (%)	4.0	5.1	(118)bp	6.2	(219)bp	5.7	5.1	54bp
Diluted EPS (Rs)	4.3	5.5	(21.9)	4.9	(12.9)	20.5	21.9	(6.4)

Source: Company, Angel Research

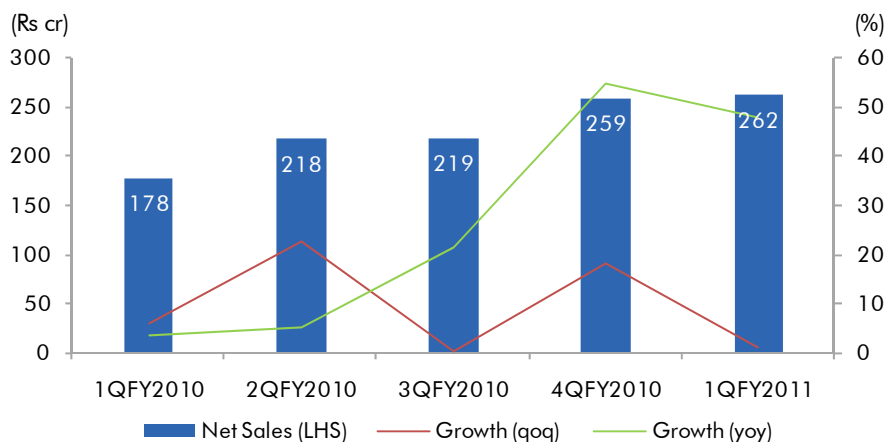
Exhibit 2: 1QFY2011- Actual v/s Angel estimates

(Rs cr)	Estimates	Actual	Variation (%)
Net Sales	261.6	262.4	0.3
EBITDA	27	31	12.6
EBITDA Margin (%)	10.4	11.7	128bp
Depreciation	10.4	9.9	(5.3)
Interest	10.2	8.7	(14.5)
Tax	1.0	1.7	69.8
Net Profit	5.6	10.4	85.0

Source: Company, Angel Research

Revenues up 47.7%, in line with expectation: The company's net sales grew 47.7% yoy to Rs262cr (Rs178cr) for the quarter, driven by better capacity utilisation and additional volume growth from the new laminate unit. The plywood segment reported 124% capacity utilisation v/s 98% in 1QFY2010, while the laminate segment reported 86% capacity utilisation v/s 105% in 1QFY2010 even after doubling capacity during FY2010. On a qoq basis, the company managed a marginal 1.3% growth in revenues fueled by better capacity utilisation and increase in realisation. Average realisations of the plywood segment increased to Rs198 per sq mt v/s Rs174 per sq mt in 1QFY2010. Average utilisation of the laminate segment increased to Rs471 per sheet v/s Rs441per sheet in 1QFY2010.

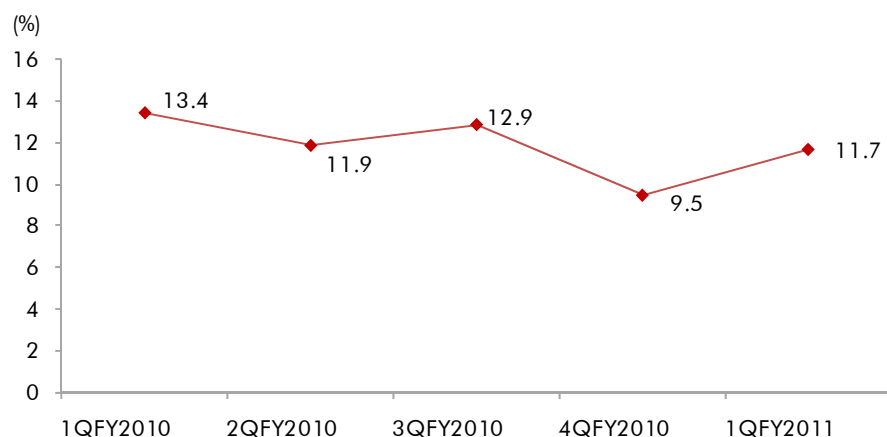
Exhibit 3: Sales trend



Source: Company, Angel Research

OPM contracts yoy on higher raw material costs, but increases qoq: GIL reported OPM of 11.7% (13.4%) yoy, down by 174bp, but above our estimate of 10.4%. On a qoq basis, the company managed to increase its OPM by 217bp following reduction in administrative and selling expenses.

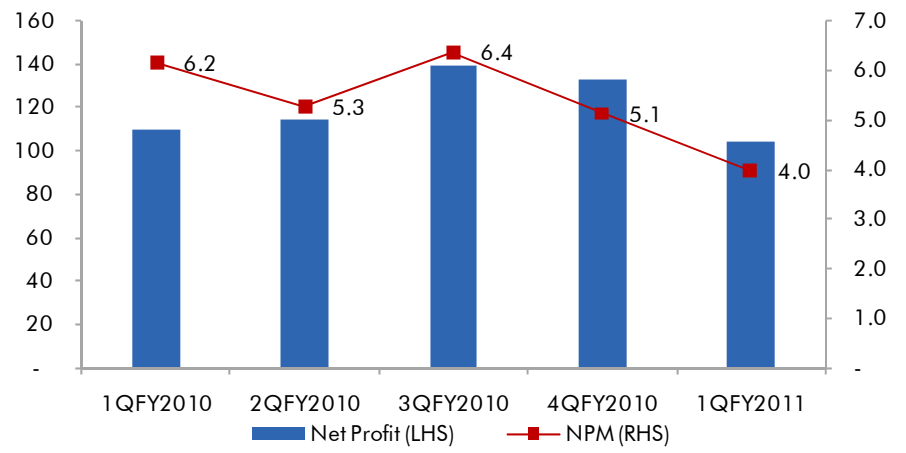
Exhibit 4: OPM trend



Source: Company, Angel Research

Bottom-line declines on high depreciation and interest cost: In 1QFY2011, GIL reported net profit of Rs10cr (Rs11cr), down 4.9% yoy, largely due to the increase in depreciation and interest cost on the new MDF plant - the MDF segment did not contribute to sales. Depreciation increased by 112% yoy and 58% qoq to Rs9.9cr, while interest cost moved up 57% qoq to Rs8.7cr during the quarter. The MDF unit is expected to contribute to revenues in 2HFY2011E, which will result in better NPM.

Exhibit 5: NPM trend



Source: Company, Angel Research

Investment Rationale

Banking on MDF and laminates

GIL is foraying into the lucrative, high-growth MDF market, with the largest MDF plant in India (1,80,000m³/yr capacity), while continuing its strong expansion in laminates (88% capacity expansion), that is estimated to drive 25% CAGR in sales over FY2010-12E. GIL is witnessing very strong demand for its laminate products, with both its new production lines running at full capacity. The MDF opportunity is especially huge: MDF constitutes 20% of wood panel consumption in India, while plywood constitutes 80% - the reverse holds true globally. China alone consumes about 10-11mn m³/yr of MDF v/s 0.6mn m³/yr in India. Going forward, with a strict control on issue of new plywood licenses and 5-7% CAGR in panel demand, MDF is likely to meet this demand, translating into 25-30% CAGR for MDF. Moreover, even out of present consumption, 80% is being met through imports, which GIL can substitute given high freight costs and 25% anti-dumping duty on imports.

Strong brand, high ad-spend and massive distribution

GIL has leading plywood and laminates brands, supported by ad-spend as high as 4.3% of sales. The company also has the largest distribution network of over 15,000 dealers in this industry. These advantages underpin the strong RoE profile of the company's brand-driven business model (20% over FY2010-12E).

Outlook and Valuation

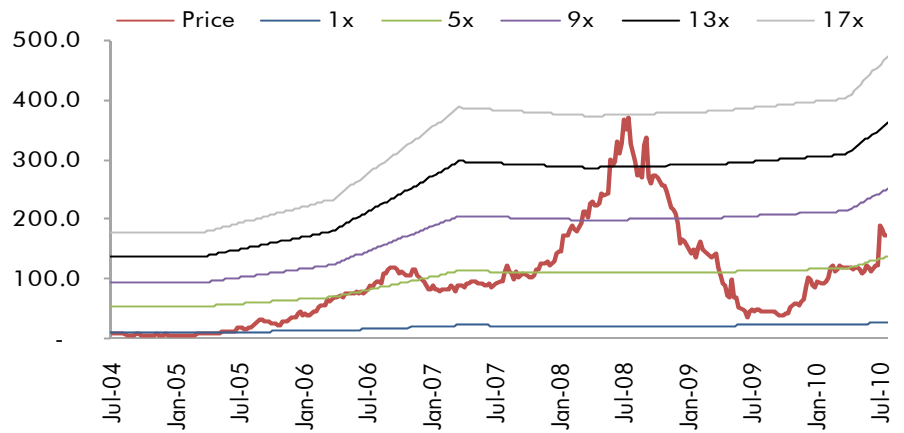
We believe the company is well placed to benefit from its laminates capacity expansion (which increased nearly two-folds in FY2010), commencement of the new MDF plant at Uttarakhand, which will contribute to revenues in 2HFY2011E. At the CMP of Rs190, the stock is trading at 8.0x FY2011E and 5.2x FY2012E earnings. **We maintain a Buy on the stock, with a Target Price of Rs291, valuing the stock at 8x FY2012E earnings of Rs36.4.**

Exhibit 6: Key assumptions

(%)	Estimates	
	FY2011	FY2012
Sales Growth	24.8	17.5
Capacity Utilisation - Plywood	110.0	110.0
- Laminates	100.0	100.0
- MDF	30.0	60.0
Operating Margins	14.0	14.9

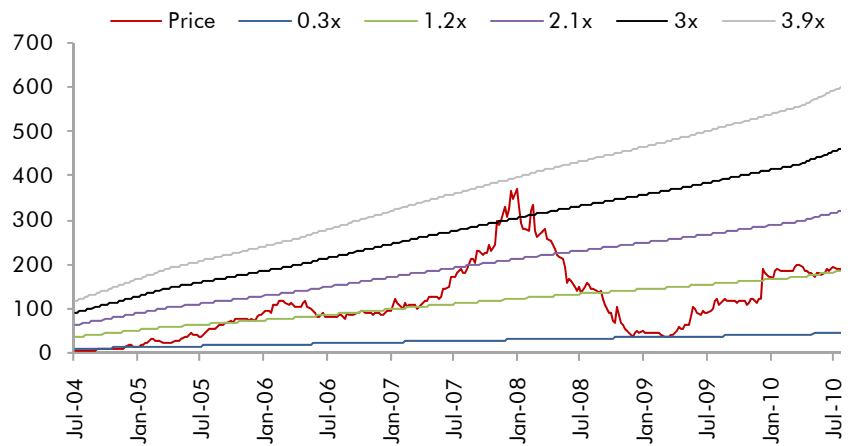
Source: Company, Angel Research

Exhibit 7: One-year forward P/E band



Source: Company, Angel Research

Exhibit 8: One-year forward P/BV band



Source: Company, Angel Research

Profit and Loss Statement

Y/E March	FY07	FY08	FY09	FY10	FY11E	FY12E
Gross sales	470	632	830	980	1,226	1,433
Less: Excise duty	77	90	105	108	138	154
Net Sales	392	542	725	871	1,088	1,279
% chg	52.4	38.1	33.8	20.2	24.8	17.5
Total Expenditure	346	461	646	771	936	1,088
Net Raw Materials	249	314	409	478	609	711
Other Mfg costs	21	25	38	52	65	70
Personnel	29	39	59	77	98	115
Other	47	82	141	164	163	192
EBITDA	46	81	79	101	152	191
% chg	56.3	74.6	(2.1)	27.7	51.2	25.1
(% of Net Sales)	11.8	14.9	10.9	11.6	14.0	14.9
Depreciation & Amortisation	(9)	(13)	(17)	(22)	(42)	(44)
EBIT	37	67	62	79	111	146
% chg	61.7	79.7	(8.3)	27.3	40.6	32.2
(% of Net Sales)	9.6	12.4	8.5	9.0	10.2	11.4
Interest & other Charges	(12)	(18)	(20)	(24)	(41)	(38)
Other Income	1	1	2	2	1	2
(% of PBT)	0.0	0.0	0.0	0.0	0.0	0.0
PBT (reported)	27	50	44	57	71	110
Tax	4	11	7	7	14	22
(% of PBT)	15.2	22.8	15.9	13.0	19.5	20.0
ADJ. PAT	23	39	37	50	57	88
% chg	59.9	72.0	(3.7)	32.9	15.2	53.8
(% of Net Sales)	5.7	7.1	5.1	5.7	5.2	6.9
Basic EPS (Rs)	13.7	22.8	21.9	22.4	23.7	36.4
Fully Diluted EPS (Rs)	13.7	22.8	21.9	20.5	23.7	36.4
% chg	30.6	66.5	(3.7)	2.2	5.5	53.8

Balance Sheet

Y/E March	FY07	FY08	FY09	FY10	FY11E	FY12E
SOURCES OF FUNDS						
Equity Share Capital	9	8	8	11	12	12
Reserves & Surplus	100	140	172	261	332	415
Shareholders Funds	109	148	181	272	344	427
Minority Interest	-	-	-	-	-	-
Total Loans	147	171	258	407	409	381
Deferred Tax Liability	6	12	13	19	19	19
Total Liabilities	261	331	451	699	772	827
APPLICATION OF FUNDS						
Gross Block	181	232	270	632	663	705
Less: Acc. Depreciation	46	57	74	92	134	178
Net Block	135	175	196	539	529	526
Capital Work-in-Progress	13	3	52	13	-	-
Goodwill	-	-	3	3	3	3
Investments	1	5	2	4	4	4
Current Assets	226	300	386	426	514	610
Cash	15	9	16	19	24	26
Loans & Advances	26	50	69	56	54	80
Inventories	113	145	166	200	234	276
Debtors	73	96	135	151	201	228
Other	-	-	-	-	-	-
Current liabilities	114	151	188	288	279	317
Net Current Assets	112	149	198	137	235	293
Mis. Exp. not written off	-	-	0	1	-	-
Total Assets	261	331	451	699	772	827

Cash Flow Statement

Y/E March	FY07	FY08	FY09	FY10	FY11E	FY12E
Profit before tax	27	50	44	57	71	110
Depreciation	9	13	17	22	42	44
Change in Working Capital	(3)	(17)	(26)	49	(96)	(33)
Less: Other income	1	1	2	2	1	2
Direct taxes paid	4	11	7	7	14	22
Cash Flow from Operations	27	34	26	118	2	98
Inc./ (Dec.) in Fixed Assets	(51)	(41)	(90)	(324)	(18)	(41)
Inc./ (Dec.) in Investments	(1)	(4)	3	(2)	-	-
Inc./ (Dec.) in loans and advances	(9)	(24)	(18)	13	2	(25)
Other income	1	1	2	2	1	2
Cash Flow from Investing	(60)	(68)	(103)	(311)	(16)	(65)
Issue of Equity	25	6	-	46	18	-
Inc./ (Dec.) in loans	23	25	87	149	2	(28)
Dividend Paid (Incl. Tax)	(5)	(6)	(3)	(4)	(4)	(4)
Others	(2)	5	(0)	4	3	1
Cash Flow from Financing	41	29	84	195	19	(31)
Inc./ (Dec.) in Cash	9	(6)	7	3	5	2
Opening Cash balances	6	15	9	16	19	24
Closing Cash balances	15	9	16	19	24	26

Key Ratios

Y/E March	FY07	FY08	FY09	FY10	FY11E	FY12E
Valuation Ratio (x)						
P/E (on FDEPS)	13.8	8.3	8.6	9.2	8.0	5.2
P/E (on basic, reported EPS)	13.8	8.3	8.6	8.4	8.0	5.2
P/CEPS	10.0	6.2	5.9	5.8	4.6	3.5
P/BV	2.9	2.2	1.8	1.5	1.3	1.1
Dividend yield (%)	1.3	1.6	0.8	0.8	0.8	0.8%
Market cap. / Sales	0.8	0.6	0.4	0.5	0.4	0.4
EV/Sales	1.1	0.9	0.8	0.9	0.8	0.6
EV/EBITDA	9.6	6.0	7.1	8.0	5.5	4.3
EV / Total Assets	1.7	1.5	1.2	1.2	1.1	1.0
Per Share Data (Rs)						
EPS (Basic)	13.7	22.8	21.9	22.4	23.7	36.4
EPS (fully diluted)	13.7	22.8	21.9	20.5	23.7	36.4
Cash EPS	18.9	30.5	32.0	32.4	40.9	54.7
DPS	2.5	3.0	1.5	1.5	1.5	1.5
Book Value	66.1	87.1	106.4	123.3	142.4	177.0
ROE Decomposition (%)						
EBIT margin	9.6	12.4	8.5	9.0	10.2	11.4
Tax retention ratio	84.8	77.2	84.1	87.0	80.5	80.0
Asset turnover (x)	1.8	1.9	1.9	1.6	1.5	1.7
ROIC (Post-tax)	14.6	18.3	13.7	12.3	12.5	15.1
Cost of Debt (Post Tax)	7.4	8.8	7.7	6.2	8.1	7.7
Leverage (x)	1.6	1.2	1.3	1.5	1.3	1.0
Operating ROE	26.2	29.9	21.7	21.3	18.4	22.7
Returns (%)						
ROCE (Pre-tax)	16.4	22.7	15.8	13.7	15.1	18.3
Angel ROIC (Pre-tax)	19.3	24.4	17.6	15.0	15.7	18.9
ROE	25.8	30.2	22.7	21.9	18.5	22.8
Turnover ratios (x)						
Asset Turnover (Gross Block)	2.7	2.6	2.9	1.9	1.7	1.9
Asset Turnover (Net Block)	3.9	3.5	3.9	2.3	2.0	2.4
Asset Turnover (Total Assets)	1.7	1.8	1.9	1.5	1.5	1.6
Operating Income / Invested Capital	1.8	1.9	1.9	1.6	1.5	1.7
Inventory / Sales (days)	92	87	78	77	73	73
Receivables (days)	57	57	58	60	59	61
Payables (days)	79	86	82	97	92	82
Working capital cycle (ex-cash) (days)	86	80	81	63	55	68
Solvency ratios (x)						
Gross debt to equity	1.3	1.2	1.4	1.5	1.2	0.9
Net debt to equity	1.2	1.1	1.3	1.4	1.1	0.8
Net debt to EBITDA	2.9	2.0	3.1	3.9	2.5	1.9
Interest Coverage (EBIT / Interest)	3.2	3.7	3.1	3.3	2.7	3.8

Research Team Tel: 022 - 4040 3800

E-mail: research@angeltrade.com

Website: www.angeltrade.com

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 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 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 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 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 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 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 Limited and its affiliates may have investment positions in the stocks recommended in this report.

Disclosure of Interest Statement

1. Analyst ownership of the stock
2. Angel and its Group companies ownership of the stock
3. Angel and its Group companies' Directors ownership of the stock
4. Broking relationship with company covered

Greenply Industries

No
Yes
Yes
No

Note: We have not considered any Exposure below Rs 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%)