



GREENPLY INDUSTRIES

Exchange: BSE

BSE Code: 526797

Current Market Price: Rs. 195.50

Date: 16th August 2018

COMPANY BRIEF

Incorporation Year: 1990
Chairman: Shiv Prakash Mittal
Managing Director: Rajesh Mittal
CEO: Shobhan Mittal
Industry: Wood & Wood Products

COMPANY OVERVIEW

Greenply Industries Ltd. is engaged in manufacturing plywood. With more than 25 years of experience, the company has established a pan-India presence with 39 branches across the nation and more than 10,000 distributors, stockists dealers, sub-dealers, retailers. The company specializes in plywood, MDF (medium density fibreboard), wood floors and wall covers. Greenply Industries markets these products under the brand of GREENPLY for plywood, GREEN PANELMAX for MDF, GREEN FLOORMAX for wood floors and GREENTERIORS for wall covers.

INVESTMENT RATIONALE

1) DEMERGER OF MDF DIVISION:

The biggest story that is expected to play out at Greenply currently is the demerger of its wholly owned subsidiary of Green PANELMAX, which is responsible for the MDF division of the company. MDF currently is a lucrative market and it is easily considered a replacement of sorts for low-end plywood.

Greenply MDF pricing is approximately half the price of premium plywood. With the demerged division of MDF i.e. Greenpanel Industries Ltd., the company will fully focus on MDF division. The demerger ratio is said to be 1:1 and the new company would include manufacturing facilities from Uttarakhand (both plywood and and MDF unit) and Greenply Trading Pte. Ltd. This demerger is expected to be in around Q4 FY19.

Post-split revenues of both Plywood and MDF are expected to be similar. Greenply has a good standing in the MDF market with approx. 30% market share in MDF market and the margins of the company rest in 20 to 25% range whereas those of the competitors are negative or very low.

After the demerger, Mr. Shiv Prakash Mittal and Mr. Shobhan Mittal are expected to move with Greenpanel Industries.

Latest Date	16-Aug-18
Latest Price (Rs)	195.50
52 Week High (Rs)	401.05
52 Week Low (Rs)	194.50
Face Value(Rs)	1.00
Industry PE	27.08
TTM Period	201806
TTM EPS(Rs)	10.51
TTM CEPS(Rs)	14.16
Price/TTM CEPS(x)	13.77
TTM PE (x)	18.56
Price/BV(x)	2.54
EV/TTM EBIDTA(x)	12.85
EV/TTM Sales(x)	1.78
Dividend Yield%	0.31
MCap/TTM Sales(x)	1.42
Latest Book Value (Rs)	76.56
Market Cap (Rs in Crores)	2392.46
EV (Rs)	3014.92
Latest no. of shares (in Crores)	12.26



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In Q1 FY19, the MDF division has seen a 30% loss in revenues mainly due to increasing competition in the MDF market. Price cutting by competitors have affected the revenues of MDF division. But the company plans to reduce their price for MDF by 8-10% so the new pricing would be closer to those of the competition. The company has also provided incentives to their dealers recently, so as to make Greenply MDF more attractive.

The company is also expecting the revenues for MDF division to be around Rs. 700 Cr. in the coming year. With new plant in Andhra Pradesh, operational from July 2018 the company is expecting a margin of around 14% in FY19 but there is a possibility of profitability taking a hit for the new plant. The PAT break-even of new Andhra Pradesh plant is expected to be reached by Q2 FY20.

Greenply's management seems confident that the competition has small to no room for curtailing more prices as their EBITDA margins are not attractive. Till now, a large part of the MDF produced was exported and the rest was distributed in domestic margin, but now the company is confident that 90% of MDF produced would be absorbed in the domestic market.

Greenply MDF sold in the domestic margin enjoys a margin of approximately 27-30%, whereas, export margin are near 13 to 14%. The company is expecting the MDF demand to grow from 15-20% in the coming 2 years. For the Andhra Pradesh plant, the company is expecting the annual capacity utilization to be approximately 45%.

There is no substitute for MDF and its molding capability which makes it a very essential part of the home furnishing business. Although, imports is a concern, the company is confident that by FY20, MDF imports will lower significantly.

Popularity for MDF is up and coming. With anything available online easily, furniture industry has high scope of progress. MDF is a more popular product for easy to fix furniture and, sometimes, an entire furniture is made out of MDF board.

2) Expansion Plans:

Plywood: Greenply is coming with a new plant in Uttar Pradesh with a capacity of 13.5 mn. sq. mts.

Decorative Veneer: Company is expanding the existing unit at Bamanbore Gujarat with additional capacity of 2.25 mn. sq. mts.

Gabon: The company is positive on the expansion of expanding Gabon log peeling facility from 36000 CBM to 96000 CBM.

INDIAN FURNITURE INDUSTRY

The growth of Indian furniture industry is hugely dependent on a booming realty and hospitality sector, rising disposable income of the people paired with lifestyle changes.

The Indian furniture market is run by unorganized small players which accounts for nearly 80% of domestic production in the industry. These small players have an added regional advantage whereas, the organized market is majorly located in metropolitan cities i.e. Tier I cities.

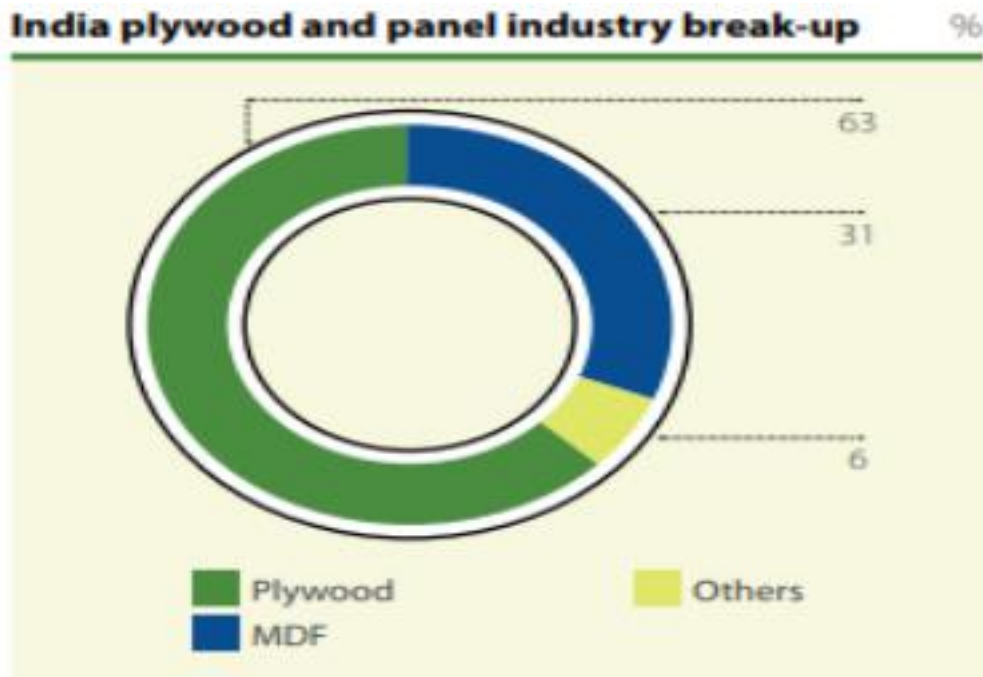
The end user segment mainly constitutes of residential, office commercial and institutes.

E-TAILING: UPCOMING TREND

E-tailing is selling of retail goods online. With rising trend of online purchasing, the furniture industry has also been usurped in this trend. With the onslaught of online purchasing, the customers have a variety of choices. It has also opened a range of opportunities for small players to sell their products online.

INDIAN WOOD PANEL INDUSTRY

Wood panel market is driven by higher disposable income, urbanization especially in Tier II and III cities. Another driver for this industry is the fast growing replacement market. The industry is estimated to be ~Rs 28500 crore in FY 2016.

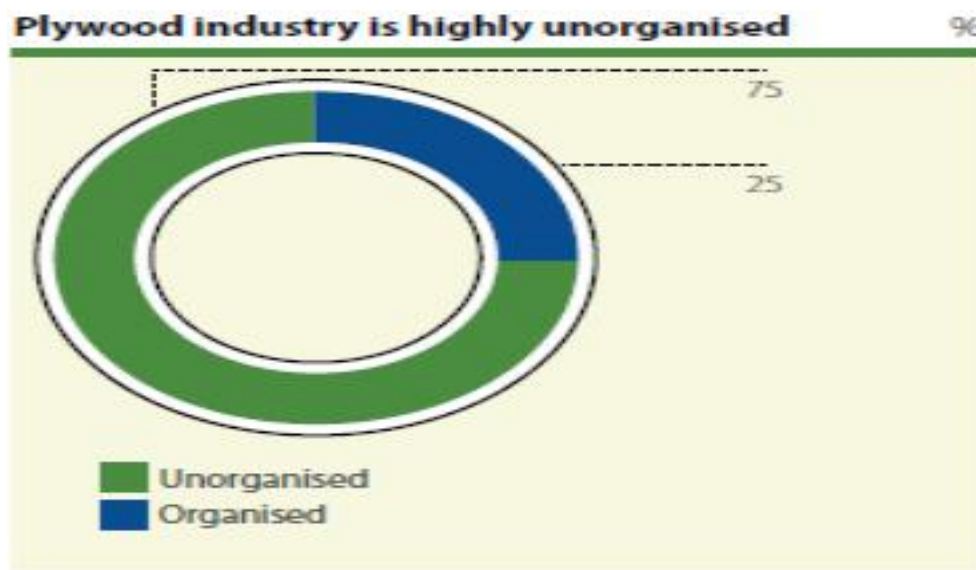


Source: IDFC Securities Research

SEGMENT OVERVIEW**PLYWOOD**

India's interior infrastructure products industry comprises of more than 3,300 plywood units, out of which, more than 2,500 are exempt from duties and more than 700 units are partially exempt. On the other hand, products manufactured by India's organized plywood brands are subject to VAT, excise duty and CST.

Plywood constitutes ~63% i.e. Rs. 18000 crore of the entire wood panel industry. Organized players account for 25% of the plywood segment.



Source: IDFC Securities Research

Organized players have greater concentration in Tier I cities hence market penetration into Tier II and III cities has largely been carried out by small unorganized players. Although it does offer a new horizon to organized players as consumers are becoming more brand conscious in smaller cities.

Plywood industry has been growing at a CAGR of 6-7% over the last 5 years. The unorganized sector has been growing at a CAGR of 12% over last 5 years.

Organized players spend approximately 2.5 to 3% of their revenue on brand building and at the same time unorganized players get a margin benefit of 10-20% (after GST implementation). Previously, the margin was somewhere between 30-50% due to small players getting the added benefit of a small scale industry.

TYPES OF PLYWOOD

- 1) Luxury/Premium plywood
- 2) Medium/Mass plywood
- 3) Low-end plywood

1) Luxury Plywood

Price (rs/sq.ft.)	100-140
Organised:Unorganised Mix	70:30
CAGR (last 5 years)	12%

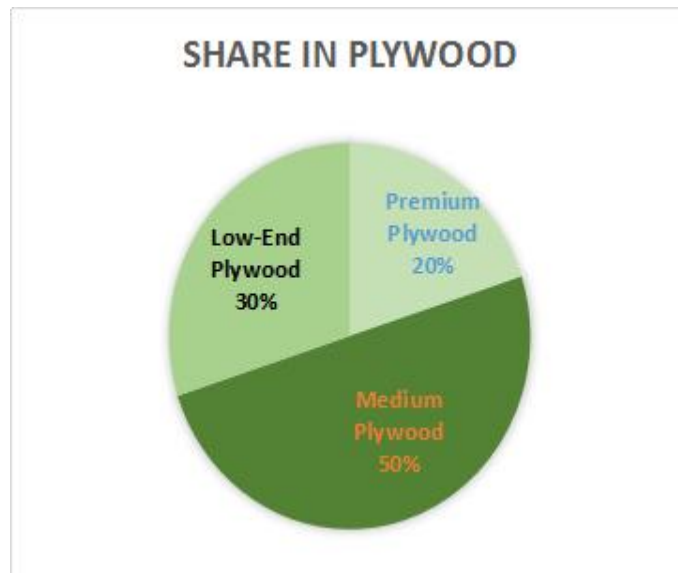
2) Medium Plywood

Price (rs/sq.ft.)	65-85
Organised:Unorganised Mix	15:85
CAGR (last 5 years)	5-7%

3) Low-end Plywood

Price (rs/sq.ft.)	45-65
Organised:Unorganised Mix	0:100
CAGR (last 5 years)	Flat/degrowth

SHARE IN PLYWOOD MARKET

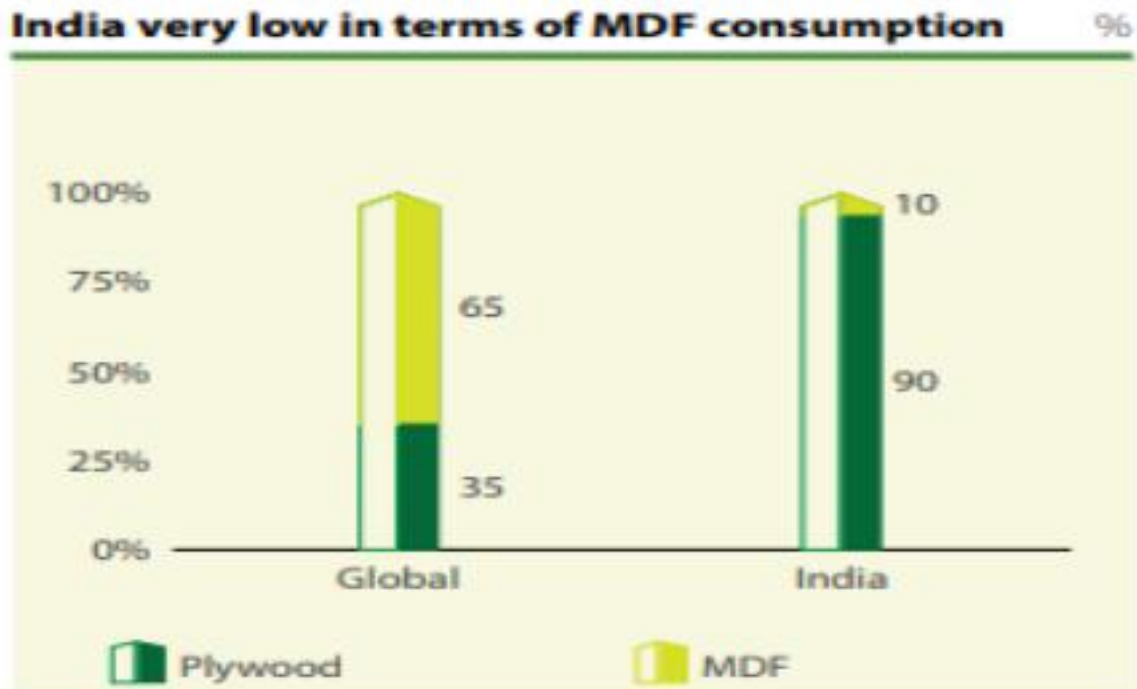


MDF - Medium Density Fibreboard

Currently, the MDF segment is the smallest segment in the Indian plywood industry. Revenues from MDF segment constitutes around 6% i.e Rs. 1600 crore of the entire wood panel industry.

MDF is made from residuals of hardwood and softwood and engineered together into wood fibre by pressing them together, using heat and resin.

MDF consumption in India is highly underrated. It is mostly skewed in favour of plywood at 10:90. Global consumption ratio of MDF:Plywood is 65:35. The reason behind MDF's popularity is MDF's low cost. MDF is ~50% cheaper than premium plywood, putting it in direct competition with low-end plywood.

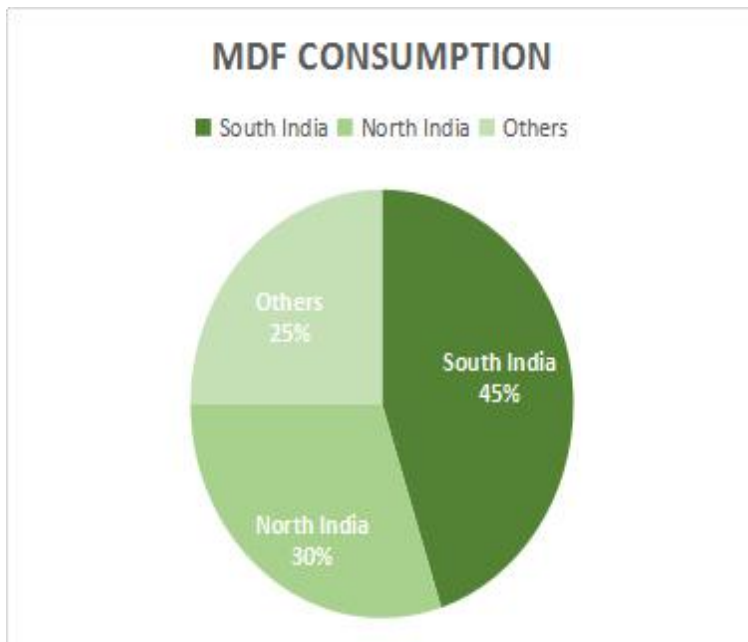


Source: Annual Report

MDF is the preferred choice for ready made furniture. It is very popular for making furniture which is sold online. MDF has no unorganized market. India's MDF capacity is expected to double over the next 3 years to 1.06 CBM.

MDF is bulky, hence, the transportation cost of MDF is usually high. Currently, 35% of India's MDF requirement is imported, however, the imports are expected to drop by 2020 to ~15%, as the MDF capacity is expected to double.

MDF Vs Plywood	
MDF	Plywood
Made out of residual of hardwood and softwood	Thin sheets of veneer are glued together to manufacture plywood.
Medium Strength	Highest Strength
50% cheaper than premium plywood	Costlier
Weight of MDF is 10-15% greater than particle board	Heaviest
Laminated MDF is resistant to water	Less susceptible to water damage
MDF can be molded, machined and painted easily	Plywood is difficult to cut and cannot be molded easily.



MDF has a high growth potential in the Indian market. It is less expensive than premium plywood and given the rise in e-commerce, the market for MDF is expected to capture market share from low-end plywood.

ANTI-DUMPING DUTY

Anti-dumping duty of \$64.35/CBM has been imposed on import of MDF board on thick boards (i.e. thickness of over 6mm) from Vietnam and Indonesia.

ABOUT GREENPLY

Greenply is one of the leading interior infrastructure brand. Greenply delivers products under various brands such as Greenply Plywood, Optima G, Ecotec etc. Green Panelmax and Green Floormax, among others.

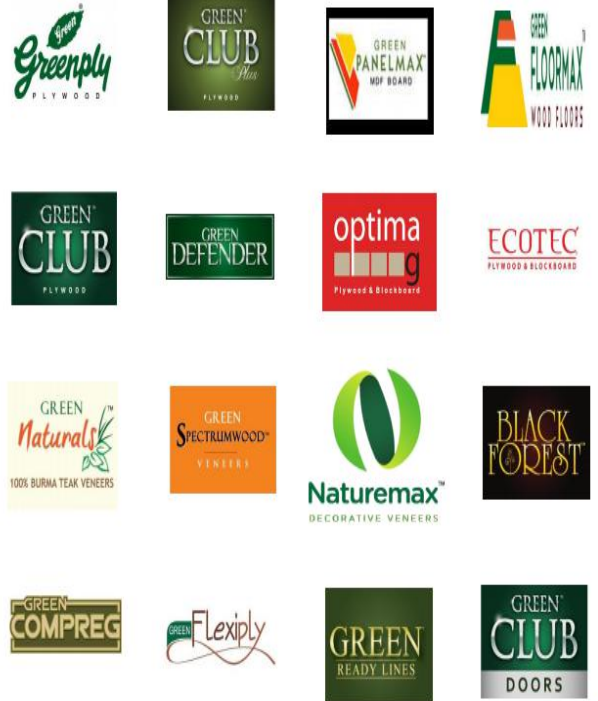
SEGMENTS

I. PLYWOOD

Greenply uses A+ grade timber for manufacturing plywood. The manufacturing process itself is a 5-step procedure, thereby making the plywood termite and borer-resistant. Greenply is the first company to introduce lifetime guarantee in their premium product segment i.e. Green Club and Green Club Plus Plywood.

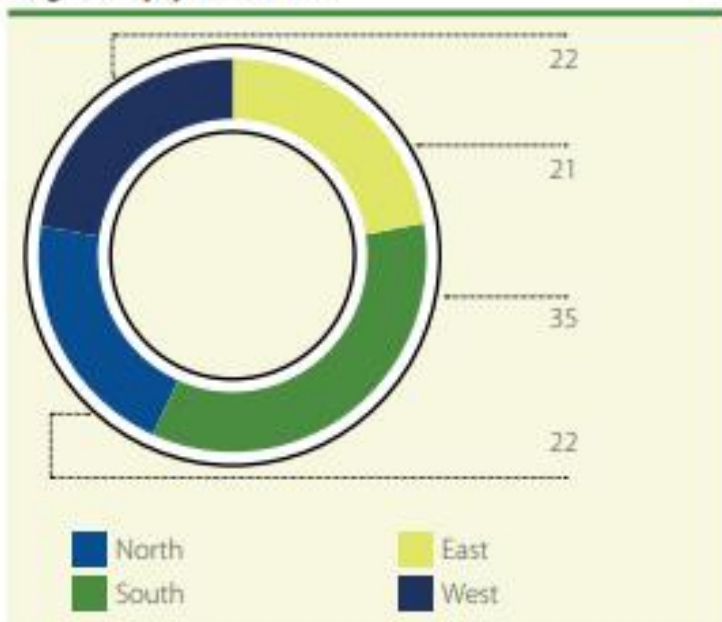
Green Compreg range of products, introduced by the company, are suitable for construction, railway, automobile and other specialized operations.

OUR BRANDS



Source: Annual Report

Regional plywood mix



Source: Annual Report

Out of 39 branches of Greenply Industries, 24 branches are of plywood. Greenply has a solid channel of 1656 distributors/dealers/stockists and a robust retail network of 3042 for plywood. The company has more than 26% market share in organized plywood segment in the Indian market.

PLYWOOD		
	2015-16	2016-17
Production (mn.sq.mt.)	32.60	34.93
Sales (mn.sq.mt.)	48.25	50.30
Average Realization (Rs. Per sq.mt.)	239	229

Distribution reach (Plywood)

Plywood contributes ~70.58% to total revenue of Greenply. Greenply has 32.4 mn. sq. mt. cumulative installed manufacturing capacity.

Greenply is moving towards asset-light model in the plywood segment by outsourcing 30% of production and keeping 70% in-house. Plywood segment capacity is facing 108% over-utilization.

Greenply Industries is mainly into manufacturing of premium grade plywood and has recently entered into unorganized medium grade plywood segment in hopes of capturing market in Tier II and III cities.

The company commissioned a veneer manufacturing unit at Gabon, West Africa. It is located in a Special Economic zone. The first phase required Rs. 100 crore investment. This expansion will help in securing future supply of veneer. Gabon is 85% rain forest area with 400 species of wood available.

Greenply has shifted its focus for plywood to Tier II and Tier III cities to capture market and take advantage of rising urbanization.

1,656
Distributors/
Stockists/Dealers

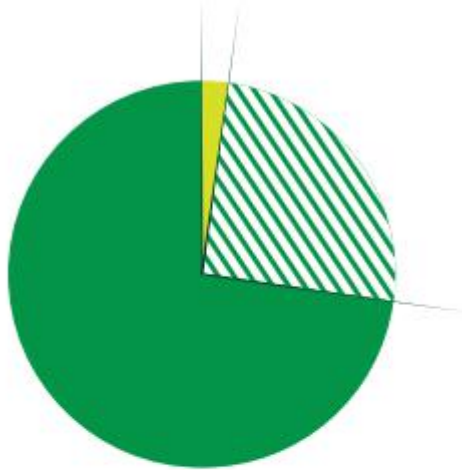
3,042
Retailers

24
Branches

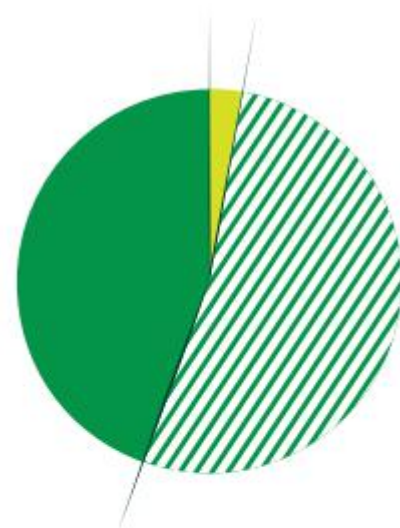
Source: Annual Report

Greenply Plywood					
	2014	2015	2016	2017	2018
REVENUE	1065.28	1185.90	1237.47	1281.91	1184.53
EBIT	93.12	56.72	110.07	127.63	117.33

Revenue by division (%)



EBITDA by division (%)



Source:
Annual Report

II. MDF (Medium Density Fibreboard) SEGMENT

It is also recognized as engineered wood, made from the residue of hardwood and softwood. MDF provides a unique mix of durability, look, texture and richness.

MDF has received appreciation in world wide panelling. It is mainly used in furniture, handicraft items, display or exhibition etc. It can also be used as a wood substitute. It is a preferred choice for ready to make furniture.

MDF contributes 28.81% in total revenue of Greenply Industries. Current capacity of plywood is 0.18 MN. CBM. (excluding the new Andhra plant). This plant is located in Uttarakhand and it is India's largest and technically advanced MDF production facility.

Distribution reach (MDF)

472
Distributors/
Stockists/Dealers

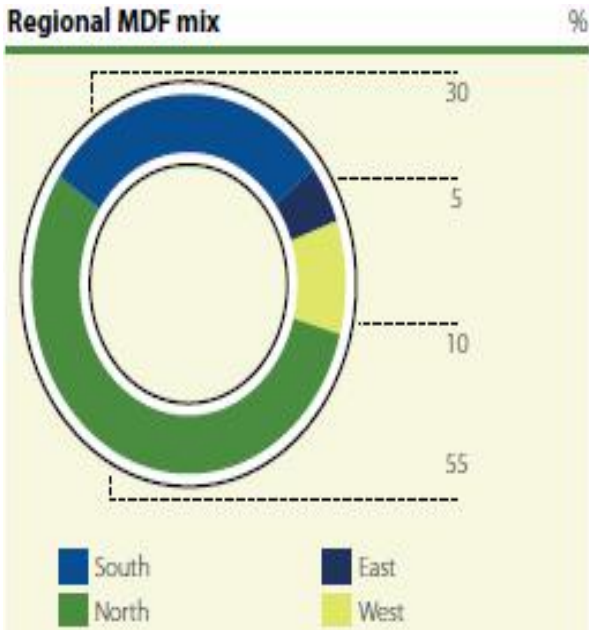
5,000
Retailers

15
Branches

Source: Annual Report

Out of MDF manufactured by Greenply, 30-40% is being exported. It is being exported to countries like Bangladesh, Sri Lanka and Singapore and countries of Middle-East.

Greenply has recently commissioned a MDF unit in Andhra Pradesh. Installed capacity of the plant is 3.6 lac CBM. annually. With the new MDF plant, the management anticipates to become a strong contender for supplying to IKEA.



MDF		
	2015-16	2016-17
Production (cbm)	177382	189171
Sales (cbm)	177953	184905
Average Realization (Rs. Per cbm)	26723	25764

After the commencement of the Andhra Pradesh plant, the company may stop exporting from Uttarakhand plant. Currently, Greenply Industries pays 16% freight cost from Uttarakhand to Mumbai. This is expected to reduce to 6%.

Greenply Industries has established a far and wide retail network with 472 distributors/ stockists/ dealers, 5000 retailers and 15 branches pan-India.

Source: Annual Report

Greenply Industries has India's largest and technically advanced MDF production facility. The company maintains stringent quality measures so as to maintain highest quality standards.

The company caters to different needs by providing a wide range of products in variety of sizes and thickness. MDF manufactured by Greenply Industries is made from 100% renewable wood source.

CONCERNS FOR MDF

1) **Price wars** with competitors is a big threat looming on Greenply. MDF has an organized market with few competitors of which currently Greenply is a market leader. But recently, other competitors have entered the market and to capture MDF market they have reduced their prices. Their prices are 7-8% lower than Greenply. This in turn has affected the margins of the competitors. Whereas Greenply Industries has still not lowered their prices for MDF and are willing to wait for a few more quarters, meanwhile, the commencement is said to reduce transportation cost and aid Greenply in price wars.

2) **Imports from China:** Although India has an anti-dumping duty in place for MDF from Indonesia and Vietnam; it has no ADD on imports from China. But since this is a high inventory business, there are fewer chances of China getting into this market.

Greenply MDF					
	2014	2015	2016	2017	2018
REVENUE	349.07	404.63	475.77	481.36	487.88
EBIT	237.6	188.49	122.16	110.66	125.59

III. GREEN DOORS

Green doors are a premium quality brand of borer-resistant doors from Greenply. Green doors deliver dimensional accuracy, stability in varying humidity and a high screw holding capacity. Green doors are resistant towards high shocks and bending.

IV. WOOD FLOORS

Green Floormax is a product segment of Greenply that caters to wooden flooring segment. A growing segment for Greenply, Floormax products are manufactured using advanced pre-laminate technology. Four layers combine to form this flooring solution that includes backing, high-density fibre, decorative and protective over-layer.

Advantages

- Installation is easy.
- Dust doesn't cling to floor.
- It can preserve static temperature favourable to human health.
- Interlocking technology leaves no gaps or crevices and the wooden floors are heat and temperature resistant.
- Revenue from Floormax wooden floors is Rs. 21 Cr (included in MDF).

MANUFACTURING FACILITIES & CAPACITIES

FACILITY	PRODUCT	CAPACITY
Tizit, Nagaland	Plywood	4.50 mn. sq. mts.
Kripampur, West Bengal	Plywood	6.00 mn. sq. mts.
Pantnagar, Uttarakhand	Plywood	10.50 mn. sq. mts.
	MDF	0.18 mn. cubic mts.
Bamanbore, Gujarat	Plywood	11.40 mn. sq. mts.

32.4 mn. sq. mts.
Cumulative plywood capacity

0.18 mn. cubic mts.
Medium Density Fibreboard capacity



UPCOMING PLANTS

Bamanbore, Gujarat	Decorative Veneers/ Decorative Plywood	2.25 mn. sq. mts.
Sandila, Uttar Pradesh	Plywood	13.5 mn. sq. mts.
Routhu Suramala, Chittoor, Andhra Pradesh	MDF	0.36 mn. cubic mts.

mn. sq. mts.: million square metres | mn. cubic mts.: million cubic metres

	EXISTING PLANTS
	UPCOMING PLANTS

Map not to scale



SUBSIDIARY & JV

Greenply has 3 overseas **wholly owned subsidiaries**

- 1) **Greenply Trading Pte. Ltd. (Singapore):** This company is engaged in business of trading and marketing of veneers, panel products, wooden flooring and allied products. The company also has investments in other companies engaged in manufacturing and trading of said products.
- 2) **Greenply Holdings Pte. Ltd. (Singapore):** The main objective for this company is to hold investments in Greenply Alkema (Singapore).
- 3) **Greenply Middle East Ltd. (Dubai):** The main objective of this company is to manage, control and hold investment in Greenply Gabon, SA and general trading business.

Overseas step-down subsidiary

1) **Greenply Gabon:** Greenply has done a backward integration by setting up a manufacturing unit at Gabon, West Africa. Gabon is a 85% rain forest area with 400 species of wood available. Also, the facility is located in a Special Economic Zone. The 1st phase requires Rs. 100 Cr investment to commission a veneer unit. The main goal was to help secure future supply of veneer for the company. The unit will manufacture veneer, lumber and panel products. This is done through wholly owned subsidiary of Greenply Gabon, SA.

Joint Venture

1) **Greenply Alkema:** Owned through its wholly owned subsidiary Greenply Trading Pte. Ltd. Singapore and Alkema Singapore Pte. Ltd. This JV is also in control of Myanmar based company, which is engaged in business of manufacturing and trading of veneer and lumber.

LOYALTY PROGRAM

Greenply has various loyalty programs for its wide network and customer base.

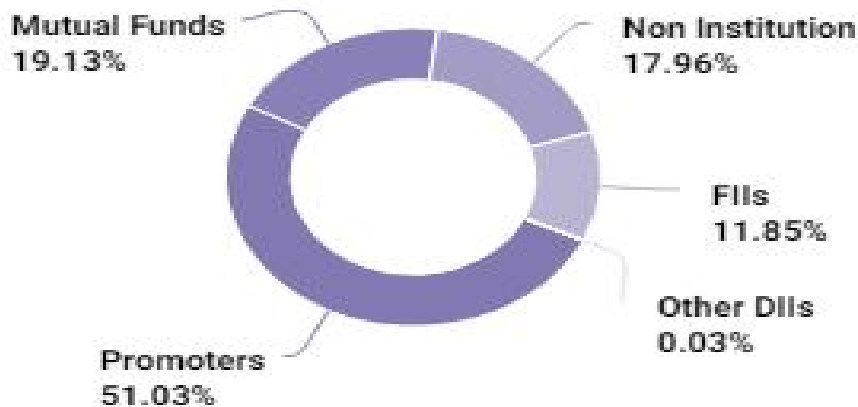
- 1) **GREEN ACCESS:** This program is for architects and interior designers. It is point based system and it has over 5000 registered architect across India.
- 2) **GREEN SAMADHI:** This program is for carpenters and contractors. It is point based system, whereby, after point collection, carpenters and contractors can buy from a specially designed catalogue provided by Greenply.
- 3) **GREEN BANDHAN:** This program is for dealers and retailers. A point based system with over 6000 registered dealers and retailers across India.
- 4) **DEALER BONDING:** The Company has created Green Ace clubs for their partners. The Ace clubs are four exclusive clubs designed to specifically recognize and reward our growing network of dealers and also to attract new partners.

PORTER 5 FORCES

	PLYWOOD	MDF
Threat of Competitors	High. Greenply faces a lot of competition in both the unorganized and organized market. With more than 80% market being unorganized, the threat of competitors is high.	High. MDF has no unorganized market but there are currently 5 firms in the organized market of MDF, which are competing against each other.
Threat of Substitutes	There are no substitutes for premium plywood but MDF is considered as a substitute for low-end plywood products.	MDF has no substitute. As it is easily molded, its uses are far and wide.
Threat of New Entrants	High. Existing unorganized market is a proof of easy entry in the market.	Low. Because it is an engineered wood, it requires proper machinery, hence it is more costlier for new entrants.
Bargaining Power of Buyers	High	Low
Bargaining Power of Suppliers	High	Low

SHAREHOLDING PATTERN

Shareholding Snapshot



SOURCE: Market Mojo



TRIGGERS

- 1) **GST & E-way bill:** The sector is said to benefit from GST regime and are expecting a shift from unorganized sector to organized. Before GST, unorganized sector sold their products at 30-50% discount to Greenply product, but after GST, this figure has come down to 10-15%. E-way Bill is also said to give more value to brand and its effects are anticipated in Q2 & Q3 of FY19.
- 2) **Price wars:** On the MDF front, Greenply is currently facing a lot of competition from other MDF players. The competitors have been sacrificing margins to gain market share. The difference in MDF product prices between Greenply and its competitors is about 7-8%, with competitors offering better and cheaper prices for MDF and management of Greenply is a little reluctant to lower prices, along with this, revenue of MDF segment of Greenply has taken a hit.
- 3) **Backward integration:** This move was mainly done to secure future supply of veneer. The company plans to use 50% of products manufactured at Gabon facility. For the rest, the company plans to sell in the markets.
- 4) **Slowdown:** A slowdown in the economy would be detrimental to the company as margins have already suffered due to demonetization and GST implementation. Real Estate sector has taken a hit and higher disposable income and replacement market are the only 2 drivers for this sector.
- 5) **Dividend:** The company has been constantly paying dividend of Rs. 0.60 per share for the last 3 years to its shareholders. Major concern is that the company has negative free cash flow and debt that the company has undertaken this year and despite this, the company has issued dividend.
- 6) **Imports:** Imports in the country are heavily targeting Northern India. The management is expecting the imports to lower down considerably in the coming years.
- 7) **Mini-MDF plant:** Recently, mini-MDF plants are being set up by semi-organized players. The sustainability of such a move is yet to be determined but it is expected to be difficult for small players as they are lacking in brand.
- 8) **Excess Supply:** Recently, competitors of Greenply have set up additional MDF facilities in North India because of which, along with imports, excess supply of MDF is expected in the market.
- 9) **Debt Heavy:** After demerger, majority of the current debt will be transferred to the new company, which will make the new company a debt heavy company.



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FINANCIAL INFORMATION

Balance Sheet (Excerpt)				
Year End	2015	2016	2017	2018
Shareholder's Funds	486.32	614.30	772.66	877.50
Total Debts	150.48	150.37	316.01	591.44
Total Liabilities	636.81	764.68	1088.68	1468.95
Net Block	726.31	774.19	797.43	580.46
Investments	50.11	68.71	182.32	112.09
Inventories	190.30	138.93	158.46	231.20
Sundry Debtors	257.21	332.50	298.34	285.60
Cash and Bank	7.66	35.00	78.09	33.52
Total Assets	636.81	764.68	1088.68	1468.95

Profit and Loss (Excerpt)				
Year End	2015	2016	2017	2018
Net Sales	1566.77	1646.11	1667.96	1713.20
Raw Materials Consumed	917.37	905.31	921.30	914.22
General and Administration Expenses	71.72	71.51	38.46	46.62
Selling and Distribution Expenses	133.81	144.87	162.55	148.73
Other Income	1.69	11.16	3.7759	2.16
Operating Profit	210.78	250.35	248.66	232.90
Profit Before Tax	141.19	169.68	179.08	171.73
Provision for Tax	16.96	41.41	55.87	53.50
Profits After Tax	124.22	128.26	123.20	118.22



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Ratios Summary				
	2015	2016	2017	2018
Earnings Per Share (Rs)	51.21	10.62	10.22	9.02
Dividend Pay Out Ratio(%)	5.85	5.64	5.86	6.65
EBIT Margin(%)	10.87	11.70	11.11	10.54
PAT Margin (%)	7.5	7.48	6.91	6.80
ROA (%)	8.36	10.91	8.88	6.41
ROE (%)	23.21	23.30	17.76	14.32
ROCE (%)	16.69	23.57	18.83	13.04
Asset Turnover(x)	1.11	1.45	1.28	0.94
Receivable days	69.55	62.79	64.61	61.35
Inventory Days	67.97	35.05	30.45	40.94
Payable days	78.92	63.72	58.70	54.73
Total Debt/Equity(x)	0.68	0.43	0.57	0.81
Interest Cover(x)	4.68	6.47	10.46	16.12
Price/Book(x)	4.61	3.41	4.48	4.26
EV/Core EBITDA(x)	12.18	9.32	15.41	18.98
M Cap / Sales	1.43	1.27	2.07	2.18

Cash Flow Statement				
Year	2015	2016	2017	2018
Cash From Operating Activities	187.41	190.96	182.96	113.38
Cash Flow from Investing Activities	-104.53	-62.74	-292.54	-328.00
Cash from Financing Activities	-82.34	-100.39	149.63	164.44

Du Pont Analysis-Consolidated				
DESCRIPTION	2015	2016	2017	2018
PATM (%)	8.87	10.48	11.52	10.02
Sales / Total Assets(x)	295.11	312.10	331.85	298.18
Assets to Equity (x)	93.46	69.46	57.33	78.64
ROE (%)	22.84	23.91	19.28	14.32



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PEER ANALYSIS

	CENTURY	GREENPLY
Products	Plywood, laminates, MDF, Particle Board, others	Plywood, MDF, decorative Veneers, wood doors and floors
Distribution network	17000+	10000+
Plants	Joka (West Bengal), Guwahati (Assam), Kandla (Gujarat), Chennai (Tamil Nadu) and Karnal (Haryana). The Company works through three units in Roorkee (Uttarakhand), Myanmar and Laos through its subsidiary. The Company is currently implementing an MDF manufacturing facility in Punjab.	Tizit (Nagaland), Kriparampur (West Bengal), Pantnagar (Uttarakhand) and Bamanbore (Gujarat).
Pan-India Reach	600 cities	300 cities
Branches	40	39
Plywood	> 50% of plywood is premium	Till now completely premium but now venturing slowly into unorganized medium plywood
Logistics Effectiveness	commission warehousing hubs in Guwahati (to service North Eastern India), Kolkata (to service Eastern India), Chennai (to service Southern India), Roorkee, Karnal (to service Northern India) and Nagpur (to service Western India)	-
MDF	Very low portion of total revenue	~29% of total revenue
Capacity	Plywood: 239,000 CBM Laminates: 4800000 no. of sheets MDF: 198,000 CBM Particle Board: 54,000 CBM	Plywood: 27,000,000 sq. mts. MDF: 540,000 CBM
Revenue by Segment	Plywood & allied products: 64.51% Laminates: 21.61% Particle Board: 1.32% Logistics: 5.03% MDF: 5.74% Others: 1.78%	Plywood: 69.5% MDF: 28.6% Others: 1.9%
Revenue (Rs. Cr.) 2018	2023.94	1707.96
PAT (Rs. Cr.) 2018	166.14	118.23
PATM (%) 2018	8.07	6.81
CFO (Rs. Cr.) 2018	304.61	113.38
FCF (Rs. Cr.) 2018	31.11	-284.41
Debt/Equity (x) 2018	0.69	0.81



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ROCE (%) 2018	17.91	13.04
ROE (%) 2018	21.21	22.84
EPS (Rs.) 2018	7.34	9.02
Price/BV (x) 2018	8.52	4.26
P/E (X)	29.90	18.56

MDF				
	2017		2018	
	Greenply	Century Ply	Greenply	Century Ply
Capital Employed (Rs. Cr.)	673.93	264.81	530.56	363.82
ROCE (%)	16.42%	-0.06%	21.74%	-0.68%
EBIT Margin(%)	22.98%	-4.74%	23.86%	-21.70%
EBITDA (Rs. Cr.)	133.04	-0.16	137.06	21.45
EBITDA Margin(%)	27.64%	-4.75%	28.35%	18.96%
Asset Turnover (x)	0.81	0.23	0.5	16.37

PLYWOOD				
	2017		2018	
	Greenply	Century Ply	Greenply	Century Ply
Capital Employed	454.23	667.81	302.56	611.02
ROCE (%)	28.10%	34.39%	37.52%	30.42%
EBIT Margin(%)	9.95%	16.46%	9.47%	13.76%
EBITDA (Rs.)	151.98	255.39	136.29	215.67
EBITDA Margin(%)	11.86%	18.30%	11.43%	15.97%
Asset Turnover (x)	1.78	3.40	1.5	1.67



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DEMERGER VALUATION

As per, company forecasts and conservative assumptions, the following data is forecasted for upcoming demerger:

Scenario 1 assumptions

1) **MDF:** Sales % is assumed a little on the conservative side to the management's narrative. EBIT MARGIN in scenario 1 reflects the current margin and we assume it will sustain in the near future. Current P/E of 18 is assigned to value MDF division. The upcoming demerger will bring MDF into focus and since the company has a advanced MDF facility and has been in the MDF division, longer than its nearest competitor so we assume that after demerger it will command a P/E of 18.

2) **PLYWOOD:** Sales (%) in plywood is taken as per company management's assumption. EBIT margin reflects the current margin of plywood segment of Greenply Industries Ltd., which we assume, will sustain in the near future. P/E of 15 assigned to plywood segment is based on the assumptions that, since Greenply plywood segment has lower margins and lower sales growth than its nearest competitor, we believe it would be prudent to assign a conservative P/E to it's plywood division.

Scenario 1 (Base Case Scenario)						
SALES MDF	10%	P/E		SALES PLY	5%	P/E
EBIT MARGIN	25%	18		EBIT MARGIN	10%	15
MDF				PLY		
	2018A	2019E			2018A	2019E
Sales MDF	487.88	536.66		Sales Ply	1184.53	1243.75
EBIT	125.59	134.16		EBIT	117.33	124.37
(-) Interest	10	10		(-) Interest	10.5	10.5
EBT	115.59	124.16		EBT	106.83	113.87
(-) Tax (30%)	34.67	37.25		(-) Tax (30%)	32.049	34.16
PAT	80.91	86.91		PAT	74.78	79.71
EPS	6.59	7.08		EPS	6.09	6.50
P/E	18	18		P/E	15	15
PRICE	-	127.58		PRICE	-	97.50
		2019E - MDF		127.58		
		2019E - PLY		97.50		



GREENPLY INDUSTRIES

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BSE Code: 526797

Current Market Price: Rs. 195.50

Date: 16th August 2018

Scenario 2 assumptions:

As scenario 1 is the base case, scenario 2 is taken on a more conservative note. All the ratios taken as assumptions are taken as highly conservative relative to base case scenarios.

Scenario 2 (Worst Case Scenario)						
SALES MDF	6%	P/E		SALES PLY	2%	P/E
EBIT MARGIN	25%	13		EBIT MARGIN	10%	12
MDF				PLY		
	2018A	2019E			2018A	2019E
Sales MDF	487.88	517.15		Sales Ply	1184.53	1243.75
EBIT	125.59	129.28		EBIT	117.33	124.37
(-) Interest	10	10		(-) Interest	10.5	10.5
EBT	115.59	119.28		EBT	106.83	113.87
(-) Tax (30%)	34.67	35.78		(-) Tax (30%)	32.04	34.16
PAT	80.91	83.50		PAT	74.78	79.71
EPS	6.59	6.80		EPS	6.09	6.50
P/E	13	13		P/E	12	12
PRICE	-	88.52		PRICE	-	78.00
		2019E - MDF		88.52		
		2019E - PLY		78.00		

Other Points

- 1) Credit ratings of the company are re-affirmed.
- 2) Last year the company did a QIP of Rs. 50 Cr. To raise money for the MDF plant in Andhra Pradesh. Due to this, promoter shareholding has gone down from 55% to 51.03%.

Top Shareholders (as per annual report of 2017-18)

- 1) Jwalamukhi Investment Holdings.
- 2) HDFC Trustee Company
- 3) SBI Magnum Global Fund
- 4) Westbridge Crossover Fund
- 5) Reliance Capital Trustee Company Limited
- 6) HDFC Standard Life Insurance Company
- 7) IDFC Sterling Equity Fund



GREENPLY INDUSTRIES

Exchange: BSE BSE Code: 526797 Current Market Price: Rs. 195.50 Date: 16th August 2018

- 8) Mangal Bhansali
- 9) Vallabh Bhansali
- 10) Lata Bhansali
- 11) Kotak Mahindra (mutual fund)
- 12) Akash Bhansali

FINAL VIEW

The company shows good promise as far as MDF division is concerned, and, some growth was witnessed in the Plywood segment majorly due to e-way bill and company getting GST refund benefits for their Nagaland exemption unit. Management of Greenply has shown great focus and their demerger plans are a proof of that. With great potential of MDF in both domestic and export market, Greenply is perfectly positioned to reap the benefits of it.

DISCLAIMER

I am not a SEBI registered Research Analyst. No recommendations are given for the company discussed in the report. Any valuation discussed in the report is solely for informational reasons and not to be taken as an investment recommendation. I do not hold any shares of the company, neither am I a beneficiary to any shares of the company.

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SOURCES

- Annual Report
- Investor Presentation
- Conference Call
- BSE Website
- Market Mojo
- Web based Software - Ace Analyser.