Greenply Industries Ltd.

Initiating Note | **Regular Coverage**

Absolute : LONG
Relative : OVERWEIGHT
45% upside in 9 Months

Money can grow on trees

Building Material

Rating Information	
Price (Rs)	187
Target Price (Rs)	272
Target Date	31st Mar'11
Target Set On	23nd June'10
Implied yrs of growth	5
Ind Benchmark	BSE Small Cap
Model Portfolio Position	

Stock Information	
Equity Cap (Rs Mn)	110
Face Value (Rs)	5
Free Float (%)	45.00%
Market Cap (Rs Bn)	4.1
52 Wk H/L (Rs)	231/86
Avg Daily Volume	82,885
Avg Daily Value (Rs Mn)	12.4
Bloomberg Code	MTLM
Reuters Code	GRPL.BO

Ownership	Recent	3M %	12M %
Promoters	55.0%	0.0%	0.0%
DII	5.9%	0.1%	-1.4%
FII	7.5%	0.2%	-4.8%
Public	31.6%	-0.3%	6.1%

Price %	1M%	3M%	12M%
Absolute	2.2	-8.5	102.7
Vs Industry	-5.1	-15.3	41.4
Vs Sensex	-5.8	-10.2	78.7
Centuryply	5.2	7.6	47.6
Archidply	-0.3	-2.8	9.3

Rs/Share	1Q	2Q	3Q	4Q
EPS (10A)	6.4	6.8	8.2	6.0
EPS (11E)	4.8	5.4	6.3	6.8

Strong brand recall, wide distribution network of ~12000 dealers, expansion of laminates production facilities from 5.3 mn sheets to 10.0 mn sheets and commissioning of Medium density fiberboard (MDF) plant with capacity of 0.18 mn m^3 places Greenply Industries Limited (GIL) is an ideal position to capture strong demand growth in Rs 13 Bn interior infrastructure industry. GIL is one of the leading players in the industry with 30% organized marketshare in plywood and 18% in laminates industry. Thus we initiate coverage on GIL recommending LONG position for Absolute return focused investors with DCF based Mar'11 target price of Rs 272.

Revenue to grow at 25% CAGR over FY10-12E on the back of capacity expansion: GIL has invested ~Rs 3.6 Bn to expand its laminated production facilities from 5.3 mn sheets to 10.0 mn sheets and also set up a 0.18 mn m^3 plant for MDF production. This will provide GIL with a foothold in the commercial space. This expansion will grow the revenues & EBITDA at 25% CAGR and 32% CAGR over FY10-12E respectively.

Locational advantage, revenue growth, higher EBTDA margin and tax incentives to accelerate PAT growth at 38% CAGR over FY10-12E: 70% of the MDF in India is imported. GIL's entry into MDF will have a clear cost advantage and will improve EBTDA margin from 10% to 12% over FY10-12E. Also the plants at Tizit, Nalagarh and Pantnagar, has 100% corporate tax exemption for 10, 5 & 5 years respectively. This along with expansion should accelerate GIL's PAT at 38% CAGR over FY10-12E.

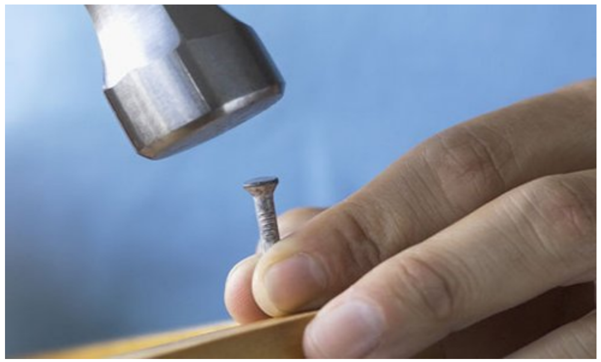
Strong brand recall, wide distribution network and high ad spend will be key support to growth strategy: GIL plans to spend ~3%-3.5% of its revenue on ad spend over FY10-12E increasing its already high brand recall, visibility and consolidating its position as one of the industry leaders. Along with it the company has ~12000 dealers making it one of the most networked companies.

High growth available at great value: On account of its volume & margin expansion, GIL will move in to superlative growth trajectory over FY10-12E. Our DCF valuation suggest Mar'11 target price of Rs 272. At our target price, it will trade at 12.0x & 8.5x P/E, 7.4x & 5.7x EV/EBITDA for FY11E & FY12E earnings, respectively.

Strong US dollar & Euro can hurt margins: Slowdown in real estate industry might & strong US dollar & Euro will affect the valuations as company imports ~36% of the raw materials.

Rs. Mn YE Mar	FY10E	FY11E	FY12E	FY13E
Sales	9,014	11,377	14,037	16,601
EBITDA	944	1,337	1,638	1,978
Depreciation	224	385	386	387
Net Int Expense	-239	-351	-336	-268
Net Profit	407	505	769	1,112
Adj Net Profit	407	505	769	1,112
EBITDA (%)	10%	12%	12%	12%
Total Equity	2,198	2,846	3,573	4,643
Gross Debt	4,200	4,200	3,700	2,900
Cash	189	372	352	424

Rs Per Share	FY10E	FY11E	FY12E	FY13E
Earnings (FD)	16.9	20.9	31.9	46.1
Book Value	99	118	148	192
Dividends	1.5	1.5	1.5	1.5
FCFF	-68.2	13.8	33.1	47.0
P/E (x)	11.1	8.9	5.9	4.1
P/B (x)	1.9	1.6	1.3	1.0
EV/EBITDA (x)	8.6	5.9	4.6	3.3
ROE (%)	23%	23%	27%	31%
Core ROIC (%)	14%	13%	16%	19%



Greenply to nail it.

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Company Snapshot

How we differ from Consensus

		Equirus	Consensus	% Diff	Comment
EPS	FY11E	20.9	27.6	-24%	We have been conservative in the FY11E EPS as we have taken gradual utilisation of the MDF & Laminates Plant. Also we have taken the dilution at Rs 90 of the warrants.
	FY12E	31.9	36.4	-12%	
Sales	FY11E	11,377	10,465	9%	
	FY12E	14,037	12,790	10%	
PAT	FY11E	505	665	-24%	
	FY12E	769	878	-12%	

Our Key Investment arguments:

- **Revenue to grow at 25% CAGR over FY10-12E on the back of capacity expansion:** On the back of expansion in laminates & MDF plant GIL is expected to grow the revenues & EBITDA at 25% CAGR and 32% CAGR over FY10-12E respectively.
- **Locational advantage, revenue growth, higher EBITDA margin and favorable tax incentives to accelerate PAT growth at 38% CAGR over FY10-12E:** 70% of the MDF in India is imported. GIL's entry into MDF will have a clear cost advantage and will improve EBTDA margin from 10% to 12% over FY10-12E. Also the plants at Tizit, Nalagarh and Pantnagar, has 100% corporate tax exemption for 10, 5 & 5 years respectively. This along with expansion should accelerate GIL's PAT at 38% CAGR over FY10-12E.
- **Strong brand recall, wide distribution network and high ad spend will be key support to growth strategy:** GIL plans to spend ~3%-3.5% of its revenue on ad spend over FY10-12E increasing its already high brand recall, visibility and consolidating its position as one of the industry leaders. Along with it the company has ~12000 dealers making it one of the most networked companies.

Risk to Our View

Slowdown in real estate industry might & strong US dollar will affect the valuations as company imports ~36% of the raw materials. Also any disruptions in the supply of raw materials will hurt the topline of the company.

Key Triggers

- Full utilization of MDF plant.
- Hike in plywood and laminates prices.

Sensitivity to Key Variables	% Change	% Impact on FY11 EPS
Utilization of MDF Plant	10%	8.00%
Laminates & Plywood Prices	5%	5.50%

DCF Valuations & Assumptions

Rf	Ke	WACC	Term. Growth	ROIC in Terminal Yr
8%	16.0%	14%	2%	20%

	FY11E	FY12E	FY13-15E	FY16-20E	FY20-25E
Sales Growth	26%	23%	10%	4%	4%
NOPAT Margin	8%	8%	8%	8%	8%
IC Turnover	1.6	1.9	2.3	2.5	2.5
RoIC	13%	16%	19%	21%	21%
Years of strong growth	1	2	5	10	15
Valuation as on date (Rs)	68	143	242	254	262
Valuation as of 31st Mar'11	76	160	272	285	294

Based on DCF, assuming 5 years of 15% CAGR growth and 17% average ROIC, we derive current fair value of Rs. 242 and 31st March 2011 fair value of Rs. 272.

Company Description:

Greenply Industries Limited (GIL) is one of the leading players in the Rs 13 Bn Indian interiors infrastructure industry. It has a diversified portfolio with presence in several product ranges like plywood, laminates, veeners, MDF etc. It has significant presence across India except south India with manufacturing plants at Nagaland, West Bengal, Gujarat, Uttarakhand, Rajasthan & Himachal Pradesh.

Comparable Valuation						EPS			P/E			BPS	P/B	RoE			Div Yield	
Company	Reco.	CMP	Mkt Cap	Price Target	Target Date	FY10	FY11E	FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY10	FY11E	FY12E	FY10	FY11E
Greenply	Buy	187	4,123	272	Mar-11	22	23	32	8.4	8.2	5.9	99	1.9	23%	23%	27%	0.8%	0.8%
Centuryply	NR	57.5	12,720	N.A.	N.A.	5.5	5.7	8.4	10.5	10.1	6.8	21.1	2.1	32%	22%	28%	-	-
Archidply	NR	31	680	N.A.	N.A.	3.6	-	-	8.5	-	-	47.1	-		-	-	3.2%	-

Investment Rationale

Revenue to grow at 25% CAGR over FY10-12E on the back of capacity expansion

GIL focuses on a value addition strategy coupled with a volume driven approach, which enables margin enhancement along with revenue growth. To capitalize on the strong demand growth of 8%-10% for interior infrastructure in India, GIL has invested ~Rs 3.6 Bn for the expansion of its laminated production facilities and also the setup of new MDF plants. The capacity of laminate production capacity is increased from 5.34 Mn sheets per annum to 10.0 Mn sheets per annum. The funding of the project has been done in the D:E ratio of 70:30. The plants have been commissioned as of March 2010. Thus we expect the revenues of the company to grow at 25% CAGR over FY10-12E

The new unit would manufacture laminates with varied applications and would enable GIL to cater to a larger segment of the domestic market and also gain access to new foreign markets. GIL intends to continue to enhance scale in existing products and introduce new products across high end and mid segment to capitalize on the opportunity. GIL's diversification into MDF manufacture is in furtherance of its strategy of increasing the share in the mid market segment, which is the largest segment of the market.

Exhibit: 1 Capacity Expansion Plan

Manufacturing Unit	Product	Unit	Capacity	Investment (Rs Bn)	Major Brands
Tizit, Nagaland	Plywood	Mn m^2	4.5		Greenply, Greenclub, Ecotec, Optima Red, Green Spectrumwood, Green Premiaboard & Green Lamieboard
Kriparampur, West Bengal		Mn m^2	6.0		
Bamanbore, Gujarat		Mn m^2	3.0		
Pantnagar, Uttarakhand	Plywood & Decorative veneers	Mn m^2	10.5		
	Particle Board	Mn m^2	2.0		
Behror, Rajasthan	Decorative veneers	Mn m^2	4.2		Greenlam, Green Touch, Green Gloss, Greenlam Supertuf, New Mika, Green Sturdo & Green Decowood
	Laminates	Mn Sheets	5.3		
Nalagarh, Himachal Pradesh (New Project)	Laminates	Mn Sheets	4.7	1.15	
Pantnagar, Uttarakhand (New Project)	**MDF**	Mn m^3	0.18	2.52	

Source: Company, Equirus Securities

MDF to drive future growth at 23% CAGR over FY10-13E

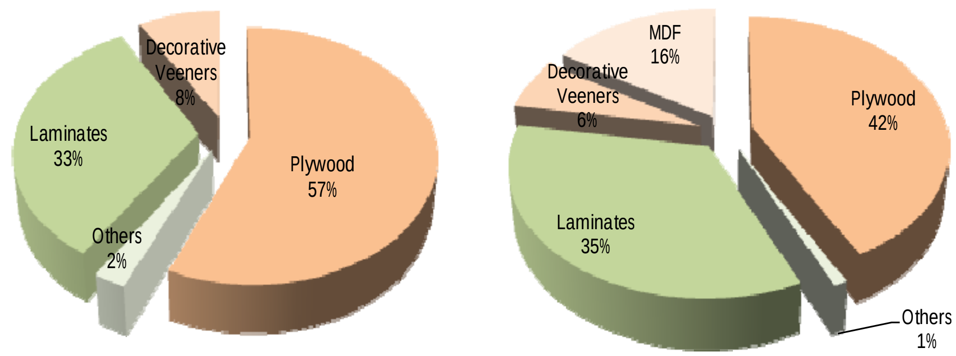
The demand for MDF in the domestic market is expected to be at 0.6 mn m^3 for FY09-10 and is expected to grow at ~20% over the next 2 years. The reasons for the high growth of the industry are as follows:

- Around 70% of the current import is met through imports.
- Only 5 organized players producing MDF.
- Anti dumping duty on MDF
- Change in consumption pattern in woodpanel industry
- Very few new licenses given for the production of MDF by the central government creating a trade barrier.
- Considerable investment required for setting up the production facility.
- Non-availability of raw materials on regular occasions.

Thus we expect MDF to become one of the major revenue contributor by FY12E as shown below.

Exhibit2: Revenue Mix

2010 Revenue Mix	2012E Revenue Mix



Source: Company, Equirus Securities

Exhibit : 3 Current MDF producers

Manufacturer	Capacity (Thousand m^3)
Greenply Industries	180
Mangalam Timber	45
Shirdi Industries	45
Nuchem Ltd	60
Bajaj Hindustan	165
Total	495

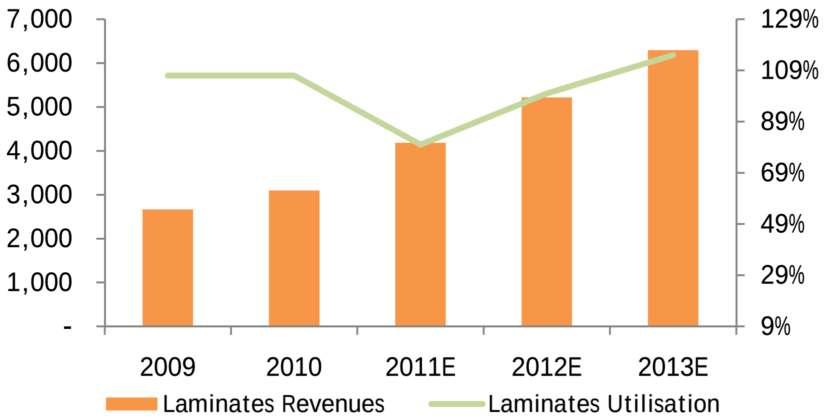
Source: Company, Panels & furniture Asia, Equirus Securities

Laminates revenues to grow at 30% CAGR over FY10-12E consolidating GIL's position as market leader in the segment

GIL is the market leader in the organised laminates segment with 18% market share. Due to high demand of its products it operated at ~107% for FY10 for the installed capacity. Thus company invested ~Rs 1.15 Bn in the new laminate production facilities at Nalagarh, Himachal Pradesh to increase its capacity from 5.34 mn sheets to 10.0 mn sheets. This would make GIL the largest producer of laminates in the country.

GIL would export ~65% of the production of the new laminates plant and the rest will be sold in the domestic market. We expect GIL to increase its share in the organised domestic market from ~18% to ~28% over FY10-12E.

Exhibit: 4 Laminates Revenues



Source: Company, Equirus Securities

Subsidiary to boost the export revenues attributing ~11% of total revenues

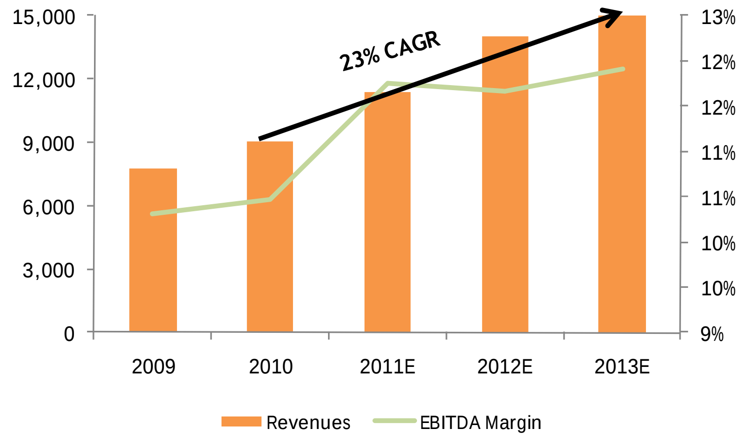
GIL currently export to more than 15 countries. It is in the process of establishing the 'Greenlam' brand internationally by appointing distributors in the middle-east countries and Russia. Representative offices have been opened in Singapore and Dubai to promote the brand and strengthen the marketing network. It has acquired Greenlam Asia Pacific Pte Ltd, as a wholly owned subsidiary, to explore new markets for laminates in south-east Asian countries. GIL has also promoted Greenlam America, Inc. as a wholly owned subsidiary, for marketing and distributing laminates in North America. Also the subsidiary was loss making till last year due to the setup costs. We expect it to breakeven this year.

EBITDA margin to expand from 10% to 12% over FY10-12E on account of anti-dumping duty & lower raw material cost

India's fiscal budget, presented on 6 July, introduced new provisions to increase the central excise levy on plywood from 8% to 10%, making imported plywood more expensive. An anti-dumping duty on imported MDF (as described below) will also remain in force. The following duties on imported wood and wood products apply for fiscal year 2009-10: timber logs, 9.35%; sawn timber, 14.71%; and plywood, veneer, fiberboard, softboard and MDF, 24.42%.

Also raw material cost for MDF is ~45% thus expanding the EBITDA margin as the revenues increase from MDF. As a result we expect the EBITDA margin of the company to expand from 10% to 12% over FY10-12E.

Exhibit: 5 Revenue (Rs Mn) & EBITDA Margin Growth



Source: Company, Equirus Securities

Locational advantage, revenue growth, higher EBITDA margin and tax incentives to accelerate PAT growth at 38% CAGR over FY10-12E

On the back of continuous raw maw material supply, volume growth, margin expansion and tax incentives GIL's bottom line should accelerate at 38% CAGR over FY10-12E. Following are the tax benefits for the company.

Exhibit: 6 Tax Incentives

Plant	Product	Income tax Benefit	Excise Benefit	Production Capacity	% of Total Capacity
Tizit, Nagaland	Plywood	100% Exemption from corporate tax for 10 years from FY 05-06	Exemption from Cental Excise for 10 years on the value add (~30%-35%)	4.5 Mn m^2	19%
Pantnagar, Uttrakhand	Plywood & Decorative veeners	100% Exemption from corporate tax for 5 years from FY 06-07 & 30% Exemption from corporate tax for next 5 years	100% Exemption from Cental Excise for 10 years	10.5 Mn m^2	44%
Nalagarh, Himachal Pradesh	Laminates	100% Exemption from corporate tax for 5 years from FY 09-10 & 30% Exemption from corporate tax for next 5 years	100% Exemption from Cental Excise for 10 years	4.68 Mn Sheets	47%
Pantnagar, Uttrakhand	MDF	100% Exemption from corporate tax for 5 years from FY 09-10 & 30% Exemption from corporate tax for next 5 years	100% Exemption from Cental Excise for 10 years	0.18 Mn m^3	100%

Source: Company, Equirus Securities

This is a strategic play from the company by opening all new plants in the government approved SEZ. There are several other benefits like exemptions on amount spend on R&D and the capital reinvestment. Thus we expect the tax rate of the company to range between 16% to 20% for next 5 years.

Cost efficient sourcing and locational advantage to reduce raw material cost by ~4% over FY 10-12E

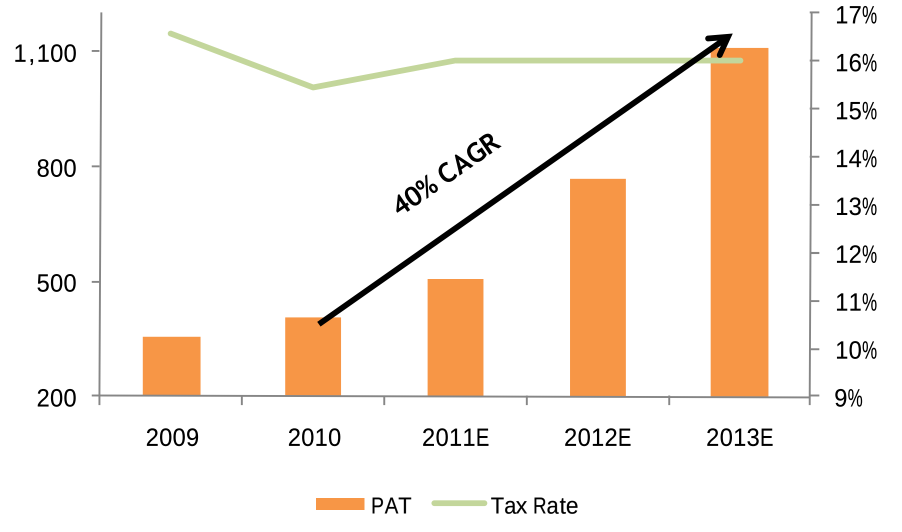
GIL's cost efficient manufacturing and supply chain management results in a significant reduction of operational costs. The location of current manufacturing facilities gives GIL a significant competitive cost advantage in terms of raw material sourcing, manufacturing and labour costs.

The key raw materials for the manufacture of are timber, chemicals and paper. Its plywood units are located strategically close to a rich raw material source in Nagaland and Uttarakhand. Kraft paper required for laminate manufacture is primarily sourced from the neighbouring states of Uttar Pradesh and Uttarakhand. With most of the phenol manufacturers based in western India, the Behror unit at Rajasthan enjoys uninterrupted availability of phenol. The Kriparampur unit in West Bengal is close to the Kolkata port and the Bamanbore Unit at Gujarat is close to the Kandla port thereby facilitating procurement of timber, phenol and other chemicals at a lower logistic cost.

Also the manufacturing units are located in states that offers potential market for it's products thus reducing the logistical costs associated with delivery. GIL's acquisitions in Gujarat enable it to address the western markets. The strategic location of Uttarakhand unit also helps to market the product in the neighbouring Delhi-NCR and north Indian markets.

Thus locational advantage, revenue growth, higher EBITDA margin and tax incentives will accelerate PAT growth at 38% CAGR over FY10-12E and 40% CAGR over FY10-13E.

Exhibit: 7 PAT Growth & Tax Rates



Source: Company, Equirus Securities

Strong brand recall, wide distribution network and high ad spend will be key support to growth strategy

Strong brand recall to sustain the position of market leader for GIL

The wooden infrastructure industry is a fragmented and an unorganized industry. GIL has invested a ~3.5% of revenues for past 2 years to create a niche for its brands. GIL has several successful brands like Greenply, Green Club, in the plywood segment and Greenlam, Green Decowood, Green Gloss and Green Touch in the laminate segment. It should help GIL sustain the demand for it's brands by offering a continuous flow of value additions such as new designs and finishes. GIL enjoys an easy recall ability in the market and is the market leader in the organised laminates & plywood market. It has come out with several campaigns like "Chalta Rahe" campaign in FY 2006-07 and "Dikhane Ka Jee Kare" campaign in FY 2007-08 which have consolidated the image of the company.

Wide Distribution Network to help push the MDF through existing supply chain

Distribution network is the backbone of a customer centric business. A wide distribution network increases product availability to customers translating into efficient supply chain, focused customer service and short turnaround times for product delivery. GIL's distribution network of more than 3,445 distributors and dealers & ~8,500 sub-dealers and retailers is amongst the largest distribution networks in the interior infrastructure industry in the country. GIL's dealer base is supported by an efficient sub dealer and distribution network and sales team, leading the products to retail outlets making its products available on the shelf across most places at all times thereby reducing dealer stock levels and increased annual sales per dealer. This should allow GIL to push MDF through the same distribution network. GIL has also introduced an ERP-SAP system in 2007 to facilitate an informed decision making resulting in real time information on inventories, supply chain and consignment status across all products, locations and divisions across the country.

Forecast: Key Assumptions & Sensitivity

	FY10 A	FY11E	FY12E	FY13E
Plywood Capacity Utilisation	110%	115%	118%	120%
Laminates Capacity Utilisation	107%	85%	100%	115%
Particle Board Capacity Utilisation	40%	40%	40%	40%
MDF Capacity Utilisation	-	33%	65%	90%
Plywood Realisation/m^2	203	213	226	237
Laminates Realisation/Sheet	467	491	521	546
MDF Realisation/m^3	0	20833	20833	20833

Earnings Sensitivity with MDF Plant Utilization

FY11E (PAT)

	5%	20%	35%	50%	65%
PAT (Rs Mn)	376	440	505	569	633
% Change	-25%	-13%	0%	13%	25%

Source: Equirus Securities

FY12E (PAT)

	40%	55%	70%	85%	100%
PAT (Rs Mn)	748	769	790	811	832
% Change	-5%	-3%	0%	3%	5%

Source: Equirus Securities

As we can see the earnings are highly sensitive to the MDF plant utilization. The company is taking various measures for the promotion of the new products. Also the company is taking several other initiatives like direct linkakges with real estate players, opening green studios and using the wide existing distribution network to mitigate the earnings risk. Also the management is highly conservative in doing the stepwise integration of the plant. GIL's is planning to achieve the full utilisation of the MDF plant by FY13E.

Investment Risk & Concerns

Growth to be affected by the real estate industry

The interior infrastructure sector is influenced by a growth in disposable income. A buoyant economy and rising per capita income and easy availability of housing finance drive urbanization, fuelling growth in housing and creating room for the interior infrastructure. The demand for interior infrastructure products is primarily dependent on the demand for real estate which influences the demand for plywood, laminates and other interior infrastructure products. The real estate industry is currently estimated to be at USD 48 billion with a CAGR of 30%. So we expect no real threat to the industry in the near future.

Strong US dollar & Euro can hurt margins

Company imports almost 36% of the raw materials from US & Europe. It also has a natural hedge against 40% of the import by the way of exports. But the rest of the raw materials of not hedged. GIL suffered a loss to the tune ~Rs 168 mn in FY 2009 for the same. So the company has commenced hedging its net outstanding foreign exchange exposure.

Corporate Governance

Following are the highlights of the preliminary assessment of the level of corporate governance in the company through its recent Annual reports & Rights Issue:

- **Board of Directors**

  Composition: 6 Independent directors out of total 10 directors on the board.
  Background: Most of the directors have long experience in relevant area of operation.
  Distribution of power: The Audit Committee comprises of four Non-Executive Independent Directors and two Executive Promoter Director. The Remuneration Committee comprises of all Non-Executive Independent Directors. The Share Transfer and Investors' Grievance Committee comprises of two Non-Executive Independent Directors and two Executive Directors.

- **Disclosure Norm:** As per our preliminary study, we do not find any issues on this front, company follows disclosure norms as stipulated by the listing agreement of the exchanges and is timely in coming up with quarterly results and other disclosures.
- **Auditors Report:** No irregularities were found out by auditors in their assessment of the company. There have been some minor disputes regarding the sales tax and the service tax to be paid by the company with various states. But that doesn't pose any major threat to valuation.
- **Rights Issue:** The company successfully raised money through rights issue for the construction of the new plants.

Valuation

Greenply Industries to move into superlative growth trajectory with the MDF plant and expansion of laminates plant

On the back on expansion in its laminates plant & increasing utlisation of its MDF plant, GIL will move into different growth trajectory as it is present across the product portfolio in the wood panels segment. It also has strong distribution & strong brand recall to augment its growth plans.

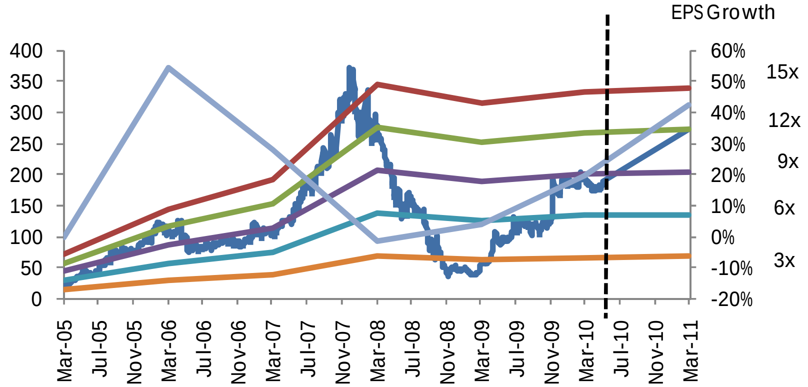
We see potential re-rating of the stock on account of following reasons:

- Strong revenues growth over FY 10-12E of ~25% CAGR.
- Strong earnings growth over FY 10-12E of ~38% CAGR.
- Increase in ROIC of the company from 14% to 16% over FY10-12E.

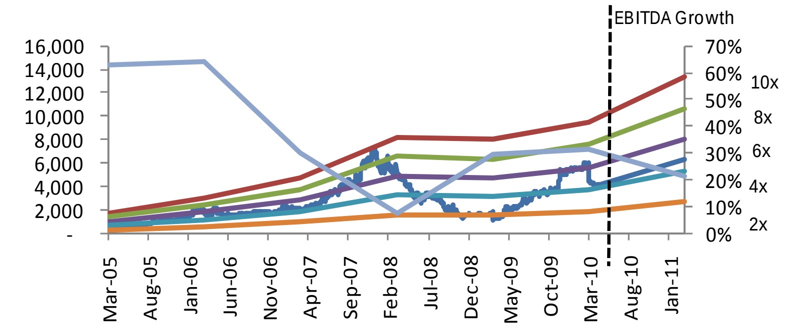
We have valued the company through DCF methodology with high growth phase till FY15 and then terminal growth rate of 2%. Our DCF based March'11 target price of the stock comes at Rs 272 and we recommend going LONG on the stock for absolute return focused investors. At our target price, it will trade at 12.0x & 8.5x P/E, 7.4x & 5.7x EV/EBITDA for FY11E & FY12E earnings, respectively.

The stock has historically traded in the range of 2.5x to 17x TTM P/E and 2x to 10x TTM EV/EBITDA. Currently, the stock trades at TTM P/E of 11x. Based on our expectation of acceleration of growth in PAT, our expected valuation is very achievable. FY11E P/B multiple at our target price would be 2.3x, versus historical range of 0.5x to 4x and current TTM P/B of 1.9x. With expansion in ROE in FY12 and FY13, implied P/B multiple based on our target price is quite achievable in our view.

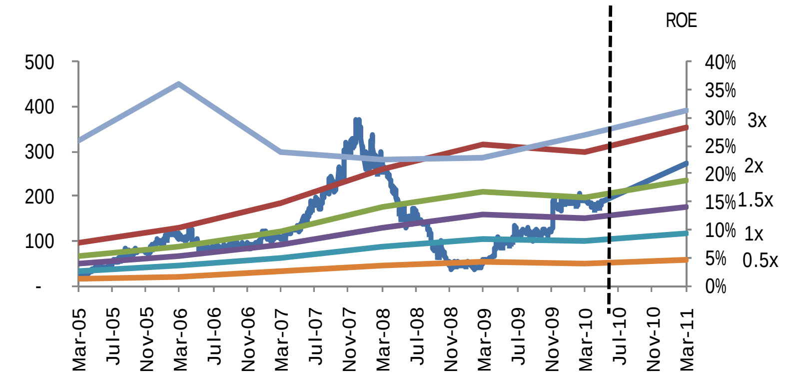
TTM P/E vs. 2 year forward EPS Growth



TTM EV/EBITDA vs. 2 year forward EBITDA Growth



TTM P/B vs. 2 year forward RoE

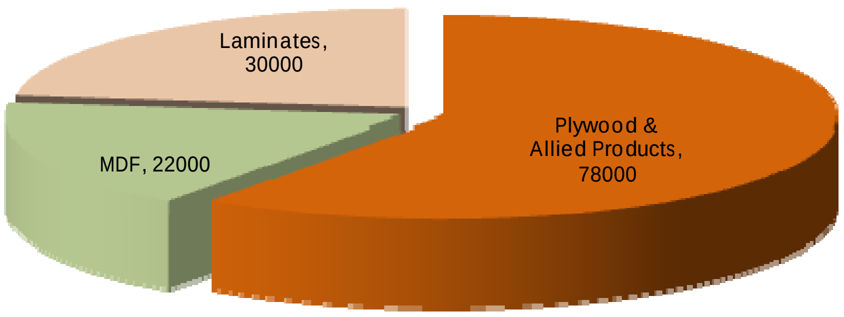


Annexure 1: Industry Overview

The interior infrastructure sector basically consists of wood panel and decorative surfacing products, Tiles, Marble, Granite of all kinds, Paints, Sanitary ware, Gypsum boards, Glass , Plywood, Decorative veneers, Decorative laminates, Particleboards and MDF, Carpets, Readymade furniture, Wooden flooring, Electrical fittings, Air conditioners and so on. Wood, Bamboo, Plywood and Panel Industry in India is poised to grow at 17% to 20% per annum. Especially in Northern India, the growth rate is expected to be 20% to 23%.

In India, this sector is still dominated by plywood and blockboards, and is largely unorganized. However in the last few years this trend is changing with organized sector market share growing, and the share of particleboard and MDF is increasing.

Exhibit8: Current Industry Size (Rs Mn)



Source: Equirus Securities, Fippi

The current size of the market is ~Rs 13 Bn. The industry is highly fragmented, with a large portion of it being unorganized. The biggest challenge for the organized players is increasing competition. To check the growth of the unorganized sector, the Government set up a regulatory authority called the CEC (central empowered committee) for wood based industries. To check the depletion of forest cover arising out of unrestricted use by the plywood industry, the CEC vide its recommendations dated May 9, 2002 restricted new plywood industries to come up, and linked the issuance of fresh licenses with assessment of wood availability in each state. This resulted in very few units getting new plywood manufacturing licences in the past several years.

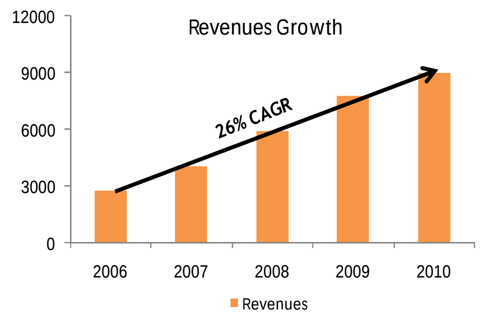
Annexure 2: Company Overview

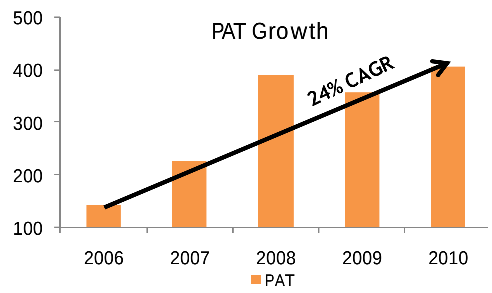
Greenply Industries Ltd (GIL) is one of the largest interior infrastructure company in India. Mr. Shiv Prakash Mittal and Mr. Rajesh Mittal ventured into the industry by setting up a saw-mill in 1984 and a plant at Nagaland for the manufacture of plywood in 1988. It was incorporated in 1990 and over the years has steadily grown as an interior infrastructure solutions provider offering the entire range of products vis. plywood, laminates, particle board and decorative veneers. It is present across different price points to cater to all customers across high-end, mid-market, and value segments.

The company has had very impressive past performance to grow quickly as one of the markets leaders in the segment with a very strong brand recall and a wide distribution network.

Exhibit9: Past performance

Past Revenue Growth (Rs Mn)	Past PAT Growth (Rs Mn)





Source: Company, Equirus Securities

Key Management profile

Mr. Shiv Prakash Mittal- Executive Chairman

Mr. Shiv Prakash Mittal holds a bachelor's degree in science from the University of Calcutta. He was associated with Kitply Industries Limited for twenty one years and has been associated with Mittal Laminates Limited since 1991. He has over thirty years of experience in the fields of production and marketing in our industry.

Mr. Rajesh Mittal- Managing Director

Mr. Rajesh Mittal, our Managing Director, holds a bachelor's degree in commerce from the University of Dibrugarh, Assam. He started his career by setting up a saw mill unit at Tizit, Nagaland through Green Timber Industries Private Limited. He has been associated with GIL since inception.

Mr. Saurabh Mittal-Joint Managing Director and Chief Executive Officer

Mr. Saurabh Mittal is a commerce graduate from D.G. Vaishnav College, University of Madras. He has been associated with Himalaya Granites Limited since 1996. He has been associated with GIL as a director for over a decade. He is a member of the Indian Laminates Manufacturers' Association.

Mr. Shobhan Mittal- Executive Director

Mr. Shobhan Mittal holds an MBA from the University of West Minister, London. He has been associated with GIL since 2006 and has been an Executive Director on our board for over two and a half years.

Mr. Moina Yometh Konyak- Independent Director

Mr. Moina Yometh Konyak holds a bachelor's degree in commerce. He was associated with his family business of trading in timber prior to joining GIL. He has been associated with GIL since 1996.

Gautam Dutta- Nominee Director of IDBI

Gautam Dutta holds a bachelor's degree in electrical engineering from Bengal Engineering College, Shibpore. He was associated with the National Thermal Power Corporation from 1988 to 1994.

Standalone Quarterly Earnings Forecast and Key Drivers

Rs in Million	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	FY10	FY11E	FY12E	FY13E
Revenue	1,776	2,178	2,189	2,589	2,569	2,686	2,831	2,953	3,271	3,347	3,467	3,545	8,733	11,039	13,631	16,114
Raw Material cost	989	1,242	1,323	1,627	1,528	1,596	1,680	1,750	1,965	2,009	2,077	2,121	5,181	6,554	8,171	9,632
Manufacturing and Operating expenses	282	275	283	472	365	381	402	418	462	473	489	499	1,311	1,567	1,923	2,266
Personnel Expenses	267	402	302	245	365	381	402	418	462	473	489	499	1,215	1,567	1,923	2,266
Other Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBITDA	239	260	282	246	310	327	348	366	382	394	413	425	1,026	1,351	1,614	1,950
Depreciation	47	57	54	63	95	95	95	95	95	95	95	95	220	381	381	381
EBIT	192	203	228	183	215	232	253	271	287	298	318	330	806	970	1,233	1,569
Interest	55	65	61	56	92	92	92	92	99	97	93	89	237	367	379	312
Other Income	0	0	1	0	4	2	4	6	11	10	11	11	1	16	42	45
PBT	137	138	167	128	127	143	165	185	198	211	236	251	570	619	897	1,301
Tax	28	23	28	-4	20	23	26	30	32	34	38	40	74	99	144	208
Reported PAT	109	115	139	132	107	120	139	155	167	178	198	211	496	520	754	1,093
Extraordinary	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adj. Net Profit	109	115	139	132	107	120	139	155	167	178	198	211	496	520	754	1,093
EPS (Rs)	6.4	6.8	8.2	6.0	4.8	5.4	6.3	6.8	6.9	7.4	8.2	8.8	27.1	23.4	31.2	45.3
Key Drivers																
Plywood Capacity Utilisation	110%	110%	110%	110%	115%	115%	115%	115%	118%	118%	118%	118%	110%	115%	118%	120%
Laminates Capacity Utilisation	107%	107%	107%	107%	80%	83%	88%	90%	100%	100%	100%	100%	107%	85%	100%	115%
MDF Capacity Utilisation	-	-	-	-	25%	30%	35%	40%	55%	60%	70%	75%	0	33%	65%	90%
Laminates Realisation/Sheet	467	467	467	467	476	486	496	505	511	518	524	530	467	491	521	546
MDF Realisation/m^3	-	-	-	-	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	-	20,833	20,833	20,833
Sequential Growth (%)																
Revenue	6%	23%	1%	18%	-1%	5%	5%	4%	11%	2%	4%	2%				
Raw Material cost	7%	26%	6%	23%	-6%	4%	5%	4%	12%	2%	3%	2%				
EBITDA	36%	9%	9%	-13%	26%	6%	6%	5%	4%	3%	5%	3%				
EBIT	56%	6%	12%	-19%	17%	8%	9%	7%	6%	4%	7%	4%				
Adj. Net Profit	27%	5%	21%	-5%	-19%	13%	16%	12%	7%	7%	12%	7%				
EPS	27%	5%	21%	-26%	-20%	13%	16%	9%	1%	7%	12%	7%				
Yearly Growth (%)																
Revenue	4%	5%	21%	55%	45%	23%	29%	14%	27%	25%	22%	20%	20%	26%	23%	18%
EBITDA	-36%	9%	24%	41%	30%	26%	23%	49%	23%	20%	19%	16%	27%	32%	20%	21%
EBIT	47%	2%	22%	49%	12%	14%	11%	48%	34%	29%	26%	22%	26%	20%	27%	27%
Adj. Net Profit	57%	1%	35%	54%	-2%	4%	0%	17%	56%	48%	43%	36%	33%	5%	45%	45%
EPS	57%	1%	35%	19%	-25%	-20%	-23%	13%	43%	36%	31%	29%	24%	-14%	34%	45%
Margin (%)																
EBITDA	13%	12%	13%	9%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
EBIT	11%	9%	10%	7%	8%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	10%
PBT	8%	6%	8%	5%	5%	5%	6%	6%	6%	6%	7%	7%	7%	6%	7%	8%
PAT	6%	5%	6%	5%	4%	4%	5%	5%	5%	5%	6%	6%	6%	5%	6%	7%

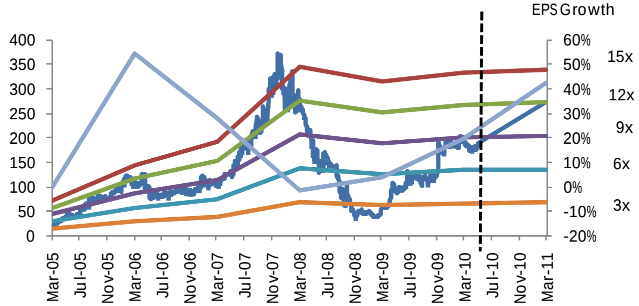
Consolidated Financials

P&L	FY10	FY11E	FY12E	FY13E
Revenue	9,014	11,377	14,037	16,601
Op. Expenditure	8,070	10,040	12,399	14,623
EBITDA	944	1,337	1,638	1,978
Depreciation	224	385	386	387
EBIT	720	951	1,252	1,591
Interest	240	367	379	312
Other Income	1	16	42	45
PBT	481	601	916	1,324
Tax	74	96	147	212
Reported PAT	407	505	769	1,112
Adjustments	0	0	0	0
Adj. Net Profit	407	505	769	1112
EPS (Rs)	16.9	20.9	31.9	46.1
DPS (Rs)	1.5	1.5	1.5	1.5
CEPS (Rs)	34.5	40.0	47.9	62.1
FCFF (Rs)	-68.2	13.8	33.1	47.0
Sales Growth (%)	16%	26%	23%	18%
PAT Growth (%)	14%	24%	52%	45%
EPS Growth (%)	6%	2%	41%	45%
EBITDAM (%)	10%	12%	12%	12%
PATM (%)	5%	4%	5%	7%
Tax Rate (%)	15%	16%	16%	16%

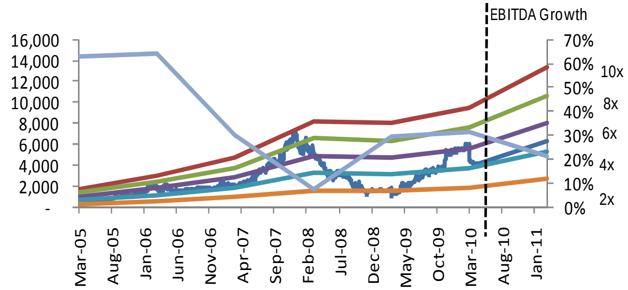
Balance Sheet	FY10	FY11E	FY12E	FY13E
Equity Capital	110	121	121	121
Reserve	2,087	2,726	3,453	4,523
Networth	2,198	2,846	3,573	4,643
Debt	4,074	4,074	3,589	2,813
Def Tax Liability	126	126	111	87
Total Liabilities	6398	7046	7273	7543
Net Block	5,385	5,385	5,385	5,385
Capital WIP	135	0	0	0
Investment	1	182	207	201
Net Work. Cap	878	1480	1682	1958
Inventory	1,998	2,026	2,500	2,956
Account Receivables	1,511	1,558	1,923	2,274
Other Current Assets	326	355	431	460
Account Payables	2,647	2,579	3,212	3,788
Other Curr Liabi	500	253	312	369
Cash	189	372	352	424
Total Assets	6398	7046	7273	7543
D/E	1.9	1.4	1.0	0.6
Net D/E	1.8	1.3	0.9	0.5
Interest Cov	3.0	2.6	3.3	5.1
Cash Conv Cycle	27.9	35.5	34.6	33.7
WC Turnover	13.1	10.3	10.6	10.8
FA Turnover	1.6	2.1	2.6	3.1

Cash Flow	FY10	FY11E	FY12E	FY13E
PAT	377	465	727	1,070
Depreciation	224	385	386	387
Cash Profit	601	850	1,113	1,457
Change in WC	1,179	-419	-222	-204
Operating C/F	1,780	431	891	1,253
Capex	-3,227	-250	-386	-387
Change in Invest	0	-21	0	0
Investing C/F	-3,227	-431	-411	-381
Change in Loan	1,438	0	-485	-776
Change in Eq Cap	25	184	0	0
Financing C/F	1,463	183	-500	-800
Cash Generation	16	183	-20	72
RoE (%)	23%	23%	27%	31%
RoIC (%)	13%	13%	15%	19%
Core RoIC (%)	14%	13%	16%	19%
Div Payout (%)	8%	5%	4%	3%
P/E	11.1	8.9	5.9	4.1
P/BV	1.9	1.6	1.3	1.0
P/FCFF	-2.7	13.5	5.6	4.0
EV/EBITDA	8.6	5.9	4.6	3.3
EV/Sales	0.90	0.70	0.53	0.40
Div Yield (%)	1%	1%	1%	1%

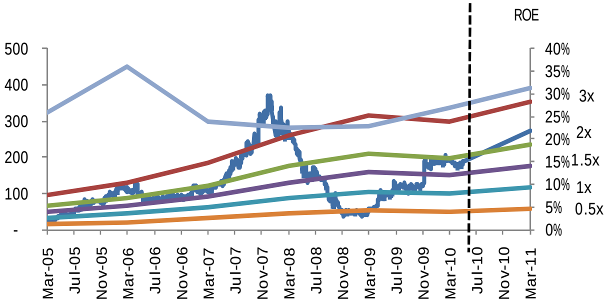
TTM P/E vs. 2 yr forward EPS growth



TTM EV/EBITDA vs. 2 yr forward EBITDA growth



TTM P/B vs. 2 yr forward RoE



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Rating & Coverage Definitions:

Absolute Rating

- LONG : >= 15% upside over investment horizon
- SHORT: >=5% downside over investment horizon
- NEUTRAL: Trading range of -4% to +14%

Relative Rating

- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon
- NEUTRAL: likely to perform in line with the benchmark
- UNDERWEIGHT: likely to underperform the benchmark by at least 5% over investment horizon

Target Period

Target Period of minimum 3 months to maximum 12 months with target date either on last day of September or March month for any near.

Lite vs. Regular Coverage

Our research opinions are based on set of several assumptions. The distinction between Lite and Regular coverage is provided to indicate the depth of analysis and due diligence performed to derive such assumptions. However such distinction should not be interpreted as an indication of confidence level or accuracy of forecast and recommendation.