

Greenply Industries Ltd

Results Presentation – Q1 FY16

Disclaimer



Certain statements in this communication may be 'forward looking statements' within the meaning of applicable laws and regulations. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India and overseas, tax laws, import duties, litigation and labour relations.

Greenply Industries Limited (GIL) will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

Business Highlights



- Continued focus on improving market share enables improved performance despite challenging environment
- Performance of Plywood division steady, MDF leads growth
- Ad campaign launched to build brand and product awareness
- Revenues at INR 380.74 crores up by 15.1%
- EBITDA at INR 55.93 crores up by 24.6%
- PBT at INR 36.19 crores up by 42.6%
- PAT at INR 26.70 crores up by 14.8%



Financial Highlights



- **Net Sales up by 15.1% YoY to Rs. 380.74 crores**
 - Plywood grew by 8.8% YoY to Rs. 273.40 crores, contributing 72% of net sales
 - MDF grew by 34.9% YoY to Rs. 107.34 crores, contributing 28% of net sales
- **Gross margins expand 260 bps YoY to 44.6%**
 - Led by better product mix
- **EBITDA margins up 110 bps YoY to 14.7%**
 - Ad expenditure to sales at 2.7% in Q1 FY16 as compared to 2.3% in Q1 FY15
- **PAT growth of 14.8% YoY to Rs. 26.70 crores**
 - EPS of Rs. 11.06 in Q1 FY16 compared to Rs. 9.64 in Q1 FY15
- **Working capital cycle increased by 3 days YoY to 57 days in Q1 FY16**
- **Net debt to equity at 0.60 as on June 30, 2015 as compared to 0.90 as on June 30, 2014**

Joint Managing Director's Message



Commenting on the performance for Q1 FY2016, Mr. Shobhan Mittal, Joint Managing Director and CEO, Greenply Industries Ltd. said,

“Our financial and operating performance for the quarter under review needs to be viewed in the backdrop of a continuing challenging environment,. We have improved our numbers on the back of a significant improved performance from the MDF Segment. We have recently launched a new ad campaign to increase awareness of our plywood brand which we believe would in turn translate to better consumer buy in and offtake.

We are happy with the performance of our MDF business which continues to grow at a healthy pace. Given the acceptance of our product we are confident that MDF will be a key growth driver going forward.

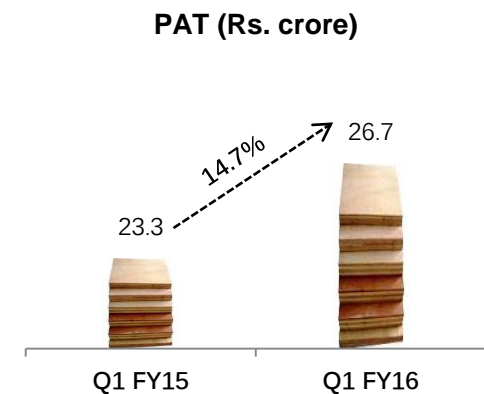
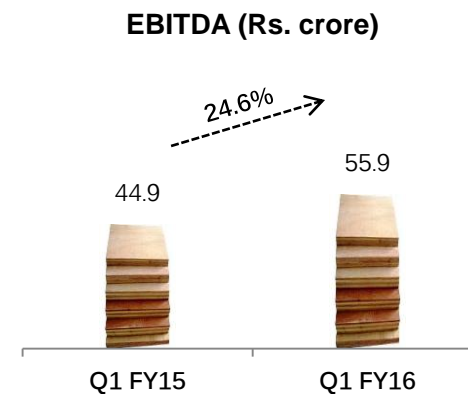
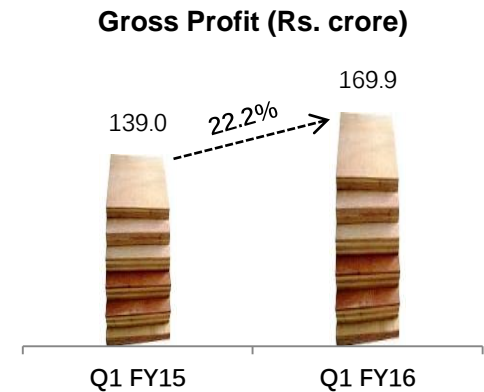
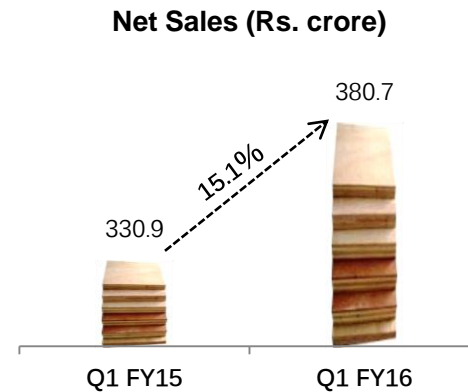
Our endeavour will be to consistently improve our market penetration along with better cash management and utilisation levels to drive growth momentum”



Financial Highlights (Q1 FY2016)



Key ratios (%)	Q1 FY16	Q1 FY15
Gross Margin	44.6	42.0
EBITDA Margin	14.7	13.6
EBIT Margin	11.5	10.3
Net Margin	7.0	7.0
Ad and promotions / Net Sales	2.7	2.3
Staff Cost/ Net Sales	10.9	10.4
Logistics cost / Net Sales	5.8	5.7
EPS (Rs.)	11.06	9.64



- FY15 financials have not been reported for the demerged entity
- Numbers mentioned in this presentation are on a like to like basis

Financial Highlights – B/S Perspective



Balance Sheet Snapshot (Rs. crore)	June 30, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2015	March 31, 2014
Net worth	509.92	446.54	420.35	393.64	483.17	380.29
Total debt	320.50	342.83	333.24	347.34	331.53	375.81
▪ Long Term Debt (Including Current Maturity)	176.69	181.14	201.68	223.41	199.86	238.21
▪ Short Term Debt	143.81	161.69	131.56	123.93	131.68	137.60
Capital Employed	870.88	830.61	794.09	780.77	855.01	799.18
Cash and cash equivalents	6.45	7.06	7.05	8.59	7.19	7.23
Fixed Assets	545.66	548.29	527.09	517.80	546.95	527.32
Receivables	279.83	272.37	260.81	230.09	257.22	219.95
Payables	237.48	260.99	255.47	221.11	224.92	200.58
Inventories	198.66	184.21	166.76	189.62	190.30	196.03

Key Ratios	June 30, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2015	March 31, 2014
Inventory (days)	47	45	41	52	45	51
Debtor (days)	67	66	64	63	60	58
Creditor (days)	57	63	63	61	53	53
Working Capital Turnover (days)	57	48	42	54	52	56
RoE	20.9%	22.8%	23.8%	23.6%	25.2%	20.3%
RoCE – Pre-Tax	20.2%	18.7%	19.0%	17.5%	20.4%	17.7%
RoCE – Post-Tax	15.8%	16.7%	17.1%	16.4%	18.4%	14.4%
Net Debt / Equity (x)	0.6	0.8	0.8	0.9	0.7	1.0

- FY14 financials have not been reported for the demerged entity
- Numbers mentioned in this presentation are on a like to like basis



Segment-wise Performance



Particulars	Plywood					
	Q1FY16	Q1FY15	Var (%)	FY15	FY14	Var (%)
Net sales (Rs. crore)	273.40	251.33	8.8	1152.07	1037.30	11.1%
EBITDA margin (%)	8.6	10.5		9.1%	10.3%	
EBIT margin (%)	6.0	8.8		6.8%	7.9%	
Annual capacity (million sqm.)	32.4	32.4		32.4	32.4	
Production (million sqm.)	7.65	7.9	-2.7	33.08	34.7	-4.6%
Sales volume (million sqm.)	11.01	10.2	7.8	46.11	44.5	3.6%
Utilisation (%)	95	97		102%	107%	
Average realisation (Rs./sqm.)	241	234	3	241.00	222.00	8.6%

Particulars	MDF					
	Q1FY16	Q1FY15	Var (%)	FY15	FY14	Var (%)
Net sales	107.34	79.59	34.9	408.51	352.72	15.8%
EBITDA margin (%)	30.1	23.4		23.3%	21.6%	
EBIT margin (%)	25.5	18.4		18.5%	17.0%	
Annual capacity (cubic metre)	180000	180000		180,000	180,000	
Production (cubic metre)	41250	32222	28	161229	136723	17.9%
Sales volume (cubic metre)	39494	34727	13.7	161424	137932	17.0%
Utilisation (%)	92	72		90%	76%	
Average realisation (Rs./cum.)	27166	26063	4.2	25238.00	25552.00	-1.2%

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Outlook



Industry Drivers

Rising demand from the real estate sector
Increasing urbanisation, higher disposable incomes and a growing middle class
Rollout of GST to facilitate faster shift from unorganised to branded products

Distribution Network

To increase the number of dealers and retailers going forward

Advertisement & Promotional Spends

Continued investments in increasing brand visibility pan-India
Higher Ad spends at around 3% of Net Sales

Expansion Plans

Plywood Optimise utilisation in existing facilities
Increase outsourcing proportion to 30% from 20% presently over the next 3 years
MDF Setting up of a new plant in Andhra Pradesh over FY16-19

Product Profile

To improve mix of plywood through increase in mix of value-added products like Green Defender and Green Gold Prima
To increase ratio of value added products in MDF like Exterior Grade MDF, Pre-laminated MDF and Laminated Flooring / Veneer flooring.

IT Initiatives

Upgrading IT infrastructure – Completed implementation of SAP Hana to strengthen overall supply chain
Currently in the process of Implementing Microsoft CRM Module.

Financial Performance

Expect a 10-12% growth in FY16
Margins expected to improve by 50-70 bps in FY16 driven by better product mix and cost control



Company Overview



Business segments

- Wood based products - Plywood and allied products, Medium Density Fibreboards (MDF)

Strong industry potential

- Plywood industry size – Rs. 160 billion
- MDF industry size – Rs. 15 billion
- Strong demand drivers – rising residential/commercial construction, increasing urbanization, high disposable incomes and Government Announcement regarding construction of 100 smart cities

Strong brand presence built over 30 years

- Largest pan-India player with 30% share of organized plywood market; 30% share of domestic MDF market
- Large investments in advertisements and promotional activities over the years

Well-entrenched distribution network

- Distributors/stockists

□ Plywood 1,170	and retailers	□ Plywood 6,000
□ MDF 450		□ MDF 4,000
- Serviced by 33 branches for ply and 15 branches for MDF pan-India

Manufacturing Facilities

- 4 state-of-the-art manufacturing facilities for Plywood
- 1 facility for MDF – largest in the country



Company Overview



Capacity Utilization

- Plywood 95% utilization; further demand to be catered through outsourcing
- MDF 92% utilization; to undertake greenfield expansion in Andhra Pradesh over FY16-19 to cater to future demand

Production Model

- Plywood – 70% in-house, moving towards an asset light set-up by increasing proportion of outsourcing
- MDF – 100% in-house

Raw material sustainability

- Plantation of fast growing and improved species of clonal plantations to improve quality of wood availability and plywood manufactured
- Backward integration through 50% JV in Myanmar for production of face veneers

Financial Performance

- Revenue and PBT growth of **15.1%** and **42.6%** respectively over Q1 FY 15

Strong Return Ratios

- Pre-tax ROCE of **20.2%** and Post-tax ROE and ROCE of **20.9%** and **15.8%** respectively in Q1 FY16



Annexure



Manufacturing Facilities / Production Model



Facilities

Location	Capacity (mn sqm.)
Tizit, Nagaland	4.50
Kripampur, West Bengal	6.00
Pantnagar, Uttarakhand	10.50
Bamanbore, Gujarat	11.40
Total Capacity	32.40

Production Model

70% in-house, 30% outsourced in volume terms

To increase proportion of outsourcing to 30% (in value terms) from 20% currently over next 3 years

- Asset light model generating higher ROCE's
- Mid-segment variants to be outsourced freeing existing capacities for premium variants
- Quality Team on vendor's site to monitor quality of inputs and ensure consistent quality of finished product

Plywood

Location	Capacity (cum)
Pantnagar, Uttarakhand	1,80,000

Largest facility in India

100% in-house

To undertake greenfield expansion in Andhra Pradesh – abundance of plantation wood

Expansion to take place over H2FY16-FY19

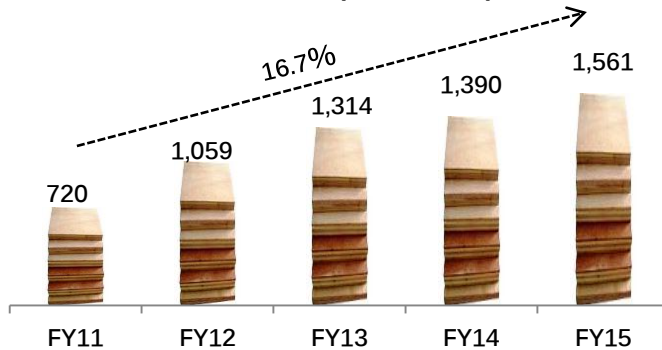
MDF



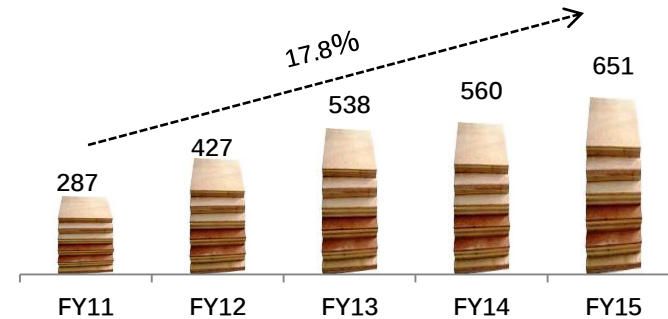
Strong Performance Track Record



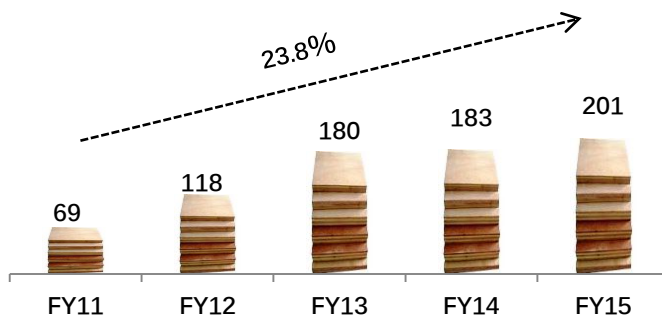
Net Sales (Rs. crore)



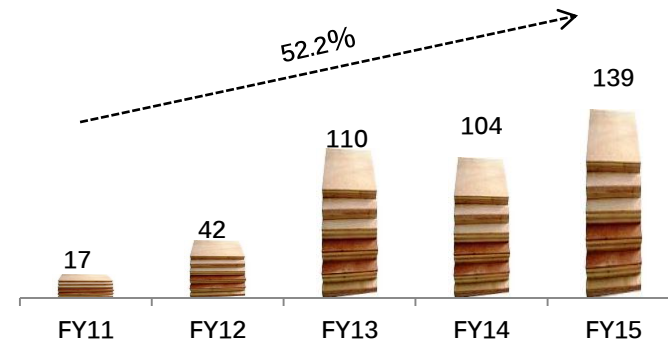
Gross Profit (Rs. crore)



EBITDA (Rs. crore)



PBT (Rs. crore)



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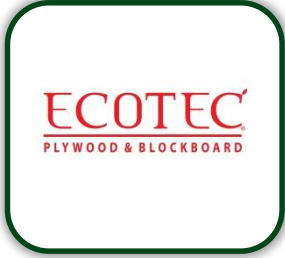
Segment-wise Performance

Particulars	Plywood					
	FY11	FY12	FY13	FY14	FY15	CAGR
Net sales (Rs. crore)	674.43	815.58	940.17	1037.30	1152.07	11.3%
EBITDA margin (%)	13.0%	9.8%	10.6%	10.3%	9.1%	-
EBIT margin (%)	11.5%	7.2%	8.9%	7.9%	6.8%	-
Annual capacity (million sqm.)	24.9	28.35	32.4	32.4	32.4	-
Production (million sqm.)	29.7	32.14	34.28	34.68	33.08	2.2%
Sales volume (million sqm.)	34.58	38.02	41.54	44.51	46.11	5.9%
Utilisation (%)	119%	113%	106%	107%	102%	
Average realisation (Rs./sqm.)	185	203	215	222	241	5.4%

Particulars	MDF					
	FY11	FY12	FY13	FY14	FY15	CAGR
Net sales	45.48	243.72	374.18	352.72	408.51	55.1%
EBITDA margin (%)	-41.2%	15.4%	21.6%	21.6%	23.3%	
EBIT margin (%)	-76.6%	9.0%	17.5%	17.0%	18.5%	
Annual capacity (cubic metre)	180,000	180,000	180,000	180,000	180,000	
Production (cubic metre)	26,924.50	116,897.81	157,947.80	136,722.79	161,229.00	43.0%
Sales volume (cubic metre)	23,882.00	116,622.25	153,425.65	137,931.95	161,424.00	46.5%
Utilisation (%)	15%	65%	88%	76%	90%	
Average realisation (Rs./cum.)	19,236	20,898	24,386	25,552	25,238	5.6%

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Our Brands



About Greenply Industries Ltd.



Greenply Industries Limited (GIL) enjoys leadership position in plywood and medium density fibreboards (MDF) accounting for almost 30 percent of the organized plywood and 30 percent of the MDF market in India.

GIL has four state-of-the-art manufacturing facilities for Plywood and one facility for MDF spread across the country producing world class interior products for the domestic and global markets. The company has a presence in over 300 cities across 21 states serviced through a well-entrenched distribution network of 1,620 distributors and 10,000 retailers and 48 branches pan-India.

GIL is the preferred partner of choice for a large number of office and home builders having a comprehensive product portfolio servicing clients at every point of the price spectrum under brand names of Greenply Plywood, Green Club Premium Ply, Optima Red, Ecotec, Green Panelmax and Green Floormax, to name a few.

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