

**Q3FY17 Result Update**
**Wood products Century Plyboards (I) Ltd.**

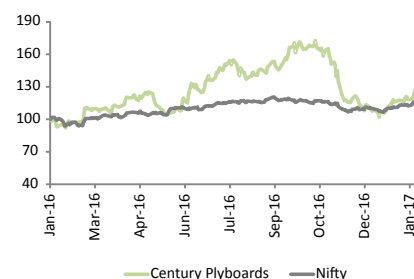
<b>CMP (Rs)</b>	216
<b>Target Price (Rs)</b>	300
<b>Potential Upside</b>	38.8%
<b>Sensex</b>	28,335
<b>Nifty</b>	8,768

**Key Stock data**

<b>BSE Code</b>	532548
<b>NSE Code</b>	CENTURYPLY
<b>Bloomberg</b>	CPBI :IN
<b>Shares o/s, Cr (FV 1)</b>	22.2
<b>Market Cap (Rs Cr)</b>	4,795
<b>3M Avg Volume</b>	314,804
<b>52 week H/L</b>	267.8/135.6

**Shareholding Pattern**

(%)	Jun-16	Sep-16	Dec-16
<b>Promoter</b>	73.3	72.2	72.0
<b>FII</b>	8.4	12.8	10.1
<b>DII</b>	7.5	5.2	6.5
<b>Others</b>	10.3	9.3	11.2

**1 Year price performance**

**Volume growth led performance**

Century Plyboards (I) Ltd. (CPIL) reported healthy Q3FY17 results primarily led by volume growth in plywood and laminates division. The company reported 11.7% yoy increase in net sales. EBITDA marginally improved by 1.5% yoy on account of lower raw material cost and operational cost optimisation. However, higher depreciation weighed on the net profitability of the company. The company will benefit from growing housing and commercial realty markets, increasing urbanisation and aspirations for better living. Century Ply with its strong brand equity, vast distribution reach and end-to-end product portfolio will help to garner market share from unorganised players post GST implementation. Maintain BUY.

**Q3FY17 Result Update:**

- The company reported net sales at Rs 458.7crs, a growth of 11.7% yoy aided by volume growth of plywood and laminates division. It reported 6% yoy increase in realisation led by 16% yoy improvement in domestic realisation while export realisation de-grew by 15% yoy. The management is confident of achieving pre-demonetisation 25% growth in sales in next couple of quarters.
- EBITDA for the quarter stood at Rs 70.6crs. Lower raw material cost and prudent cost optimisation led to increase in EBITDA by 1.5% yoy. Overall, EBITDA margins, however, eroded by 155bp yoy to 15.4%.
- The company reported net profit of Rs 36.8crs, down by 9.6% yoy as depreciation increased due to higher capex incurred on account of MDF plant. Net profitability declined by 188bp yoy to 8%.

**Outlook & Valuation:**

CPIL's dominant market positioning, well-thought investment strategy in the backdrop of strong growth drivers for the wood industry promises excellent prospects ahead. We expect CPIL to report topline and earnings growth of 11.8% and 10.6% respectively over FY16-19E. The company's premium product folio, long term earnings visibility and healthy return ratios support the investment rationales. We maintain BUY on the stock with an upgraded price target of Rs 300 on account of introduction of FY19E earnings.

**Financial Summary**

Particulars, Rs cr	FY15	FY16	FY17E	FY18E	FY19E
Net sales	1,565	1,658	1,805	2,088	2,314
EBITDA	249.8	286.3	281.0	332.3	387.2
EBITDAM (%)	16.0	17.3	15.6	15.9	16.7
PAT	150.8	168.2	155.8	191.7	222.5
PATM (%)	9.6	10.1	8.6	9.2	9.6
EPS (Rs)	6.8	7.6	7.0	8.6	10.0
P/E (x)	32.0	28.6	30.9	25.1	21.6
RoE (%)	44.4	37.9	28.4	29.1	28.3

Source : Company; RSL Research

Research Analyst

 Archana Gude  
 archana.gude@religare.com

## P&amp;L Account Quarterly

Particulars, Rs cr	Q3FY17	Q3FY16	Y-o-Y	Q2FY17	Q-o-Q
<b>Net sales</b>	<b>458.7</b>	<b>410.8</b>	<b>11.7</b>	<b>496.06</b>	<b>-7.5</b>
Cost of materials consumed	144.7	153.4	-5.7	143.2	1.0
Purchase of stock in trade	73.7	61.2	20.4	89.15	-17.4
Changes in Inventories	1.6	-30.8	-105.2	8.08	-80.3
Employee cost	63.7	58.7	8.5	62.41	2.1
Loss/(gain) on foreign exchange fluctuation	-3.2	-3.0	6.0	-0.89	259.6
Excise duty	33.2	30.3	9.6	33.35	-0.3
Other expenses	74.4	71.4	4.2	85.02	-12.5
Total expenditure	388.1	341.2	13.8	420.3	-7.7
<b>EBITDA</b>	<b>70.6</b>	<b>69.6</b>	<b>1.5</b>	<b>75.7</b>	<b>-6.8</b>
Other income	0.0	0.8	-97.5	1.3	-98.5
Depreciation and amortisation expenses	14.9	11.4	31.6	12.6	18.5
EBIT	55.7	59.1	-5.7	64.4	-13.6
Finance cost	11.2	11.0	1.7	6.0	85.9
PBT	44.5	48.1	-7.4	58.4	-23.8
Tax	7.2	6.9	4.2	9.1	-21.1
Net profit before adjustments	37.3	41.2	-9.3	49.3	-24.3
Other comprehensive income	-0.6	-0.5	11.8	-0.6	0.0
<b>Net profit</b>	<b>36.8</b>	<b>40.7</b>	<b>-9.6</b>	<b>48.8</b>	<b>-24.6</b>
EPS, Rs	1.7	1.9		2.2	
EBITDA (%)	15.4	16.9	(155bp)	15.3	12bp
PAT (%)	8.0	9.9	(188bp)	9.8	(182bp)
Tax/PBT (%)	16.1	14.3	179bp	15.5	55bp
Operating cost/Net sales (%)	16.2	17.4	(115bp)	17.1	(92bp)
Employee cost/Net sales (%)	13.9	14.3	(40bp)	12.6	131bp

Source : Company; RSL Research

## P&amp;L Account

Particulars, Rs cr	FY15	FY16	FY17E	FY18E	FY19E
<b>Net sales</b>	<b>1,604</b>	<b>1,666</b>	<b>1,814</b>	<b>2,098</b>	<b>2,327</b>
Expenditure					
Raw material consumed	894.6	830.1	953.5	1087.1	1196.6
Power & fuel cost	31.1	34.2	41.7	50.9	58.6
Employee cost	193.3	220.4	257.8	304.3	328.6
Other expenses	234.9	248.9	279.5	323.5	356.3
Total expenditure	1,353.9	1,380.2	1,532.6	1,765.8	1,940.1
<b>EBITDA</b>	<b>249.8</b>	<b>286.3</b>	<b>281.0</b>	<b>332.3</b>	<b>387.2</b>
<b>EBITDAM (%)</b>	<b>15.6</b>	<b>17.2</b>	<b>15.5</b>	<b>15.8</b>	<b>16.6</b>
Other income	18.1	2.9	3.6	4.4	5.2
Depreciation	44.8	44.6	48.2	55.2	63.4
<b>PBIT</b>	<b>223.1</b>	<b>244.6</b>	<b>236.5</b>	<b>281.5</b>	<b>329.0</b>
Interest expenses	43.3	46.7	51.0	53.3	64.1
<b>PBT</b>	<b>179.8</b>	<b>197.9</b>	<b>185.5</b>	<b>228.2</b>	<b>264.9</b>
Tax	29.0	29.7	29.7	36.5	42.4
<b>Reported profit</b>	<b>150.8</b>	<b>168.2</b>	<b>155.8</b>	<b>191.7</b>	<b>222.5</b>
<b>PATM (%)</b>	<b>9.4</b>	<b>10.1</b>	<b>8.6</b>	<b>9.1</b>	<b>9.6</b>

Source : Company; RSL Research

## Balance sheet

Particulars, Rs cr	FY15	FY16	FY17E	FY18E	FY19E
Share Capital	22.3	22.3	22.3	22.3	22.3
Reserves & Surplus	365.3	477.2	574.1	698.7	827.4
<b>Total Shareholder's Fund</b>	<b>387.6</b>	<b>499.5</b>	<b>596.3</b>	<b>721.0</b>	<b>849.7</b>
<b>Non-Current Liabilities</b>					
Long term borrowings	81.4	160.8	354.5	474.5	624.5
Other long term liabilities	2.8	2.9	3.2	3.9	4.4
Long term provision	0.0	0.0	0.0	0.0	0.0
<b>Current Liabilities</b>					
Short term borrowing	374.4	354.4	374.4	414.4	444.4
Trade payables	65.3	68.3	78.4	89.4	98.4
Short term provisions	45.9	67.3	72.1	82.9	112.2
Other current liabilities	95.9	100.2	110.2	127.2	147.1
<b>Total liabilities</b>	<b>1,046</b>	<b>1,240</b>	<b>1,571</b>	<b>1,891</b>	<b>2,255</b>
<b>Fixed Assets</b>					
Fixed Assets	208.9	301.6	503.4	648.3	734.8
Current work in process	22.7	20.0	20.0	20.0	20.0
Non current investment	45.1	47.4	52.1	57.3	63.1
Long term loans & advances	78.9	82.0	90.2	108.3	128.7
Other non-current assets	2.3	2.4	2.7	3.2	3.7
<b>Current Assets</b>					
Current investments	0.0	0.0	0.0	0.0	0.0
Inventories	320.0	332.8	366.1	429.6	490.9
Trade receivables	271.9	295.3	311.5	360.5	412.2
Cash & Cash equivalents	20.3	70.4	130.5	157.0	284.3
Short term loans and advances	62.4	74.2	78.9	88.2	96.0
Other current assets	13.7	14.2	15.6	18.8	21.0
<b>Total assets</b>	<b>1,046</b>	<b>1,240</b>	<b>1,571</b>	<b>1,891</b>	<b>2,255</b>

Source : Company; RSL Research

## Cash Flow

Particulars	FY15	FY16	FY17E	FY18E	FY19E
Profit before tax	179.8	197.9	185.5	228.2	264.9
Add: Depreciation	44.8	44.6	48.2	55.2	63.4
Add: Interest cost	44.8	44.6	48.2	55.2	63.4
Others	-3.9	0.0	0.0	0.0	0.0
Operating profit before working capital changes	-91.8	-46.6	-43.5	-109.1	-90.7
Changes in working capital	172.2	242.5	241.2	227.6	301.7
Direct taxes	-34.4	-35.7	-34.7	-40.5	-46.4
<b>Cash flow from operating activities</b>	<b>137.8</b>	<b>206.8</b>	<b>206.5</b>	<b>187.1</b>	<b>255.3</b>
<b>Net cash used in Investing Activities</b>					
Purchase of fixed assets	-54.6	-134.6	-250.0	-200.0	-150.0
Sale of fixed assets	1.3	0.0	0.0	0.0	0.0
sale of Investment	-12.3	-2.3	-4.7	-5.2	-5.7
<b>Cash flow from investing activities</b>	<b>-62.4</b>	<b>-136.9</b>	<b>-254.7</b>	<b>-205.2</b>	<b>-155.7</b>
<b>Cash flow from Financing Activities</b>					
Proceeds from issuance of shares	0.0	0.0	0.0	0.0	0.0
Net proceeds from borrowings	12.1	61.5	218.3	165.0	185.6
Dividend (Incl dividend tax)	-46.0	-56.3	-58.9	-67.0	-93.8
Interest cost	-29.6	-46.7	-51.0	-53.3	-64.1
Others	-12.9	0.0	0.0	0.0	0.0
<b>Cash flow from Financing Activities</b>	<b>-76.4</b>	<b>-41.4</b>	<b>108.4</b>	<b>44.7</b>	<b>27.6</b>
<b>Net cash Inflow/Outflow</b>	<b>-1.0</b>	<b>28.5</b>	<b>60.1</b>	<b>26.6</b>	<b>127.3</b>
Opening Cash & Cash Equivalents	18.0	17.0	70.4	130.5	157.0
<b>Closing Cash &amp; Cash Equivalents</b>	<b>17.0</b>	<b>70.4</b>	<b>130.5</b>	<b>157.0</b>	<b>284.3</b>

Source : Company; RSL Research

## Key Financial ratios

Particulars, Rs cr	FY15	FY16	FY17E	FY18E	FY19E
<b>Dividend per share Rs</b>					
Dividend Yield (%)	0.9	1.0	1.0	1.1	1.6
Payout (%)	29.5	27.8	31.4	29.0	35.0
EPS Rs	6.8	7.6	7.0	8.6	10.0
Book value per share Rs	17.4	22.4	26.8	32.4	38.2
<b>Profitability Ratios</b>					
EBITDA/Total Income (%)	16.0	17.3	15.6	15.9	16.7
PBT/ Total Income (%)	16.1	15.0	16.0	16.0	16.0
NPM/ Total Income (%)	9.4	10.1	8.6	9.1	9.6
RoCE (%)	26.9	25.4	19.7	18.8	18.3
RoE (%)	44.4	37.9	28.4	29.1	28.3
<b>Liquidity Ratios</b>					
Debt-Equity Ratio	1.3	1.1	1.3	1.3	1.3
Current ratio	1.2	1.3	1.4	1.5	1.6
Interest Cover Ratio	4.7	5.2	4.6	5.2	5.0
<b>Turnover Ratios</b>					
Total Asset Ratio	1.5	1.5	1.3	1.2	1.1
Fixed Asset Ratio	7.4	6.5	4.5	3.6	3.3
Debtors Velocity (Days)	63	65	63	63	65
Inventory (Days)	89	89	88	89	93
Creditors Velocity (Days)	27	30	30	30	30

Source : Company; RSL Research

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S. No.	Statement	Answer	
		YES	NO
		Tick appropriate	
		YES	NO
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		NO
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		NO
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		NO
	I/we have received any compensation from the subject company in the past twelve months?		NO
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		NO
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		NO
	I/we have served as an officer, director or employee of the subject company?		NO
	I/we have been engaged in market making activity for the subject company?		NO

Nature of Interest ( if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above, are given below]

SS.No	Name(s) of RA	Signatures of RA	Serial Question of question which the signing RA needs to make separate declaration / answer	YES	NO

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