

Century Plyboards (India)

Rating: ◀▶

Target price: ▲

EPS: ▼

CMP	Target	Rating
Rs. 225	Rs. 265	BUY

How does our one year outlook change?

- Century Plyboards (India) (CPBI) 2QFY17 revenues grew by 6% yoy driven by 2% yoy growth in plywood products and 11% yoy growth in laminate products. Going ahead, we expect CPBI to post a strong revenue growth of 16% over FY17-FY19E primarily led by newer capacities in MDF, Particleboard, and laminates business segment. The management also expects Sainik (economy product) to drive the growth in the plywood segment largely due to migration of economy segment from unorganized to organized market.
- CPBI's EBITDA margins declined to 16.4% in 2QFY17 vs 16.9% in 2QFY16 due to commissioning of particle board facility and higher outlay in employee cost. We expect margins to remain steady at 17% in FY17 and increase to 17.8% in FY18 led by commissioning of high margin MDF business.
- We expect Laminates business to grow by 12-13% in FY17-19E due to commissioning of new lines by FY18E, increase in exports and shift from unorganized segment to organized.
- The company has planned an aggressive capex outlay of Rs. 4.8bn over the next two years. Of this, the company will invest ~Rs. 3.8bn towards the MDF plant of 180,000 cbm capacity in Punjab (Rs1.2bn is already invested so far) and the remaining in the plywood and laminates segment. The management expects the MDF plant to commission by end of FY17.
- CPBI is one of the leading players in the organized plywood market and third largest in the laminates market. With the entry into MDF business, the company will offer entire gamut of wood panel products. CPBI trades at 21x FY18E and 17x FY19E EPS. With industry leading growth, expansion in margins, and improvement in balance sheet and returns profile, we expect the current FY18E multiples to sustain going ahead. Maintain **BUY** with a **TP of Rs. 265** based on **22x blended FY18-19E EPS**.

How does our 3 year Outlook change?

- We see the structural shift to organized players accelerating going ahead led by (1) raw material security; (2) increasing brand awareness; (3) superior distribution setup; and (4) implementation of GST. Further the long term demand for the wood panel products remains robust led by expected increase in urbanisation, per capita income, aspirations, and nuclear families. With the central government's vision of "Housing for all by 2022", we expect this initiative to fuel demand for most building products, with Plywood products being one of them.
- CPBI has expanded its capacity aggressively over the last two years in both plywood and laminates business. With a strong brand image, widespread dealer network, and enhanced capacities, we believe CPBI is well placed to benefit from rising demand for building products and shift to branded products.

2QFY17 Update				07th Nov, 2016	
Promoters		73.3		Bloomberg	CPBI IN
Institutions		16.2		Shares o/s	222mn
Public		10.5		Market Cap	Rs. 51bn
(%)	1m	3m	12m	52-wk High-Low	Rs. 268-135
CPBI	-13%	6%	29%	3m Avg. Daily Vol	Rs. 47mn
Sensex	-4%	-2%	3%	Index	BSE500

Key estimate revision

	FY17E			FY18E		
	Old	New	Change	Old	New	Change
Revenues	18,730	18,264	-2.5%	23,074	22,474	-2.6%
EBITDA	3,191	3,118	-2.3%	4,186	3,991	-4.7%
Margin %	17.0%	17.1%		18.1%	17.8%	
PAT	1,951	2,020	3.6%	2,516	2,419	-3.8%
PAT margin %	10.4%	11.1%		10.9%	10.8%	
EPS	8.8	9.1	3.2%	11.3	10.9	-3.8%

All figures in Rs. mn, except EPS, which is in Rs.

Financial summary

Year	Revenues (Rs. mn)	EBITDA (Rs. mn)	PAT (Rs. mn)	EPS	P/E (X)	RoE%
FY16	16,585	2,829	1,681	7.6	29.8	36.7%
FY17E	18,264	3,118	2,020	9.1	24.8	32.6%
FY18E	22,474	3,991	2,419	10.9	20.7	30.0%
FY19E	25,957	4,624	2,939	13.2	17.0	28.8%

Century Plyboards (India)

Quarterly Financial Statements

CMP

Rs. 225

Target

Rs. 265

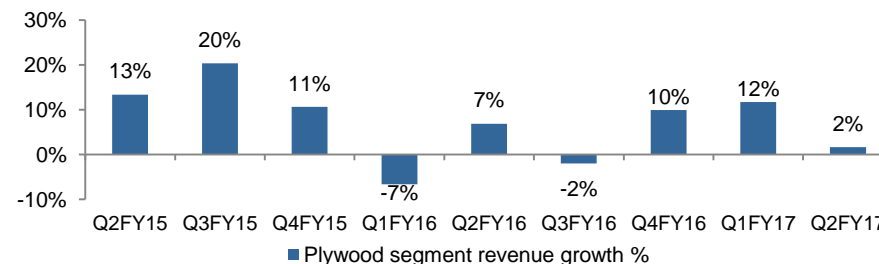
Rating

BUY

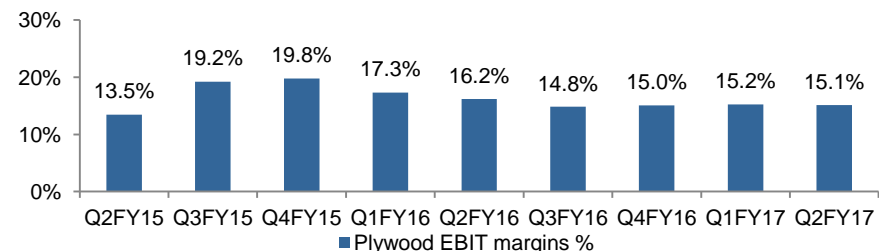
Financial results

Rs. mn \ Period	30-Sep-16	30-Sep-15	yoy	30-Jun-16	qoq
Revenues	4,627	4,386	5.5%	4,058	14.0%
Raw material	1,513	1,899	-20.3%	1,439	5.1%
Purchased goods	892	445	100.5%	606	47.0%
Forex	(9)	9	-196.4%	(22)	-59.6%
Employee costs	624	560	11.5%	638	-2.1%
Other expenditure	850	733	16.1%	713	19.2%
EBITDA	770	747	3.2%	691	11.4%
Margins%	16.6%	17.0%		17.0%	
Other income	13	6	127.0%	8	63.5%
Interest	60	131	-53.8%	89	-32.1%
Depreciation	126	105	20.3%	93	36.4%
PBT	584	511	14.2%	510	14.4%
PBT margins %	12.6%	11.7%		12.6%	
Tax	91	42		80	
Effective tax rate	15.6%	8.2%		15.6%	
PAT	493	469	5.0%	431	14.5%
Margins	10.7%	10.7%		10.6%	
EPS (Rs.)	2.2	2.1	5.0%	1.9	14.5%

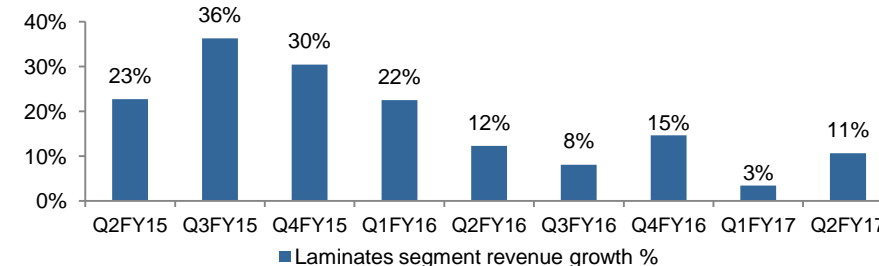
Plywood segment revenue trends



Plywood segment EBIT margin trends



Laminates segment revenue trends



Source: Spark Capital

Abridged Financial Statements (Standalone)				
Rs. mn	FY16	FY17E	FY18E	FY19E
Profit & Loss				
Revenues	16,585	18,264	22,474	25,957
EBITDA	2,829	3,118	3,991	4,624
Other Income	63	69	85	98
Depreciation	446	474	670	653
EBIT	2,445	2,713	3,406	4,070
Interest	467	308	526	486
PBT	1,978	2,405	2,880	3,584
Exceptionals loss/(Income)	-	-	-	-
Tax	297	385	461	645
PAT after exceptionals	1,681	2,020	2,419	2,939
Balance Sheet				
Networth	5,289	7,107	9,043	11,394
Total Debt	4,554	6,654	6,654	5,654
Deferred Tax & MI	(136)	(136)	(136)	(136)
Total Networth & Liabilities	9,707	13,626	15,561	16,912
Gross Block	4,441	4,941	9,941	10,941
Net Block + CWIP	2,975	6,301	6,631	6,979
Investments	497	497	497	497
Net working capital (ex cash)	6,045	6,548	8,091	9,307
Cash	190	280	342	129
Net working capital	6,236	6,828	8,433	9,436
Total Assets	9,707	13,626	15,561	16,912
Cash Flows				
Cash flows from operating	2,895	2,300	2,072	2,861
Cash flows from investing	(1,287)	(3,800)	(1,000)	(1,000)
Cash flows from financing	(1,588)	1,590	(1,010)	(2,074)
Free Cash Flows	1,141	(1,808)	546	1,375

Key metrics				
	FY16	FY17E	FY18E	FY19E
Segment revenues				
Plywood	11,735	12,614	13,856	15,490
Laminates	3,458	3,820	4,332	4,912
CFS	837	938	1,050	1,155
Growth ratios				
Revenues	6%	10%	23%	15%
EBITDA	13%	10%	28%	16%
PBT	10%	22%	20%	24%
PAT	11%	20%	20%	21%
Margins Ratios				
EBITDA	17.1%	17.1%	17.8%	17.8%
PBT	11.9%	13.2%	12.8%	13.8%
PAT	10.1%	11.1%	10.8%	11.3%
Performance Ratios				
Net Debt to Equity (x)	0.8	0.9	0.7	0.5
RoAE (%)	36.7%	32.6%	30.0%	28.8%
RoCE (%)	22.2%	19.3%	19.4%	20.4%
Gross Asset Turnover (x)	3.9	3.9	3.0	2.5
Net Working Capital Days	133	131	131	131
Interest coverage (x)	5.2	8.8	6.5	8.4
Valuation metrics				
Shares Outstanding (mn)	223	223	223	223
Market Cap (Rs. mn)	50,069	50,069	50,069	50,069
EPS	7.6	9.1	10.9	13.2
P/E(x)	29.8	24.8	20.7	17.0
Price to Book (x)	9.5	7.0	5.5	4.4
EV/EBITDA (x)	18.9	16.7	14.1	12.0
Dividend yield (%)	0.4%	0.3%	0.8%	0.9%

Century Plyboards (India) Ltd – Crystal Ball Gazing

FY11-16E CAGR %			
Revenue	EBIT	PAT	Price
12%	23%	18%	22%

CPBI has added capacity aggressively over the last two years in both plywood and laminates business. and with the entry into MDF business, the company will offer entire gamut of wood panel products .With a strong brand image, widespread dealer network, and enhanced capacities, we believe CPBI is well placed to benefit from rising demand for building products and shift to branded products.

Market share gain from unorganized segment to continue resulting into revenue cagr of 15% for FY16-FY20E



Leverage to decline debt repayment from due to increasing OCF. ROE's to fall on lower capacity utilizations at newer facilities



Expect multiple to sustain

	FY11	FY15	FY16E	FY17E	FY18E	FY19E	FY20E
Revenue	9,309	15,648	16,585	18,264	22,474	25,957	29,333
Ebitda	967	2,498	2,829	3,118	3,991	4,624	5,188
Margins	10.4%	16.0%	17.1%	17.1%	17.8%	17.8%	17.7%
PAT	745	1,508	1,681	2,020	2,419	2,939	3,451

	FY11	FY15	FY16E	FY17E	FY18E	FY19E	FY20E
RoCE	19.0%	22.4%	22.2%	19.3%	19.4%	20.4%	20.7%
Leverage	0.72	1.25	0.83	0.90	0.70	0.48	0.34
Working capital days	97	137	133	131	131	131	130
CFO (Rs nm)	509	1,378	2,895	2,300	2,072	2,861	3,362

P/E multiple	FY20E EPS	Price target
20x	15.5	310
22x	15.5	341

Trading History – % of times stock traded					
Fwd PE range	<16x	16x-18x	18x-20x	20x-22x	>22x
	20%	20%	28%	22%	10%

Entry = Rs. 225 @ 21x FY18E



Cumulative Dividends of Rs. 7



EPS CAGR of 20%, exit multiple of 22x FY20E



TOTAL RETURN OF 1.6x

Spark Disclaimer



Report Date	Price	Target	Reco.
05/Aug/16	210	235	Buy
13/May/16	175	210	Buy
22/Mar/16	165	185	Buy
10/Nov/15	175	200	Buy
04/May/15	205	230	Buy
23/Jan/15	185	230	Buy
05/Jan/15	162	195	Buy

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BUY	Stock expected to provide positive returns of >15% over a 1-year horizon
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REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
SELL	Stock expected to fall >10% over a 1-year horizon

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