

Q3FY2015 Result Update

Century Plyboards (I) Ltd.



Wealth Research

Impressive performance continues

BUY

Century Plyboards (Century) for Q3FY2015 on a standalone basis reported results much better than street expectations. Revenue grew by 26.3% YoY to Rs386 crore on the back of by 20.4% and 36.3% YoY growth in plywood and laminates segment respectively. Net profit grew by 110% YoY to Rs41 crore as margins expanded by 712bps YoY to 18.9% (best in 15 quarters). Considering Century's strong brand recall, we believe it is well positioned to benefit from the increasing demand for wood based products in home decor, Government's added impetus on housing and shift from unbranded to branded players with the implementation of GST. At current price, the stock trades at 14.9x FY2017E EPS. We continue to recommend 'Buy' on Century with a target price of Rs241, implying an upside of 34.6%.

Q3FY2015 - Standalone financial summary

Y/E Mar (Rs Cr.)	Q3FY2015	Q3FY2014	YoY (%)	Q2FY2015	QoQ (%)
Revenue	386	306	26.3	407	(5.2)
EBITDA	73	36	102.4	64	14.3
Margin (%)	18.9	11.8	712bps	15.7	323bps
PAT	41	20	109.7	36	15.7
EPS (Rs)	1.86	0.89		1.61	

Source: Company, Centrum Wealth Research

Plywood segment leads robust revenue growth: For Q3FY2015, Century's revenue grew by 26.3% YoY to Rs386 crore. Plywood segment (contributing ~74% of revenue) and laminates segment (contributing ~18% of revenue) grew by 20.4% YoY to Rs281 crore and 36.3% YoY to Rs72 crore respectively. Volumes from these segments grew by 10% and 19% YoY. Based on the improving economic environment, changing consumer preference towards branded products and new product launches, the management continues to guide for a strong topline growth of 25% for next few years.

Lower raw material expenses lead to margin expansion: EBITDA grew by 102% YoY to Rs73 crore with margins expanding by 712bps YoY to 18.9% (best in 15 quarters) mainly on account of 890 bps decline in raw material cost to 50.5% of revenue during the quarter. Lower phenol-formaldehyde resin costs due to fall in crude prices, lower logistical costs and cheaper imports from subsidiary in Myanmar led to decline in raw material costs. On the EBIT front, margins from plywood and laminates segment expanded by 812bps YoY to 19.2% and 567bps YoY to 7.1%.

New initiatives to help maintain growth momentum: Besides setting up a unit in Myanmar, the company also plans to commission a unit in Laos by March 2015 to source raw materials. Further, Century is also planning to set up a particle board plant at its Chennai unit with an outlay of Rs60 crore in FY2016E. It currently imports particle boards. However, post commissioning of the new plant, Century will manufacture particle boards using wood waste generated out of saw mills, thereby aiding margin expansion.

Risk factors: 1) Delay in GST implementation; 2) INR depreciation; 3) product substitute risk; 4) any change in policy from Myanmar Government;

Valuation: At current price, the stock trades at 14.9x FY2017E EPS of Rs12. We believe Century will benefit from the Government measures, recovery in real estate market and increasing urbanization. Century's effort to diversify its product range and source cheaper raw materials from its new plants in Laos and Chennai are likely to augur well for the company going ahead. We estimate revenue and PAT CAGR of 23% and 59% over FY2014-17E. We maintain 'Buy' on Century with a target price of Rs241, valuing it at 20x FY2017E EPS.

Financial Summary - Standalone

Y/E Mar (Rs Cr.)	Revenue	YoY (%)	EBITDA	EBITDA (%)	NPAT	YoY (%)	EPS (Rs)	P/E (x)	EV/EBITDA (x)	RoE (%)
FY2013A	1,131	1.1	113	10.0	53	(27.6)	2.37	75.5	38.5	18.7
FY2014A	1,284	13.5	148	11.5	67	27.1	3.01	59.4	29.7	24.8
FY2015E	1,582	23.2	267	16.9	157	134.0	7.05	25.4	16.4	45.5
FY2016E	1,960	23.9	335	17.1	208	32.8	9.37	19.1	13.0	44.8
FY2017E	2,397	22.3	407	17.0	267	28.5	12.03	14.9	10.6	43.6

Source: Company, Centrum Wealth Research

Key Data

Current Market Price (Rs)	179
Target Price (Rs)	241
Potential upside (%)	34.6
Sector Relative to Market	Outperform
Stock Relative to Sector	Outperform

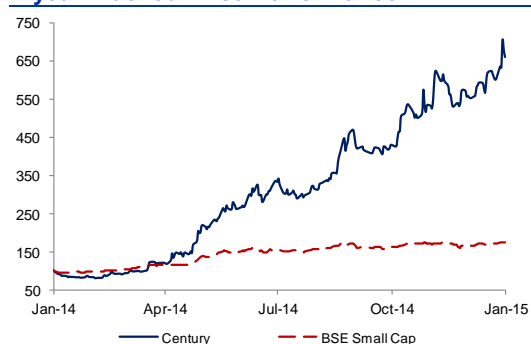
Stock Information

BSE Code	532548
NSE Code	CENTURYPLY
Face Value (Rs/share)	1.0
No. of shares (Cr.)	22.2
Market Cap (Rs Cr.)	3,974
Free float (Rs Cr.)	1,199
52 Week H / L (Rs)	199/22
Avg. Daily turnover (12M, Rs Cr.)	7.4

Shareholding Pattern (%)

	Dec-14	Dec-13
Promoters	74.5	72.9
FII	6.0	1.2
DII	2.8	-
Others	16.7	25.9

1 year Indexed Price Performance



Price Performance (%)

	1M	3M	6M	12M
Century	18.7	53.6	96.1	543.5
BSE Smallcap	4.5	6.7	11.5	73.3

Source: Bloomberg, Centrum Wealth Research

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Siddhartha Khemka, VP Research

Exhibit 1: Standalone Quarterly Performance

Y/E Mar (Rs Cr)	Q3FY2014	Q4FY2014	Q1FY2015	Q2FY2015	Q3FY2015
Revenue	306	343	363	407	386
YoY Growth (%)	10.1	14.0	27.9	15.7	26.3
Raw Material Expenses	182	205	215	231	195
% of sales	59.4	59.9	59.3	56.8	50.5
Employee Expenses	40	39	41	51	49
% of Sales	12.9	11.5	11.4	12.5	12.8
Other Expenses	48	38	59	61	69
% of Sales	15.8	11.1	16.3	15.0	17.8
EBIDTA	36	60	47	64	73
EBIDTA margin %	11.8	17.5	13.0	15.7	18.9
Depreciation	9	9	10	11	12
Interest	8	21	7	12	14
Other Income	1	1	1	1	1
PBT	21	31	31	42	48
Provision for tax	1	2	5	6	6
Effective tax rate %	4.5	5.7	16.2	14.8	13.5
Net Profit	20	29	26	36	41
Growth %	NM	(30.6)	NM	62.4	109.7
PAT margin %	6.5	8.6	7.1	8.8	10.7

Source: Company, Centrum Wealth Research

Technical View on Century Plyboards (I) Ltd

- Century Ply has been witnessing strong demand on every dip and maintains a clear higher high higher low technical setup.
- The scrip has also been trading with strong volume increase since it broke out of its multi month highs of 95 in early 2014.
- The short term setup of the scrip is guided by a bullish channel which is indicating a likely trading upside towards 215 in the coming few weeks.
- Positional bias too is indicating bullish trend for a likely move towards 260 in the coming 6 months for which 175 is an ideal stop loss.

Exhibit 2: Technical Chart



Source: Company, Centrum Wealth Research

Financial Summary – Standalone

Income statement

Y/E March (Rs Cr)	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Revenue	1,131	1,284	1,582	1,960	2,397
Growth (%)	1.1	13.5	23.2	23.9	22.3
Raw Material	706	759	855	1,057	1,292
% of sales	62.4	59.1	54.0	53.9	53.9
Personnel Expenses	118	151	196	243	302
% of Sales	10.5	11.8	12.4	12.4	12.6
Other Expenses	194	225	264	325	396
% of Sales	17.2	17.5	16.7	16.6	16.5
EBIDTA	113	148	267	335	407
EBIDTA margin %	10.0	11.5	16.9	17.1	17.0
Depreciation	27	33	42	52	58
Interest	39	55	45	47	45
Other Income	7	9	5	8	10
PBT	54	69	184	245	315
Provision for tax	2	2	28	37	47
Effective tax rate %	3.1	3.4	15.0	15.0	15.0
Net Profit	53	67	157	208	267
Growth %	(27.6)	27.1	134.0	32.8	28.5
Net profit margin %	4.7	5.2	9.9	10.6	11.2

Source: Company, Centrum Wealth Research

Balance Sheet

Y/E March (Rs Cr)	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Share capital	22	22	22	22	22
Reserves & surplus	227	269	376	508	675
Shareholder's fund	250	291	398	530	697
Loan fund	445	446	433	470	450
Capital employed	695	737	831	1,000	1,147
Net fixed assets	222	231	233	240	227
Investments	16	38	38	38	38
Cash and bank	80	18	30	80	119
Inventories	218	293	360	441	537
Debtors	182	205	245	304	360
Loans and advances	122	133	157	194	230
Total current assets	601	648	793	1,019	1,246
Current lia. & prov	144	180	234	297	364
Net current assets	457	468	559	722	882
Deferred tax asset	0.2	1	1	1	1
Total assets	695	737	831	1,000	1,147

Source: Company, Centrum Wealth Research

Cash Flow

Y/E March (Rs Cr)	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Net Profit Before Tax	54	69	184	245	315
Depreciation	27	33	42	52	58
Others	39	50	40	39	35
Change in working capital	(62)	(110)	(79)	(114)	(120)
Tax expenses	(10)	(11)	(28)	(37)	(47)
Cash flow from Ops	48	31	160	185	240
Capex	(69)	(48)	(45)	(58)	(45)
Other investing activities	(25)	(5)	5	8	10
Cash flow from Invest	(94)	(53)	(40)	(50)	(35)
Proceeds from Eq capital	-	-	-	-	-
Borrowings/ (Repayments)	128	22	(13)	37	(20)
Dividends paid	(0)	(6)	(50)	(75)	(101)
Interest paid	(41)	(56)	(45)	(47)	(45)
Cash flow from financing	87	(39)	(109)	(85)	(166)
Net Cash Flow	41	(62)	12	49	40

Source: Company, Centrum Wealth Research

Key Ratios

Y/E March	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Return ratios (%)					
ROE	18.7	24.8	45.5	44.8	43.6
ROCE	13.0	16.3	23.5	24.8	26.6
ROIC	15.3	18.7	30.2	33.9	36.9
Turnover Ratios (days)					
Inventory	66.8	72.5	75.3	74.6	74.5
Debtors	56.2	54.9	51.9	51.1	50.5
Creditors	27.0	22.1	19.7	19.9	19.9
Fixed asset turnover (x)	3.5	3.7	4.0	4.4	4.8
Solvency Ratio (x)					
Debt-equity	1.8	1.5	1.1	0.9	0.6
Interest coverage	2.4	2.3	5.1	6.2	8.0
Per share (Rs)					
Adj EPS	2.4	3.0	7.1	9.4	12.0
BVPS	11.2	13.1	17.9	23.9	31.4
CEPS	3.6	4.5	9.0	11.7	14.6
Dividend Ratios					
DPS (Rs)	0.2	1.0	2.0	3.0	4.0
Dividend Yield (%)	0.1	0.6	1.1	1.7	2.2
Dividend Payout (%)	10.5	33.2	28.4	32.0	33.2
Valuation (x)					
P/E	75.5	59.4	25.4	19.1	14.9
P/BV	15.9	13.6	10.0	7.5	5.7
EV/EBIDTA	38.5	29.7	16.4	13.0	10.6
EV/Sales	3.8	3.4	2.8	2.2	1.8

Source: Company, Centrum Wealth Research

Appendix A

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