Equity Research

April 1, 2016

BSE Sensex: 25243

Wood Panel

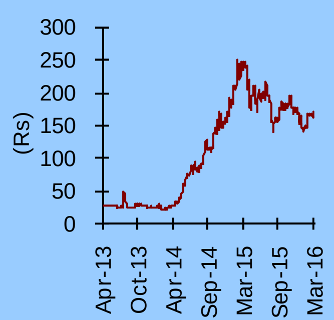
Target price Rs225

Shareholding pattern

	Jun '15	Sep '15	Dec '15
Promoters	73.3	73.3	73.3
Institutional investors	12.0	14.1	14.0
MFs and UTI	3.0	3.4	3.3
FIs/Banks	0.1	0.0	0.1
Insurance	-	-	-
FIIs	8.8	10.7	10.6
Others	14.7	12.5	12.7

Source: NSE

Price chart



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INDIA

Century Plyboards

BUY

A comprehensive play on wood panels!

Rs171

Reason for report: Initiating coverage

Century Plyboards (CPBI), the only wood panel player in India offering a comprehensive portfolio of products, is one of the leading players in the organised plywood segment, with the largest installed capacity, strong brand equity and distribution network, vast expertise in raw material sourcing and intense focus on product quality. While the plywood division is expected to exhibit a gradual uptick in the topline led by sustained slowdown in the premium plywood segment, we expect profitability of the division to improve materially given the traction expected in margins due to shifting of large part of its face veneer peeling operations from India to overseas. Going forward, we expect the topline and bottomline to grow at 13.1% and 18.8% CAGR, respectively over FY15-18E with RoCEs too expected to remain firm at 25% by FY18 despite its aggressive capex plans in the MDF segment. At current the market price of Rs171 per share, the stock trades at an attractive 15.2x FY18E earnings. We initiate coverage on CPBI with a BUY rating and a target price of Rs225 per share, valuing the company at 20x FY17E earnings.

- **Plywood division growth takes a pause; however, profitable growth to continue.** While outperforming its immediate peer 'GIL' over FY13-FY15, both in terms of topline and bottomline, CPBI's revenue growth has been under pressure in FY16 due to recent degrowth in its premium segment, led by sustained slowdown in metros and tier-1 cities. Bottomline growth however remains impressive, aided by strong margin led by superior timber sourcing strategies and focus on the retail segment, which would continue to give the company a strategic advantage over its peers. Going forward, we expect the plywood division's revenue to grow at 5.5% CAGR over FY15-FY18, with EBIDTA margin expected to gain traction by 110/50bps to 18.5/19% by FY17/FY18, respectively, largely led by higher operational efficiencies in overseas face veneer peeling operations.
- **Laminate division and new business initiatives to supplement growth.** We expect the laminate division (including pre-laminated particle board unit) to exhibit 19.5% revenue CAGR over FY15-FY18, led by ramp-up of production, post doubling of its capacity to 4.8mn sheets from 2.4m sheets in FY15 and commercialisation of pre-laminated particle board unit by Q1FY17E, which would also be margin-accretive. The management envisages the MDF unit to start its operations in Q1FY18, which is expected to further drive revenues.
- **RoCEs expected to remain firm at 25% levels despite huge capex initiatives.** Higher capacity utilisation at its plywood and laminates divisions, improving EBIDTA margin led by superior timber sourcing strategies in particular, and strong cash flow from operations despite higher capex towards the MDF expansion, are expected to reduce debt-equity from 1.3x in FY15 to 0.8x in FY18, which in turn is expected to keep RoCEs firm at 25% levels by FY18.

Market Cap	Rs38bn/US$570mn
Reuters/Bloomberg	CNTP.BO/CPBI IN
Shares Outstanding (mn)	222.2
52-week Range (Rs)	246/140
Free Float (%)	26.7
FII (%)	10.6
Daily Volume (US$/'000)	736
Absolute Return 3m (%)	1.4
Absolute Return 12m (%)	(25.9)
Sensex Return 3m (%)	(2.6)
Sensex Return 12m (%)	(7.9)

Year to Mar	FY15	FY16E	FY17E	FY18E
Revenue (Rs mn)	15,884	16,252	17,744	22,755
Rec. Net Income (Rs mn)	1,490	1,760	2,054	2,498
EPS (Rs)	6.7	7.9	9.2	11.2
% Chg YoY	147.2	18.2	16.7	21.6
P/E (x)	25.5	21.6	18.5	15.2
CEPS (Rs)	8.9	9.9	11.5	14.6
EV/E (x)	15.8	14.9	13.5	10.2
Dividend Yield (%)	1.0	1.2	1.5	1.5
RoCE (%)	25.0	24.9	23.2	25.3
RoE (%)	42.6	38.8	35.5	33.9

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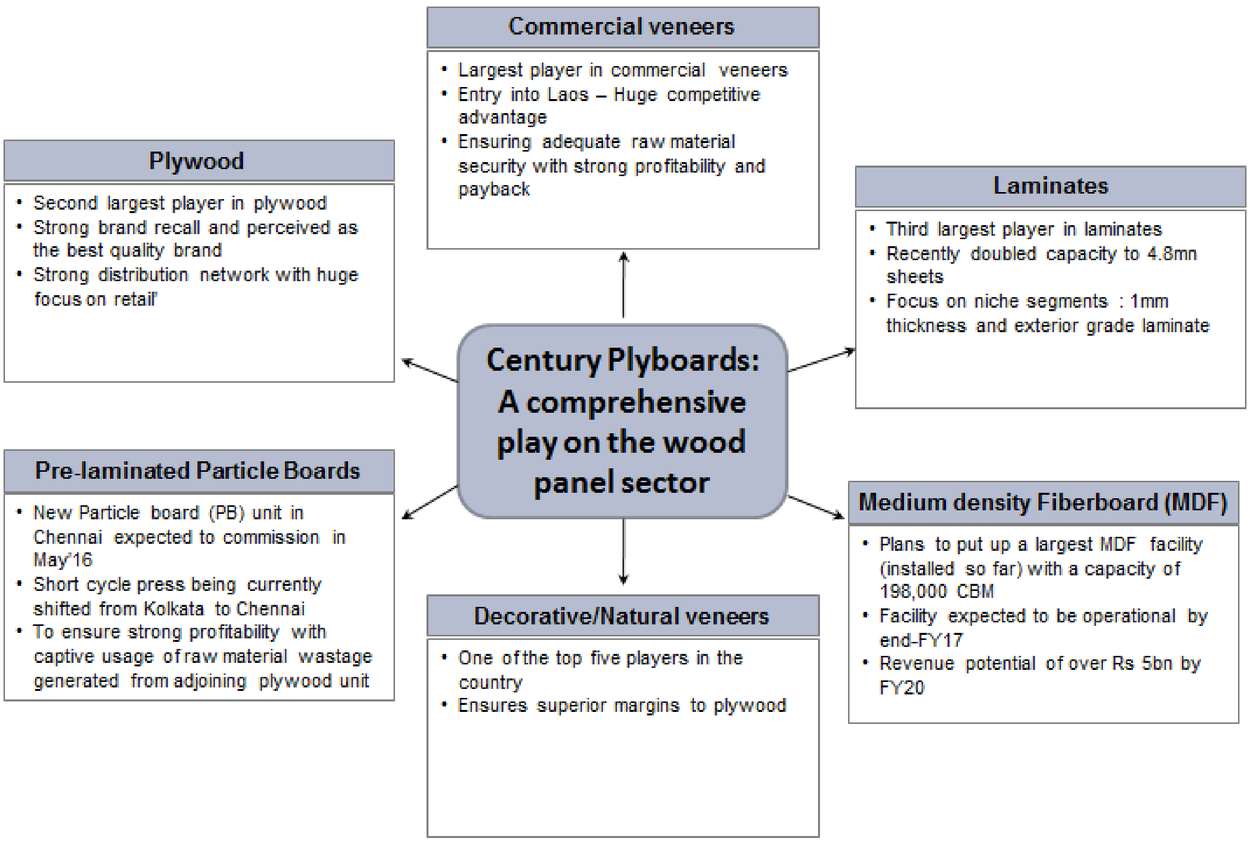
A comprehensive play on wood panels

Century Plyboards (CPBI) is the only wood panel player in India offering a wide and comprehensive range of wood panel products. Its portfolio comprises of plywood (premium, luxury and commercial grade plywood), commercial veneers, decorative veneers, pre-laminated particle boards, high-pressure laminates and MDF boards. While the company has its own dedicated facilities for manufacturing plywood, decorative veneers and high pressure laminates in India, it has recently set up units in Myanmar (owned units) and Laos (owned / joint venture) for processing of face veneers, thereby securing adequate raw material security. Over the past few years, the company has also been trading in pre-laminated particle boards (through outsourcing of particle boards and laminating it in its own short-cycle presses) and MDF boards (through imports).

Chart 1: Comprehensive and diversified wood panel portfolio



Source: Company, I-Sec research

The company is however expected to commence its particle board unit in Chennai soon (in May'16) and is in the process of relocated its laminating short-cycle press from Kolkata to Chennai (taking it to the total tally of two short-cycle presses in Chennai). This will enable CPBI to offer in-house manufactured pre-laminated particle boards as well. While the company would continue importing MDF boards for one more year, the same is expected to stop once it sets up its own MDF manufacturing facility in Punjab by end-FY17E.

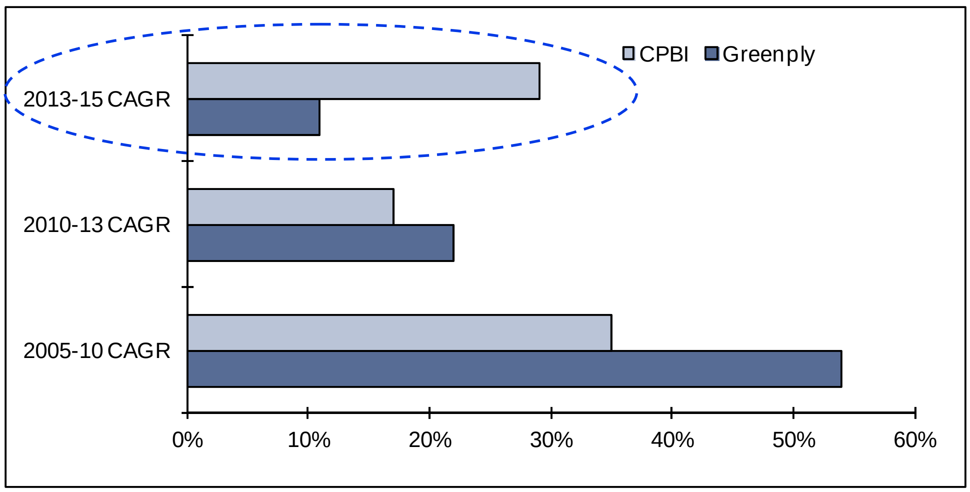
Plywood division growth takes a pause; however, profitable growth to continue

Strong outperformance phase over FY13-FY15

Post the demerger of its non-core businesses in FY13, the company became aggressive in hiring incremental sales force, widening its distribution network (with increasing impetus on retail), intensifying focus on its commercial brand *Sainik*, and ensuring adequate raw material security. This led to strong outperformance in the plywood division over its immediate peer Greenply Industries (GIL) and the industry in terms of revenue and profitability.

CPBI's plywood division's revenue grew at 18% CAGR over FY13-FY15, outperforming market leader GIL (11% CAGR) and industry growth. This was the only phase in which the company managed to outperform growth over GIL as depicted in the chart below.

Chart 2: Tier-1 brands – Revenue CAGR in phases

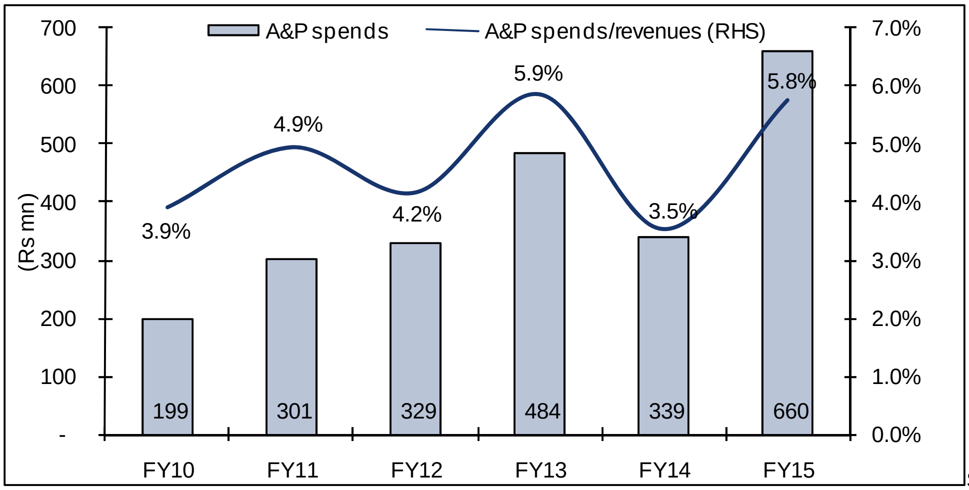


Source: Company, I-Sec research

The outperformance was largely led by the following factors:

- **Fast increasing brand equity, with focus on quality and incremental advertising spends.** The company has seen a significant improvement in its brand equity over the past five years. This is largely attributed to its consistent focus on quality, aggressive brand spends over the past three years, and focus on increasing retail penetration. As a result, the company now enjoys an overall and organised market share of 5% and 23%, respectively of the plywood market.

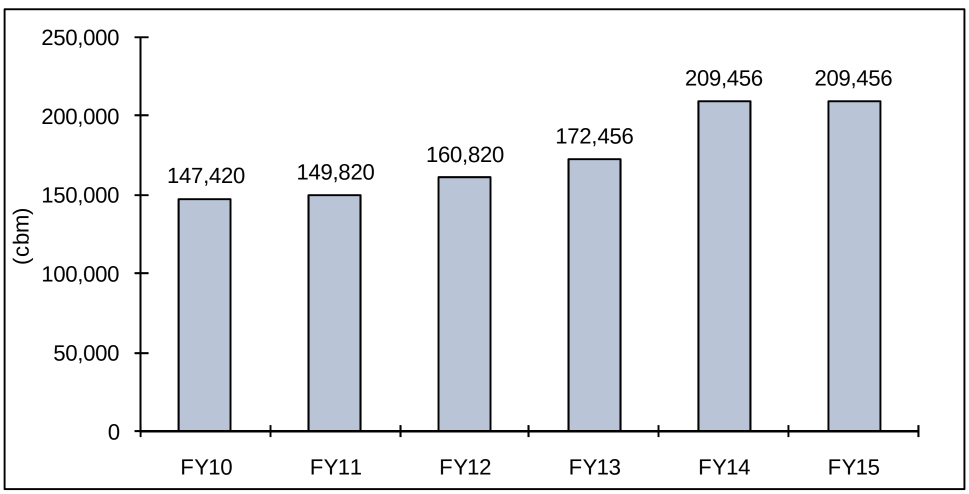
Chart 3: Increasing A&P spends



Source: Company, I-Sec research

- **Aggressive capacity addition in plywood in addition to the Myanmar plant.** CPBI has been aggressively adding capacities over the past five years, through a mix of greenfield and brownfield expansions. Capacities have increased to 209,456 cubic metres (cbm) in FY15 from 147,420cbm in FY10, with two new greenfield capacities added in Gujarat: Bhachau and Kandla. It has also put in necessary infrastructure in Myanmar for manufacturing plywood, with an installed annual capacity of 6,000cbm.

Chart 4: Capacity addition in plywood over FY10-FY15

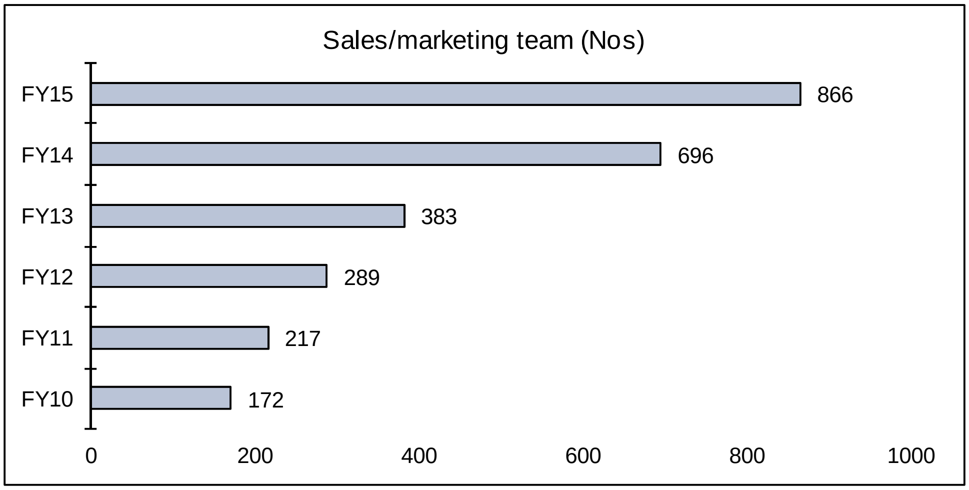


Source: Company, I-Sec research

Apart from this, the management over the past two years has aggressively added capacities in Myanmar and Laos for securing availability of commercial veneers.

- **Incremental sales force addition.** Since FY13, the management has been aggressive in terms of boosting its sales and marketing headcount to 866 in FY15 from 172 in FY10.

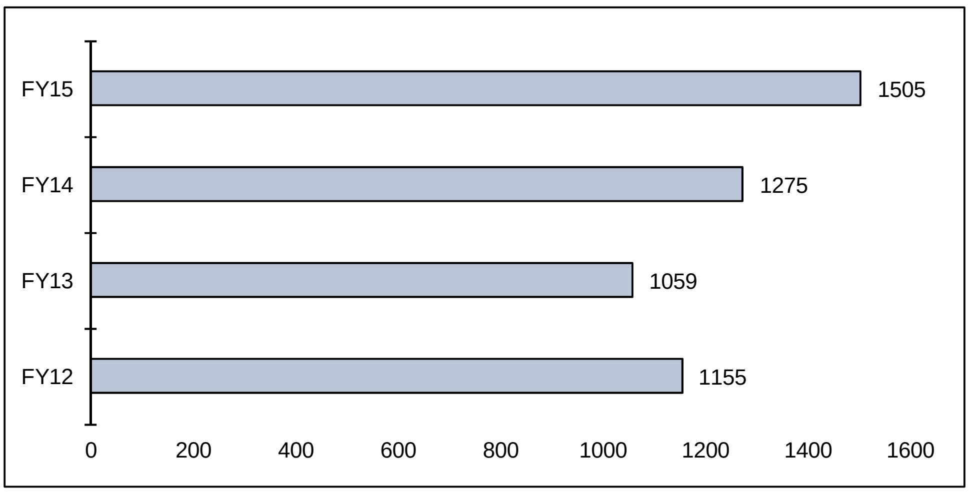
Chart 5: Aggressive addition of sales force over FY10-15



Source: Company, I-Sec research

- **Incremental dealer addition over FY10-FY15.** CPBI's business model is primarily retail-driven, which requires a robust distribution network. It has been able to widen its dealer base significantly to 1,505 in FY15 from 1,059 in FY13, an absolute growth of ~42%.

Chart 6: Active dealer network



Source: Company, I-Sec research

Sustained slowdown in premium segment to limit plywood division growth to 5.5% CAGR over FY15-18E

Over the past one year, given the pressure on the premium plywood segment volumes, the company has been increasing its focus on its commercial grade plywood brand *Sainik*, considering the huge opportunities in this segment. CPBI has almost doubled the turnover in this segment to Rs1.6bn in FY15 from Rs 0.8bn in FY13. In FY15, 55-60% of *Sainik* volume was outsourced, while the balance was manufactured in-house.

Chart 7:Growth in premium plywood expected to remain sluggish

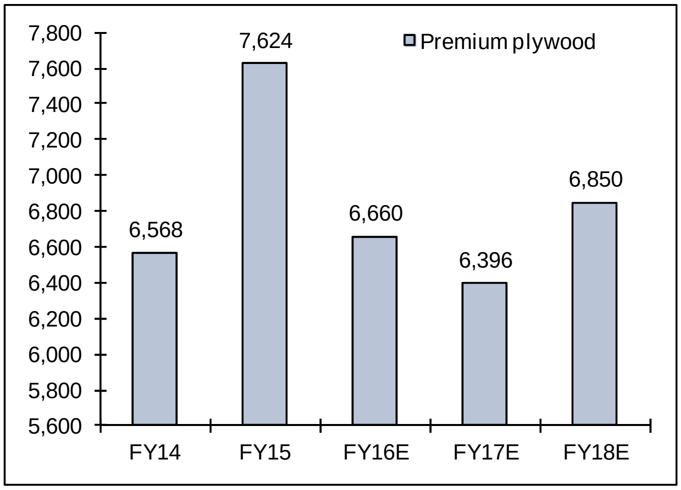
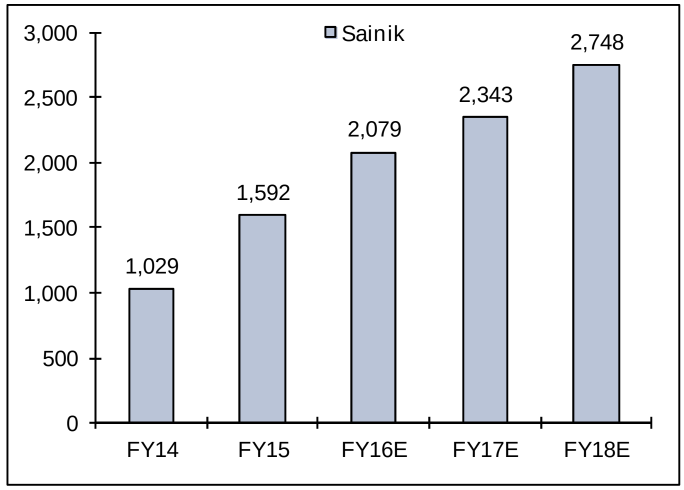


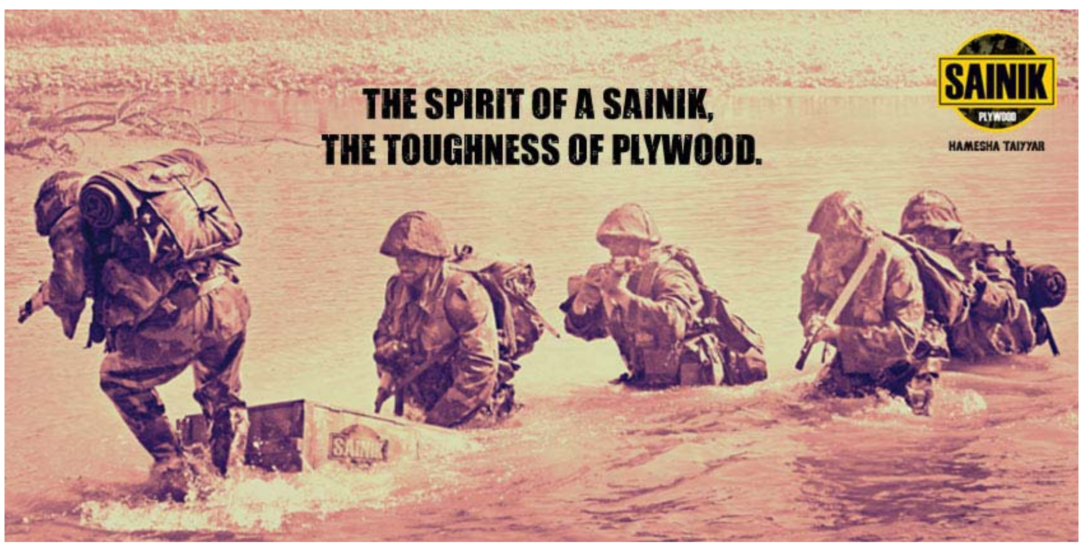
Chart 8:Growth momentum in *Sainik* to continue



Source: Company, I-Sec research

In FY16, CPBI initiated advertising spends in this category, which is expected to drive growth in the segment going forward. With the company targeting deeper penetration in tier-2&3 cities in the coming years and huge opportunities in terms of shift from unbranded to branded plywood, we expect the growth momentum in brand *Sainik* to continue.

Chart 9: Recently aired TV advertisement on *Sainik* plywood



Source: Company, I-Sec research

In FY15, *Sainik* contributed ~14% of total plywood revenues, with 55-60% being outsourced and the balance being manufactured in-house. Going forward, we expect *Sainik* to report 20% revenue CAGR over FY15-FY18, while the premium segment is expected to de-grow by 3.5% CAGR in revenue terms over the same period.

Increasing raw material security in Laos to ensure further traction in plywood margins and higher profitability

CPBI's key strength has been in sourcing of raw material at competitive rates and ensuring adequate raw material security. Since the timber export ban in Myanmar, the company has ensured adequate raw material security by sourcing commercial veneers initially, by setting up a unit in Myanmar and then following it up with sourcing from other countries like Laos, Papua New Guinea, Solomon Islands and Germany.

So far, the company has adopted the following sourcing strategies: a) sourcing processed veneers from its wholly-owned subsidiary in Myanmar, b) sourcing timber/processed veneers from Laos at competitive rates through the joint venture model, and c) importing timber from Papua New Guinea, Solomon Islands and Germany and processing the same at its peeling units in India.

Chart 10: World map – Raw material security

Source: I-Sec research

CPBI had the first-mover advantage being the only Indian company to set up a face veneer unit in Myanmar, before the export ban on timber. This resulted in ready accessibility to face veneers at a time when no Indian player had access to the same. On the other hand, GIL set up a unit in Myanmar only after the ban was imposed.

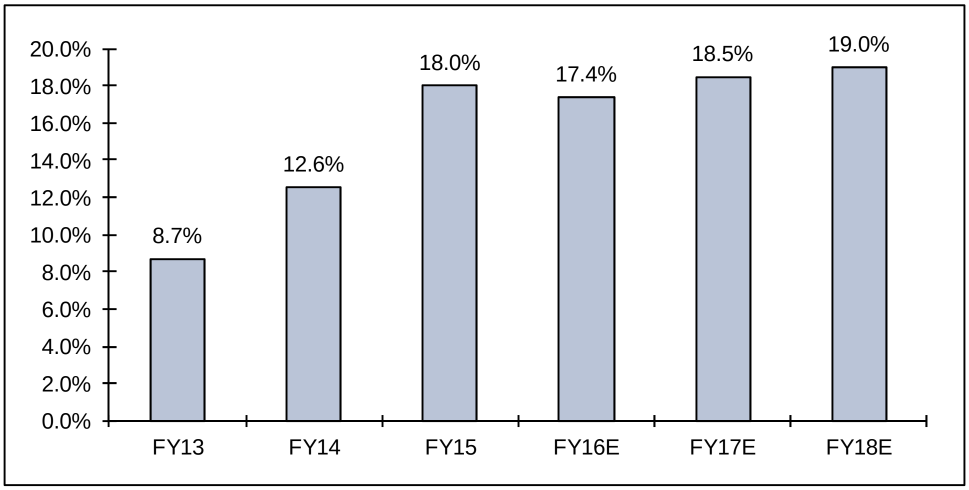
With the export ban on timber, commercial veneer prices in India rose 35-40%, driving windfall gains for CPBI, which was able to generate a margin of ~25-30% from this segment in FY15, thereby driving overall margin and profitability. This was achieved despite a major part of the peeling of timber being done in India in FY15.

However, in FY16, face veneer prices have corrected by 5-10%, which has lowered the margins to a certain extent in FY16. Timber prices in Myanmar too have risen 15-20% YoY, resulting in the Myanmar subsidiary's margins falling to 10-15%. Further, despite the management's intensified efforts in sourcing of commercial veneers from Laos (at much lower costs) in FY16, margins haven't been at anticipated levels as majority of the Laos timber was peeled in India resulting in higher logistic costs and lower yield.

However, since Feb'16, with incremental peeling machines installed in Laos, we expect majority of timber peeling operations to shift from India to Laos, which would drive margins for the plywood division going forward. We thus expect overall margin in commercial veneers to remain strong at 20-25% over the next two years as: a) higher timber procurement costs in Myanmar would get offset by competitive sourcing from Laos, and, b) timber peeling in India is likely to fall to 12% from 70% in FY15 with incremental peeling capacities being set up in Laos.

CPBI's focus on commercial veneers and timely commissioning of Myanmar and Laos units (before the timber ban) would continue to give the company a strategic advantage over peers. Despite the plywood division growth continuing to remain under pressure due to de-growth in its premium segment, the bottomline growth is expected to remain impressive, aided by strong margins led by superior timber sourcing strategies and focus on the retail segment.

Chart 11: Plywood margin trend

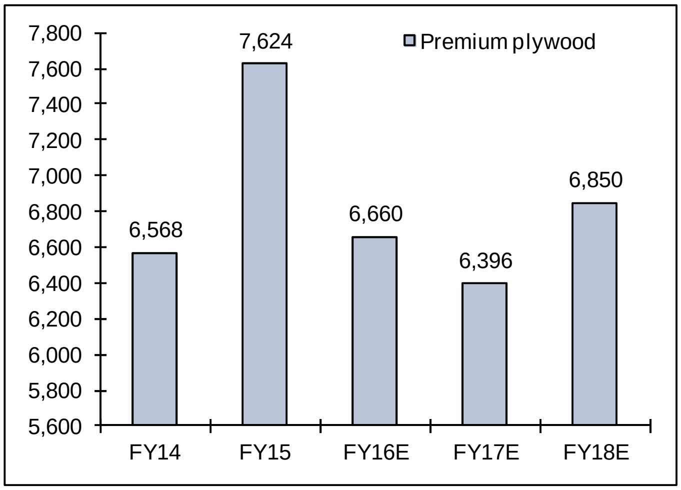


Source: Company, I-Sec research

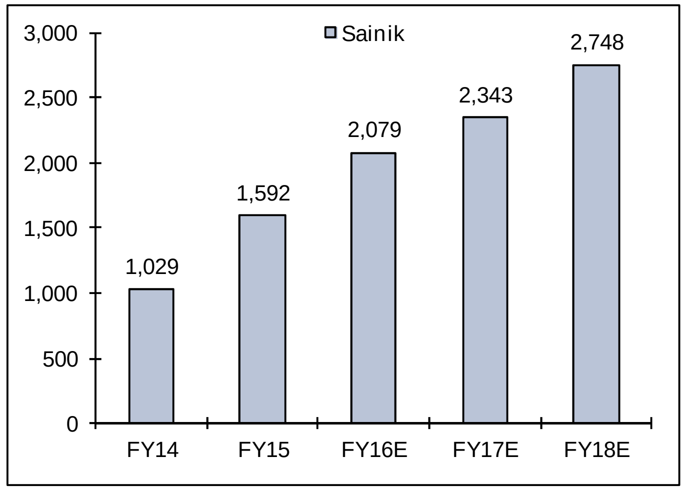
Going forward, we expect the plywood division's EBIDTA margin to gain traction by 110/50bps to 18.5/19% by FY17/FY18 respectively, largely led by shifting of the company's peeling base from India to overseas.

Plywood division performance over FY13-FY18E

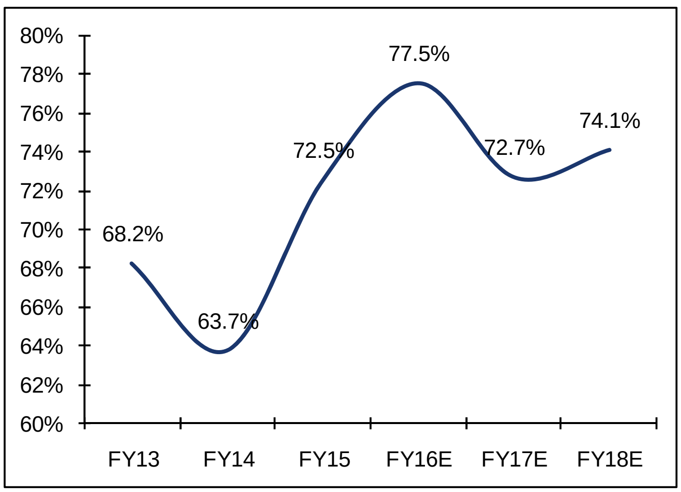
Growth in premium plywood expected to remain sluggish



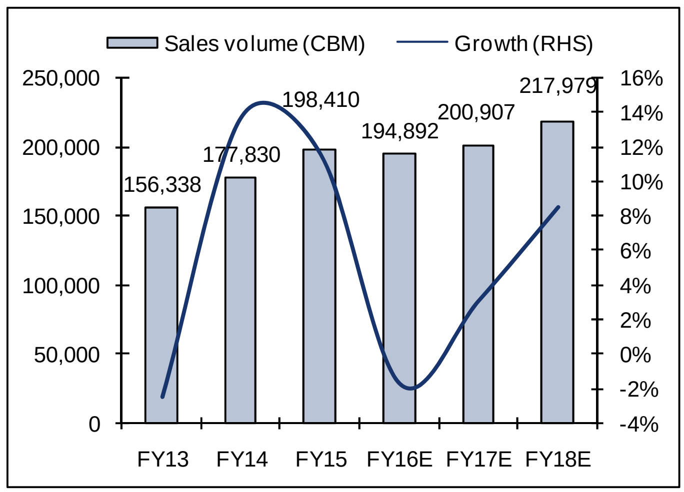
Growth momentum in *Sainik* to continue



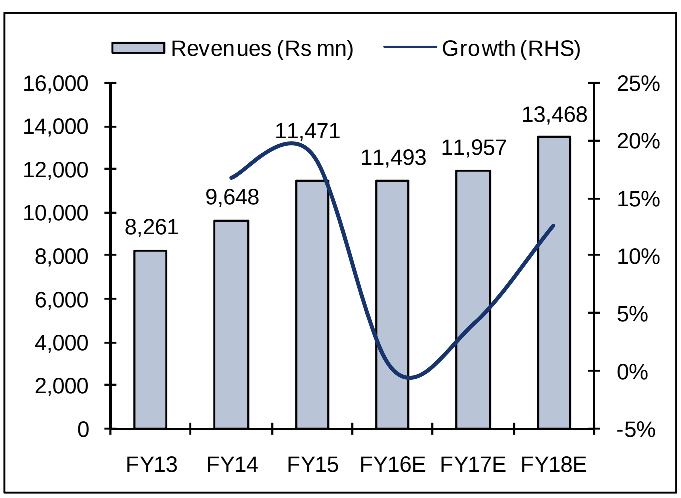
Capacity utilisation trend



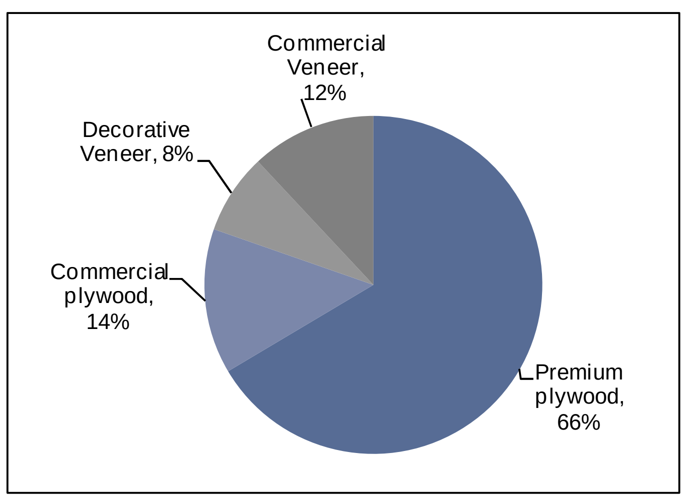
Sales volume and volume growth trend



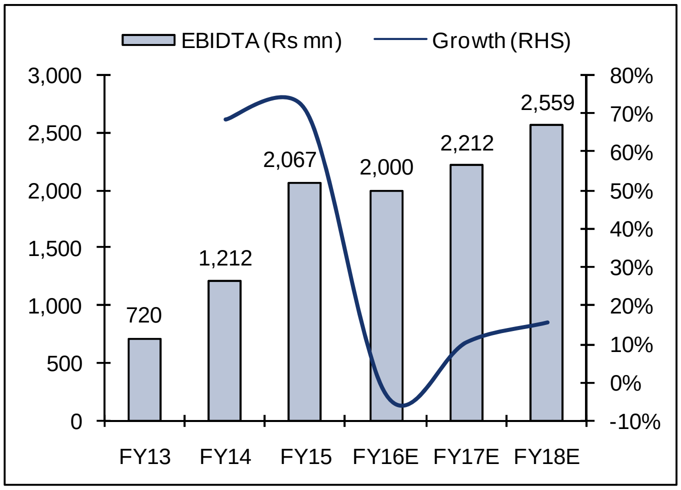
Revenue and revenue growth trend



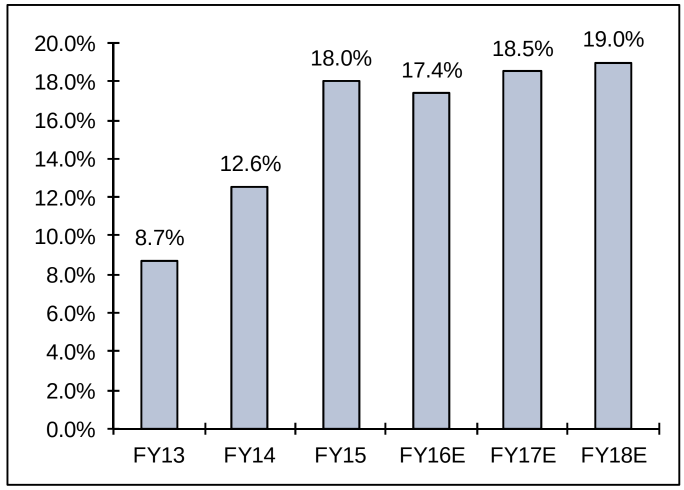
Plywood division revenue mix (FY15)



EBITDA and EBITDA growth trend



EBITDA margin trend

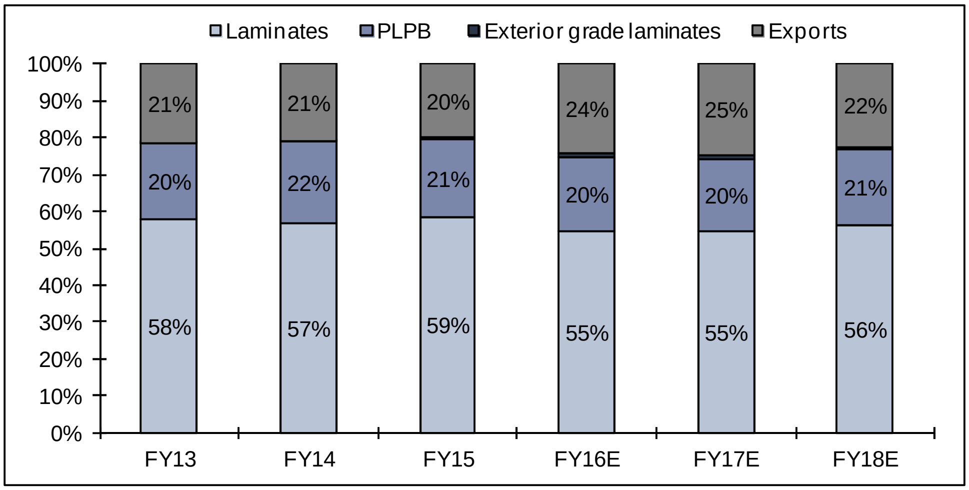


Source: Company, I-Sec research

Laminate division's revenue to grow at 19.5% CAGR over FY15-FY18E

CPBI's laminate division's revenue grew at an impressive 22.6% CAGR over FY10-FY15. Recent capacity expansion in the division and expected commissioning of the particle board unit augurs well for future growth and market share gains. We expect the laminate division, including the pre-laminated particle boards segment, to exhibit 19.5% revenue CAGR over FY15-FY18 on: a) increased capacity utilisation, b) higher contribution from value-added products, and c) widening distribution network.

Chart 12: Laminate division's revenue mix over FY15-FY18E



Source: Company, I-Sec research

Expect new particle board unit in Chennai to come on stream by May'16

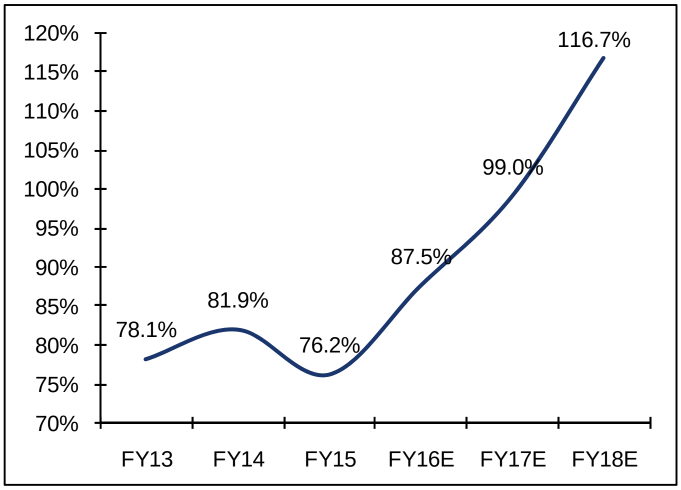
CPBI earlier operated in this segment by outsourcing the particle board from local vendors and pre-laminating it at its two short-cycle presses at Chennai and Kolkata. It is now setting up a backward integration facility in Chennai (near its short-cycle press) to manufacture particle boards, with an annual installed capacity of 54,000cbm, at a capex of Rs650mn. The plant is expected to commence production by May'16.

The company is also planning to shift its other short-cycle press shortly from Kolkata to Chennai to facilitate lamination of its entire particle boards' capacity. We expect margin from this unit to be in the 20-25% range, as 50% of the raw material requirements would be met from the waste generated from timber peeling at its Chennai plywood unit, with the balance met via saw mill waste in the vicinity of unit.

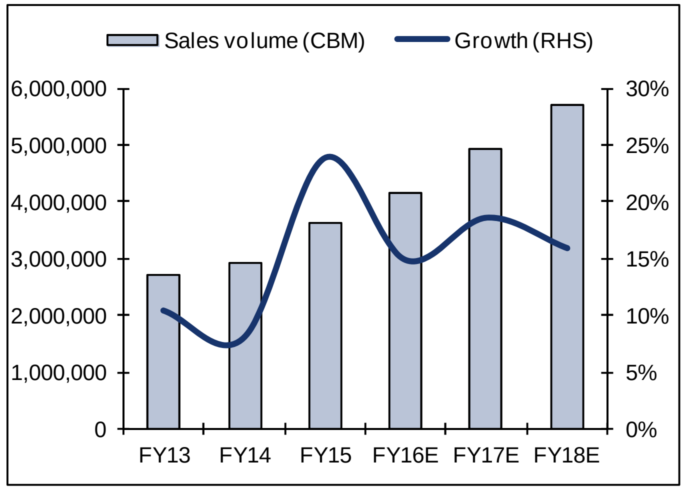
The basic premise for entering into backward integration is ready access to low-cost raw materials, ensuring significantly better profitability than outsourcing and laminating these boards and selling it. Higher capacity utilisation in the laminate division and backward integration project for pre-laminated particle boards is expected to further strengthen the laminate division margins over the next two years

Laminate division performance over FY13-FY18E

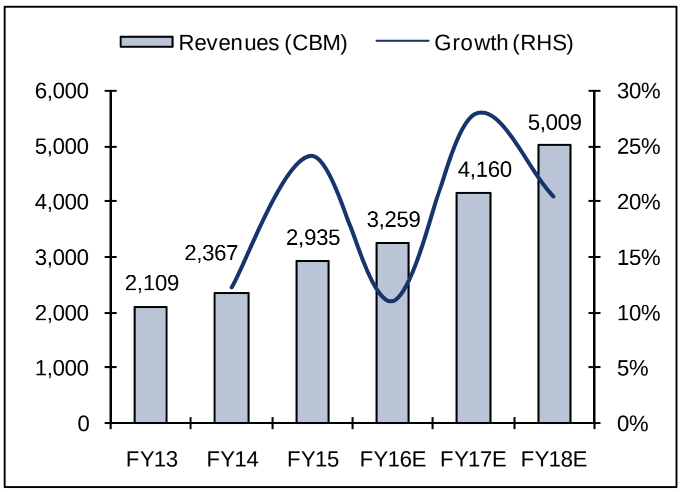
Capacity utilisation trend



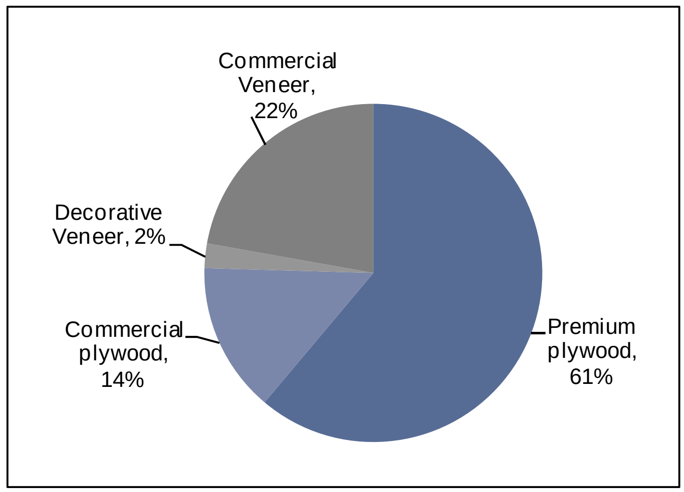
Sales volume and volume growth trend



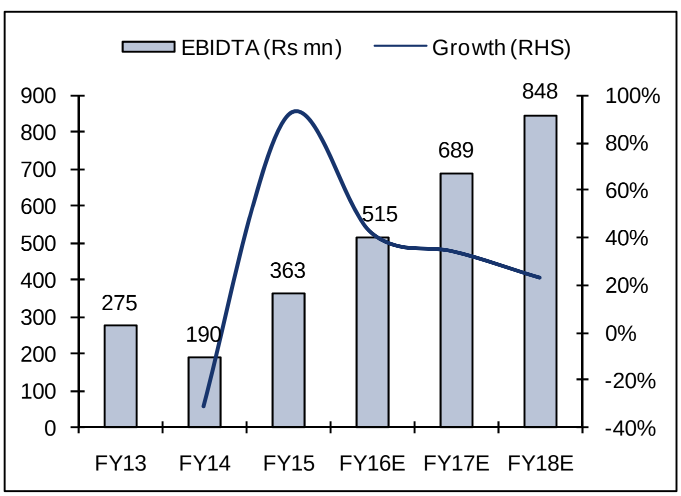
Revenue and revenue growth trend



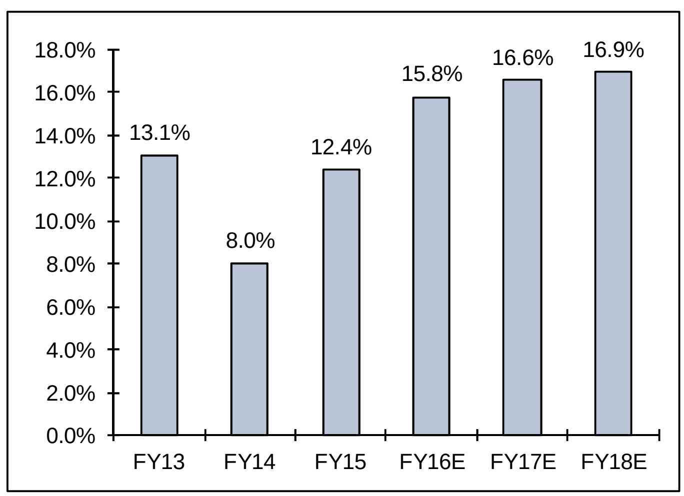
Laminate division revenue mix (FY15)



EBITDA and EBITDA growth trend



EBITDA margin trend



Source: Company, I-Sec research

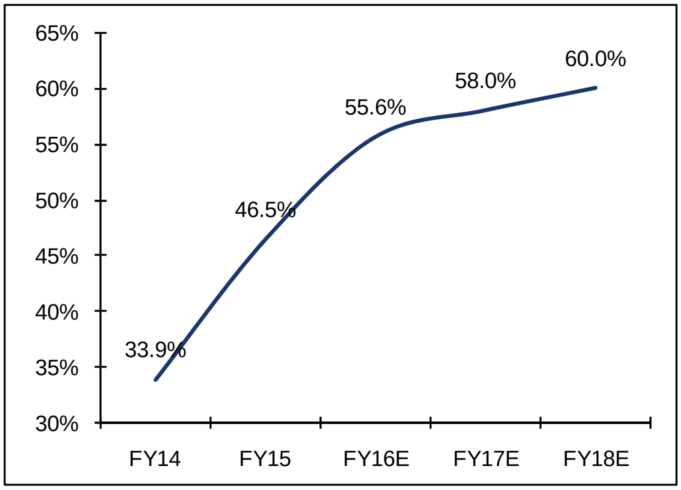
Container freight station revenue to be margin-accretive

In FY08, CPBI entered the container freight station (CFS) business by acquiring 0.1mn-sqm of Kolkata Port Trust land. With a total capacity of 160,000 TEUs spread across its two CFS's at Sonai (40,000 TEUs) and Jingira Pool (120,000 TEUs), the company controls almost 50% of CFS capacity at Kolkata Port.

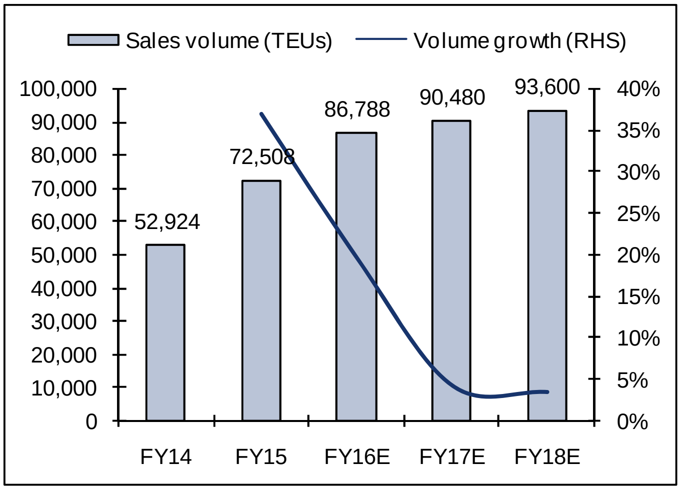
CFS revenue grew 29% CAGR over FY10-FY15. EBITDA margin in the CFS business is ~40-45%, providing a reasonable earnings cushion to CPBI. At present, the CFS business operates at ~45% utilisation. CFS accounts for ~5% of total revenues and 12% of overall EBITDA. Any substantial improvement in utilisation rates would provide substantial upside to the EBITDA margin of the CFS business as operating leverage would come into play. We estimate CFS revenues to grow at 12.6% CAGR over FY15-FY18 and margins to improve by 280bps to 48.5% led by higher utilisation.

CFS division performance over FY14-FY18E

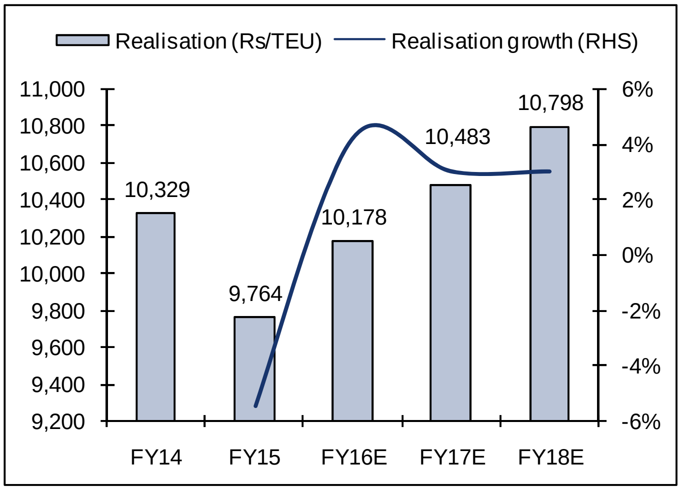
Capacity utilisation trend



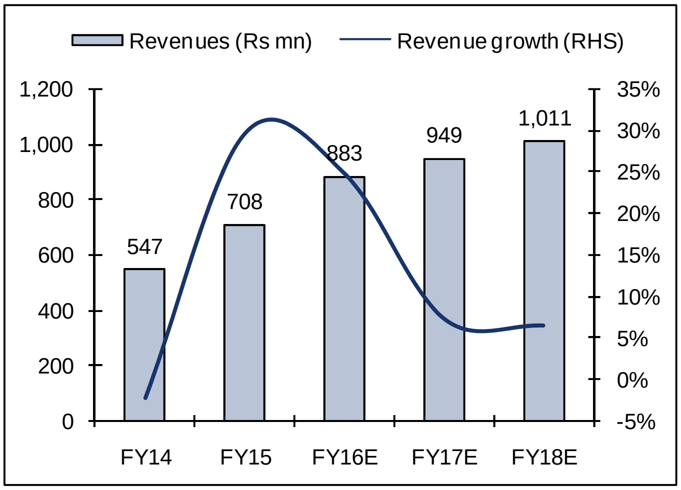
Sales volume (TEUs) and its growth trend



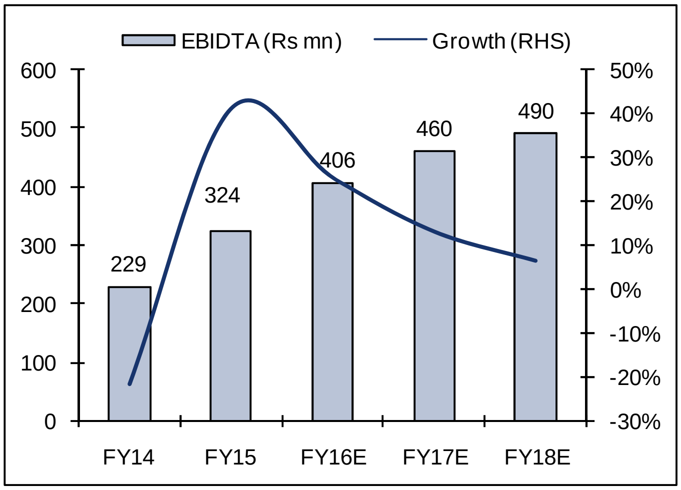
Realisation and realisation growth trend



Revenue and revenue growth trend

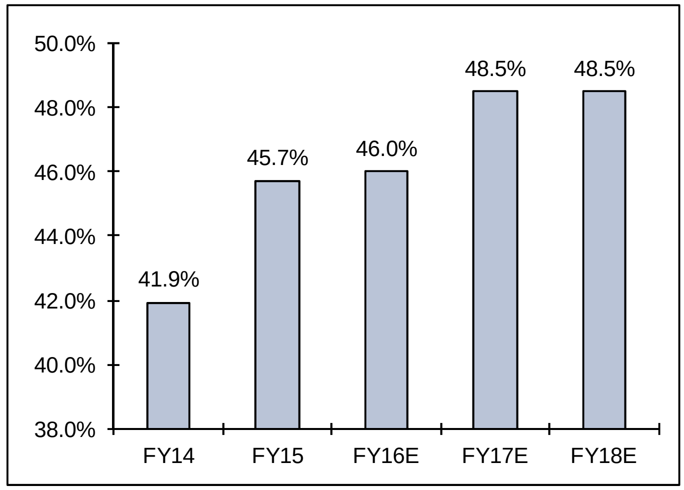


EBITDA and EBITDA growth trend



Source: Company, I-Sec research

EBITDA margin trend



Entry into MDF manufacturing to enable one-stop shop offerings

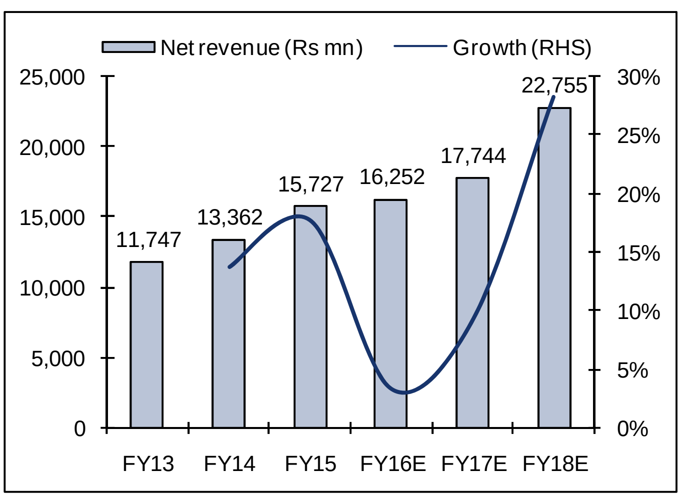
Over the past couple of years, CPBI has been test-marketing MDF by importing and selling it largely in the East India market. With the increasing awareness and acceptance for the product, CPBI has finally decided to venture into manufacturing of MDF. It is currently setting up an MDF plant at Hoshiarpur district in Punjab, with an annual manufacturing capacity of 198,000cbm, at a capex of Rs4bn. The company is also contemplating to put an adjoining plywood-cum-blockboard unit with an initial capacity of 17,000cbm which is expected to be enhanced further to 51,000cbm after a period of two years from inception. The company's overall capex at Punjab is thus estimated at close to Rs4.5bn.

CPBI has already placed orders of major machinery with reputed suppliers from China and Europe. The company is installing a Chinese plant *vs* a European plant for GIL as the management feels that the Chinese plant manufacturers have significantly upgraded their technology over the past five years and that it is capable of producing MDF of the same quality as that of a European plant. The offerings too would include varied sizes and thicknesses as is capable from a European plant.

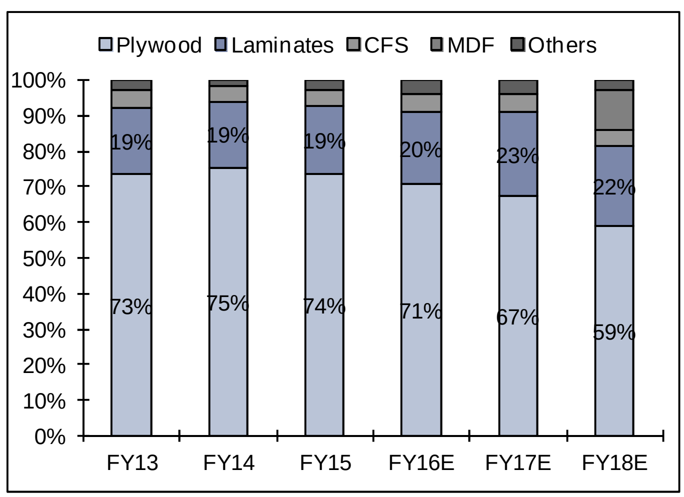
The plant is likely to commence commercial production in Q1FY18. The management expects the plant to generate potential revenues of over Rs5bn at optimum capacity utilisation. We have factored revenues to the tune of Rs2.6bn for FY18 at 50% capacity utilisation. We expect the unit to deliver 18% EBIDTA margin (lower than management's expectations) in its first year of operations. However, the MDF operations may not add significantly to the bottomline in FY18 given that depreciation and interest (for most part of the year) would be charged to the unit.

Improving financials over FY13-FY18E

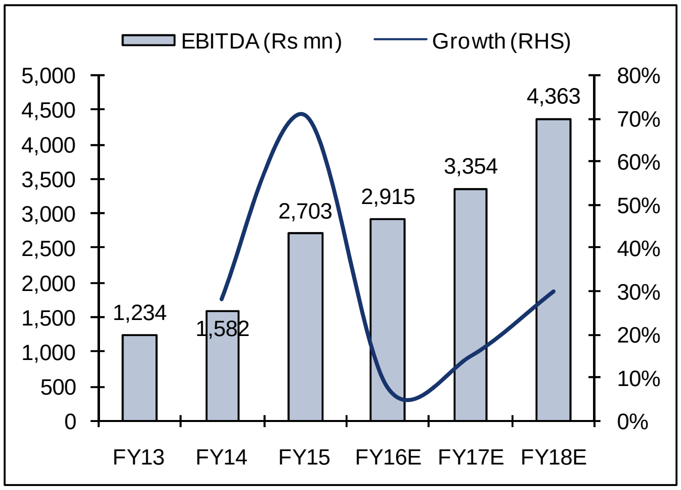
Net revenue and revenue growth trend



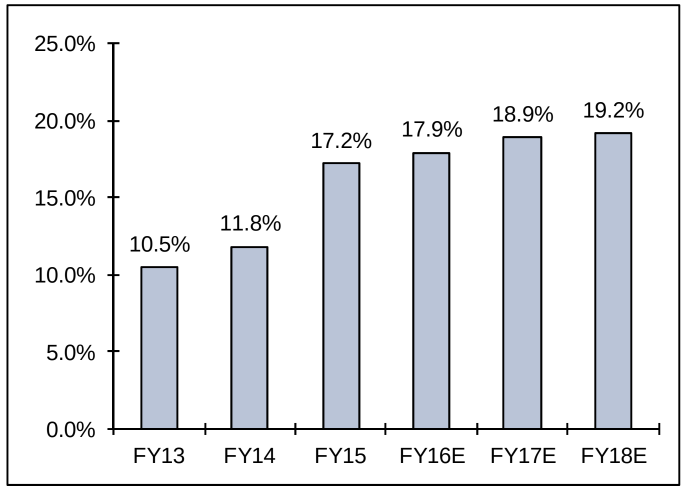
Revenue mix trend



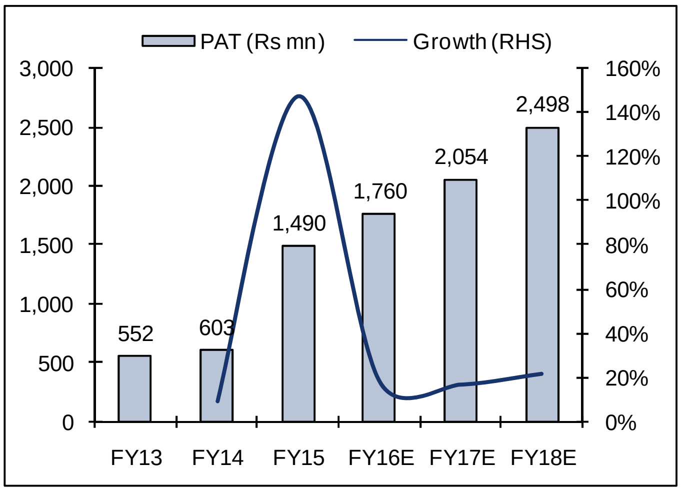
EBITDA and EBITDA growth trend



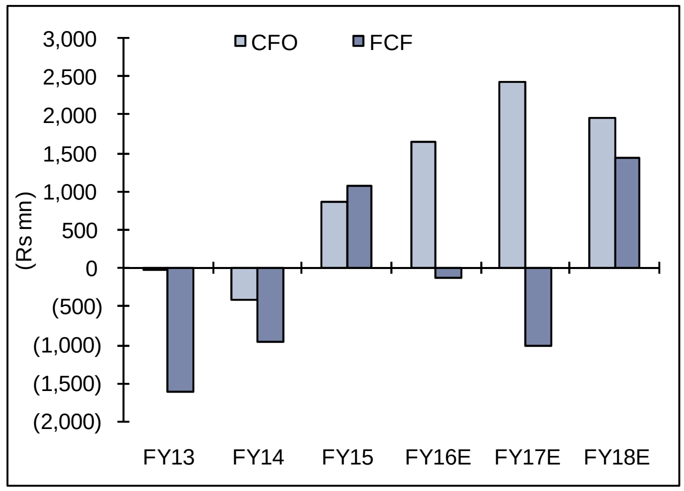
EBITDA margin trend



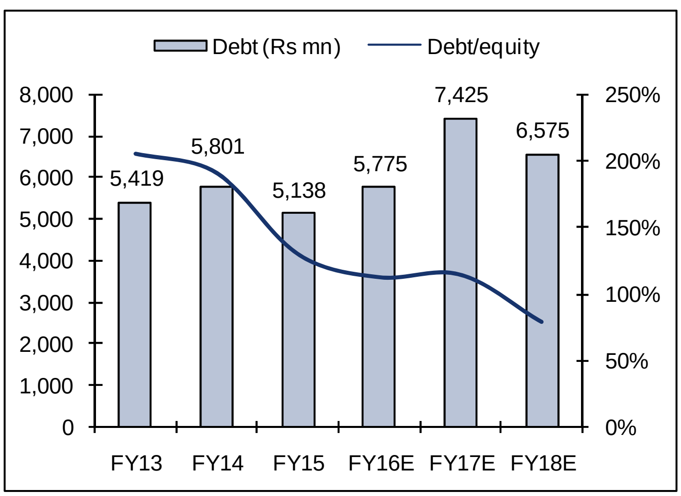
PAT and PAT growth trend



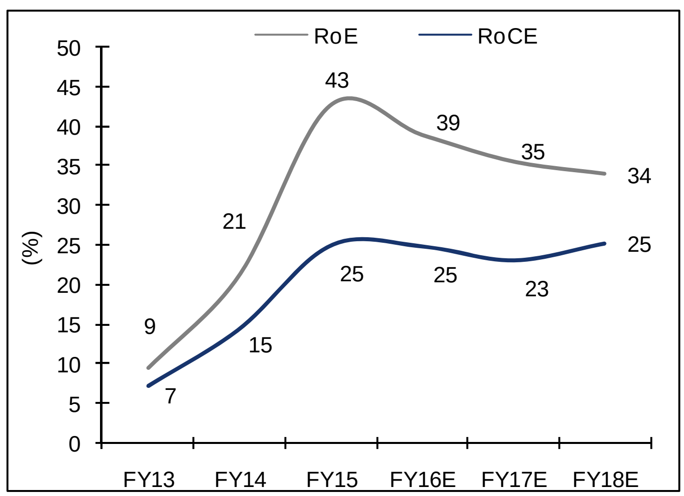
Cash flow from operations and FCF trend



Debt and debt-to-equity ratio trend



RoE and RoCE trend



Source: Company, I-Sec research

Key concerns

Raw material imports

CPBI imports ~65% of its raw material requirements, without entering into forward cover or hedging its forex exposure. Volatility in foreign exchange rates exposes it to risks, which could significantly impact margins.

Investments in face veneers

The management is aggressively investing in setting up manufacturing units for processing commercial veneers in Myanmar and Laos. At present, the company is in a sweet spot as it is one of the few companies to have opened a unit in Myanmar and the only one to have done so in Laos. Any announcement of an export ban on processed veneers from Myanmar/Laos could significantly impact the company.

Delay in setting up, or issues, in execution of MDF plant

CPBI has finally decided to enter into manufacturing of MDF by setting up a greenfield project in Punjab. It plans to set up an MDF plant by FY17-end with an annual manufacturing capacity of 198,000cbm, at a capex of Rs4bn. Any delay or issues in execution could impact the company’s financials in FY18E in particular.

Valuation and recommendation

We expect CPBI’s revenues and PAT to grow at an impressive 13.1/18.8% CAGR over FY15-FY18, respectively. RoCE too is expected to remain firm at 25% by FY18, despite incurring huge capex on the MDF project.

The stock has corrected over 35% from the Mar’15 highs. At the current market price of Rs171 per share, the stock trades at 15.2x FY18E earnings, which looks attractive given its impressive earnings visibility and sustainable return ratios. We initiate coverage on CPBI with a **BUY** rating and a target price of Rs225 per share, valuing the company at 20x FY18E earnings.

Company background

Century Plyboards (CPBI) is an India-based plywood manufacturing company, with a 23% share of the organised plywood market. The company has seven plywood manufacturing units – six in India and one in Myanmar. The company has also put up commercial veneer processing units in Myanmar and Laos to ensure adequate raw material security. Its pan-India presence comprises 35 marketing offices and over 14,500 retail outlets.

Established in 1982, CPBI operates in four segments:

- Plywood comprising of plywood, blockboard, commercial veneer, decorative veneer and timber
- Laminates including high-pressure laminates and pre-laminated particle boards
- Container freight station (CFS) services
- Others –including trading of furniture and modular kitchen

The company has been one of the leaders in the domestic plywood sector for more than two decades, accounting for nearly one-fourth of all branded plywood sold in India. Leveraging its strong brand equity and dealer network, CPBI has also been able to grow its laminates business considerably over the past few years. It now ranks among the top three organised players in the Indian laminates industry.

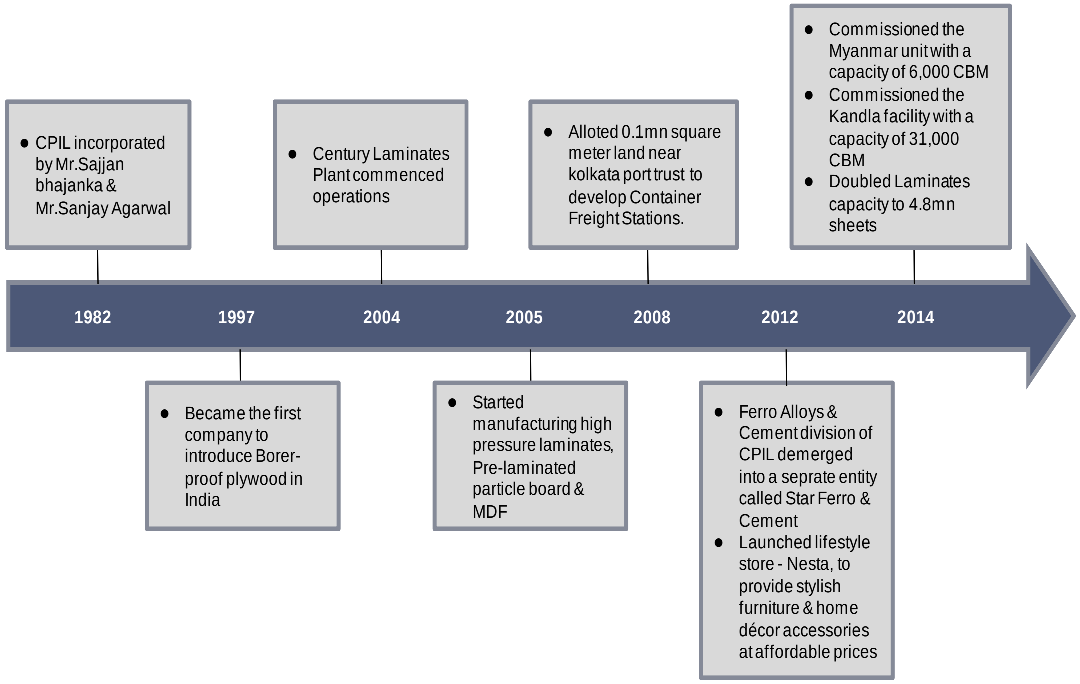
The company demerged its ferro-alloys and cement division into a new wholly-owned subsidiary – Star Ferro & Cement – in FY12 to unlock value in each of the businesses and ensure efficient deployment of capital. Subsequently, CPBI's revenues and profits have grown at 16/64% CAGR over FY13-FY15, respectively.

Table 1: Business model

Parameters	Plywood	Laminates	CFS	*Others
Year of inception	1982	2004	2009	2012
Factory location	Kolkata, Chennai, Guwahati, Karnal, Bhachau, Roorkee and Myanmar	Chennai	Kolkata	Kolkata and Bengaluru
Capacity	209,420 cbm	4.8m sheets	156,000 TEUs	NA
FY15 revenue (Rs mn)	9,216	2,935	708	440
Revenue mix	74%	19%	5%	3%
EBIDTA margin	18%	12.4%	45.7%	-4.5%
EBIT (Rs mn)	1,867	230	218	-28
EBIT mix (%)	82%	10%	10%	-2%
RoCE	33%	13%	36%	-89%
Distribution model	Dealer/Distributor	Distributor	NA	NA
Dealer network	1,505	NA	NA	NA
Industry and market share				
Market size (Rs bn)	180.0	40.0	NA	NA
Market share (%)	5%	7%	NA	NA

Note*: Furniture trading and modular kitchen
Source: Company, I-Sec research

Chart 13: Key milestones



Source: Company, I-Sec research

Financial summary

Table 2: Profit and Loss Statement

(Rs mn, year ending Mar 31)

	FY14	FY15	FY16E	FY17E	FY18E
Net Sales	13,362	15,727	16,252	17,744	22,755
Add: Other Operating Income	115	157	-	-	-
Net revenue	**13,477**	**15,884**	**16,252**	**17,744**	**22,755**
Less:					
Cost of goods sold	7,828	8,427	8,476	9,030	11,638
Employee cost	1,612	2,009	2,080	2,271	2,913
Others	2,454	2,745	2,781	3,088	3,841
Total Operating Expenses	**11,894**	**13,181**	**13,337**	**14,389**	**18,392**
EBITDA	**1,582**	**2,703**	**2,915**	**3,354**	**4,363**
Depreciation	387	485	440	503	752
Other income	37	33	25	28	30
EBIT	**1,232**	**2,251**	**2,500**	**2,879**	**3,642**
Less: Financial expenses	603	456	453	434	595
Recurring Pre-tax Income	**629**	**1,796**	**2,047**	**2,446**	**3,047**
Less: Taxation	(5)	296	287	391	548
Less: Minority Interest / Subsidiary loss	31	9	-	-	-
Add: Share of Profit of Associates	1	(1)	-	-	-
Net Income (Reported)	**603**	**1,490**	**1,760**	**2,054**	**2,498**
Extraordinary Items	-	-	-	-	-
Recurring Net Income	**603**	**1,490**	**1,760**	**2,054**	**2,498**

Source: Company data, I-Sec research

Table 3: Balance Sheet

(Rs mn, year ending Mar 31)

	FY14	FY15	FY16E	FY17E	FY18E
ASSETS					
Current Assets, Loan & Advances					
Inventories	3,029	3,322	3,518	3,500	4,364
Sundry debtors	2,089	2,683	3,028	3,160	3,740
Cash and bank balances	387	374	285	210	104
Other current assets	215	187	187	187	187
Loans and advances	1,073	1,323	1,500	1,750	1,900
Total Current Assets	**6,793**	**7,890**	**8,517**	**8,806**	**10,295**
Current Liabilities & Provisions					
Current Liabilities	753	622	668	729	873
Provisions and other liabilities	636	959	1,076	1,251	1,401
Total Current Liabilities & Provisions	**1,389**	**1,581**	**1,744**	**1,980**	**2,274**
Net Current Assets	**5,404**	**6,309**	**6,773**	**6,826**	**8,021**
Investments	**31**	**4**	**4**	**4**	**4**
Fixed Assets					
Gross block	4,895	4,605	5,457	6,037	10,663
Less : depreciation	1,731	2,151	2,592	3,095	3,846
Net block	**3,164**	**2,454**	**2,866**	**2,943**	**6,817**
CWIP	240	326	1,256	4,126	-
Godwill	**-**	**2**	**-**	**-**	**-**
Total Assets	**8,839**	**9,095**	**10,898**	**13,898**	**14,842**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders Fund					
Equity share capital	223	223	223	223	223
Reserves and surplus	2,708	3,671	4,838	6,188	7,981
Total Shareholders Fund	**2,931**	**3,894**	**5,061**	**6,410**	**8,204**
Borrowings					
Secured loans	5,176	4,677	5,375	7,075	6,225
Unsecured loans	625	461	400	350	350
Total Borrowings	**5,801**	**5,138**	**5,775**	**7,425**	**6,575**
Deferred Tax Liability	**(7)**	**8**	**8**	**8**	**8**
Minority Interest	**114**	**55**	**55**	**55**	**55**
Total Liabilities & Shareholders' Equity	**8,839**	**9,095**	**10,898**	**13,898**	**14,842**

Source: Company data, I-Sec research

Table 4: Cash Flow Statement

(Rs mn, year ending Mar 31)

	FY14	FY15	FY16E	FY17E	FY18E
Cash Flow from Operating Activities					
PAT	603	1,490	1,760	2,054	2,498
Add: Depreciation	387	485	440	503	752
Add: Other Operating activities	(222)	(129)	-	-	-
Operating Cash Flow Before Working Capital change (a)	**768**	**1,846**	**2,200**	**2,557**	**3,250**
Changes in Working Capital					
(Increase) / Decrease Trade & 0th receivables	(296)	(595)	(344)	(132)	(581)
(Increase) / Decrease Inventories	(736)	(293)	(195)	17	(864)
Increase / (Decrease) Current liab and provisions	179	106	164	236	294
Others	(339)	(194)	(177)	(250)	(150)
Working Capital Inflow / (Outflow) (b)	**(1,192)**	**(976)**	**(553)**	**(128)**	**(1,301)**
Net Cash flow from Operating Activities (a) + (b)	**(424)**	**869**	**1,648**	**2,429**	**1,949**
Cash Flow from Capital commitments (c)	**(544)**	**201**	**(1,780)**	**(3,450)**	**(500)**
Free Cash flow after capital commitments (a) + (b) + (c)	**(968)**	**1,071**	**(132)**	**(1,021)**	**1,449**
Cash Flow from Investing Activities					
Purchase of Investments	45	27	-	-	-
Change in goodwill	-	-	-	-	-
Net Cash flow from Investing Activities (d)	**45**	**27**	**-**	**-**	**-**
Cash Flow from Financing Activities					
Equity raised/(repaid)	-	-	-	-	-
Proceeds from fresh borrowings	382	(663)	637	1,650	(850)
Dividend paid including tax and others	(60)	(462)	(593)	(705)	(705)
Net Cash flow from Financing Activities (e)	**322**	**(1,125)**	**44**	**945**	**(1,555)**
Change in Deferred Tax Liability (f)	(32)	15	-	-	-
Total Increase / (Decrease) in Cash (a) + (b) + (c) +(d) + (e) + (f)	(633)	(13)	(89)	(76)	(106)
Opening Cash and Bank balance	1,020	387	374	285	210
Closing Cash and Bank balance	387	374	285	210	104
Increase / (Decrease) in Cash and Bank balance	**(633)**	**(13)**	**(89)**	**(76)**	**(106)**

Source: Company data, I-Sec research

Table 5: Key ratios

(year ending Mar 31)

	FY14	FY15	FY16E	FY17E	FY18E
Per Share Data (Rs)					
EPS	2.7	6.7	7.9	9.2	11.2
Cash EPS	4.6	8.9	9.9	11.5	14.6
Dividend per share (DPS)	0.3	1.8	2.0	2.5	2.5
Book Value per share (BV)	12.8	16.9	23.0	29.1	37.1
Growth (%)					
Net Sales	13.7	17.7	3.3	9.2	28.2
EBITDA	28.3	70.8	7.8	15.1	30.1
PAT	9.2	147.2	18.2	16.7	21.6
Cash EPS	19.2	94.5	10.9	16.2	27.1
Valuation Ratios (x)					
P/E	63.1	25.5	21.6	18.5	15.2
P/CEPS	37.3	19.2	17.3	14.9	11.7
P/BV	13.3	10.1	7.4	5.9	4.6
EV / EBITDA	27.5	15.8	14.9	13.5	10.2
EV / Sales	3.3	2.7	2.7	2.6	2.0
Operating Ratios					
Raw Material / Sales (%)	58.6	53.6	52.2	50.9	51.1
Employee cost / Sales (%)	12.1	12.8	12.8	12.8	12.8
SG&A / Sales (%)	12.4	13.9	13.1	13.1	12.6
Other Income / PBT (%)	5.9	1.8	1.2	1.1	1.0
Effective Tax Rate (%)	(0.7)	16.5	14.0	16.0	18.0
Working Capital (days)	119.2	125.0	132.0	122.0	116.0
Inventory Turnover (days)	82.7	77.1	79.0	72.0	70.0
Receivables (days)	57.1	62.3	68.0	65.0	60.0
Payables (days)	20.6	14.4	15.0	15.0	14.0
Net D/E Ratio (x)	1.8	1.2	1.1	1.1	0.8
Return/Profitability Ratios (%)					
Net Income Margins	4.7	9.5	10.8	11.6	11.0
RoACE	14.5	25.0	24.9	23.2	25.3
RoAE	21.2	42.6	38.8	35.5	33.9
Dividend Payout	9.9	31.0	33.7	34.3	28.2
Dividend Yield	0.2	1.0	1.2	1.5	1.5
EBITDA Margins	11.8	17.2	17.9	18.9	19.2

Source: Company data, I-Sec research