

Century Plyboards (India)

Rating: ◀▶

Target price: ▲

EPS: ▲

CMP	Target	Rating
Rs. 245	Rs. 300	BUY

How does our one year outlook change?

- We continue to maintain our positive stance on Century Plyboards (CPBI) as it 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.
- As Centuryply's significant capex phase will get over in FY18E with commissioning of its MDF plant by Q2FY18E and expansion at its laminates capacity, we expect the overall revenues to grow by more than 20% CAGR in next two years led by this capacity addition.
- Expect plywood revenues to grow at a CAGR of 10% (versus industry growth of 6-8%) in next two years with steady margins of 17%.
- We estimate MDF revenues to touch Rs.1.5bn and Rs.2.9bn respectively in FY18E-19E with margins of 22-23% due to lower utilizations.
- We estimate laminates business to grow by 20% in FY17-19E due to commissioning of new line by FY18E, increase in exports and shift from unorganized segment to organized post favorable GST rate for the segment.
- Expect overall margins to increase to 17%+ from 16.4% in FY17 led by increasing mix of MDF and ramp up in utilization at the newly commissioned particle board and MDF facilities.
- Net debt to Equity to trend down from 0.8x currently to 0.5x by FY19E. RoCE's to increase to 20% by FY19E despite MDF capex.
- CPBI trades at 25x FY18E and 19x FY19E EPS. With industry leading growth, expansion in margins post higher utilizations in MDF, and improvement in balance sheet and returns profile, we expect the current FY18E multiples to sustain going ahead. Hence, Maintain BUY with a TP of Rs. 300.

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.
- 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
- With its commissioning of MDF capacity in FY18E, CPBI will offer entire gamut of wood panel products.
- Expect revenues and profits to double by FY21E with strong cash flows and return metric ratios of more than 20%.

4QFY17 Update				25th May, 2017	
Promoters	72.0			Bloomberg	CPBI IN
Institutions	16.7			Shares o/s	223mn
Public	11.3			Market Cap	Rs. 53bn
(%)	1m	3m	12m	52-wk High-Low	Rs. 271-154
CPBI	-9%	7%	49%	3m Avg. Daily Vol	Rs. 47mn
Sensex	2%	5%	20%	Index	BSE500

Key estimate revision

	FY18E			FY19E		
	Old	New	Change	Old	New	Change
Revenues	21,214	21,577	2%	24,710	25,800	4%
EBITDA	3,572	3,592	1%	4,277	4,433	4%
Margin %	16.8%	16.6%		17.8%	17.2%	
PAT	2,021	2,134	5%	2,637	2,833	8%
PAT margin %	9.5%	9.9%		10.7%	11.0%	
EPS	9.1	9.6	5%	11.8	12.7	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	16,357	2,835	1,698	7.6	31.5	37.2%
FY17	17,825	2,920	1,856	8.3	28.8	30.1%
FY18E	21,577	3,592	2,134	9.6	25.0	26.9%
FY19E	25,800	4,433	2,833	12.7	18.9	28.5%

Century Plyboards (India)

Quarterly Financial Statements

CMP

Rs. 245

Target

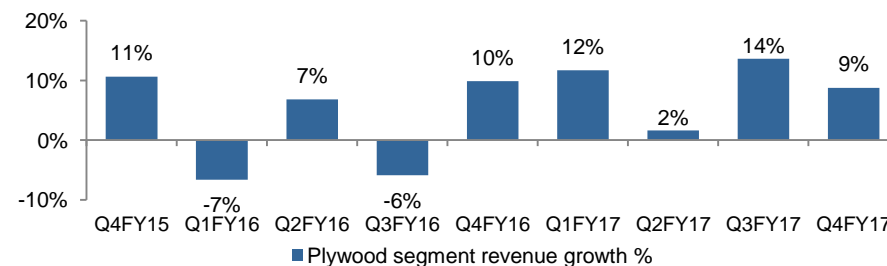
Rs. 300

Rating

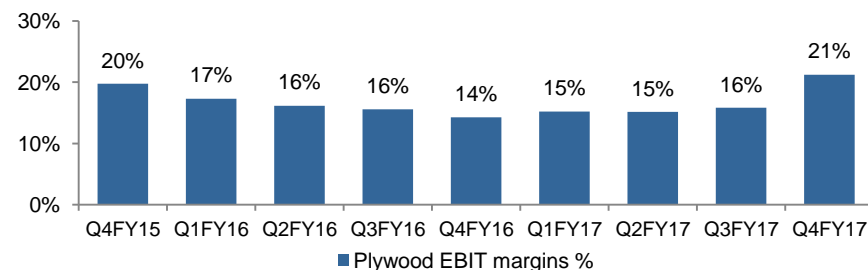
BUY

Financial results					
Rs. mn \ Period	Mar-17	Mar-16	yoy	Dec-16	qoq
Revenues	4,885	4,471	9.3%	4,255	14.8%
Raw material	1,611	1,605	0.4%	1,464	10.0%
Purchased goods	920	690	33.4%	737	24.9%
Employee costs	667	621	7.5%	637	4.7%
Other expenditure	850	795	6.9%	744	14.2%
EBITDA	838	760	10.2%	673	24.5%
Margins%	17.1%	17.0%		15.8%	
Other income	141	14	945.3%	33	327.3%
Interest	26	102	-74.9%	112	-77.2%
Depreciation	156	120	29.9%	149	4.1%
PBT	798	553	44.4%	445	79.5%
PBT margins %	16.3%	12.4%		10.5%	
Tax	239	137		72	
Effective tax rate	30.0%	24.7%		16.1%	
PAT	559	416	34.4%	373	49.9%
Margins	11.4%	9.3%		8.8%	
EPS (Rs.)	2.5	1.9	34.4%	1.7	49.9%

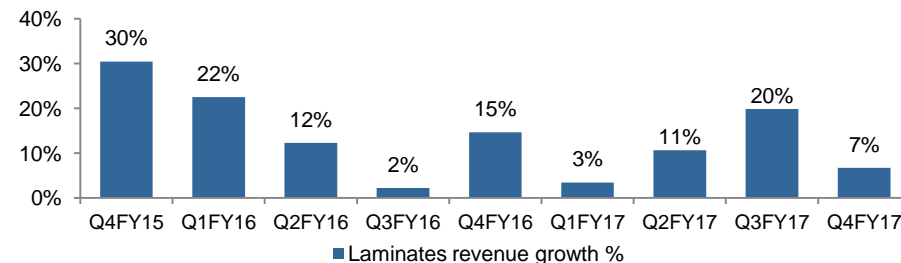
Plywood segment revenue trends



Plywood segment EBIT margin trends



Laminates segment revenue trends



Source: Spark Capital

Abridged Financial Statements (Standalone)				
Rs. mn	FY16	FY17	FY18E	FY19E
Profit & Loss				
Revenues	16,357	17,825	21,577	25,800
EBITDA	2,835	2,920	3,592	4,433
Other Income	65	227	275	328
Depreciation	437	524	777	799
EBIT	2,463	2,623	3,089	3,963
Interest	465	286	422	422
PBT	1,998	2,337	2,667	3,541
Exceptionals loss/(Income)	-	-	-	-
Tax	300	481	533	708
PAT after exceptionals	1,698	1,856	2,134	2,833
Balance Sheet				
Networth	5,251	7,086	8,793	11,060
Total Debt	4,556	6,077	6,427	5,627
Deferred Tax & MI	(655)	(689)	(689)	(689)
Total Networth & Liabilities	9,151	12,475	14,532	15,998
Gross Block	4,374	5,422	10,514	11,514
Net Block + CWIP	2,905	5,336	6,809	7,011
Investments	497	960	960	960
Net working capital (ex cash)	5,559	5,640	6,417	7,648
Cash	190	538	346	380
Net working capital	5,749	6,178	6,762	8,027
Total Assets	9,151	12,475	14,532	15,998
Cash Flows				
Cash flows from operating	2,895	2,907	2,556	2,822
Cash flows from investing	(1,287)	(3,423)	(2,250)	(1,000)
Cash flows from financing	(1,588)	967	(499)	(1,789)
Free Cash Flows	1,144	(803)	(116)	1,401

Key metrics				
	FY16	FY17	FY18E	FY19E
Segment revenues				
Plywood	11,735	12,609	13,746	15,258
Laminates	3,353	3,636	4,450	5,447
CFS	837	876	981	1,079
Growth ratios				
Revenues	5%	9%	21%	20%
EBITDA	13%	3%	23%	23%
PBT	11%	17%	14%	33%
PAT	13%	9%	15%	33%
Margins Ratios				
EBITDA	17.3%	16.4%	16.6%	17.2%
PBT	12.2%	13.1%	12.4%	13.7%
PAT	10.4%	10.4%	9.9%	11.0%
Performance Ratios				
Net Debt to Equity (x)	0.8	0.8	0.7	0.5
RoAE (%)	37.2%	30.1%	26.9%	28.5%
RoCE (%)	22.4%	18.1%	17.4%	19.9%
Gross Asset Turnover (x)	3.9	3.6	2.7	2.3
Net Working Capital Days	124	115	109	108
Interest coverage (x)	5.3	9.2	7.3	9.4
Valuation metrics				
Shares Outstanding (mn)	223	223	223	223
Market Cap (Rs. mn)	53,406	53,406	53,406	53,406
EPS	7.6	8.3	9.6	12.7
P/E(x)	31.5	28.8	25.0	18.9
Price to Book (x)	10.2	7.5	6.1	4.8
EV/EBITDA (x)	20.0	19.2	16.6	13.2
Dividend yield (%)	0.4%	0.4%	0.6%	0.8%

Century Plyboards (India) Ltd – Crystal Ball Gazing

FY11-16 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 17% for FY17E-FY21E



Leverage to decline from 0.8x in FY17E to 0.3x by FY20E. ROE's to fall on lower capacity utilizations at newer facilities



Expect multiple to sustain

	FY11	FY15	FY16	FY17	FY18E	FY19E	FY20E	FY21E
Revenue	9,309	15,648	16,357	17,825	21,577	25,800	29,158	33,101
Ebitda	967	2,498	2,835	2,920	3,592	4,433	5,185	5,911
Margins	10.4%	16.0%	17.3%	16.4%	16.6%	17.2%	17.8%	17.9%
PAT	745	1,508	1,698	1,856	2,134	2,833	3,505	4,126

	FY11	FY15	FY16	FY17	FY18E	FY19E	FY20E	FY21E
RoCE	19.0%	22.4%	22.4%	18.1%	17.4%	19.9%	21.1%	21.0%
Leverage	0.72	1.25	0.83	0.78	0.69	0.47	0.26	0.09
Working capital days	97	137	124	115	109	108	107	106
CFO (Rs nm)	509	1,378	2,895	2,907	2,556	2,822	3,777	4,241

P/E multiple	FY20E EPS	Price target
22x	18.5	408
23x	18.5	426

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

Entry = Rs. 245 @ 19x FY19E



Cumulative Dividends of Rs. 8



EPS CAGR of 22%, exit multiple of 22x FY21E

TOTAL RETURN OF 1.7x

Spark Disclaimer



Report Date	Price	Target	Reco.
03/Feb/17	205	265	Buy
07/Nov/16	225	265	Buy
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
ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon
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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