

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR150
Target Price	: INR176
Potential Return	: 17%

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3QFY16 RESULT REVIEW

Century Plyboards (I) Limited

Demand environment continues to remains weak

Century Plyboards (CPBI) reported a disappointing set of 3QFY16 numbers, with revenue/ earnings at 12/16% below our estimates, respectively. Revenue grew 2% YoY to INR3.88bn as the plywood division posted a revenue decline of 2% YoY on the back of slackening demand for premium and commercial plywood. Further sale of commercial veneers also remained flat QoQ as plywood volume remained sluggish. However, the laminate and CFS division performed relatively better, reporting a growth of 8/26.5% YoY, respectively. EBITDA margin declined 110bps YoY to 17.8% due to favourable raw material costs and forex gain of INR30m. Adjusted for forex gain, EBITDA contracted 6% YoY. PAT remained flattish at INR416m, despite a 26% YoY decline in interest outgo. We have revised our FY17 revenue and PAT estimates to factor in a weak demand environment and rolled over our target price based on FY18e earnings. We expect a revenue/PAT CAGR of 11/8%, respectively, over FY16-18e (we haven't factored in any revenue from the MDF division in our FY18 assumptions). We have cut our FY17 revenue and PAT estimates by 14/21%, respectively, on the back of muted plywood demand. We maintain our Buy rating on the stock with a revised target price of INR176 per share (at 20x FY18e earnings) versus INR212 earlier.

Overall revenue disappointed due to subpar performance of the plywood segment

For the quarter under review, the plywood segment reported revenue decline of 2% YoY to INR 2.75bn as volume growth excluding commercial veneers declined by 2% YoY. Volume decline was mainly across the premium segment which dipped 11%YoY and 18% QoQ. Management attributed the decline due to lack of demand and no price cuts taken during the year. Blended Realisation on the other hand declined ~8% YoY. EBIT margins declined by 440 bps YoY to 14.8% in 3Q whereas for 9MFY16, EBIT margins improved by 77bps to 15.9%. Going forward, we expect EBITDA margin of the plywood division to remain healthy at 17/18% for FY16/17e, respectively.

Laminate and CFS division performed relatively better

Laminate division posted another quarter of decent performance with revenue growing 8% YoY to INR774m. This was largely attributed to volume growth of ~16% YoY. As a result, EBIT margin expanded 631bps YoY and 144bps QoQ to 13.4%. The CFS division revenue grew 26.5% YoY and 17%QoQ to INR235m in 3QFY16 on account of higher utilization and realisation growth of 6% YoY. The pre-particle board plant which is likely to be commissioned from the end of 4QFY16, shall contribute meaningfully to FY17e & FY18e revenues. Margin level of ~13% in the laminate segment is likely to sustain going forward on the back of increase in utilization and introduction of value added products.

Reported earnings flat YoY at INR416m

Reported earnings remained flat at INR416m YoY on account of slowdown in the plywood segment. EBITDA Margin declined by 110bps in 3QFY16 to 17.8%, mainly due to favourable raw material costs and forex gain of INR30m. Adjusted for forex gain, EBITDA de-gew by 6% YoY which resulted in lower profitability despite interest costs declining by 26% YoY.

Valuation

At the current market price of INR 150 per share, the stock trades at 17x FY18e earnings. We maintain our 'Buy' rating on the stock with a revised target price of INR 176 per share valuing it at 20x FY18e earnings.

Market data

Sensex	:	24,871
Sector	:	Mid Cap
Market Cap (INRbn)	:	33.2
Market Cap (USDbn)	:	0.487
O/S Shares (m)	:	222.2
52-wk HI/LO (INR)	:	262/137
Avg Daily Vol ('000)	:	256
Bloomberg	:	CPBI IN

Source: Bloomberg

Valuation

	FY16e	FY17e	FY18e
EPS (INR)	7.6	8.4	8.8
P/E (x)	19.8	17.9	17.0
P/BV (x)	6.4	5.0	4.0
EV/EBITDA (x)	13.3	12.4	10.8
Dividend yield (%)	1.2	1.0	1.0

Source: Bloomberg

Returns (%)

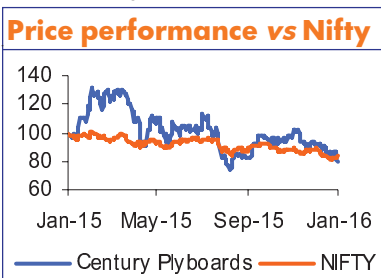
	1m	3m	6m	12m
Absolute	(14)	(13)	(27)	(21)
Relative	(10)	(6)	(20)	(6)

Source: Bloomberg

Shareholding pattern

Promoters	:	73%
Public	:	27%
Others	:	0%

Source: Bloomberg



Source: Bloomberg, Indexed to 100

Quarterly table with segment reporting

Particulars	3QFY16	3QFY15	YoY (%)	2QFY16	QoQ (%)	9MFY16	9MFY15	YoY (%)
Net Sales	3,886	3,818	1.8	4,391	(11.5)	11,956	11,475	4.2
Other Op. Income	20.3	39.9	(49.0)	31	(35.3)	81	80	0.8
Total Op. Income	3,906	3,858	1.2	4,422	(11.7)	12,037	11,556	4.2
Expenditure	3,210	3,129	2.6	3,684	(12.8)	9,936	9,717	2.3
Raw Materials	1,226	1,527	(19.7)	1,899	(35.4)	4,652	5,078	(8.4)
Cost of traded goods	611.5	420.0	45.6	444.6	37.5	1,486.0	1,329.3	11.8
Staff Cost	595	494	20.4	568	4.8	1,680	1,419	18.4
Other Expenditure	778	688	13.1	772	0.7	2,118	1,891	12.0
Operating Profit	696	730	(4.6)	738	(5.8)	2,102	1,839	14.3
OPM (%)	17.8	18.9	(110)bps	16.7	111bps	17.5	15.9	154bps
Other Income	7.2	9.4	(23.4)	4.9	45.4	15.5	37.6	(58.9)
Interest	106.8	144.7	(26.2)	134.7	(20.7)	364.2	342.7	6.3
Depreciation	116	116	0.1	107	8.1	324	329	(1.6)
Exceptional income	0	0		0		0	0	
PBT	480	478	0.4	501	(4.2)	1,429	1,205	18.6
Tax	64	64	(0.8)	39	65.7	153	176	(13.1)
PAT	416	414	0.6	463	(10.1)	1,275	1,028	24.0
Minority Interest	0.0	0.0	#DIV/0!	0.0	#DIV/0!	0.0	0.0	#DIV/0!
Reported PAT	416	414	0.6	463	(10.1)	1,275	1,028	24.0
Net profit margins (%)	10.7	10.8	(13)bps	10.5	17bps	10.7	9.0	170bps

Source: Company, Antique

Segmental revenue

Particulars (INRm)	3QFY16	3QFY15	YoY (%)	2QFY16	QoQ (%)	9MFY16	9MFY15	YoY (%)
Plywood & allied products	2,752.9	2,809.8	(2.0)	3,199.0	(13.9)	8,528.2	8,552.8	(0.3)
Laminate & allied products	773.8	715.7	8.1	884.9	(12.6)	2,430.4	2,130.8	14.1
CFS	235.2	185.8	26.5	201.0	17.0	610.3	533.7	14.4
Others	133.9	114.1	17.3	114.5	16.9	412.9	279.9	47.5
Total	3,885.8	3,818.5	1.8	4,390.6	(11.5)	11,956.2	11,475.3	4.2

Source: Company, Antique

EBIT

Particulars (INRm)	3QFY16	3QFY15	YoY (%)	2QFY16	QoQ (%)	9MFY16	9MFY15	YoY (%)
Plywood & allied products	408.2	540.1	(24.4)	506.6	(19.4)	1,352.9	1,290.6	4.8
Laminate & allied products	103.9	50.9	104.0	106.1	(2.1)	311.3	164.9	88.7
CFS	84.4	60.1	40.3	56.2	50.0	194.6	158.1	23.1
Others	(0.6)	(8.4)	(93.2)	(4.3)	(86.8)	(6.3)	(19.7)	(68.0)
Total	595.9	642.8	(7.3)	664.7	(10.4)	1,852.6	1,593.9	16.2

Source: Company, Antique

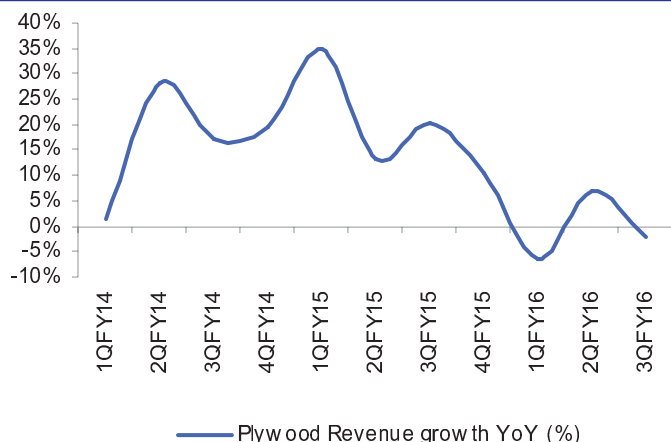
EBIT margin

	3QFY16	3QFY15	YoY	2QFY16	QoQ
Plywood & allied products	14.8%	19.2%	-440 bps	15.8%	-101 bps
Laminate & allied products	13.4%	7.1%	631 bps	12.0%	144 bps
CFS	35.9%	32.3%	352 bps	28.0%	789 bps
Others	-0.4%	-7.3%	690 bps	-3.7%	331 bps
Total	15.3%	16.8%	-150 bps	15.1%	20 bps

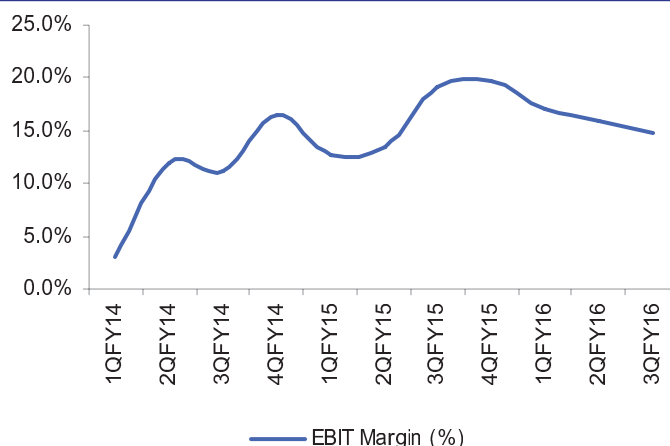
Source: Company, Antique

Plywood division performance

Plywood revenue growth YoY (%)



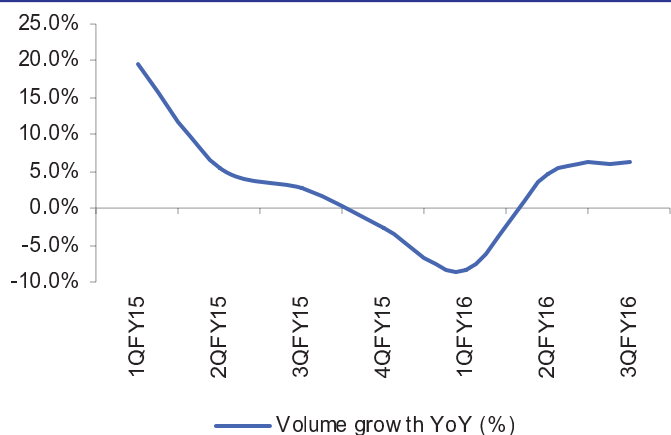
EBIT margin (%)



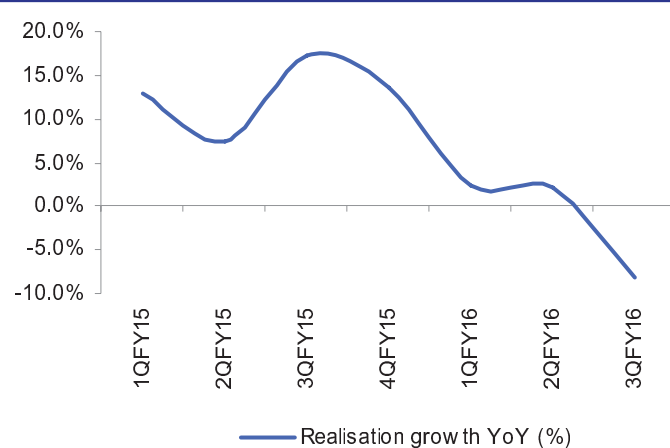
Source: Company, Antique

Source: Company, Antique

Volume growth YoY (%)



Realisation growth YoY (%)

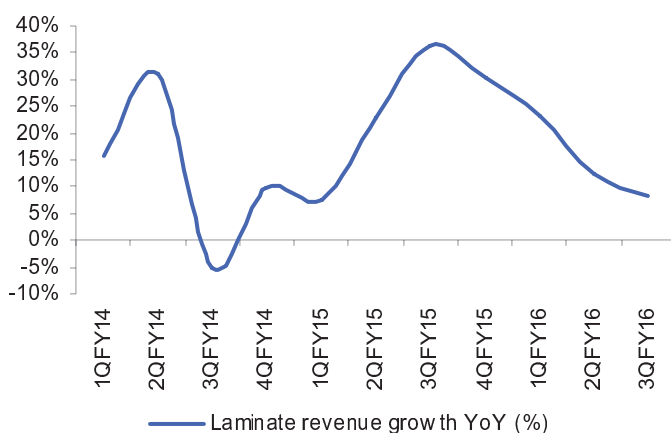


Source: Company, Antique

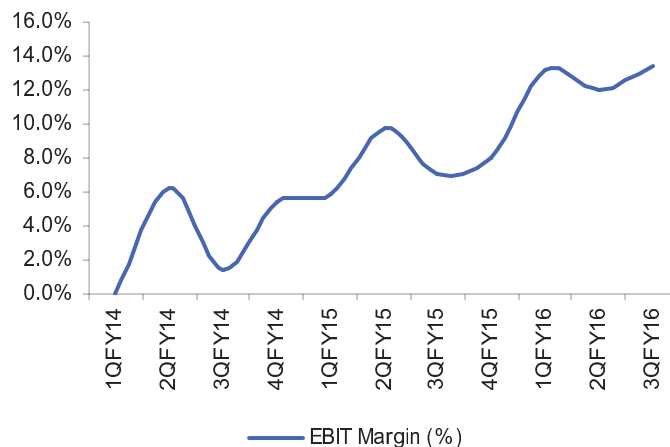
Source: Company, Antique

Laminate division performance

Laminate revenue growth YoY (%)



EBIT margin (%)



Source: Company, Antique

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2014	2015	2016e	2017e	2018e
Revenues	13,477	15,884	16,524	17,984	20,275
Expenses	11,894	13,181	13,669	14,841	16,821
Operating Profit	1,582	2,703	2,855	3,143	3,454
Other income	37	33	36	40	42
EBIDT	1,619	2,736	2,891	3,183	3,496
Depreciation	387	485	482	547	718
Interest expense	603	456	410	430	452
Profit before tax	629	1,796	1,999	2,206	2,327
Taxes incl deferred taxation	(5)	296	300	331	349
PAT before MI & EO Items	633	1,500	1,699	1,875	1,978
Minority Interest	31	9	10	12	14
Share in P/L of associates	1	(1)	-	-	-
Profit after tax	603	1,490	1,689	1,863	1,964
Reported EPS (INR)	2.7	6.7	7.6	8.4	8.8

Balance sheet (INRm)

Year ended 31 Mar	2014	2015	2016e	2017e	2018e
Share Capital	223	223	223	223	223
Reserves & Surplus	2,708	3,671	4,905	6,378	7,951
Networth	2,931	3,894	5,128	6,600	8,173
Minority Interest	114	55	65	77	91
Debt	5,801	5,138	5,124	6,349	5,700
Deferred Tax Liability	(7)	8	8	8	8
Capital Employed	8,839	9,095	10,324	13,034	13,972
Gross Fixed Assets	4,895	4,607	5,533	5,983	9,133
Accumulated Depreciation	1,731	2,151	2,633	3,180	3,898
Net Assets	3,164	2,456	2,900	2,803	5,235
Capital work in progress	240	326	450	3,000	150
Goodwill	0	0	0	0	0
Investments	31	4	15	85	135
Deferred Tax Assets		70	70	70	70
Current Assets					
Inventory	3,029	3,322	3,486	3,745	4,222
Debtors	2,089	2,683	2,943	3,104	3,444
Cash & Bank balance	387	374	600	702	1,735
Loans & advances and others	1,289	1,439	1,616	1,416	1,116
Current Liabilities & Prov					
Creditors	753	622	679	690	833
Other liabilities & provisions	636	959	1,076	1,201	1,301
Net Current Assets	5,404	6,239	6,889	7,076	8,382
Application of Funds	8,839	9,095	10,324	13,034	13,972

Per share data

Year ended 31 Mar	2014	2015	2016e	2017e	2018e
No. of shares (m)	223	223	223	223	223
BVPS (INR)	13.2	17.5	23.0	29.7	36.7
CEPS (INR)	4.4	8.9	9.8	10.8	12.1
DPS (INR)	0.3	1.8	1.8	1.5	1.5

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2014	2015	2016e	2017e	2018e
EBT	598	1,786	1,989	2,194	2,313
Depreciation & amortisation	387	485	482	547	718
Interest expense	603	456	410	430	452
Interest / Dividend received	(24)	-	-	-	-
Other Adjustments	(222)	(129)	-	-	-
(Inc)/Dec in working capital	(1,253)	(903)	(425)	(85)	-
Tax paid	5	(296)	(300)	(331)	(349)
CF from operating activities	94	1,399	2,157	2,756	3,133
Capital expenditure	(544)	201	(1,050)	(3,000)	(300)
Net Investments	45	27	(11)	(70)	(50)
Income from investments	24	-	-	-	-
CF from investing activities	(475)	229	(1,061)	(3,070)	(350)
Inc/(Dec) in debt	382	(663)	(14)	1,225	(649)
Dividends & Interest paid	(663)	(918)	(866)	(821)	(842)
Other Adjustments	29	(59)	10	12	14
CF from financing activities	(252)	(1,640)	(870)	416	(1,477)
Net cash flow	(633)	(13)	225	102	1,306
Opening balance	1,020	387	374	600	702
Closing balance	387	374	600	702	2,008

Growth indicators (%)

Year ended 31 Mar	2014	2015	2016e	2017e	2018e
Revenue	13.7	17.7	5.1	8.8	12.7
EBITDA	28.3	70.8	5.6	10.1	9.9
PAT	9.2	147.2	13.4	10.3	5.4
EPS	9.2	147.2	13.4	10.3	5.4

Valuation (x)

Year ended 31 Mar	2014	2015	2016e	2017e	2018e
PE	55.4	22.4	19.8	17.9	17.0
P/BV	11.7	8.9	6.4	5.0	4.0
EV/EBITDA	24.5	14.1	13.3	12.4	10.8
EV/Sales	2.9	2.4	2.3	2.2	1.8
Dividend Yield (%)	0.2	1.2	1.2	1.0	1.0

Financial ratios

Year ended 31 Mar	2014	2015	2016e	2017e	2018e
RoE (%)	21.2	42.6	37.0	31.4	26.3
RoCE (%)	14.5	25.0	24.7	22.5	20.5
Debt/Equity (x)	1.9	1.3	1.0	1.0	0.7
EBIT/Interest (x)	2.0	4.9	5.9	6.1	6.1

Margins (%)

Year ended 31 Mar	2014	2015	2016e	2017e	2018e
EBITDA	11.8	17.2	17.3	17.5	17.0
EBIT	9.2	14.3	14.6	14.7	13.7
PAT	4.5	9.5	10.2	10.4	9.7

Source: Company Antique