

CENTURY PLYBOARDS (INDIA) LTD
BUY

Last report at Rs.180 on 5 November 2015

Current Market Price (Rs) 192	Target Price (Rs) 230	Potential Upside (%) 19.8%	52 Week H/L (Rs) 262 / 137	Mkt Cap (Rs mn) 42657
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INVESTMENT ARGUMENT

- **Demand environment likely to revive in medium term** - We expect the demand to recover at 10-12% every year going forward in medium to long term.
- **GST implementation to be a game changer for the sector** - With GST implementation, organized players would be able to tap the low cost segment captured by unorganized segment as it would bring both the segments on a level playing field
- **Strong distribution network and branding to help in improving market share** - Company has a strong dealer network of nearly 1500 dealers, 35 branch offices, 6 regional distribution centres and 7 manufacturing locations
- **Volume expansion and strong margin to drive PAT growth going ahead** - We expect revenues and net profits to grow at a CAGR of 19% and 27% respectively between FY15-FY17
- **Attractive valuations** - We expect the stock to trade at higher multiples going forward also as the company is ideally positioned to capture the upcoming demand as well as increased consumption with its leadership position and strong branding.

RISKS & CONCERNS

- Demand slowdown
- Forex volatility
- Delay in GST implementation
- Higher raw material prices

COMPANY BACKGROUND

- Century Plyboards is the largest plywood manufacturer with more than 30% share in the India's organized plywood sector with an annual capacity of 209420 CBM in plywood and 4.8 mn sheets in laminates.

SECTOR BACKGROUND

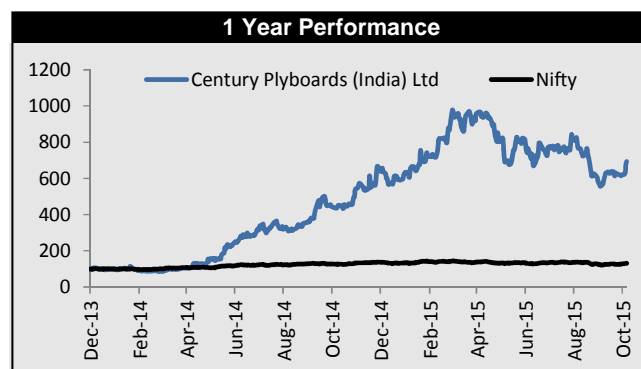
- Indian panel products and laminate industry is estimated at nearly Rs 285 bn - of which plywood accounts for Rs 180 bn, laminates account for Rs 66 bn while rest is constituted by MDF.

FINANCIALS (RS MN)	FY15	FY16E	FY17E
Sales	15,525	18,618	21,909
Growth (%)	21%	20%	18%
EBITDA	2,519	3,165	3,834
EBITDA margin (%)	16.2%	17.0%	17.5%
PBT	1,798	2,276	2,863
Net profit	1,508	1,935	2,433
EPS (Rs)	6.8	8.7	10.9
Growth (%)	125%	28%	26%
CEPS (Rs)	8.8	10.7	13.2
Book value (Rs/share)	17.4	24.6	34.0
Dividend per share (Rs)	1.2	1.2	1.2
ROE (%)	44.4	41.4	37.3
ROCE (%)	26.7	29.4	30.7
Net debt	4,848	4,426	3,940
Net Working Capital (Days)	140.1	147.0	147.0

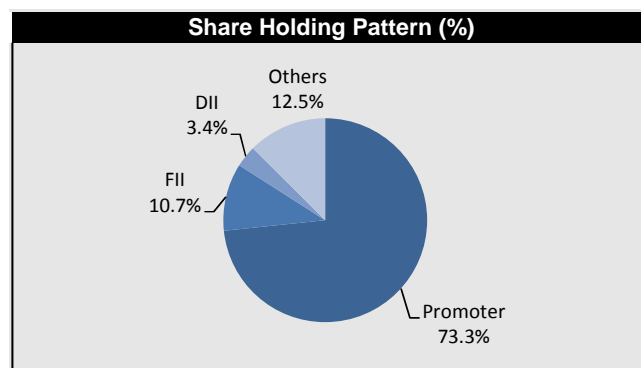
VALUATION PARAMETERS	FY15	FY16E	FY17E
P/E (x)	28.3	22.1	17.6
P/BV (x)	11.0	7.8	5.6
EV/Sales (x)	3.0	2.5	2.1
EV/EBITDA (x)	18.7	14.7	12.0

PRICE PERFORMANCE (%)	1M	3M	6M
	4.6	30.5	(6.0)

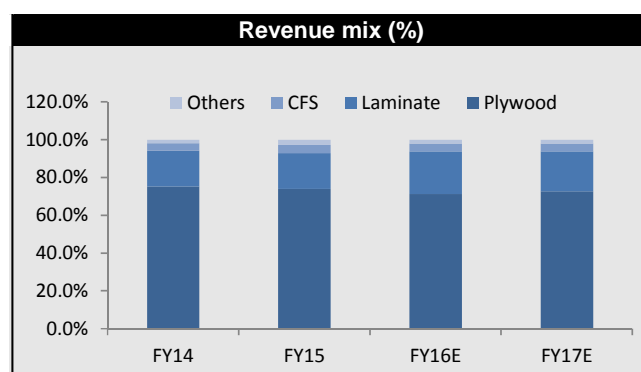
Source: Bloomberg, Company, Kotak Securities - Private Client Research



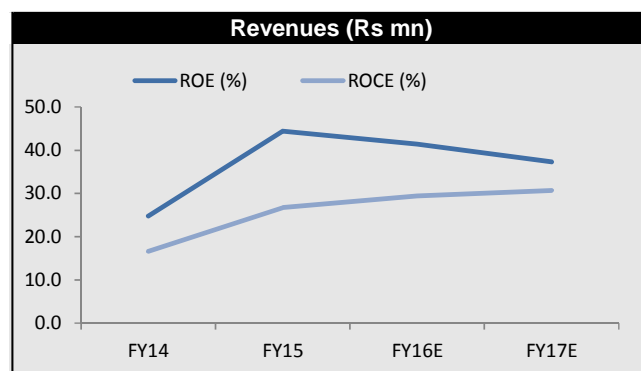
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