

Century Plyboards (I) Ltd

BUY



Asian Markets Securities Pvt. Ltd.

Good show, promising outlook

Institutional Research

| | |
|-------------|-----|
| CMP (Rs) | 240 |
| Target (Rs) | 279 |
| Upside | 16% |

Nifty: 9,361; Sensex: 30,302

Key Stock Data

| | |
|------------------------|------------|
| BSE Code | 532548 |
| NSE Code | CENTURYPLY |
| Bloomberg | CPBI IN |
| Shares O/s mn (FV Rs1) | 222.2 |
| Market cap (Rsbn) | 53.6 |
| 52-week High/Low | 271/154 |
| 3-m daily avg vol. | 2,46,290 |

Price Performance

| (%) | 1m | 3m | 12m |
|-----------|-------|-----|------|
| CENTURYPL | (9.1) | 6.4 | 51.8 |
| NIFTY | 1.5 | 4.7 | 20.8 |
| Sensex | 2.2 | 4.9 | 19.7 |

Shareholding Pattern

| (%) | Sep16 | Dec16 | Mar17 |
|----------|-------|-------|-------|
| Promoter | 72.2 | 72.0 | 72.0 |
| FII | 5.2 | 4.6 | 4.0 |
| DII | 12.8 | 10.1 | 12.8 |
| Others | 9.7 | 13.2 | 11.2 |

Kamlesh Kotak

kamlesh.kotak@amsec.in
+91 22 4343 5222

Karan Bhatelia

Karan.bhatelia@amsec.in
+91 22 4343 5118

CENTURY PLYBOARDS (INDIA) LIMITED (CPIL) good results for 4QFY17 aided by healthy volume growth, higher margins and forex gain. Both Plywood and laminate volumes grew as the Company gained market share from unorganised players and also strengthened its marketing and advertisement spend. The management sounded confident and guided for healthy growth across all the business segments. The MDF plant is delayed and is expected to be commissioned by July 2017. The Company is also implementing slew of projects across segments which will start fructifying FY18 onwards providing a good fillip to its revenue. We remain positive on CPIL considering its multi faceted expansion, superior brand and aggressive marketing strategy that will drive strong earnings growth over the coming years. Reaffirm BUY.

Revenue growth of 9% aided by plywood (+10%) and laminates (+9%), Forex gains bolster bottom-line by 34%

Century ply reported healthy revenue growth at Rs4885mn (+9% yoy). Plywood segment volume/revenue/realisation/ EBIT grew by 1%/9%/8% and 62% respectively. Commercial Veneer volume dipped 9.3% though realisation vaulted by 51% resulting in to EBITM improving to 21.2% (14.5% yoy and 15.8% qoq). Laminates segment volume/revenue grew 12%/6.6% while realisation/ EBIT declined by 5.5% and 19%. For the full year revenue grew by 9% to Rs17.82bn contributed by plywood 74%, laminates 19%, CFS 5% and others 5%.

4QFY17 EBIDTA grew 10.2% to Rs838mn led by all time high EBIDTAM in plywood at 20.2% (16.1% yoy and 16.6% qoq). Laminates margin dipped to 12.4% (17.1% yoy and 16% qoq) due to higher RM cost and lower exports. Other income soared to Rs141mn (Rs14mn yoy) while interest cost declined by 75% (both led by forex gain) driving 34% jump in PAT at Rs556mn.

For FY17, EBIDTA and PAT stood at Rs2920mn (+3%) and Rs1856mn (+9.3%) respectively yielding an EPS of Rs8.3. Forex gain for the full year at Rs200mn.

Building blocks in place, BUY

The management sounded confident and guided for healthy growth across all the business segments. The Company has invested Rs4.68bn over last two years and earmarked further capex of Rs2.8bn over next two years. D/E now stands at 0.85, will peak out in FY18 at 0.89 and will improve FY19 onwards. The MDF plant is delayed and is expected to be commissioned by July 2017. The Company is implementing slew of other expansion plans viz. one more plywood plant in Assam (to avail tax benefits), expanding laminate capacity by 50%, pre-lamination facility at particle board plant and door plant (in JV with a Chinese Company). Passage of GST will further bolster CPIL's prospects over the long run as the current organized/unorganized positioning of 30/70 will undergo gradual change cannibalizing small players over the coming years.

We remain positive on CPIL considering its multi faceted expansion, superior brand and aggressive marketing strategy that will drive strong earnings growth over the coming years. We estimate plywood / laminate volume growth of 10% and 16% CAGR over FY17/19 and strong growth in new businesses of MDF and particle board contributing 15% of the revenue in FY19. We forecast sales, EBIDTA and PAT to grow at a CAGR of 21%, 25% and 16% respectively over FY17-19E. Higher fixed cost will weigh on FY18 earnings and the real earnings growth in MDF business will start flowing in from FY19. At CMP, the stock is trading 29.9x/21.7x FY18/19 EEPS respectively. Maintain BUY with TP of Rs279 (25x FY19 EEPS).

Exhibit 1: Key Financials

| Y/E Mar (Rsmn) | FY15 | FY16 | FY17 | FY18E | FY19E |
|----------------|-------|-------|-------|-------|-------|
| Sales | 15648 | 16357 | 17825 | 21370 | 26000 |
| yoy (%) | 21.9 | 4.5 | 9.0 | 19.9 | 21.7 |
| EBITDA | 2498 | 2835 | 2920 | 3480 | 4534 |
| yoy (%) | 68.6 | 13.5 | 3.0 | 19.2 | 30.3 |
| PAT | 1508 | 1698 | 1856 | 1794 | 2484 |
| yoy (%) | 125.3 | 12.6 | 9.3 | -3.3 | 38.4 |
| Equity | 223 | 223 | 223 | 223 | 223 |
| EPS (Rs) | 6.8 | 7.6 | 8.3 | 8.1 | 11.2 |

Source: Company, AMSEC Research

Exhibit 2: Key Indicators

| Y/E Mar | FY15 | FY16 | FY17 | FY18E | FY19E |
|----------------|------|------|------|-------|-------|
| EBITDAM (%) | 16.0 | 17.3 | 16.4 | 16.3 | 17.4 |
| NPM (%) | 9.4 | 10.3 | 10.4 | 8.3 | 9.5 |
| PER (x) | 22.4 | 32.4 | 28.8 | 29.8 | 21.5 |
| P/BV (x) | 8.7 | 10.5 | 7.5 | 6.2 | 5.0 |
| EV/Sales (x) | 2.5 | 3.6 | 3.3 | 2.8 | 2.3 |
| EV/ EBITDA (x) | 15.5 | 20.9 | 20.2 | 17.3 | 13.2 |
| RoACE (%) | 26.9 | 26.5 | 22.8 | 18.6 | 21.8 |
| RoANW (%) | 44.4 | 37.2 | 30.1 | 22.9 | 25.8 |

Exhibit 3: Key Assumptions

| Key Assumptions | FY15 | FY16 | FY17 | FY18E | FY19E |
|------------------------|-------------|-------------|-------------|--------------|--------------|
| Revenue Rsmn | | | | | |
| Plywood | 11471 | 11747 | 12609 | 14072 | 15782 |
| yoy% | | 2.4% | 7.3% | 11.6% | 12.1% |
| Laminates | 2935 | 3353 | 3635 | 4301 | 5089 |
| yoy% | | 14.2% | 8.4% | 18.3% | 18.3% |
| MDF | 91 | 105 | 24 | 1242 | 2961 |
| yoy% | | 15.5% | -77.2% | 5075.0% | 138.4% |
| Particle Board | - | - | 165 | 346 | 617 |
| yoy% | | | | 109.7% | 78.5% |
| EBITDA Rsmn | | | | | |
| Plywood | 2030 | 1971 | 2017 | 2252 | 2525 |
| Laminates | 338 | 543 | 618 | 731 | 865 |
| MDF | - | - | -36 | 62 | 592 |
| Particle Board | - | - | 25 | 52 | 123 |
| EBITDAM% | | | | | |
| Plywood | 17.7 | 16.8 | 16.0 | 16.0 | 16.0 |
| Laminates | 11.5 | 16.2 | 17.0 | 17.0 | 17.0 |
| MDF | - | - | - | 5.0 | 20.0 |
| Particle Board | - | - | 15.0 | 15.0 | 20.0 |

Source: Company, AMSEC Research

Exhibit 4: 4QFY17 Financials (Standalone)

| Y/E Mar (Rs.mn) | 4QFY16 | 1QFY17 | 2QFY17 | 3QFY17 | 4QFY17 | yoy (%) | qoq (%) | FY16 | FY17 | yoy% |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|------------|
| Gross Sales | 4824 | 4376 | 4926 | 4587 | 5258 | 9.0 | 14.6 | 17702 | 19203 | 8.5 |
| Less: Excise Duty | 354 | 340 | 334 | 332 | 373 | 5.5 | 12.2 | 1345 | 1379 | 2.5 |
| Net Sales | 4471 | 4036 | 4593 | 4255 | 4885 | 9.3 | 14.8 | 16357 | 17825 | 9.0 |
| Other operating income | 0 | 21 | 34 | 0 | 0 | - | - | 0 | 0 | - |
| Net Sales & Other Oper. Income | 4471 | 4058 | 4627 | 4255 | 4885 | 9.3 | 14.8 | 16357 | 17825 | 9.0 |
| Total Expenditure | 3710 | 3374 | 3870 | 3582 | 4048 | 9.1 | 13.0 | 13522 | 14904 | 10.2 |
| (Increase) / Decrease In Stocks | -6 | -94 | 81 | 16 | 14 | (310.5) | (15.5) | -81 | 16 | (119.8) |
| Purchase of Finished Goods | 690 | 606 | 892 | 737 | 920 | 33.4 | 24.9 | 2176 | 3155 | 45.0 |
| Cost of Raw Materials | 1611 | 1533 | 1432 | 1448 | 1597 | (0.9) | 10.3 | 6338 | 6010 | (5.2) |
| Operating & Manufacturing Exp. | 795 | 713 | 850 | 744 | 850 | 6.9 | 14.2 | 2811 | 3157 | 12.3 |
| Employee Cost | 621 | 638 | 624 | 637 | 667 | 7.5 | 4.7 | 2278 | 2567 | 12.7 |
| Loss on Foreign Exchange | 0 | -22 | -9 | 0 | 0 | - | - | 0 | 0 | - |
| EBIDTA | 760 | 683 | 757 | 673 | 838 | 10.2 | 24.5 | 2835 | 2920 | 3.0 |
| Other Income | 14 | 8 | 13 | 33 | 141 | 944.9 | 327.3 | 65 | 227 | 249.2 |
| Operating Profit | 774 | 691 | 770 | 706 | 979 | 26.5 | 38.7 | 2900 | 3147 | 8.5 |
| Interest | 102 | 89 | 60 | 112 | 26 | (74.9) | (77.2) | 465 | 286 | (38.3) |
| PBDT | 672 | 603 | 710 | 594 | 954 | 41.9 | 60.5 | 2435 | 2861 | 17.5 |
| Depreciation | 120 | 93 | 126 | 149 | 156 | 29.9 | 4.1 | 437 | 524 | 19.8 |
| PBT | 553 | 510 | 584 | 445 | 798 | 44.4 | 79.5 | 1998 | 2337 | 17.0 |
| Tax | 137 | 80 | 91 | 72 | 239 | 75.1 | 233.7 | 300 | 481 | 60.4 |
| Profit After Tax | 416 | 431 | 493 | 373 | 559 | 34.4 | 49.9 | 1698 | 1856 | 9.3 |
| Other comprehensive items | -4 | -6 | -6 | -6 | -3 | (24.6) | (53.7) | -19 | -20 | 6.6 |
| Reported PAT | 412 | 425 | 487 | 367 | 556 | 34.9 | 51.5 | 1679 | 1836 | 9.3 |
| Equity Capital | 222.5 | 222.5 | 222.5 | 222.5 | 222.5 | | | 222.5 | 222.5 | |
| EPS (Reported) | 1.9 | 1.9 | 2.2 | 1.7 | 2.5 | | | 7.5 | 8.2 | |
| EPS (Adjusted) | 1.9 | 1.9 | 2.2 | 1.7 | 2.5 | | | 7.6 | 8.3 | |
| EBIDTA (%) | 17.0 | 16.8 | 16.4 | 15.8 | 17.1 | 14bp | 133bp | 17.3 | 16.4 | (95bp) |
| PATM (%) | 9.2 | 10.5 | 10.6 | 8.6 | 11.4 | 216bp | 276bp | 10.3 | 10.3 | 3bp |
| Tax / PBT (%) | 24.7 | 15.6 | 15.6 | 16.1 | 30.0 | 524bp | 1384bp | 15.0 | 20.6 | 558bp |
| Raw material / Net sales (%) | 51.5 | 53.0 | 50.6 | 51.3 | 51.5 | 6bp | 18bp | 52.0 | 51.4 | (63bp) |
| Other exp/Net sales | 17.8 | 17.7 | 18.5 | 17.5 | 17.4 | (39bp) | (9bp) | | 17.7 | 1771bp |
| Employee cost / Net Sales (%) | 13.9 | 15.8 | 13.6 | 15.0 | 13.7 | (23bp) | (132bp) | 13.9 | 14.4 | 47bp |

Source: Company, AMSEC Research

Exhibit 5: 4QFY17 Segmental Financials (Standalone)

| Particulars, Rs mn | 4QFY16 | 1QFY17 | 2QFY17 | 3QFY17 | 4QFY17 | yoy (%) | qoq (%) | FY16 | FY17 | yoy% |
|---|-------------|-------------|-------------|--------------|--------------|---------------|--------------|--------------|--------------|----------------|
| Gross Segment Revenue | | | | | | | | | | |
| Plywood and Allied Business | 3418 | 3113 | 3465 | 3235 | 3743 | 9.5 | 15.7 | 12615 | 13561 | 7.5 |
| Laminate and allied products | 1012 | 873 | 1110 | 994 | 1099 | 8.6 | 10.6 | 3623 | 4123 | 13.8 |
| MDF | 7 | 14 | 12 | 2 | 6 | (12.6) | 218.4 | 71 | 34 | (52.8) |
| Particle Board | 0 | 0 | 32 | 103 | 117 | - | 14.4 | 0 | 252 | - |
| Container Freight station services | 242 | 234 | 211 | 202 | 235 | (3.0) | 16.3 | 860 | 884 | 2.8 |
| Others | 150 | 148 | 113 | 83 | 91 | (39.0) | 9.6 | 564 | 438 | (22.4) |
| Total segment revenue | 4829 | 4382 | 4943 | 4618 | 5292 | 9.6 | 14.6 | 17733 | 19291 | 8.8 |
| Less: Intersegment Revenue | 5 | 6 | 17 | 31 | 33 | 561.2 | 6.8 | 31 | 88 | 185.3 |
| Income from operation | 4824 | 4376 | 4926 | 4587 | 5258 | 9.0 | 14.6 | 17702 | 19203 | 8.5 |
| Segment Result | | | | | | | | | | |
| Plywood and Allied Business | 457 | 436 | 492 | 476 | 740 | 62.1 | 55.7 | 1830 | 2144 | 17.1 |
| Laminate and allied products | 136 | 115 | 171 | 123 | 110 | (18.9) | (10.2) | 442 | 519 | 17.5 |
| MDF | -6 | 2 | 3 | 0 | -6 | 3.8 | 4,003.2 | 4 | -2 | (136.1) |
| Particle Board | - | - | -12 | -24 | -33 | - | 37.1 | 0 | -69 | - |
| Container Freight station services | 84 | 79 | 56 | 41 | 60 | (28.4) | 47.7 | 278 | 235 | (15.4) |
| Others | -11 | -4 | -24 | -28 | -21 | 102.4 | (23.8) | -17 | -77 | 356.0 |
| EBIT | 660 | 629 | 686 | 587 | 850 | 28.8 | 44.9 | 2538 | 2751 | 8.4 |
| Less: Finance cost | 102 | 89 | 60 | 112 | 26 | (74.9) | (77.2) | 465 | 286 | (38.3) |
| Other Unallocable Expenditure net of Unallocable income | 5 | 30 | 42 | 30 | 26 | 371.8 | (13.3) | 75 | 128 | 69.6 |
| Total Profit/(Loss) before tax | 553 | 510 | 584 | 445 | 798 | 44.5 | 79.5 | 1998 | 2337 | 17.0 |
| Capital Employed | | | | | | | | | | |
| Plywood and Allied Business | 4992 | 5232 | 5539 | 5352 | 5397 | 8.1 | 0.8 | 4992 | 5397 | 8.1 |
| Laminate and allied products | 1568 | 1594 | 1550 | 1628 | 1603 | 2.3 | (1.5) | 1568 | 1603 | 2.3 |
| MDF | 428 | 587 | 1502 | 2110 | 2645 | 518.3 | 25.4 | 428 | 2645 | 518.3 |
| Particle Board | 511 | 559 | 687 | 607 | 567 | 11.2 | (6.6) | 511 | 567 | 11.2 |
| Container Freight station services | 576 | 531 | 580 | 547 | 495 | (14.1) | (9.5) | 576 | 495 | (14.1) |
| Others | 118 | 54 | 84 | 69 | 56 | (52.7) | (19.6) | 118 | 56 | (52.7) |
| Total | 8192 | 8557 | 9942 | 10313 | 10764 | 31.4 | 4.4 | 8192 | 10764 | 31.4 |
| EBIT/Sales (%) | | | | | | | | | | |
| Plywood and Allied Business | 13.4 | 14.0 | 14.2 | 14.7 | 19.8 | 642bp | 508bp | 14.5 | 15.8 | 130bp |
| Laminate and allied products | 13.4 | 13.2 | 15.4 | 12.4 | 10.0 | (340bp) | (233bp) | 12.2 | 12.6 | 40bp |
| MDF | -90.9 | 17.4 | 21.1 | -8.4 | -108.0 | (1703bp) | (9960bp) | 6.0 | -4.6 | (1063bp) |
| Particle Board | - | - | -37.3 | -23.6 | -28.3 | - | (468bp) | - | -27.6 | - |
| Container Freight station services | 34.6 | 33.6 | 26.7 | 20.1 | 25.5 | (907bp) | 543bp | 32.4 | 26.6 | (573bp) |
| Others | -7.0 | -2.5 | -21.1 | -33.5 | -23.3 | (1627bp) | 1022bp | -3.0 | -17.5 | (1456bp) |
| Overall | 13.7 | 14.3 | 13.9 | 12.7 | 16.1 | 239bp | 336bp | 14.3 | 14.3 | (5bp) |
| EBIT/Capital Employed (%) | | | | | | | | | | |
| Plywood and Allied Business | 9.1 | 8.3 | 8.9 | 8.9 | 13.7 | 457bp | 483bp | 36.7 | 39.7 | 306bp |
| Laminate and allied products | 8.7 | 7.2 | 11.0 | 7.5 | 6.9 | (180bp) | (67bp) | 28.2 | 32.4 | 421bp |
| MDF | -1.4 | 0.4 | 0.2 | 0.0 | -0.2 | 119bp | (23bp) | 1.0 | -0.1 | (106bp) |
| Particle Board | - | - | -1.7 | -4.0 | -5.9 | - | (186bp) | 0.0 | -12.2 | (1224bp) |
| Container Freight station services | 14.5 | 14.8 | 9.7 | 7.4 | 12.1 | (242bp) | 469bp | 48.3 | 47.5 | (74bp) |
| Others | -8.9 | -6.8 | -28.5 | -40.4 | -38.3 | (2935bp) | 213bp | -14.3 | -138.0 | (12370bp) |
| Overall | 8.1 | 7.3 | 6.9 | 5.7 | 7.9 | (16bp) | 221bp | 31.0 | 25.6 | (542bp) |
| Volume data | | | | | | | | | | |
| Volume | | | | | | | | | | |
| Plywood (CBM) | 64,745 | 61,735 | 66,075 | 58,562 | 65,348 | 0.9 | 11.6 | 2,41,794 | 2,51,720 | 4.1 |
| Laminates (No.s) * | 12,10,639 | 10,52,660 | 13,19,016 | 11,94,006 | 13,59,342 | 12.3 | 13.8 | 42,60,499 | 49,25,024 | 15.6 |
| Domestic | 8,44,135 | 8,07,149 | 9,22,483 | 8,17,267 | 9,58,560 | 13.6 | 17.3 | 29,89,034 | 35,05,459 | 17.3 |
| Export | 3,66,504 | 2,45,511 | 3,96,533 | 3,76,739 | 4,00,782 | 9.4 | 6.4 | 12,71,465 | 14,19,565 | 11.6 |
| CFS (TEU's) | 21,269 | 21,848 | 20,233 | 19,068 | 19,004 | (10.6) | (0.3) | 1,02,068 | 80,153 | (21.5) |
| Net sales (Rs.mn) | | | | | | | | | | |
| Plywood | 3,207 | 2,866 | 3,251 | 3,005 | 3,488 | 8.8 | 16.1 | 11,625 | 12,609 | 8.5 |
| Laminates | 820 | 705 | 900 | 762 | 874 | 6.6 | 14.7 | 2,888 | 3,241 | 12.2 |
| Domestic | 588 | 538 | 676 | 558 | 647 | 10.1 | 16.1 | 2,064 | 2,420 | 17.3 |
| Export | 232 | 166 | 224 | 205 | 227 | (2.3) | 10.8 | 824 | 822 | (0.3) |
| CFS | 238 | 233 | 211 | 199 | 233 | (1.8) | 17.1 | 821 | 876 | 6.8 |
| Average realization | | | | | | | | | | |
| Plywood (Rs/CBM) | 49,531 | 46,416 | 49,194 | 51,311 | 53,380 | 7.8 | 4.0 | 48,078 | 50,092 | 4.2 |
| Laminates (Rs/No.) | 677 | 669 | 682 | 638 | 643 | (5.1) | 0.7 | 678 | 658 | (2.9) |
| Domestic | 696 | 667 | 733 | 682 | 675 | (3.0) | (1.0) | 690 | 690 | (0.0) |
| Export | 634 | 677 | 565 | 543 | 566 | (10.7) | 4.1 | 648 | 579 | (10.7) |
| CFS | 11,176 | 10,646 | 10,429 | 10,452 | 12,282 | 9.9 | 17.5 | 8,040 | 10,933 | 36.0 |
| EBIDTAM | | | | | | | | | | |
| Plywood | 14.8 | 15.9 | 15.6 | 16.6 | 20.2 | 540bp | 360bp | 17.2 | 17.1 | (10bp) |
| Laminates | 20.3 | 16.6 | 18.3 | 16.0 | 12.4 | (790bp) | (360bp) | 16.3 | 15.8 | (50bp) |
| CFS | 48.8 | 44.3 | 39.2 | 34.7 | 37.6 | (1120bp) | 290bp | 44.6 | 39.1 | (550bp) |

Source: Company, AMSEC Research, * Excluding Pre Lam & Exteria Grade Laminates

4QFY17 Conference Call takeaways

GST to be beneficial

- GST Rates are as under:
- Plywood – 28% (Almost at the current level of taxes)
- MDF / Particle Board– 28% (Almost at the current level of taxes)
- Laminates – 18% (Taxes to be reduced by 8% to 10%)
- Commercial Veneer – 18% (Taxes to be reduced by 8% to 10%)

Though GST rate for plywood is higher at 28%, level playing field in form of lower exemption limit and stringent compliance under GST framework will help large organised players. Of the total 3,300 units, ~2500 enjoy full tax exemption, ~700 units have partial exemption and many units will come under tax ambit post GST.

Plywood

- Margins in this vertical have surged by a handsome 540bp to 20.2%, partly due to forex gains as also due to better sourcing of cheaper timber, lower resin prices, reversal of trade discount of earlier quarters and better product mix. However, sustainable margin is at 17%.
- Plywood demand has been strong over the last two months and expecting healthy growth during FY18. However, over the long term plywood market will decline with higher acceptance of MDF.
- Sourcing of veneer from Myanmar will continue as the government has allowed cutting of timber and export of veneer from April. However, LAOS has banned the exports of raw veneer. The Company is sourcing cheaper timber from Solomon Islands. Overall, though CPIL's business of importing and selling high margin commercial veneer will decline, it is better positioned as regards sourcing of raw material compared to small unorganised plywood manufacturers.

Laminates

- Century is facing capacity constraints in Laminates and hence decided to go for expansion, planning to add 50% of the existing capacities by Sept/Oct 2017, with capex amounting to Rs63mn.
- In spite of operating at more than cent percent utilization (103% in 4QFY17), some of the domestic and export orders were lost.
- Margins during the current quarter dipped 790bp to 12.4%, as the company did not pass on the rising material prices to end users amid tight market conditions. Expecting EBIDTAM of 16% on sustainable over long term.

MDF

- Indian MDF market is poised to witness strong growth the next decade due to product acceptance and more capacity being set up locally.
- Century envisages MDF vertical to be the driver of growth, with no competition from the unorganized belt and rising preferences over plywood and allied products. Being in Northern India, imports is not a major threat to MDF plant though southern market may continue to see higher imports from Asian Countries.
- Upcoming 600CBM / day capacity MDF plant in Punjab is delayed by three months and likely to commence production from July 2017. Management expects revenue contribution of Rs2500mn in first year of operation i.e FY18 with gross margin of 30/35%.

New vertical

- Planning to set up a door unit in collaboration with a world renowned Chinese Company. Also considering new value added products to expand MDF market once the plant is stabilized.

Financials

- Cash conversion cycle improved to 65 days from 70 days and expecting further improvement as tied up with SBI for channel financing for its dealers.
- Total Debt at Rs5.5bn with D/E at 0.85.

Exhibit 6: Quarterly Net Revenue Trend

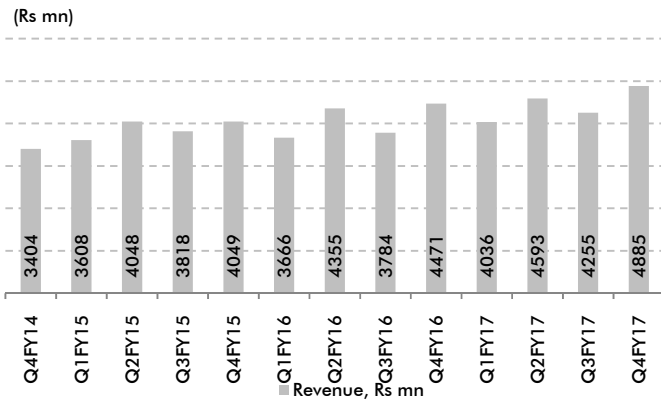


Exhibit 7: Quarterly EBITDA Trend

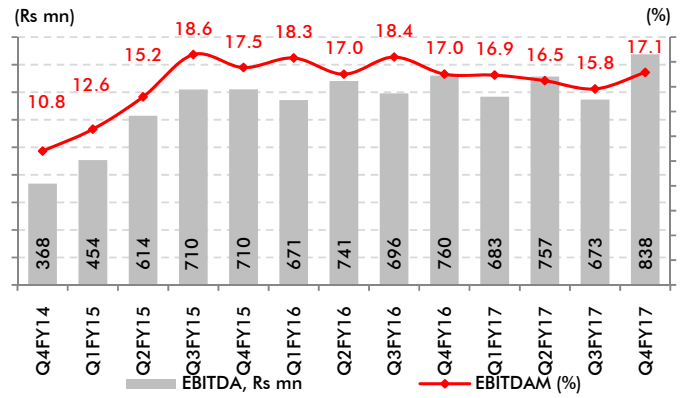


Exhibit 8: Quarterly PAT Trend

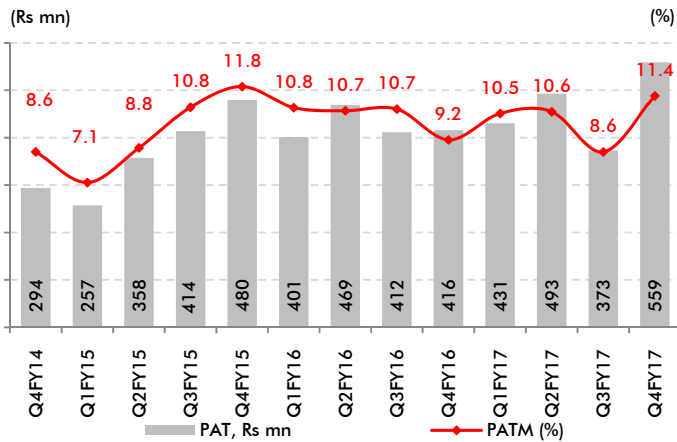
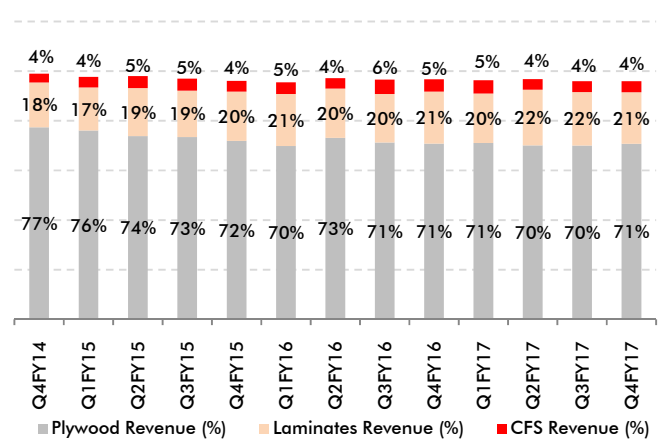


Exhibit 9: Segment Revenue Contribution



Source: Company, AMSEC Research

Quarterly Segment performance-Plywood

Exhibit 10: Net Revenue

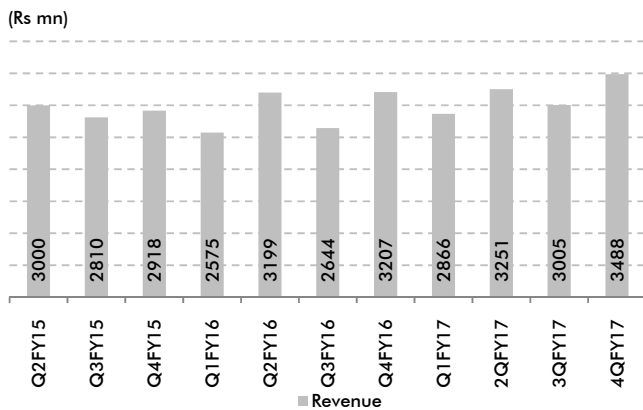


Exhibit 11: EBIT

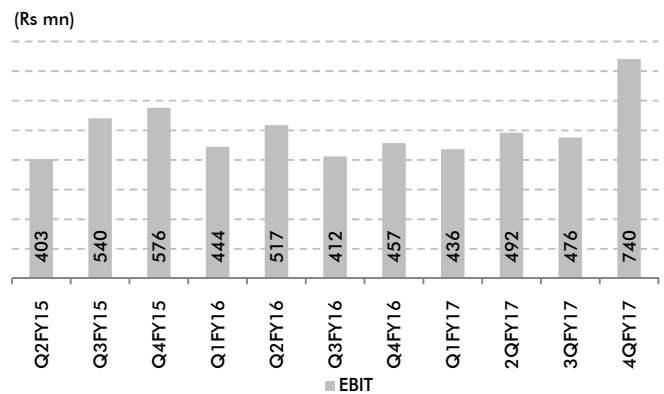


Exhibit 12: EBIT/Sales

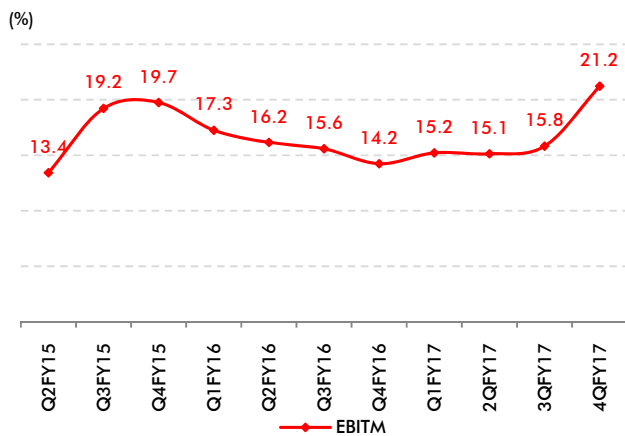
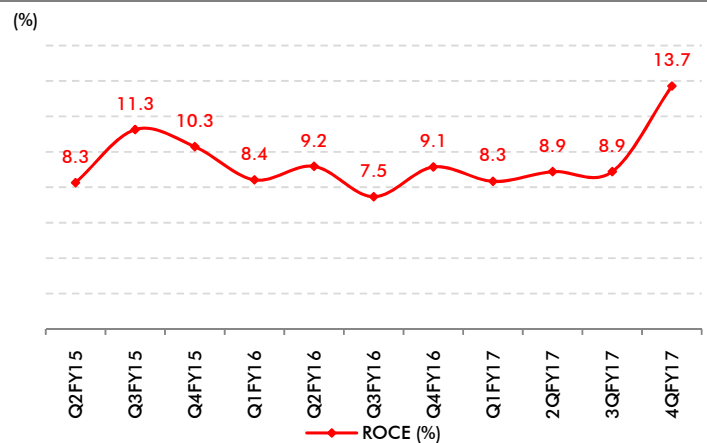


Exhibit 13: ROCE



Source: Company, AMSEC Research

Quarterly Segment performance -Laminates

Exhibit 14: Net Revenue

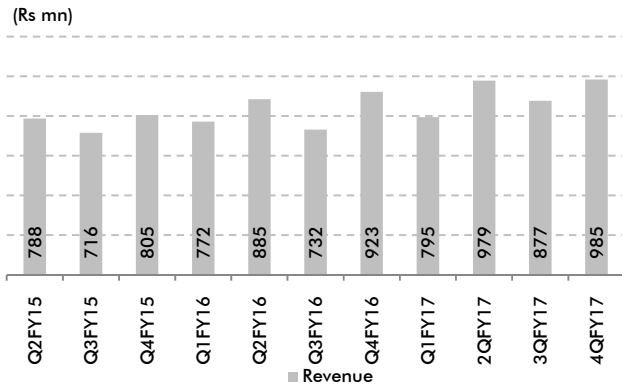


Exhibit 15: EBIT

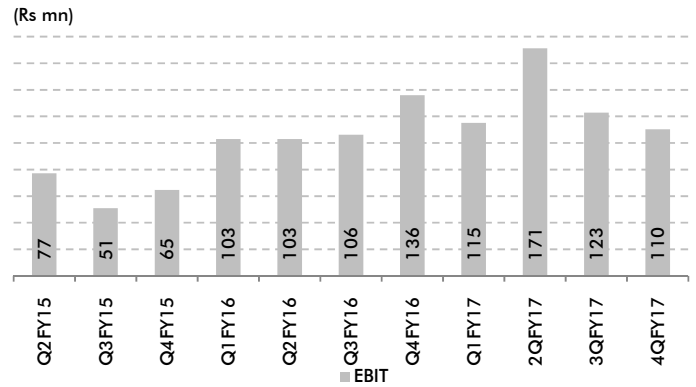


Exhibit 16: EBITM/Sales

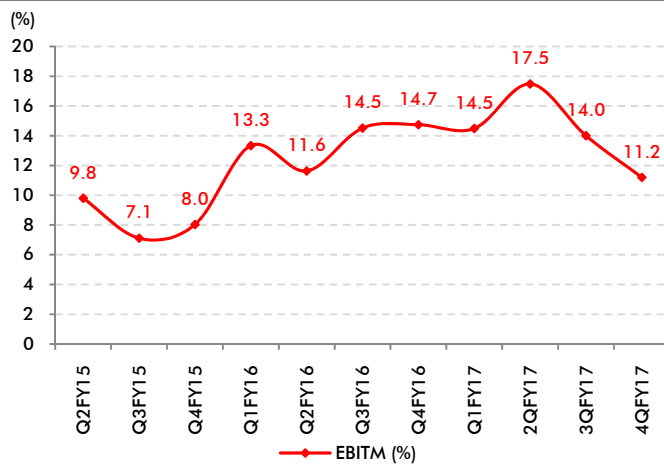
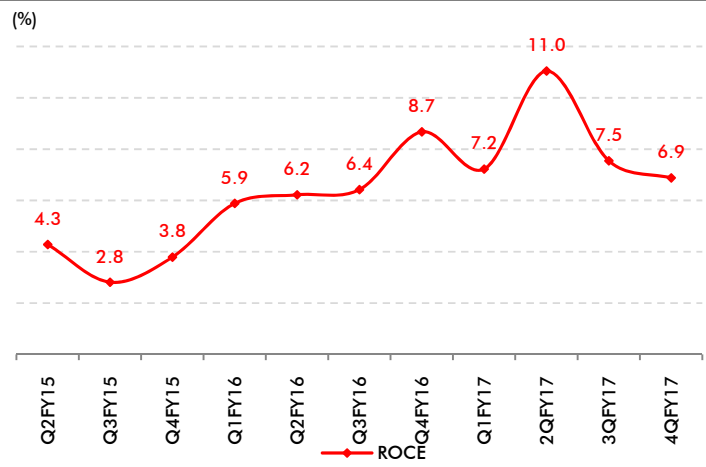


Exhibit 17: ROCE



Source: Company, AMSEC Research

Quarterly Segment performance - CFS

Exhibit 18: Net Revenue

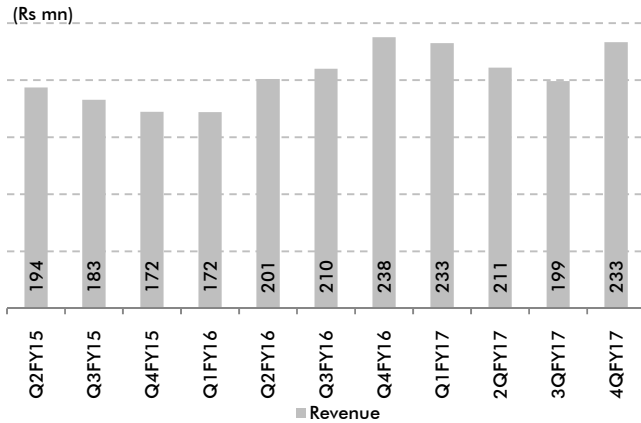


Exhibit 19: EBIT

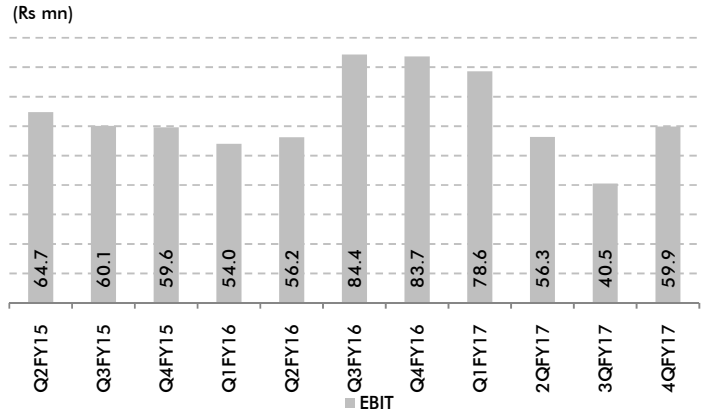


Exhibit 20: EBIT/Sales

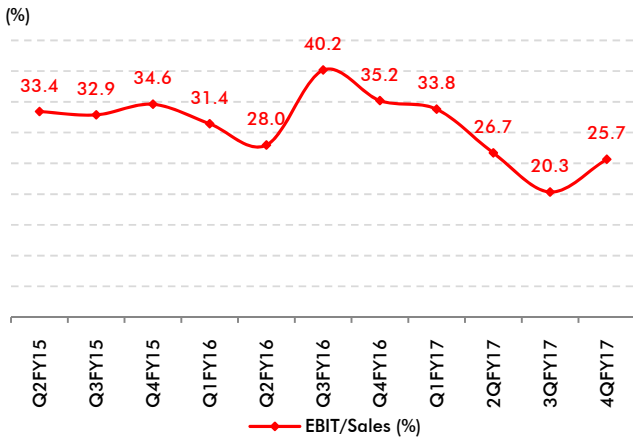
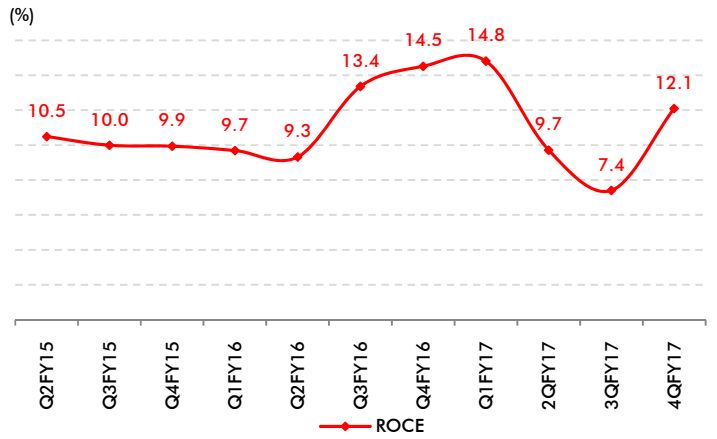


Exhibit 21: ROCE



Source: Company, AMSEC Research

Financial snapshot (Standalone)

Exhibit 22: Revenue

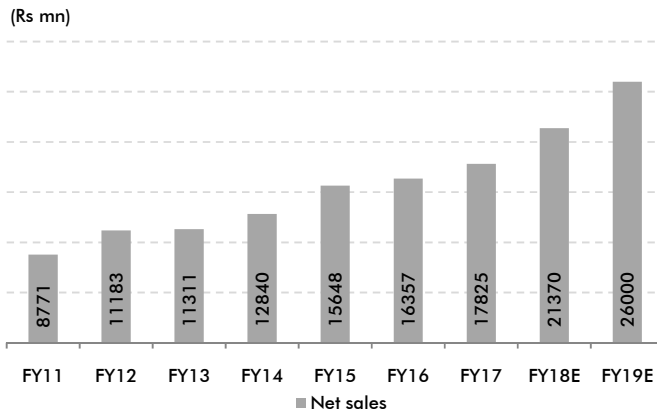


Exhibit 23: EBIDTA & EBIDTAM (%)

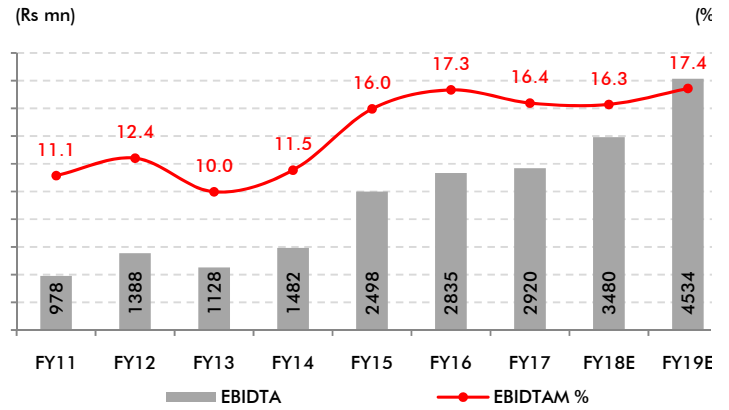


Exhibit 24: PAT & PATM (%)

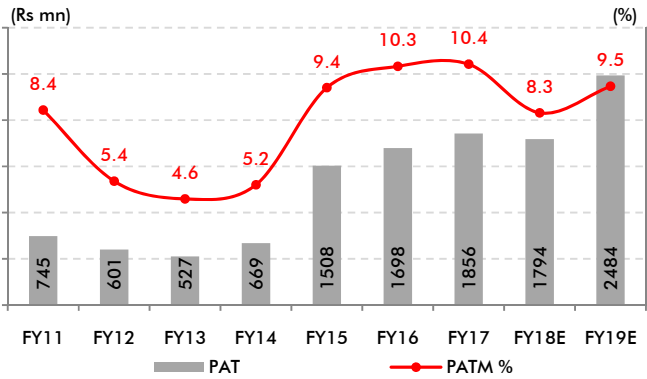


Exhibit 25: Return Ratios

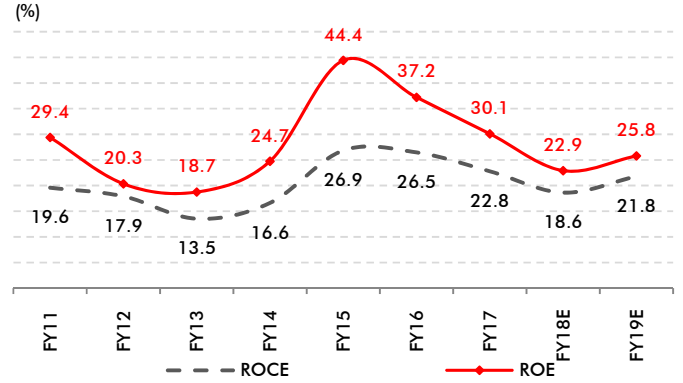


Exhibit 26: Dividend and Dividend payout ratio

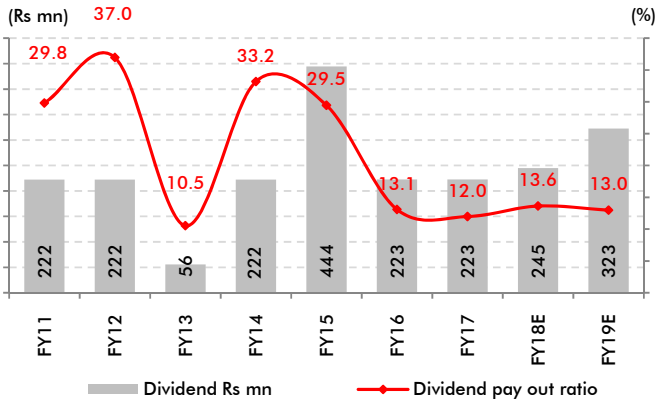
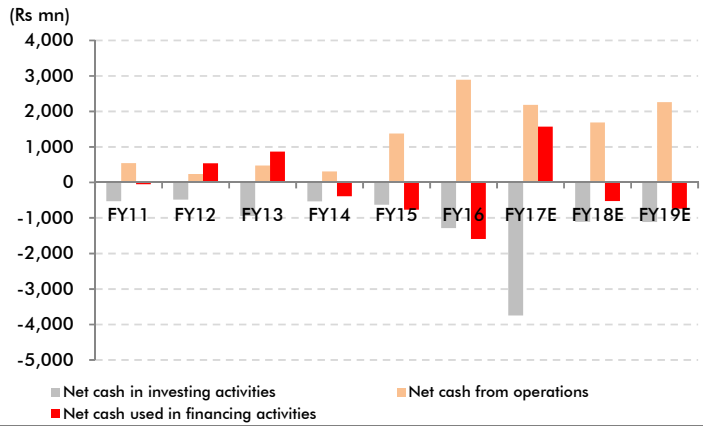


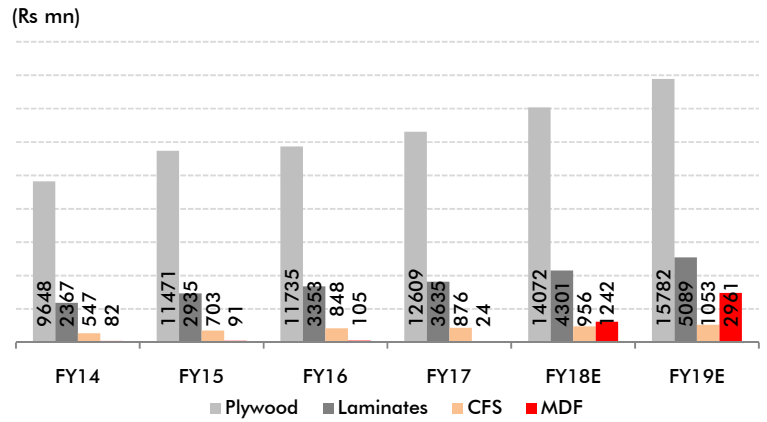
Exhibit 27: Cash Flow



Source: Company, AMSEC Research

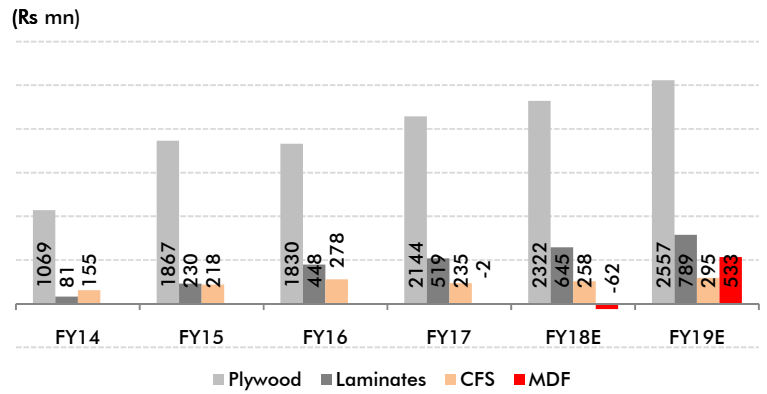
Yearly Segment performance

Exhibit 28: Segment revenue trend



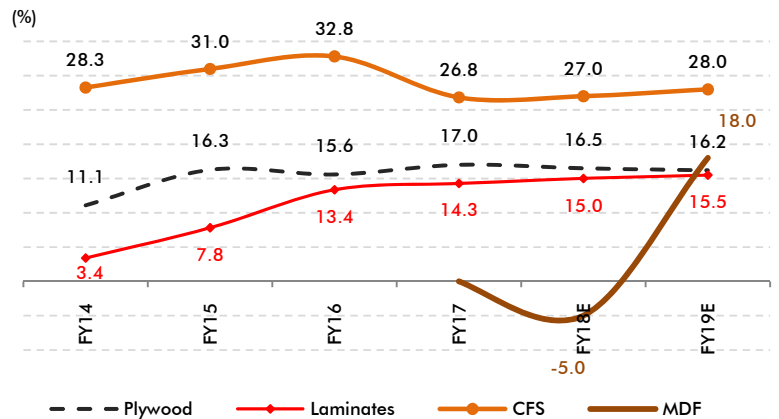
Source: Company, AMSEC Research

Exhibit 29: Segment EBIT trend



Source: Company, AMSEC Research

Exhibit 30: Segment EBITM trend



Source: Company, AMSEC Research

Century Plyboards (India) Ltd. Financials (Standalone)

(Rsmn)

Profit and Loss Account

| Y/E (Mar) | FY15 | FY16 | FY17 | FY18E | FY19E |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 15648 | 16357 | 17825 | 21370 | 26000 |
| Inc./(Dec.) in Stock | 389 | 81 | -16 | 207 | 244 |
| Raw material cons. | 8946 | 8514 | 9165 | 11112 | 13468 |
| Power & Fuel cost | 311 | 301 | 316 | 386 | 455 |
| Employee cost | 1933 | 2278 | 2567 | 3080 | 3665 |
| Other mfg Exp. | 951 | 1042 | 1146 | 1433 | 1691 |
| General & Adm. Exp. | 202 | 220 | 242 | 290 | 325 |
| Selling & Advt. Exp. | 764 | 970 | 1047 | 1309 | 1571 |
| Misc. Expenses | 576 | 279 | 405 | 486 | 535 |
| Total expenditure | 13539 | 13603 | 14888 | 18096 | 21710 |
| Operating profit | 2498 | 2835 | 2920 | 3480 | 4534 |
| Other income | 181 | 65 | 227 | 186 | 201 |
| Interest expense | 433 | 465 | 286 | 550 | 601 |
| Gross Profit | 2246 | 2435 | 2861 | 3116 | 4134 |
| Dep. & Amortization | 448 | 437 | 524 | 928 | 1067 |
| PBT | 1798 | 1998 | 2337 | 2188 | 3066 |
| Provision for Tax | 290 | 300 | 481 | 394 | 583 |
| Reported Net Profit | 1508 | 1698 | 1856 | 1794 | 2484 |
| Share O/s mn | 223 | 223 | 223 | 223 | 223 |
| EPS Rs | 6.8 | 7.6 | 8.3 | 8.1 | 11.2 |

Cash Flow Statement

| Y/E (Mar) | FY15 | FY16 | FY17E | FY18E | FY19E |
|--------------------------------|-------------|--------------|--------------|--------------|--------------|
| PBT | 1798 | 1998 | 2337 | 2188 | 3066 |
| Non-cash adjust. | 842 | 975 | 981 | 1477 | 1668 |
| Chg. in working cap. | -918 | 382 | -169 | -1378 | -1604 |
| Tax & Interest Paid | -344 | -463 | -504 | -434 | -623 |
| Cashflow from op. | 1378 | 2892 | 2645 | 1854 | 2508 |
| Capital expenditure | -546 | -1266 | -2953 | -1995 | -1050 |
| Change in invest. | -65 | -44 | -464 | -96 | -106 |
| Cashflow from inv. | -624 | -1287 | -3416 | -2091 | -1156 |
| Issue of equity | 0 | 0 | 0 | 0 | 0 |
| Issue/repay debt | 0 | 0 | 1577 | 1493 | -767 |
| Interest Paid | -296 | -465 | -286 | -550 | -601 |
| Dividends paid | -389 | -499 | -223 | -245 | -323 |
| Other fin. Cash flow | -129 | -2 | 100 | 0 | 0 |
| Cash flow from fin. | -764 | -1585 | 1122 | 649 | -1756 |
| Chg cash & cash eq | -10 | 20 | 351 | 412 | -404 |
| Open. cash eq | 180 | 170 | 190 | 541 | 953 |
| Clsq cash & cash eq | 170 | 190 | 541 | 953 | 549 |
| CashFlow to firm | 832 | 1626 | -308 | -141 | 1458 |

Key Ratios

| Y/E Mar | FY15 | FY16 | FY17E | FY18E | FY19E |
|-----------------------------|-------|------|-------|-------|-------|
| GROWTH YOY% | | | | | |
| Sales Growth | 21.9 | 4.5 | 9.0 | 19.9 | 21.7 |
| EBITDA Growth | 68.6 | 13.5 | 3.0 | 19.2 | 30.3 |
| Net Profit Growth | 125.3 | 12.6 | 9.3 | -3.3 | 38.4 |
| Gross Fixed Asset Growth | 11.1 | 7.1 | 23.4 | 82.5 | 10.5 |
| PROFITABILITY | | | | | |
| Gross Profit/ Net sales (%) | 23.6 | 29.5 | 30.4 | 28.4 | 29.1 |
| EBITDA / Net Sales (%) | 16.0 | 17.3 | 16.4 | 16.3 | 17.4 |
| NPM / Total income (%) | 9.4 | 10.3 | 10.4 | 8.3 | 9.5 |
| Raw Material/Net Sales (%) | 57.2 | 52.0 | 51.4 | 52.0 | 51.8 |
| Int/PBIT (%) | 21.1 | 19.4 | 12.0 | 21.6 | 17.3 |
| ROE (%) | 44.4 | 37.2 | 30.1 | 22.9 | 25.8 |
| ROCE (%) | 26.9 | 26.5 | 22.8 | 18.6 | 21.8 |
| ROIC (%) | 23.3 | 24.2 | 22.0 | 17.5 | 18.3 |
| Tax / PBT (%) | 16.1 | 15.0 | 20.6 | 18.0 | 19.0 |
| TURNOVER (Days) | | | | | |
| Net Working Cycle | 130 | 106 | 88 | 97 | 90 |
| Debtors Velocity | 63 | 64 | 69 | 65 | 65 |
| Inventory | 89 | 74 | 65 | 66 | 67 |
| Creditors Velocity | 27 | 36 | 56 | 50 | 50 |
| Gross Asset Ratio | 4.0 | 3.8 | 3.6 | 2.8 | 2.5 |
| Total Asset Ratio | 1.6 | 1.5 | 1.3 | 1.2 | 1.3 |
| LIQUIDITY (x) | | | | | |
| Gross Debt-Equity Ratio | 1.3 | 0.87 | 0.87 | 0.89 | 0.6 |
| Net Debt-Equity Ratio | 1.2 | 0.8 | 0.8 | 0.8 | 0.6 |
| Interest Coverage | 4.7 | 5.2 | 8.4 | 4.6 | 5.8 |
| Current Ratio (x) | 1.2 | 1.2 | 1.2 | 1.5 | 1.7 |
| Quick Ratio (x) | 0.6 | 0.7 | 0.8 | 1.0 | 1.1 |
| PAYOUT | | | | | |
| Payout (%) | 29.5 | 13.1 | 12.0 | 13.6 | 13.0 |
| Dividend (%) | 2.0 | 1.0 | 1.0 | 1.1 | 1.5 |
| Yield (%) | 1.3 | 0.4 | 0.4 | 0.5 | 0.6 |
| Du Pont Analysis | | | | | |
| NP / PBT (%) | 83.9 | 85.0 | 79.4 | 82.0 | 81.0 |
| PBT / EBIT (X) | 0.9 | 0.8 | 1.0 | 0.9 | 0.9 |
| EBIT / Sales (X) | 13.1 | 14.7 | 13.4 | 11.9 | 13.3 |
| Sales / Assets (X) | 1.5 | 1.4 | 1.1 | 1.1 | 1.3 |
| Assets / Equity (X) | 2.7 | 2.2 | 2.2 | 2.2 | 1.9 |
| ROE (%) | 44.4 | 37.2 | 30.1 | 22.9 | 25.8 |

Balance Sheet

| Y/E (Mar) | FY15 | FY16 | FY17E | FY18E | FY19E |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| SOURCES OF FUNDS : | | | | | |
| Share Capital | 223 | 223 | 223 | 223 | 223 |
| Reserves Total | 3653 | 5028 | 6864 | 8363 | 10459 |
| Total Shareh. Funds | 3876 | 5251 | 7086 | 8586 | 10681 |
| Non-Current Liab. | | | | | |
| Long term borrowings | 814 | 640 | 1467 | 3700 | 3331 |
| Deferred tax liability | -70 | 0 | 0 | -40 | -80 |
| Other long term liab. | 28 | 3 | 2 | 3 | 3 |
| Long-term provisions | 0 | 0 | 0 | 0 | 0 |
| Long-term trade pay. | 0 | 0 | 0 | 0 | 0 |
| Current Liabilities | | | | | |
| Short term borrowings | 3744 | 3410 | 4103 | 3283 | 2790 |
| Trade payables | 652 | 843 | 1411 | 1522 | 1845 |
| Other current liabilities | 959 | 915 | 1087 | 1274 | 1495 |
| Short term provisions | 426 | 358 | 390 | 454 | 596 |
| Total Equity & Liab. | 10429 | 11420 | 15547 | 18781 | 20662 |
| APPLICATION OF FUNDS : | | | | | |
| Non Current Assets | | | | | |
| Fixed Assets | | | | | |
| Gross Block | 4159 | 4454 | 5497 | 10032 | 11082 |
| Less: AccumDep. | 2070 | 2480 | 3003 | 3931 | 4999 |
| Net Block | 2089 | 1975 | 2494 | 6101 | 6084 |
| Capital WIP | 227 | 930 | 2840 | 300 | 300 |
| Non current Investment | 451 | 497 | 960 | 1056 | 1162 |
| Long term loans & adv. | 789 | 967 | 889 | 1084 | 1295 |
| Other non-current ass. | 23 | 316 | 244 | 297 | 356 |
| Current Assets | | | | | |
| Current investment | 0 | 0 | 0 | 0 | 0 |
| Inventories | 3200 | 2752 | 2638 | 3245 | 3959 |
| Sundry Debtors | 2719 | 2868 | 3353 | 3806 | 4630 |
| Cash and Bank | 170 | 190 | 541 | 953 | 549 |
| Short Loans & Adv. | 624 | 530 | 871 | 1063 | 1275 |
| Others Current Assets | 137 | 396 | 718 | 876 | 1051 |
| Total Assets | 10429 | 11420 | 15547 | 18781 | 20662 |
| Valuation Matrix | | | | | |
| EPS Rs | 6.8 | 7.6 | 8.3 | 8.1 | 11.2 |
| CEPS Rs | 8.8 | 9.6 | 10.7 | 12.2 | 16.0 |
| Book Value Rs | 17.4 | 23.6 | 31.8 | 38.6 | 48.0 |
| EV / Net Sales | 2.5 | 3.6 | 3.3 | 2.8 | 2.3 |
| EV / EBITDA | 15.5 | 20.9 | 20.2 | 17.3 | 13.2 |
| P / E Ratio | 22.4 | 32.4 | 28.8 | 29.8 | 21.5 |
| P / BV Ratio | 8.7 | 10.5 | 7.5 | 6.2 | 5.0 |

Recommendation rationale

| | |
|---------------------------------|------------------------------------|
| Buy: Potential upside of | > +15% (absolute returns) |
| Accumulate: | > +5 to +15% |
| Reduce: | +5 to -5% |
| Sell: | < -5% |
| Not Rated (NR): | No investment opinion on the stock |

Sector rating

| | |
|---------------------|--|
| Overweight: | The sector is expected to outperform relative to the Sensex. |
| Underweight: | The sector is expected to underperform relative to the Sensex. |
| Neutral: | The sector is expected to perform in line with the Sensex. |

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