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Century Plyboards India Ltd.

4QFY18Result: Estimate(↓), TP(↓),Rating(↔)

Regular Coverage

Absolute : LONG

Relative : Overweight

13% ATR in 16months

Laminates, MDF to be key growth drivers – maintain LONG

Building Materials

| Rating Information | |
|-----------------------------|-------------|
| Price (Rs) | 269 |
| Target Price (Rs) | 315 |
| Target Date | 30th Sep'19 |
| Target Set On | 06th Feb'18 |
| Implied yrs of growth (DCF) | 15 |
| Fair Value (DCF) | 231 |
| Fair Value (DDM) | 199 |
| Ind Benchmark | BSETCD |
| Model Portfolio Position | NA |

| Stock Information | |
|-------------------------|--------------|
| Market Cap (Rs Mn) | 59,765 |
| Free Float (%) | 28.00 % |
| 52 Wk H/L (Rs) | 364.1/235.25 |
| Avg Daily Volume (1yr) | 354,122 |
| Avg Daily Value (Rs Mn) | 106 |
| Equity Cap (Rs Mn) | 222 |
| Face Value (Rs) | 1 |
| Bloomberg Code | CPBI IN |

| Ownership | Recent | 3M | 12M |
|-----------|--------|--------|--------|
| Promoters | 72.0% | 0.00% | 0.00% |
| DII | 4.9% | 0.20% | 0.88% |
| FII | 11.2% | 0.03% | -1.62% |
| Public | 12.0% | -0.23% | 0.74% |

| Price % | 1M | 3M | 12M |
|-------------|---------|---------|--------|
| Absolute | -21.1 % | -15.9 % | 1.6 % |
| Vs Industry | -17.2 % | -13.0 % | -5.4 % |
| Greenply | -7.5 % | -20.6 % | -0.7 % |
| Greenlam | -6.9 % | -2.5 % | 69.8 % |

Standalone Quarterly EPS forecast

| Rs/Share | 1Q | 2Q | 3Q | 4Q |
|-----------|-----|-----|-----|-----|
| EPS (18A) | 1.5 | 1.8 | 2.1 | 1.6 |
| EPS (19E) | 1.8 | 2.1 | 2.5 | 2.9 |

Century Plyboards' (CPBI) 4Q revenues grew 11% yoy to Rs 5.4bn, in line with EE. Plywood volumes for FY18 were up only 6% yoy on GST issues; laminate volume growth was decent at 12% led by favourable GST rates and capacity addition in FY18. EBITDAM broadly matched EE, but particle board and MDF divisions posted EBIT losses. We feel laminates will continue to see better growth while MDF and PB would contribute meaningfully from 1HFY19. We expect some margin pressure on higher chemical (RM) costs in plywood and laminates, and realization pressure in MDF. This leads to a 10%/7% cut in our FY18E/FY19E EBITDA. Maintain LONG with a Sep'19 TP of Rs 315 (Jun'19 TP: Rs 344) set at 28x PE on TTM EPS of Rs 11.4.

Plywood demand to recover by 2HFY19: Core plywood volumes/revenues grew 6%/3% in FY18 hit by GST-related issues and a delayed E-way Bill. With subdued new demand from real estate projects and the E-Way Bill implemented from Apr'18 only, market shift from unorganized to branded plywood would take more time than estimated. We expect CPBI to post plywood volume/revenue CAGR of 11%/12% over FY18-FY21E. Commercial veneer trading and sales volumes fell 19% in FY18 with a shift in some face veneer sourcing to Solomon Islands, which is cheaper to Gurjan veneer and hence leads to lower realizations.

Laminates continue to grow: Laminate volumes/revenues grew 12%/12% yoy in FY18 with better traction in the domestic market as the company continued to gain market share. With new capacity addition, CPBI would effectively cater to higher demand and we expect revenues to increase from Rs 3.6bn to Rs 5.5bn over FY18-FY21E with a 14% volume CAGR.

MDF to drive growth, PB unit to contribute as well: The MDF plant contributed Rs 1.12bn to FY18 revenues with 19% EBITDA margins. MDF would drive growth for the company and we expect MDF revenues to increase from Rs 1.1bn to Rs 5bn over FY18-FY21E, but see some realization pressures over next few quarters amid excess capacity. We expect MDF EBITDA to increase from Rs 213mn to Rs 1.1bn over FY18-FY21E, aiding an improvement in overall EBITDAM. PB operations continue to stabilize, posting revenues of Rs 455mn in FY18 with EBITDAM of 39%. We expect 24% PB revenue CAGR over FY18-FY21E.

Price hike on the cards: Chemical prices (20%/40% of plywood/laminate production costs) have risen over last few quarters, in tandem with crude prices, and hurt CPBI's 4Q plywood and laminate margins as well. By Jun'18, CPBI may hike plywood prices by 3-5% to offset higher input costs. It may also hike laminate prices, but the quantum/timing is undecided.

Key risks: Slower demand pickup, pricing war in MDF and any adverse environmental regulations/bans related to raw material supply in plywood are key downside risks.

Change in Estimates

| | Revised Estimates | | % Change over Old | |
|--------|-------------------|--------|-------------------|-------|
| | FY19E | FY20E | FY19E | FY20E |
| Sales | 23,282 | 28,262 | -7% | -5% |
| EBITDA | 3,790 | 4,814 | -10% | -7% |
| EBIT | 2,879 | 3,757 | -15% | -11% |
| PAT | 2,054 | 2,687 | -17% | -7% |

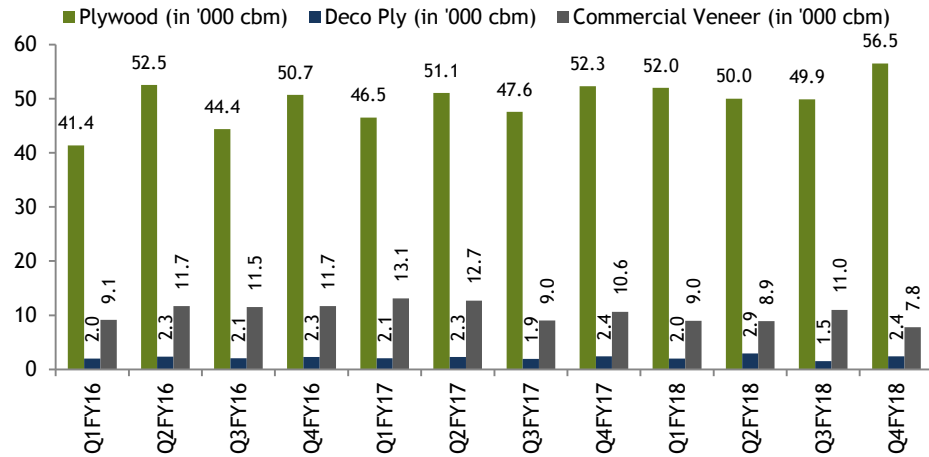
Standalone Financials

| Rs. Mn YE Mar | FY18E | FY19E | FY20E | FY21E |
|-------------------|--------|--------|--------|--------|
| Sales | 19,672 | 23,282 | 28,262 | 35,124 |
| EBITDA | 3,060 | 3,790 | 4,814 | 6,155 |
| Depreciation | 810 | 911 | 1,057 | 1,157 |
| Interest Expense | 327 | 369 | 338 | 278 |
| Other Income | 67 | 58 | 71 | 88 |
| Net Profit | 1,561 | 2,054 | 2,687 | 3,413 |
| Adj. Net Profit | 1,561 | 2,054 | 2,687 | 3,413 |
| Total Equity | 8,379 | 9,898 | 11,916 | 14,526 |
| Gross Debt | 5,022 | 5,630 | 4,230 | 2,930 |
| Cash | 165 | 212 | 439 | 419 |
| Rs Per Share | FY18E | FY19E | FY20E | FY21E |
| Earnings | 7.0 | 9.2 | 12.1 | 15.3 |
| Book Value | 38 | 44 | 54 | 65 |
| Dividends | 1.0 | 2.0 | 2.5 | 3.0 |
| FCFF | 2.7 | 1.7 | 11.5 | 10.2 |
| P/E (x) | 38.2 | 29.1 | 22.3 | 17.5 |
| P/B (x) | 7.1 | 6.0 | 5.0 | 4.1 |
| EV/EBITDA (x) | 21.2 | 17.2 | 13.2 | 10.1 |
| ROE (%) | 20% | 22% | 25% | 26% |
| Core ROIC (%) | 15% | 17% | 18% | 21% |
| EBITDA Margin (%) | 16% | 16% | 17% | 18% |
| Net Margin (%) | 8% | 9% | 10% | 10% |

Quarterly performance, standalone

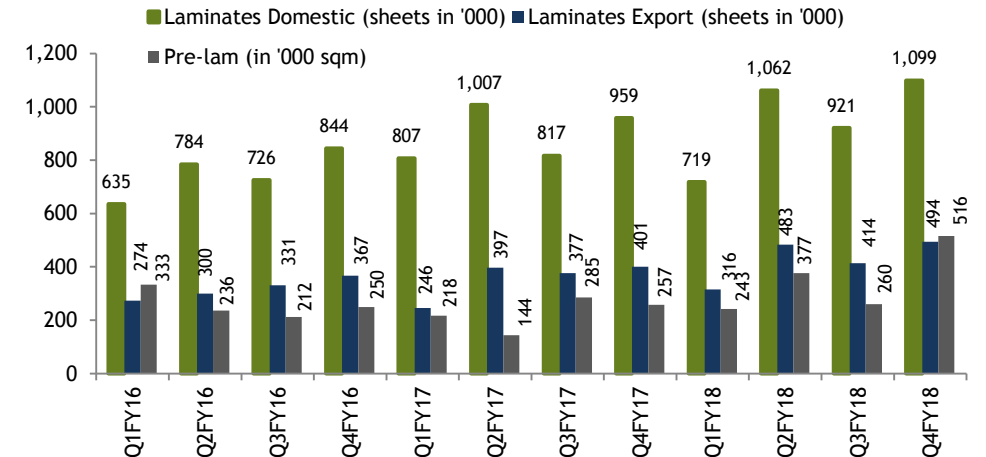
| Particulars (Rs Mn) | 4QFY18 | 4QFY18E | 3QFY18 | 4QFY17 | % Change | | | Comments |
|----------------------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|----------|
| | | | | | 4QFY18E | 3QFY18 | 4QFY17 | |
| Net Sales | 5,441 | 5,502 | 5,099 | 4,885 | -1% | 7% | 11% | |
| Cost of Materials Consumed | 2,738 | 2,889 | 2,607 | 2,531 | -5% | 5% | 8% | |
| Employee Benefit Expenses | 752 | 787 | 723 | 667 | -4% | 4% | 13% | |
| Other Expenses | 1,119 | 968 | 892 | 850 | 16% | 26% | 32% | |
| Total Expenditures | 4,610 | 4,644 | 4,222 | 4,047 | -1% | 9% | 14% | |
| EBITDA | 832 | 858 | 878 | 838 | -3% | -5% | -1% | |
| Depreciation | 277 | 248 | 263 | 155 | 12% | 5% | 79% | |
| EBIT | 554 | 610 | 615 | 683 | -9% | -10% | -19% | |
| Interest | 122 | 89 | 63 | 26 | 38% | 95% | 378% | |
| Other Income | 13 | 7 | 42 | 141 | 88% | -69% | -91% | |
| PBT | 445 | 528 | 594 | 799 | -16% | -25% | -44% | |
| Tax | 88 | 121 | 128 | 239 | -27% | -31% | -63% | |
| Recurring PAT | 357 | 407 | 467 | 560 | -12% | -23% | -36% | |
| Extraordinaries | -4 | 0 | 3 | 3 | | | | |
| Reported PAT | 361 | 407 | 464 | 557 | -11% | -22% | -35% | |
| EPS (Rs) | 1.6 | 1.8 | 2.1 | 2.5 | -12% | -23% | -36% | |
| EBITDA Margin | 15.3% | 15.6% | 17.2% | 17.2% | -30 bps | -193 bps | -187 bps | |
| EBIT Margin | 10.2% | 11.1% | 12.1% | 14.0% | -90 bps | -187 bps | -380 bps | |
| PBT Margin | 8.2% | 9.6% | 11.7% | 16.4% | -142 bps | -347 bps | -817 bps | |
| PAT Margin | 6.6% | 7.4% | 9.1% | 11.4% | -76 bps | -247 bps | -478 bps | |
| Tax Rate | 19.8% | 23.0% | 21.5% | 29.9% | -321 bps | -169 bps | -1013 bps | |

Exhibit 1: Plywood volume hit due to GST-related issues, lower restocking by dealers



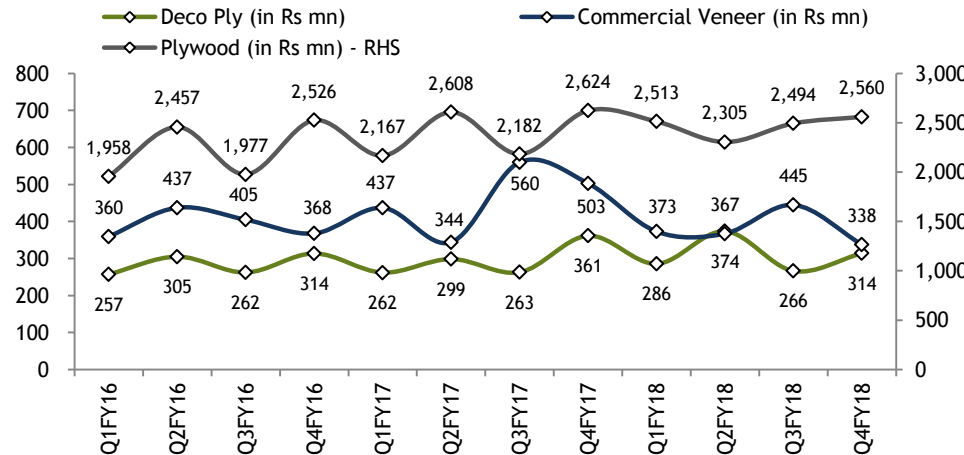
Source: Company, Equirus Securities

Exhibit 3: Laminates grow strongly on favorable GST rates, higher capacity utilization



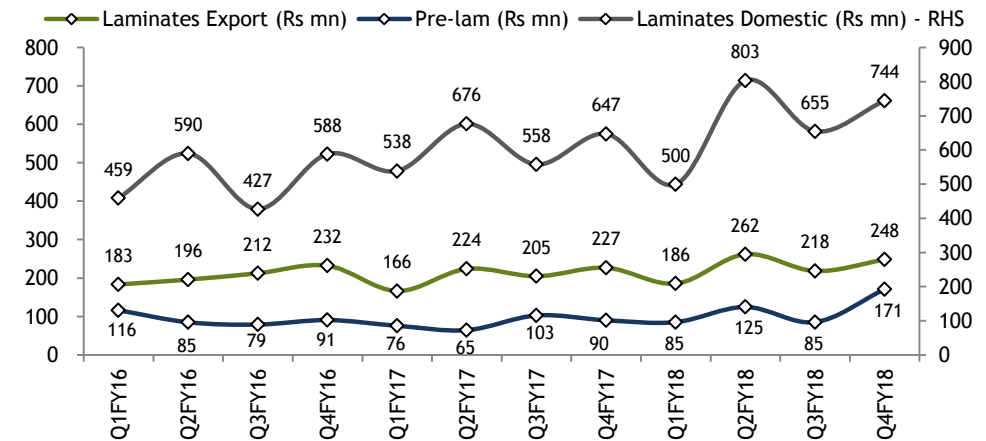
Source: Company, Equirus Securities

Exhibit 2: Plywood revenues down 12% yoy on lower volumes and realizations; commercial veneer volumes fall 30% yoy



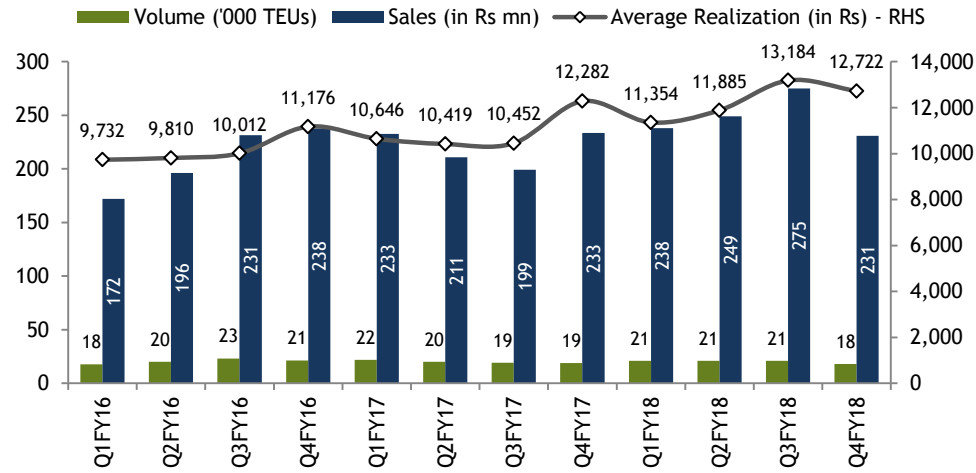
Source: Company, Equirus Securities

Exhibit 4: Domestic laminate and pre-lam revenues see strong growth yoy



Source: Company, Equirus Securities

Exhibit 5:CFS business performs steadily during the quarter



Source: Company, Equirus Securities

Exhibit 6: Segment finance

| Revenue (Rs mn) | Q2FY16 | Q3FY16 | Q4FY16 | Q1FY17 | Q2FY17 | Q3FY17 | Q4FY17 | Q1FY18 | Q2FY18 | Q3FY18 | Q4FY18 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Plywood and Allied Products | 3,199 | 2,644 | 3,418 | 3,116 | 3,251 | 3,013 | 3,743 | 3,173 | 3,059 | 3,227 | 3,230 |
| Laminate and Allied Products | 885 | 732 | 1,012 | 891 | 979 | 892 | 892 | 807 | 1,246 | 999 | 1,194 |
| CFS | 201 | 231 | 242 | 235 | 211 | 202 | 202 | 238 | 249 | 276 | 232 |
| MDF | 17 | 15 | 7 | 14 | 12 | 4 | 6 | 6 | 1 | 476 | 648 |
| Particle Board | 0 | 0 | 0 | 0 | 20 | 111 | 117 | 73 | 125 | 143 | 109 |
| Others | 114 | 134 | 150 | 148 | 113 | 80 | 91 | 94 | 106 | 68 | 86 |
| Total Segment Revenue | 4,416 | 3,756 | 4,829 | 4,403 | 4,586 | 4,301 | 5,051 | 4,392 | 4,786 | 5,189 | 5,498 |
| Less: Intersegment Revenue | 9 | 10 | 5 | 7 | 17 | 31 | 33 | 35 | 66 | 53 | 70 |
| Net Sales/ Income from Operations | 4,408 | 3,746 | 4,824 | 4,397 | 4,569 | 4,270 | 5,018 | 4,357 | 4,721 | 5,136 | 5,428 |
| Gross Profit | | | | | | | | | | | |
| Plywood and Allied Products | 1,119 | 898 | 1,084 | 946 | 1,064 | 1,003 | 1,281 | 866 | 896 | 944 | 1,020 |
| Laminate and Allied Products | 288 | 257 | 327 | 291 | 394 | 304 | 290 | 277 | 418 | 303 | 396 |
| CFS | 173 | 205 | 216 | 205 | 187 | 175 | 205 | 208 | 222 | 242 | 205 |
| MDF | 0 | 0 | 0 | 2 | 2 | 1 | 1 | 1 | 0 | 209 | 212 |
| Particle Board | 0 | 0 | 0 | 0 | 4 | 28 | 30 | 13 | 44 | 41 | 28 |
| Others | 24 | 24 | 19 | 19 | 6 | -2 | 14 | 14 | 12 | 20 | 2 |
| Total | 1,604 | 1,384 | 1,646 | 1,463 | 1,657 | 1,509 | 1,820 | 1,378 | 1,592 | 1,758 | 1,863 |
| EBITDA | | | | | | | | | | | |
| Plywood and Allied Products | 555 | 471 | 506 | 455 | 507 | 499 | 703 | 408 | 428 | 456 | 520 |
| Laminate and Allied Products | 124 | 122 | 159 | 132 | 188 | 143 | 124 | 107 | 230 | 148 | 146 |
| CFS | 82 | 113 | 105 | 103 | 83 | 69 | 88 | 92 | 93 | 110 | 87 |
| MDF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Particle Board | 0 | 0 | 0 | 0 | 3 | 21 | 23 | -2 | 40 | 34 | 21 |
| Others | -3 | 1 | -9 | -3 | -23 | -27 | -21 | -21 | 1 | 3 | -14 |
| Total | 757 | 707 | 761 | 688 | 758 | 705 | 917 | 585 | 791 | 752 | 760 |
| EBIT | | | | | | | | | | | |
| Plywood and Allied Products | 517 | 412 | 457 | 436 | 492 | 476 | 740 | 385 | 403 | 422 | 480 |
| Laminate and Allied Products | 103 | 106 | 136 | 115 | 171 | 123 | 110 | 92 | 210 | 122 | 122 |
| CFS | 56 | 84 | 84 | 79 | 56 | 41 | 60 | 67 | 68 | 85 | 85 |
| MDF | 2 | 3 | -6 | 2 | 3 | 0 | -6 | -2 | -2 | 1 | 1 |
| Particle Board | 0 | 0 | 0 | 0 | -12 | -24 | -33 | -37 | 2 | 8 | 8 |
| Others | -4 | -1 | -11 | -4 | -24 | -28 | -21 | -4 | 1 | 3 | 3 |
| Total | 673 | 605 | 660 | 629 | 686 | 587 | 850 | 500 | 682 | 641 | 700 |

Earnings call takeaways**4Q performance, guidance**

- For 4QFY18, CPBI's existing businesses of plywood and laminates contributed 4% to topline growth yoy, and MDF and particle board 6%.
- EBITDA margins for FY18 stood at 15.9% (FY17: 17.7%) led by higher depreciation in MDF and forex losses. Also in FY18, market uncertainty on GST implications partly dented profitability.
- Higher depreciation in MDF and Forex loss impacted profitability during the quarter- 70mn FX loss in 4Q18 vs. Rs 150mn FX gain in 4Q17 while for the whole year FX diff is - Rs 180mn gain in FY17 vs. Rs 70mn loss in FY18.
- The company booked additional depreciation of Rs 123mn on the MDF plant in 4QFY18 while total depreciation for the quarter stood at Rs 277mn.
- As per management, FY18 was a challenging year for the company due to GST rollout as distribution channels picked up only materials which they were sure to sell. While the usual channel inventory is around one month, inventory levels completely dried up during the initial GST rollout phase.
- CPBI could not take price hikes during FY18; normally 5-7% increase is taken in one or two tranches in particular year.
- The overall demand environment remains challenging, particularly for plywood due to RERA- related impact. However, the shift from unorganized to organized over the next 2-3 years should lead to decent revenue growth.
- Lower plywood profitability stemmed from Guwahati plant issues; the material comes from Meghalaya but the forest department has not approved the working plan. Consequently, prices have jumped up to Rs 350/cbm from Rs 250/cbm, but are down from Rs 400/cbm earlier.
- MDF business commenced production last quarter and CPBI posted a one-time loss of Rs 24mn in 4Q. The company destroyed some MDF inventory (Rs 20mn) which was of low quality.
- Laminates continued to see migration from the unorganized to organized sector as GST benefits were passed on to consumers.
- The particle board unit ran at full capacity during 4Q, due to which revenue contribution from PB and pre-laminated PB was very strong. The division posted EBIT-level losses. The company would sell most of its PB capacity via Pre-lam.
- CPBI did not take price hikes in laminates during the quarter. A sharp increase in phenol prices affected margins.
- The company took price hikes in both Sainik and premium products, but realizations were still affected due to an unfavorable product mix.
- The MDF unit ran at 70% capacity in H2FY18 and is running at 80% capacity utilization currently; CPBI expects capacity utilization to reach 100% in FY19. The company is facing some mechanical and other technical issues at the new MDF plant.

- Sainik MR is ~50% outsourced while Sainik PF is mostly made in-house. Going forward, Sainik MR and Sainik MR will mostly be outsourced. Prices for Sainik have not gone down as it is outsourced and unorganized players have not reduced their prices post GST. In premium plywood, product prices fell post GST, aiding volume growth for premium plywood.
- There was no major impact of E-way bill implementation on the company, as unorganized players are under-billing and finding their way to do tax arbitrage. However, management is confident that unorganized players would find it increasingly difficult to continue with this practice ahead.
- Many builders and bigger dealers are insisting on bills as input tax credit is available. CPBI is getting input tax credit of 9% of the 18% GST rate. Unorganized players lose 7-8% on RM as they are unable to avail input tax credit since they largely operate in cash.
- CPBI increased its laminates capacity by 25% in 4QFY18, and intends to further increase capacity by 25% in 1QFY19. It will operate at 70% utilization, which would add Rs 750mn in revenues in FY19 over FY18.
- In MDF, CPBI has already appointed 60-65% of the required total dealer network. It sold 70% MDF in North and the remaining 30% in West, South and East combined.
- The MDF market is growing strongly and most of CPBI's sales came from new demand and not from gaining market share of competitors.
- The company may take a price hike of 3-5% in plywood from mid-Jun'18, and this would mostly cover the increase in RM costs.
- Pine timber used for making block boards at Guwahati is only available from the Northeast. CPBI has signed a MOU with the UP government for setting up a plywood and MDF plant, and a MOU with the Assam government for setting up a particle board plant. However, plans are not yet finalized and the company may go ahead only after doing the required due diligence.
- For MDF, realizations are between 19,000 to 22,000/cbm in North and between 17,000 to 23,000/cbm in South India. CPBI has the capability to produce 2.1-35mm thickness MDF.
- CPBI produced 60000cbm of MDF and sold nearly 48000cbm in 2HFY18, post starting of commercial production. Market acceptability of the company's MDF is very good and at par with other players.
- The company has plans to expand MDF capacity at the existing plant from 600 to 1000 cubic meter per day with a nominal capital infusion of about Rs 1.2bn.

RM sourcing

- Earlier, CPBI sourced veneer from Myanmar (Gurjan) for US\$ 600+/cbm, and its realizations were higher in the domestic market due to its perceived higher quality. Now, the company is sourcing and marketing veneer from Solomon Islands (PQ cedar) for US\$ 350/cbm due to which its realizations are lower. This is why commercial veneer volumes were higher but realizations lower.
- Currently, maximum veneer coming into the Indian market is from Gabon, which is cheaper than Gurjan and PQ cedar.
- An increase in prices of raw materials (chemicals, power) for plywood negated any margin improvement from a drop in imported face veneer prices.
- The Laos Govt. has decided not to allow veneer exports, due to which CPBI has converted its veneer peeling facility to a plywood manufacturing facility.
- Indian face veneer market has shifted from Myanmar timber (Keirung) to other veneers like PQ cedar and Okoume. CPBI will look to source veneer from some African countries.
- Okoume manufacturers are making US\$ 50/cbm while marketing companies US\$80-100/cbm; therefore, trading is more preferable currently.
- For core veneer, there is ample availability of timber plantations from domestic markets. Therefore, the company is not facing any sourcing issues.
- In Vietnam, the local government has taken upon itself the process of timber cutting and operation, slowing down the process considerably. There is also a chance of timber import from African countries in the future which will ease the demand pressure on Laos and Vietnam.

Other takeaways

- MDF market has 2 segments: (a) OEMs like furniture makers – this segment is growing and existing players are expanding their capacities. (b) Retail – MDF is getting acceptance from household segments and its uses are increasing by the day.
- CPBI plans to set up a door unit in collaboration with a Chinese company. This JV will manufacture MDF doors along with many other value-added products using captive MDF.
- Over the next three years, the plywood business would grow at 10-11% CAGR and MDF at 22% CAGR.
- The new plywood unit in Assam will receive excise and transport subsidies for the next 10 years.
- CPBI expects to grow by at least 25% in FY19. The total turnover of MDF and particle boards currently is Rs 1.5bn; this will grow by at least Rs 2.5bn to a minimum of Rs 4bn in FY19.
- Management expects additional revenue of Rs 750mn in laminates and CFS. Revenues should grow (FY18: Rs 1bn) by another 10% in FY19.

- In the plywood business, the company expects additional revenue of Rs 1.5bn in FY19 (FY18: Rs 12.5bn) with another Rs 250mn coming in from other products. Thus, the turnover target for FY19 is ~Rs 25bn.
- CPBI expects 14-14.5% EBITDA margins with volume growth of 14-15% in FY19, but mostly in the lower-end segment. Growth in lower segment products is higher vs. premium products. However, premium products did not see any decline (Chhattisgarh and MP are declining while Maharashtra and Gujarat are seeing growth).
- CPBI expects volume growth of 8-9% in 1QFY19 and 10-11% in 2Q19. It has two months of higher- priced inventory at the Guwahati plant.
- There is scope of a price hike in Jun'18, which however will have no effect on EBITDA. The company took price hikes in both Sainik and premium products, but realizations were still impacted due to the product mix.
- CPBI expects 7-9% growth in the premium segment but maximum growth would come from Sainik and Centuryply Bond plywood. Shift of demand from unorganized to organized is happening at the lower end of the plywood pyramid. For the lower segment, margins are better as raw materials are cheaper than the premium segment; also, many times the company outsources from SSI units so margins can be maintained.
- The company expects 60-70% of the new capacity in South India to be used up in the domestic market since imports would be reduced substantially.
- CPBI operated at 70% capacity utilization in MDF with EBITDA margins of 16%. With every 10% increase in capacity utilization, EBITDA margins are expected to improve by 200bps.
- The company has shown interest in setting up a plant in UP in the coming two years. It also plans to set up a MDF plant in Assam in future, which would use bamboo as raw material. At its existing MDF plant, CPBI will put up a second line with 400cbm capacity which would produce 1-4mm thick MDF products. The new line will become operational over the next one year.
- Sainik MR is ~50% outsourced while Sainik PF is mostly made in-house. Going forward, Sainik MR and Sainik PF will mostly be outsourced.
- Sainik MR pricing is 16-17% lower than the premium Centuryply product.

Company Snapshot

How we differ from Consensus

| | | Equirus | Consensus | % Diff | Comment |
|-------|-------|---------|-----------|--------|---------|
| EPS | FY19E | 9.6 | 10.6 | -10 % | |
| | FY20E | 12.5 | 13.6 | -8 % | |
| Sales | FY19E | 23,946 | 24,718 | -3 % | |
| | FY20E | 29,039 | 28,824 | 1 % | |
| PAT | FY19E | 2,130 | 2,373 | -10 % | |
| | FY20E | 2,779 | 3,023 | -8 % | |

Our Key Investment arguments:

- Plywood and laminate to see strong volume growth with a shift from unbranded to branded products but it might take longer than expected as actual E-way bill implementation has been postponed.
- MDF as a product to see strong growth due to shift from cheap quality plywood and increased use of the product for ready-made furniture.
- Diversified revenue stream and timely capacity expansions provide strong revenue visibility.

| Plywood | FY17 | FY18E | FY19E | FY20E | FY21E |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Volume (in cbm) | 197,474 | 208,382 | 225,053 | 254,309 | 282,283 |
| Sales (Rs mn) | 12,610 | 12,633 | 13,775 | 15,706 | 17,610 |
| Laminates | | | | | |
| Volume (no. of sheets in '000) | 4,925 | 5,507 | 6,223 | 7,156 | 8,230 |
| Sales (Rs mn) | 3,636 | 4,166 | 4,882 | 5,779 | 6,706 |
| MDF | | | | | |
| Volume (in cbm) | | 48,307 | 122,760 | 207,900 | 217,800 |
| Sales (Rs mn) | | 1,128 | 2,752 | 4,521 | 4,641 |

Key Triggers

- A pick-up in real estate activity

| % Impact on EPS | % Change | % Change |
|-------------------|----------|----------|
| Raw Material Cost | 1 % | -9 % |
| Interest Cost | 1 % | -5 % |
| - | - | - |

DCF Valuations & Assumptions

| Rf | Beta | Ke | Term. Growth | Debt/IC in Term. Yr |
|-------|------|--------|--------------|---------------------|
| 7.8 % | 0.9 | 12.9 % | 3.0 % | 17.5 % |

| | FY19E | FY20E | FY21-23E | FY24-28E | FY29-33E |
|--------------|--------|--------|----------|----------|----------|
| Sales Growth | 18 % | 21 % | 13 % | 13 % | 8 % |
| NOPAT Margin | 10 % | 10 % | 10 % | 10 % | 10 % |
| IC Turnover | 1.47 | 1.70 | 1.96 | 1.96 | 1.96 |
| RoIC | 15.8 % | 18.1 % | 21.2 % | 21.2 % | 21.0 % |

| | | | | | |
|---------------------------|----|-----|-----|-----|-----|
| Years of strong growth | 1 | 1 | 5 | 10 | 15 |
| Valuation as on date (Rs) | 77 | 92 | 124 | 171 | 196 |
| Valuation as of Sep'19 | 90 | 108 | 147 | 202 | 231 |

Based on DCF, assuming 15 years of 8% revenue CAGR and 21% average ROIC, we derive our current fair value of Rs 196 and our Sep'19 fair value of Rs 231.

Company Description:

Century Ply boards is one of India's leading interior infrastructure product manufacturers. Currently, it has 6 manufacturing facilities in India and 1 facility in Myanmar. Company is a co-market leader in plywood having 25% market share. It is also among the top 3 laminate producers in the country with an installed capacity of 4.8mn sheets/annum near Kolkata. Century also owns Eastern India's largest & first privately owned container freight station (CFS) in Kolkata with a capacity of 156,000 TEUs.

| Comparable valuation | | Mkt Cap Rs. Mn. | Price Target | Target Date | EPS | | | P/E | | | BPS | P/B | RoE | | | Div Yield | | |
|----------------------|-------|--------------------|-----------------|----------------|-------------|-------|-------|-------|-------|-------|------|-------|-------|-------|-------|-----------|-------|-------|
| Company | Reco. | | | | CMP | FY18A | FY19E | FY20E | FY18A | FY19E | | | FY20E | FY18A | FY19E | FY20E | FY18A | FY19E |
| Century Ply | LONG | 269 | 59,765 | 315 | 30th Sep'19 | 7.3 | 9.6 | 12.5 | 36.7 | 28.1 | 21.5 | 38.3 | 5.9 | 21 % | 23 % | 25 % | 0.4 % | 0.7 % |
| Greenply Industries | ADD | 290 | 35,556 | 358 | 30th Jun'19 | 9.7 | 11.6 | 13.4 | 30.0 | 25.0 | 21.6 | 63.0 | 3.9 | 17 % | 17 % | 17 % | 0.2 % | 0.3 % |
| Greenlam | NR | 1,130 | 27,275 | NR | NR | 20.6 | 28.2 | 38.6 | 54.8 | 40.1 | 29.3 | 120.4 | 9.6 | 19 % | 16 % | 21 % | 0.1 % | 0.1 % |

Quarterly Earnings Forecast and Key Drivers

| Rs in Mn | 1Q18A | 2Q18A | 3Q18A | 4Q18A | 1Q19E | 2Q19E | 3Q19E | 4Q19E | 1Q20E | 2Q20E | 3Q20E | 4Q20E | FY18A | FY19E | FY20E | FY21E |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|
| Revenue | 4,386 | 4,746 | 5,099 | 5,441 | 5,019 | 5,585 | 5,960 | 6,719 | 6,615 | 6,924 | 7,077 | 7,647 | 19,672 | 23,282 | 28,262 | 35,124 |
| Cost of Materials Consumed | 2,339 | 2,545 | 2,607 | 2,738 | 2,585 | 2,876 | 3,069 | 3,426 | 3,373 | 3,531 | 3,592 | 3,881 | 10,229 | 11,957 | 14,377 | 17,737 |
| Employee Benefit Expenses | 689 | 676 | 723 | 752 | 792 | 851 | 846 | 865 | 1,014 | 1,039 | 1,023 | 986 | 2,839 | 3,354 | 4,062 | 4,971 |
| Other Expenses | 747 | 784 | 892 | 1,119 | 860 | 980 | 1,043 | 1,298 | 1,100 | 1,167 | 1,262 | 1,480 | 3,543 | 4,182 | 5,009 | 6,260 |
| EBITDA | 611 | 741 | 878 | 832 | 783 | 877 | 1,002 | 1,129 | 1,127 | 1,187 | 1,200 | 1,300 | 3,061 | 3,790 | 4,814 | 6,155 |
| Depreciation | 132 | 138 | 263 | 277 | 219 | 223 | 237 | 232 | 237 | 259 | 283 | 279 | 811 | 911 | 1,057 | 1,157 |
| EBIT | 479 | 603 | 615 | 554 | 564 | 654 | 765 | 896 | 890 | 928 | 917 | 1,021 | 2,251 | 2,879 | 3,757 | 4,998 |
| Interest | 63 | 79 | 63 | 122 | 74 | 92 | 96 | 107 | 68 | 84 | 88 | 98 | 327 | 369 | 338 | 278 |
| Other Income | 5 | 6 | 42 | 13 | 13 | 14 | 15 | 17 | 17 | 17 | 18 | 19 | 67 | 58 | 71 | 88 |
| PBT | 421 | 530 | 594 | 445 | 503 | 575 | 684 | 806 | 840 | 861 | 847 | 942 | 1,991 | 2,568 | 3,490 | 4,808 |
| Tax | 80 | 128 | 128 | 88 | 101 | 115 | 137 | 161 | 193 | 198 | 195 | 217 | 424 | 514 | 803 | 1,394 |
| Recurring PAT | 341 | 402 | 467 | 357 | 402 | 460 | 547 | 645 | 646 | 663 | 652 | 726 | 1,567 | 2,054 | 2,687 | 3,413 |
| Extraordinary | 5 | 2 | 3 | -4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |
| Reported PAT | 336 | 400 | 464 | 361 | 402 | 460 | 547 | 645 | 646 | 663 | 652 | 726 | 1,561 | 2,054 | 2,687 | 3,413 |
| EPS (Rs) | 1.53 | 1.81 | 2.10 | 1.61 | 1.81 | 2.07 | 2.46 | 2.90 | 2.90 | 2.98 | 2.93 | 3.26 | 7.04 | 9.23 | 12.08 | 15.34 |
| Key Drivers | | | | | | | | | | | | | | | | |
| Plywood Sales (Rs mn) | 3,173 | 3,059 | 3,227 | 3,230 | 3,030 | 3,306 | 3,444 | 3,995 | 3,769 | 3,769 | 3,927 | 4,241 | 12,689 | 13,775 | 15,706 | 17,610 |
| Laminates Sales (Rs mn) | 807 | 1,246 | 999 | 1,194 | 928 | 1,172 | 1,318 | 1,465 | 1,329 | 1,503 | 1,445 | 1,503 | 4,246 | 4,882 | 5,779 | 6,706 |
| CFS Sales (Rs mn) | 238 | 249 | 276 | 232 | 263 | 274 | 297 | 308 | 308 | 348 | 343 | 339 | 995 | 1,142 | 1,339 | 1,504 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sequential Growth (%) | | | | | | | | | | | | | | | | |
| Revenue | -10 % | 8 % | 7 % | 7 % | -8 % | 11 % | 7 % | 13 % | -2 % | 5 % | 2 % | 8 % | - | - | - | - |
| Cost of Materials Consumed | -8 % | 9 % | 2 % | 5 % | -6 % | 11 % | 7 % | 12 % | -2 % | 5 % | 2 % | 8 % | - | - | - | - |
| EBITDA | -27 % | 21 % | 18 % | -5 % | -6 % | 12 % | 14 % | 13 % | 0 % | 5 % | 1 % | 8 % | - | - | - | - |
| EBIT | -30 % | 26 % | 2 % | -10 % | 2 % | 16 % | 17 % | 17 % | -1 % | 4 % | -1 % | 11 % | - | - | - | - |
| Recurring PAT | -39 % | 18 % | 16 % | -23 % | 13 % | 14 % | 19 % | 18 % | 0 % | 3 % | -2 % | 11 % | - | - | - | - |
| EPS | -39 % | 18 % | 16 % | -23 % | 13 % | 14 % | 19 % | 18 % | 0 % | 3 % | -2 % | 11 % | - | - | - | - |
| Yearly Growth (%) | | | | | | | | | | | | | | | | |
| Revenue | 8 % | 3 % | 20 % | 11 % | 14 % | 18 % | 17 % | 23 % | 32 % | 24 % | 19 % | 14 % | 10 % | 18 % | 21 % | 24 % |
| EBITDA | -8 % | -2 % | 30 % | -1 % | 28 % | 18 % | 14 % | 36 % | 44 % | 35 % | 20 % | 15 % | -2 % | 24 % | 27 % | 28 % |
| EBIT | -16 % | -5 % | 17 % | -19 % | 18 % | 8 % | 24 % | 62 % | 58 % | 42 % | 20 % | 14 % | -13 % | 28 % | 31 % | 33 % |
| Recurring PAT | -21 % | -18 % | 25 % | -36 % | 18 % | 15 % | 17 % | 81 % | 61 % | 44 % | 19 % | 13 % | -16 % | 31 % | 31 % | 27 % |
| EPS | -21 % | -18 % | 25 % | -36 % | 18 % | 15 % | 17 % | 81 % | 61 % | 44 % | 19 % | 13 % | -16 % | 31 % | 31 % | 27 % |
| Margin (%) | | | | | | | | | | | | | | | | |
| EBITDA | 14 % | 16 % | 17 % | 15 % | 16 % | 16 % | 17 % | 17 % | 17 % | 17 % | 17 % | 17 % | 16 % | 16 % | 17 % | 18 % |
| EBIT | 11 % | 13 % | 12 % | 10 % | 11 % | 12 % | 13 % | 13 % | 13 % | 13 % | 13 % | 13 % | 11 % | 12 % | 13 % | 14 % |
| PBT | 10 % | 11 % | 12 % | 8 % | 10 % | 10 % | 11 % | 12 % | 13 % | 12 % | 12 % | 12 % | 10 % | 11 % | 12 % | 14 % |
| PAT | 8 % | 8 % | 9 % | 7 % | 8 % | 8 % | 9 % | 10 % | 10 % | 10 % | 9 % | 9 % | 8 % | 9 % | 10 % | 10 % |



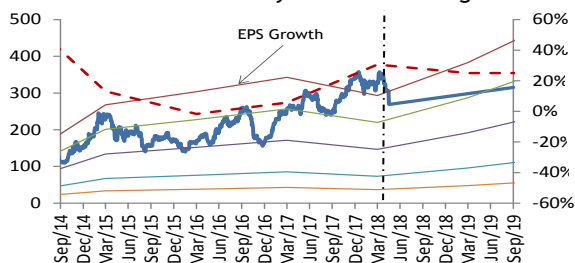
Consolidated Financials

| P&L (Rs Mn) | FY18A | FY19E | FY20E | FY21E |
|----------------------|--------|--------|--------|--------|
| Revenue | 20,239 | 23,946 | 29,039 | 36,032 |
| Op. Expenditure | 16,929 | 19,910 | 23,945 | 29,568 |
| EBITDA | 3,311 | 4,036 | 5,094 | 6,464 |
| Depreciation | 907 | 1,017 | 1,169 | 1,274 |
| EBIT | 2,404 | 3,018 | 3,925 | 5,190 |
| Interest Expense | 358 | 407 | 383 | 335 |
| Other Income | 79 | 65 | 78 | 97 |
| PBT | 2,124 | 2,676 | 3,621 | 4,952 |
| Tax | 463 | 546 | 842 | 1,442 |
| PAT bef. MI & Assoc. | 1,661 | 2,130 | 2,779 | 3,510 |
| Minority Interest | 31 | 0 | 0 | 0 |
| Profit from Assoc. | 0 | 0 | 0 | 0 |
| Recurring PAT | 1,631 | 2,130 | 2,779 | 3,510 |
| Extraordinaires | 2 | 0 | 0 | 0 |
| Reported PAT | 1,628 | 2,130 | 2,779 | 3,510 |
| FDEPS (Rs) | 7.3 | 9.6 | 12.5 | 15.8 |
| DPS (Rs) | 1.0 | 2.0 | 2.5 | 3.0 |
| CEPS (Rs) | 11.4 | 14.1 | 17.7 | 21.5 |
| FCFPS (Rs) | 3.2 | 1.8 | 11.7 | 10.4 |
| BVPS (Rs) | 38.3 | 45.4 | 54.9 | 67.1 |
| EBITDAM (%) | 16 % | 17 % | 18 % | 18 % |
| PATM (%) | 8 % | 9 % | 10 % | 10 % |
| Tax Rate (%) | 22 % | 20 % | 23 % | 29 % |
| Sales Growth (%) | 11 % | 18 % | 21 % | 24 % |
| FDEPS Growth (%) | -14 % | 31 % | 30 % | 26 % |

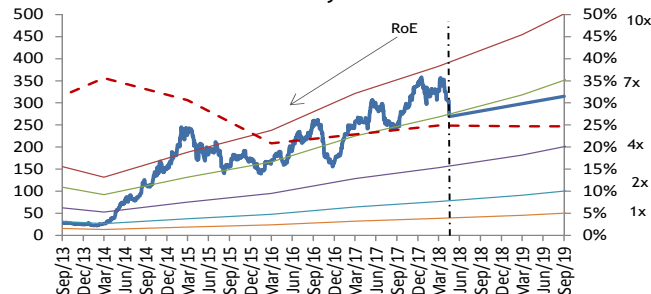
| Balance Sheet (Rs Mn) | FY18A | FY19E | FY20E | FY21E |
|----------------------------|--------|--------|--------|--------|
| Equity Capital | 223 | 223 | 223 | 223 |
| Reserve | 8,293 | 9,888 | 11,997 | 14,703 |
| Networth | 8,516 | 10,110 | 12,219 | 14,926 |
| Long Term Debt | 5,346 | 5,949 | 4,593 | 3,207 |
| Def Tax Liability | 133 | 60 | 46 | 32 |
| Minority Interest | 184 | 184 | 184 | 184 |
| Account Payables | 1,753 | 1,998 | 2,293 | 2,692 |
| Other Curr Liabi | 1,323 | 1,596 | 1,815 | 2,120 |
| Total Liabilities & Equity | 17,254 | 19,898 | 21,150 | 23,160 |
| Net Fixed Assets | 6,548 | 7,838 | 7,219 | 6,495 |
| Capital WIP | 1,264 | 0 | 0 | 0 |
| Others | 985 | 2,249 | 2,249 | 2,249 |
| Inventory | 3,828 | 4,461 | 5,251 | 6,515 |
| Account Receivables | 3,572 | 4,133 | 5,012 | 6,219 |
| Other Current Assets | 847 | 929 | 865 | 1,244 |
| Cash | 211 | 288 | 554 | 437 |
| Total Assets | 17,254 | 19,898 | 21,150 | 23,160 |
| Non-cash Working Capital | 5,171 | 5,928 | 7,020 | 9,167 |
| Cash Conv Cycle | 93.2 | 90.4 | 88.2 | 92.9 |
| WC Turnover | 3.9 | 4.0 | 4.1 | 3.9 |
| FA Turnover | 2.6 | 3.1 | 4.0 | 5.5 |
| Net D/E | 0.6 | 0.6 | 0.3 | 0.2 |
| Revenue/Capital Employed | 1.7 | 1.7 | 1.9 | 2.2 |
| Capital Employed/Equity | 1.9 | 1.8 | 1.6 | 1.5 |

| Cash Flow (Rs Mn) | FY18A | FY19E | FY20E | FY21E |
|--------------------|--------|--------|--------|--------|
| PBT | 2,124 | 2,676 | 3,621 | 4,952 |
| Depreciation | 907 | 1,017 | 1,169 | 1,274 |
| Others | -2 | 0 | 0 | 0 |
| Taxes Paid | 463 | 546 | 842 | 1,442 |
| Change in WC | 414 | -757 | -1,092 | -2,148 |
| Operating C/F | 2,980 | 2,390 | 2,856 | 2,636 |
| Capex | -2,557 | -2,308 | -550 | -550 |
| Change in Invest | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | 0 |
| Investing C/F | -2,557 | -2,308 | -550 | -550 |
| Change in Debt | -768 | 603 | -1,356 | -1,386 |
| Change in Equity | 6 | 0 | 0 | 0 |
| Others | -121 | -609 | -683 | -818 |
| Financing C/F | -883 | -6 | -2,040 | -2,204 |
| Net change in cash | -460 | 77 | 266 | -117 |
| RoE (%) | 21 % | 23 % | 25 % | 26 % |
| RoIC (%) | 14 % | 16 % | 18 % | 21 % |
| Core RoIC (%) | 14 % | 16 % | 18 % | 21 % |
| Div Payout (%) | 16 % | 25 % | 24 % | 23 % |
| P/E | 36.7 | 28.1 | 21.5 | 17.1 |
| P/B | 7.0 | 5.9 | 4.9 | 4.0 |
| P/FCFF | 85.1 | 147.3 | 23.0 | 25.8 |
| EV/EBITDA | 19.6 | 16.2 | 12.5 | 9.7 |
| EV/Sales | 3.2 | 2.7 | 2.2 | 1.7 |
| Dividend Yield (%) | 0.4 % | 0.7 % | 0.9 % | 1.1 % |

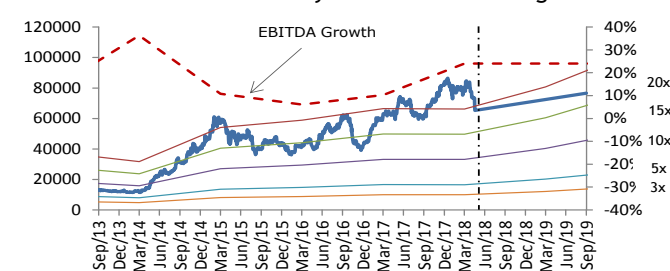
TTM P/E vs. 2 yrs. forward EPS growth



TTM P/B vs. 2 yrs. forward RoE



TTM EV/EBITDA vs. 2 yrs. forward EBITDA growth





Historical Consolidated Financials

| P&L (Rs Mn) | FY15A | FY16A | FY17A | FY18A | Balance Sheet (Rs Mn) | FY15A | FY16A | FY17A | FY18A | Cash Flow (Rs Mn) | FY15A | FY16A | FY17A | FY18A |
|----------------------|--------|--------|--------|--------|----------------------------|--------|--------|--------|--------|--------------------|--------|--------|--------|--------|
| Revenue | 15,884 | 16,409 | 18,187 | 20,239 | Equity Capital | 223 | 223 | 223 | 223 | PBT | 1,796 | 2,001 | 2,450 | 2,124 |
| Op. Expenditure | 13,181 | 13,468 | 14,867 | 16,929 | Reserve | 3,968 | 5,066 | 6,926 | 8,293 | Depreciation | 485 | 475 | 593 | 907 |
| EBITDA | 2,703 | 2,941 | 3,321 | 3,311 | Networth | 4,191 | 5,288 | 7,149 | 8,516 | Others | 421 | 577 | 126 | -2 |
| Depreciation | 485 | 475 | 593 | 907 | Long Term Debt | 5,136 | 4,698 | 6,114 | 5,346 | Taxes Paid | 337 | 468 | 429 | 463 |
| EBIT | 2,218 | 2,466 | 2,727 | 2,404 | Def Tax Liability | 17 | 14 | 20 | 133 | Change in WC | -877 | 344 | -536 | 414 |
| Interest Expense | 456 | 479 | 302 | 358 | Minority Interest | 55 | 90 | 120 | 184 | Operating C/F | 1,488 | 2,928 | 2,205 | 2,980 |
| Other Income | 33 | 13 | 25 | 79 | Account Payables | 617 | 864 | 1,410 | 1,753 | Capex | 68 | -1,498 | -3,047 | -2,557 |
| PBT | 1,796 | 2,001 | 2,450 | 2,124 | Other Curr Liabi | 625 | 798 | 1,036 | 1,323 | Change in Invest | 44 | 106 | 2 | 0 |
| Tax | 296 | 304 | 515 | 463 | Total Liabilities & Equity | 10,642 | 11,752 | 15,848 | 17,254 | Others | 16 | 2 | 1 | 0 |
| PAT bef. MI & Assoc. | 1,500 | 1,697 | 1,935 | 1,661 | Net Fixed Assets | 2,383 | 2,562 | 3,118 | 6,548 | Investing C/F | 128 | -1,389 | -3,044 | -2,557 |
| Minority Interest | 9 | 8 | 30 | 31 | Capital WIP | 324 | 1,022 | 2,991 | 1,264 | Change in Debt | -650 | -461 | 1,409 | -768 |
| Profit from Assoc. | -1 | 0 | 0 | 0 | Others | 796 | 1,058 | 1,038 | 985 | Change in Equity | 0 | 20 | 15 | 6 |
| Recurring PAT | 1,490 | 1,689 | 1,905 | 1,631 | Inventory | 3,322 | 2,975 | 3,006 | 3,828 | Others | -927 | -1,084 | -302 | -121 |
| Extraordinaires | 0 | 19 | 24 | 2 | Account Receivables | 2,622 | 2,842 | 3,422 | 3,572 | Financing C/F | -1,577 | -1,525 | 1,122 | -883 |
| Reported PAT | 1,490 | 1,671 | 1,881 | 1,628 | Other Current Assets | 821 | 904 | 1,602 | 847 | Net change in cash | 39 | 14 | 284 | -460 |
| EPS (Rs) | 6.7 | 7.6 | 8.6 | 7.3 | Cash | 374 | 390 | 672 | 211 | RoE (%) | 42 % | 36 % | 31 % | 21 % |
| DPS (Rs) | 2.0 | 1.0 | 1.0 | 1.0 | Total Assets | 10,642 | 11,752 | 15,849 | 17,254 | RoIC (%) | 20 % | 22 % | 18 % | 14 % |
| CEPS (Rs) | 8.8 | 9.7 | 11.2 | 11.4 | Non-cash Working Capital | 5,522 | 5,059 | 5,585 | 5,171 | Core RoIC (%) | 20 % | 21 % | 19 % | 14 % |
| FCFPS (Rs) | 8.9 | 8.7 | -2.7 | 3.2 | Cash Conv Cycle | 126.9 | 112.5 | 112.1 | 93.2 | Div Payout (%) | 36 % | 16 % | 14 % | 16 % |
| BVPS (Rs) | 18.8 | 23.8 | 32.1 | 38.3 | WC Turnover | 2.9 | 3.2 | 3.3 | 3.9 | P/E | 40.2 | 35.4 | 31.4 | 0.0 |
| EBITDAM (%) | 17 % | 18 % | 18 % | 16 % | FA Turnover | 5.9 | 4.6 | 3.0 | 2.6 | P/B | 14.3 | 11.3 | 8.4 | 0.0 |
| PATM (%) | 9 % | 10 % | 10 % | 8 % | Net D/E | 1.1 | 0.8 | 0.8 | 0.6 | P/FCFF | 30.1 | 30.8 | -99.8 | 85.1 |
| Tax Rate (%) | 16 % | 15 % | 21 % | 22 % | Revenue/Capital Employed | 1.9 | 1.8 | 1.9 | 1.7 | EV/EBITDA | 23.9 | 21.8 | 19.6 | 0.0 |
| Sales growth (%) | 18 % | 3 % | 11 % | 11 % | Capital Employed/Equity | 3.1 | 2.6 | 2.1 | 1.9 | EV/Sales | 4.1 | 3.9 | 3.6 | 0.0 |
| FDEPS growth (%) | 147 % | 13 % | 13 % | -14 % | | | | | | Dividend Yield (%) | 0.7 % | 0.4 % | 0.4 % | 0.4 % |



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Rating & Coverage Definitions:**Absolute Rating**

- LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap >Rs 5 billion and ATR >= 20% for rest of the companies
- ADD: ATR >= 5% but less than Ke over investment horizon
- REDUCE: ATR >= negative 10% but <5% over investment horizon
- SHORT: ATR < negative 10% over investment horizon

Relative Rating

- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon
- BENCHMARK: likely to perform in line with the benchmark
- UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon

Investment Horizon

Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

Lite vs. Regular Coverage vs. Spot Coverage

We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.

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