

Rating matrix

Rating	:	Hold
Target	:	₹ 275
Target Period	:	12-18 months
Potential Upside	:	3%

What's Changed?

Target	Changed from ₹ 350 to ₹ 275
EPS FY19E	Changed from ₹ 11.0 to ₹ 8.9
EPS FY20E	Changed from ₹ 13.9 to ₹ 11.0
Rating	Changed from Buy to Hold

Quarterly Performance

(₹ crore)	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)
Revenue	544.1	488.5	11.4	509.9	6.7
EBITDA	83.2	83.8	-0.7	87.7	-5.2
EBITDA (%)	15.3	17.1	-187 bps	17.2	-192 bps
PAT	35.7	55.9	-36.1	46.6	-23.4

Key Financials

(₹ Crore)	FY17	FY18	FY19E	FY20E
Net Sales	1,782.5	1,967.2	2,376.4	2,704.2
EBITDA	292.0	306.1	389.2	458.0
Net Profit	185.6	156.6	197.4	244.3
EPS (₹)	8.4	7.1	8.9	11.0

Valuation summary

(x)	FY17	FY18	FY19E	FY20E
P/E	32.1	38.0	30.2	24.4
Target P/E	32.9	39.0	30.9	25.0
EV / EBITDA	22.1	21.0	16.6	14.0
P/BV	8.4	7.1	6.0	5.1
RoNW (%)	26.2	18.7	20.0	20.9
RoCE (%)	21.7	18.2	20.8	21.4

Stock data

Particular	Amount (₹ crore)
Market Capitalization	5,954.2
Total Debt	563.0
Cash	17.0
EV	6,500.2
52 week H/L (₹)	364 / 235
Equity capital	22.3
Face value (₹)	1.0

Price performance (%)

(%)	1M	3M	6M	12M
Greenply Industries	(7.5)	(20.6)	(7.0)	(0.5)
Century Plyboard	(21.1)	(15.9)	(8.5)	1.9
Archidply Industries	(4.6)	(10.7)	(11.4)	10.3
Sarda Plywood	(10.3)	(15.9)	(16.2)	(38.0)

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Century Plyboards (India) (CENPLY) ₹ 268

Input cost pressures weigh on margins...

- Century Plyboards' (CPIL) topline grew 11.7% YoY to ₹ 544.1 crore (our estimate: ₹ 571.2 crore) mainly led by MDF division revenues (₹ 64.8 crore in Q4FY18 vs. ₹ 0.6 crore in Q4FY17)
- The EBITDA margin contracted 180 bps YoY to 15.3% (our expectation: 17.4%) due to a rise in raw material costs
- PAT de-grew 36.1% YoY to ₹ 35.7 crore (our expectation: ₹ 51.1 crore) mainly on account of EBITDA margin contraction and higher interest costs (₹ 12.2 crore in Q4FY18 vs. ₹ 2.6 crore in Q4FY17)
- The board has recommended a dividend of ₹ 1/ equity share

MDF division margins to improve ahead...

The new MDF facility operated at 61% capacity utilisation for Q4FY18 and clocked revenues of ₹ 67.4 crore at EBITDA margin of ~16%. The average realisation was at ₹ 23765/CBM. However, addition of new MDF units from peers in north and imports in south have made the market more competitive. Consequently, the company expects realisation to drop 3-6% in FY19E but is confident of selling its MDF produce. Also, it is confident of clocking EBITDA margins of 20% in FY19E. We expect MDF revenues of ₹ 370.6 crore and ₹ 420.0 crore in FY19E & FY20E, respectively.

Change in product mix leads to drop in realisations...

The plywood division reported strong volume growth of 8.7% to 56488 CBM. However, realisations dropped significantly by 9.7% YoY to ₹ 45319/ CBM due to a change in product mix. Hence, ply revenues de-grew 7.4% YoY to ₹ 323 crore in Q4FY18. With a rise in demand for relatively lower grade plywood, CPIL launched two new products, Century MR & Century PF to cater to this segment. Also, the company would be outsourcing these products unless there is some free capacity lying unused at its facilities. Furthermore, plywood division EBITDA margins fell 410 bps YoY to 16.1% due to higher raw material (veneer, timber, glue etc) costs. Going forward, the company has guided for 3-5% price hike and revenue growth of ~15% in FY19E with EBITDA margins of 15-16%. Overall, we expect plywood & allied segment revenues to grow moderately at 10.5% CAGR to ₹ 1543.5 crore in FY18-20E.

Strong growth in laminate, allied division continues...

In Q4FY18, CPIL's laminates & allied division reported a strong show. Revenues grew 20.6% YoY to ₹ 118.7 crore. However, margins remained under pressure on account of a rise in phenol prices. Furthermore, in Q4FY18, its capacity increased 25% to 6 mn sheets and is further expected to augment to 7.2 mn sheets in Q1FY19E. Thus, with anticipated demand pick-up coupled & timely capex, we expect laminates & allied division revenues to grow at 15.7% CAGR to ₹ 558.3 crore in FY18-20E.

Margins could remain under pressure; recommend HOLD...

We are positive on CPIL's long term growth as it is well poised to benefit from the unorganised to organised shift with the GST roll-out, e-way bill implementation, consumers' high brand aspirations and its strong brand presence. However, in the interim, stiff competition and pressure on input costs have weighed on its margins. Consequently, we downgrade our EPS estimates by 19.4%, 20.9% in FY19E, FY20E, respectively, leaving limited room for upside. Hence, we have a **HOLD** rating on the stock with a revised target price of ₹ 275 (25x FY20E EPS).

Variance analysis

Particular	Q4FY18	Q4FY18E	Q4FY17	YoY Chg (%)	Q3FY18	QoQ Chg (%)	Comments
Net Sales	544.1	571.2	488.5	11.4	509.9	6.7	Topline growth can be attributed to incremental contribution from MDF division
Other Income	1.3	3.0	14.1	-90.8	4.2	-69.4	
Material Consumed	227.3	267.2	159.7	42.3	204.0	11.4	
Purchase of Stock in Trade	71.0	-21.7	92.0	-22.8	84.0	-15.5	
Employee Benefit Expenses	75.2	77.5	66.7	12.7	72.3	4.0	
Other Expenses	111.9	148.8	85.0	31.8	89.2	25.5	
EBITDA	83.2	99.4	83.8	-0.7	87.7	-5.2	
EBITDA Margin (%)	15.3	17.4	17.1	-187 bps	17.2	-192 bps	Margin decline was led by margin contraction in plywood and laminate division
Depreciation	27.7	26.3	15.6	78.2	26.3	5.4	
Interest	12.2	6.3	2.6	377.1	6.3	94.4	
PBT	44.5	69.8	79.8	-44.2	59.4	-25.0	
Taxes	8.8	18.8	23.9	-63.2	12.8	-30.9	
PAT	35.7	51.1	55.9	-36.1	46.6	-23.4	Degrowth was on account of margin contraction and higher interest and depreciation costs

Source: Company, ICICI Direct Research

Change in estimates

Particulars (₹ crore)	FY18E		FY19E			FY20E			Comments
	Old	New	% change	Old	New	% change			
Revenue	1,967.2	2,451.6	2,376.4	-3.1	2,829.8	2,704.2	-4.4	We tweak our estimates	
EBITDA	306.1	430.0	389.2	-9.5	525.5	458.0	-12.8		
EBITDA Margin (%)	15.6	17.5	16.4	-112 bps	18.6	16.9	-166 bps	We factor in lower margins in line with management commentary	
PAT	156.6	245.1	197.4	-19.4	308.8	244.3	-20.9	Margin downgrade leads to significant bottomline degrowth	
EPS (₹)	7.1	11.0	8.9	-19.4	13.9	11.0	-20.9		

Source: Company, ICICI Direct Research

Assumptions

Volume Assumptions	Current			Earlier		Comments
	FY16	FY17	FY18	FY19E	FY20E	
Plywood & Veneer(In CBM)	241,794	251,720	253,922	271,870	296,535	273,005 300,306 We tweak our estimates
MDF (CBM)	0	20,557	48,307	135,000	162,000	153,000 180,000 We lower our MDF volume estimates given the increased supply in the market
Laminate Sheets (In Mn)	4.3	5.0	5.5	6.4	7.4	6.1 7.0
Pre-laminated Boards (In Mn SQM)	1.0	0.9	1.4	1.5	1.7	1.2 1.3

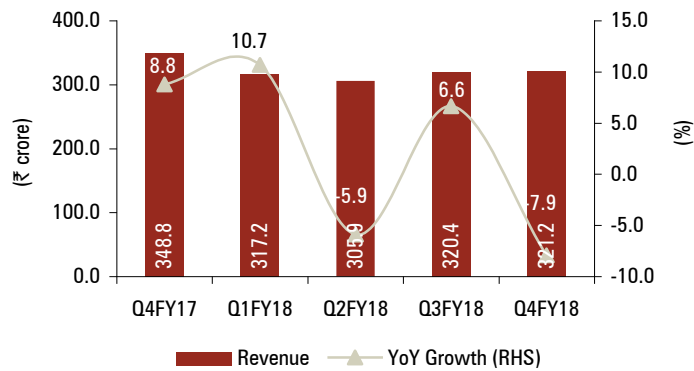
Source: Company, ICICI Direct Research

Conference Call Highlights

- **FY18 Performance:** The performance was impacted adversely by net forex loss of ~₹ 21 crore and full depreciation charged (~₹ 29 crore impact) on sub-optimal operations of new MDF plant, which operated at 54% capacity utilisation
- **Growth outlook:** The management foresees ~20-25% YoY revenue growth in FY19E led by incremental revenues from MDF plant and capacity expansion in laminate division
- **Plywood performance:** The plywood division reported strong volume growth of 8.7%. However, with a rise in demand for relatively lower grade plywood, the company launched two new products Century MR & Century PF. Consequently, with a change in product mix, realisations fell 9.7% YoY. Also, margins remained under pressure as input costs rose during the quarter due to raw material supply side constraint (Guwahati unit faced some timber supply issue while the Laos government continued their ban on veneer export and Myanmar government nationalised the supply). Going forward, the company has guided for 3-5% price hike and revenue growth of ~15% in FY19E with EBITDA margins of 15-16%
- **Laminates division:** The management expects to clock revenue growth of ~20% in FY19E led by incremental capacity expansion. The margins were impacted by a rise in input costs like phenol
- **MDF new facility:** The MDF facility operated at 61% capacity utilisation in Q4FY18 and clocked revenues of ₹ 67.4 crore at EBITDA margin of ~16%. The average realisation was at ₹ 23765/CBM. However, with increased competition in the market, the company expects realisation to drop 3-6% in FY19E. However, it is confident of clocking EBITDA margins of 20% in FY19E
- **New plants:** With strong MDF prospects in sight and increasing acceptance of the product, the company is looking to set up some MDF plants in future. It would first look to do a brownfield expansion at its existing MDF unit where it can build incremental capacity of 400 CBM/day with minimal incremental capex. Furthermore, it is also looking to set up a MDF unit in UP where there is strong MDF demand and one MDF unit in Assam (MDF to be manufactured from bamboo) for which it has signed MoUs with respective state governments

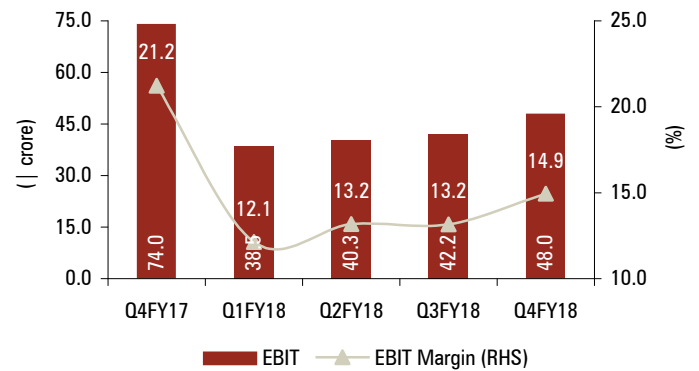
Company Analysis

Exhibit 1: Quarterly plywood & allied products revenue



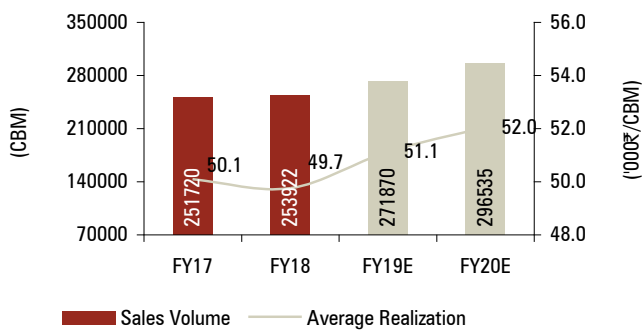
Source: Company, ICICI Direct Research

Exhibit 2: Quarterly plywood and allied products EBIT & EBIT margin



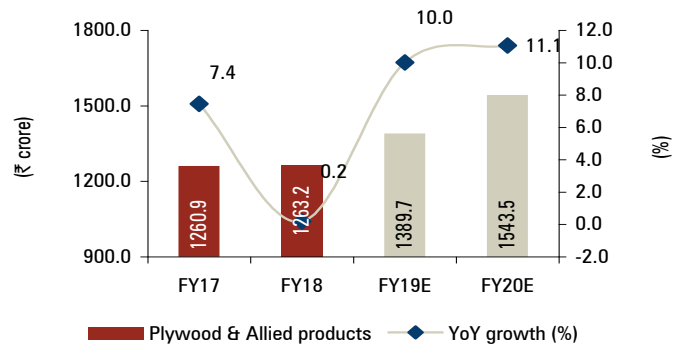
Source: Company, ICICI Direct Research

Exhibit 3: Plywood sales volume and average realisation



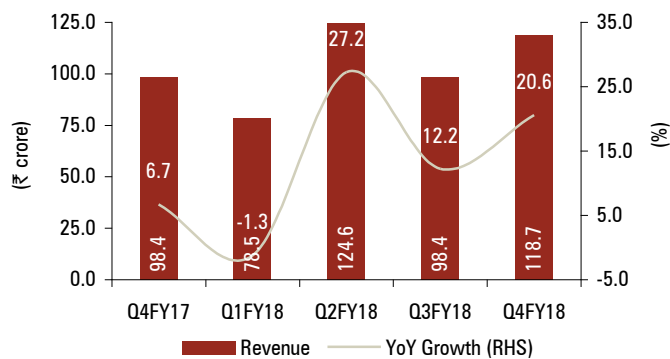
Source: Company, ICICI Direct Research

Exhibit 4: Plywood revenue and growth trend



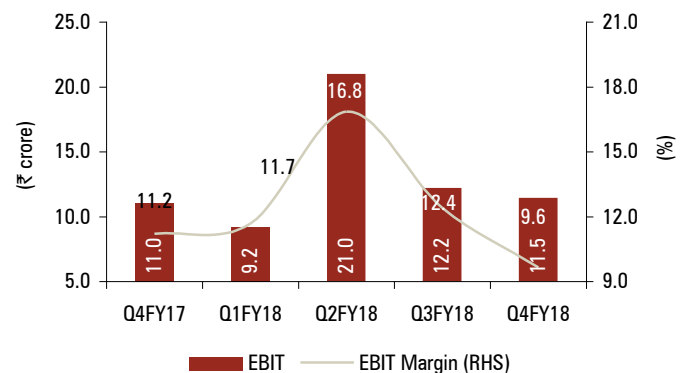
Source: Company, ICICI Direct Research

Exhibit 5: Quarterly laminate & allied products revenue



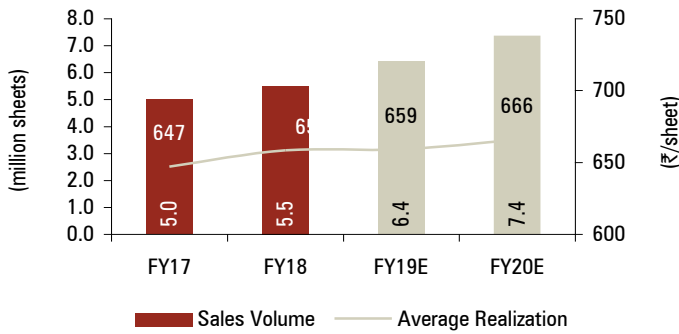
Source: Company, ICICI Direct Research

Exhibit 6: Quarterly laminate & allied products EBIT & EBIT margin



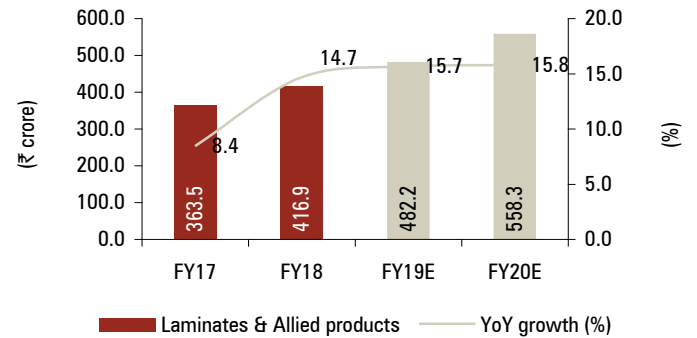
Source: Company, ICICI Direct Research

Exhibit 7: Laminate sales volume and average realisation trend



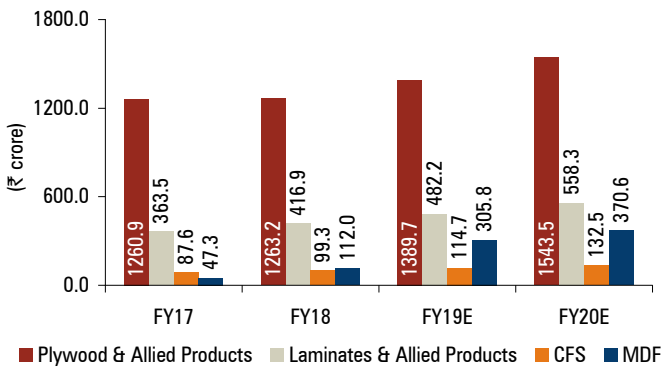
Source: Company, ICICI Direct Research

Exhibit 8: Laminate revenue and growth trend



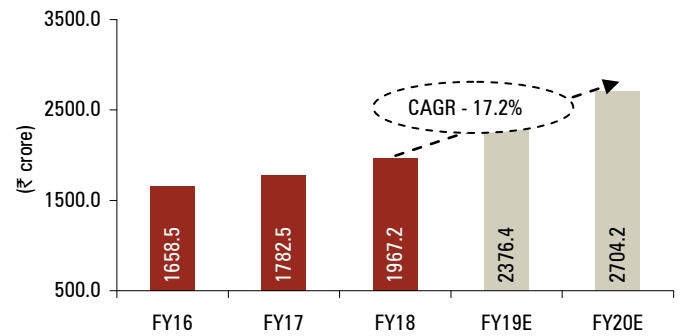
Source: Company, ICICI Direct Research

Exhibit 9: Segmental net revenue trend



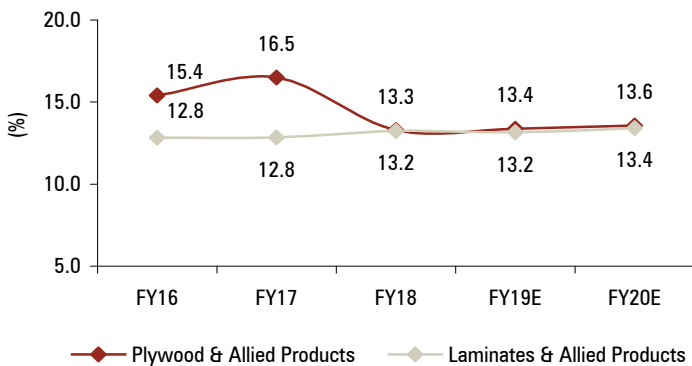
Source: Company, ICICI Direct Research

Exhibit 10: Total net revenue trend



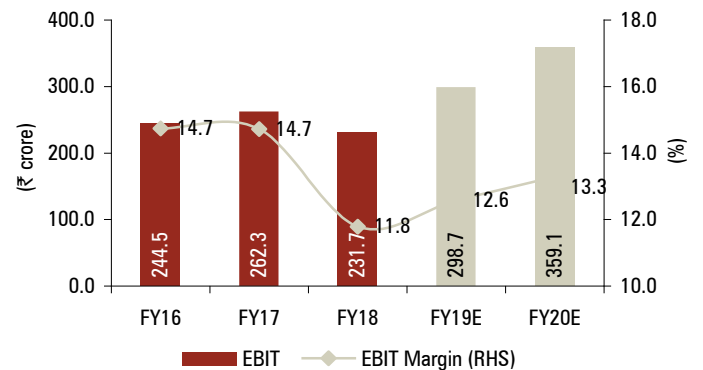
Source: Company, ICICI Direct Research

Exhibit 11: Segmental EBIT trend



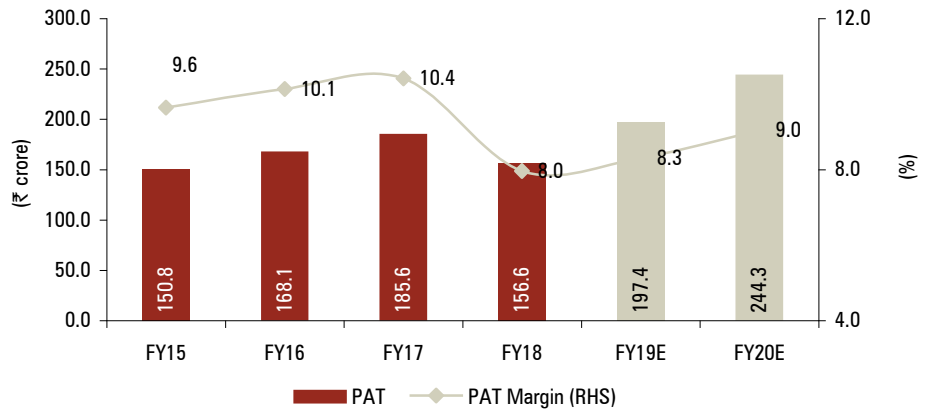
Source: Company, ICICI Direct Research

Exhibit 12: EBIT margin trend



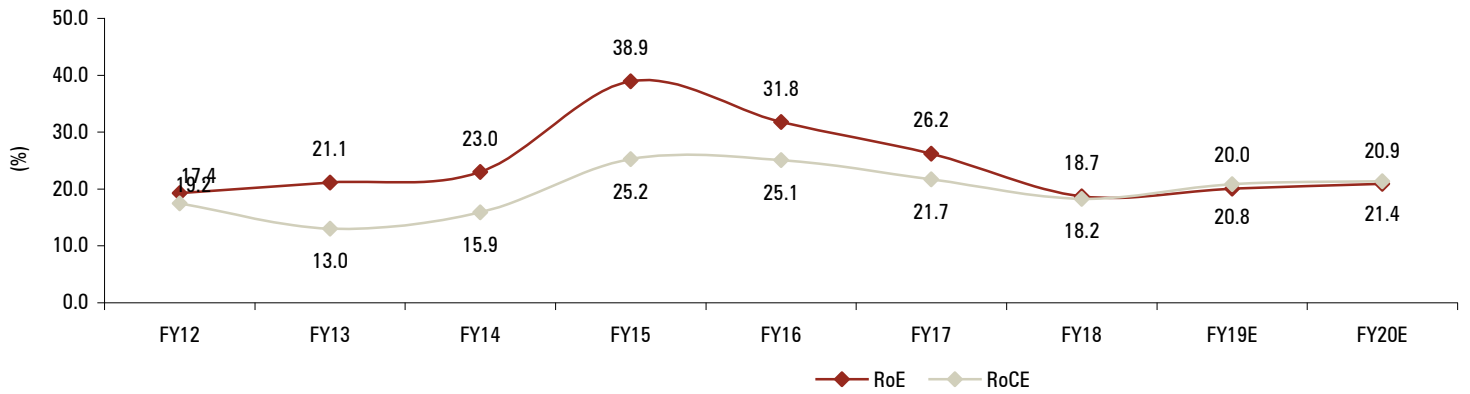
Source: Company, ICICI Direct Research

Exhibit 13: PAT growth trend



Source: Company, ICICI Direct Research

Exhibit 14: RoE and RoCE trend



Source: Company, ICICI Direct Research

We have a **HOLD** recommendation on CPIL with a target price of ₹ 275/share. Our target price implies 25x FY20E EPS.

Valuation

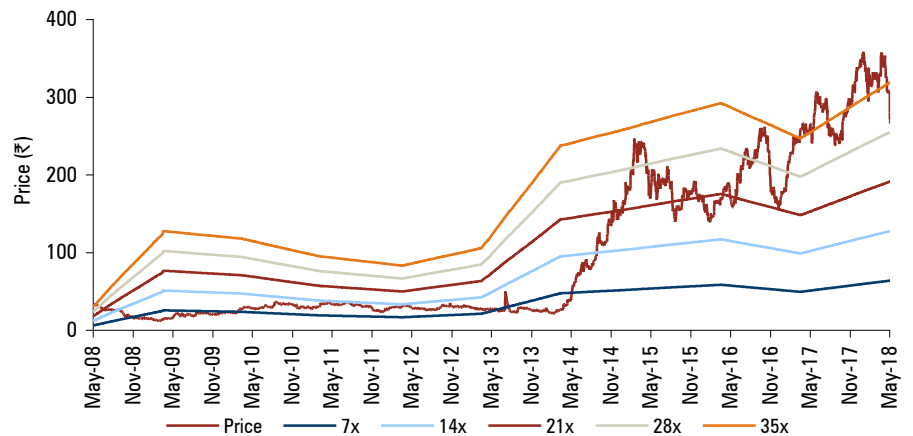
We are positive on CPIL's long term growth as it is well poised to benefit from the unorganised to organised shift with GST roll-out, e-way bill implementation, consumers' high brand aspirations and its strong brand presence. However, in the interim, stiff competition and pressure on input costs have weighed on its margins. Also, it expects price erosion in MDF prices with several new capacities coming up. Consequently, we downgrade our EPS estimates by 19.4%, 20.9% in FY19E, FY20E, respectively, leaving limited room for upside. Hence, we have a **HOLD** rating on the stock with a revised target price of ₹ 275 (25x FY20E EPS).

Exhibit 15: Valuation Metrics

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	1658.5	6.0	7.6	11.4	35.4	22.6	31.8	25.1
FY17	1782.5	7.5	8.4	10.4	32.1	22.1	26.2	21.7
FY18E	1967.2	10.4	7.1	-15.6	38.0	21.0	18.7	18.2
FY19E	2376.4	20.8	8.9	26.1	30.2	16.6	20.0	20.8
FY20E	2704.2	13.8	11.0	23.7	24.4	14.0	20.9	21.4

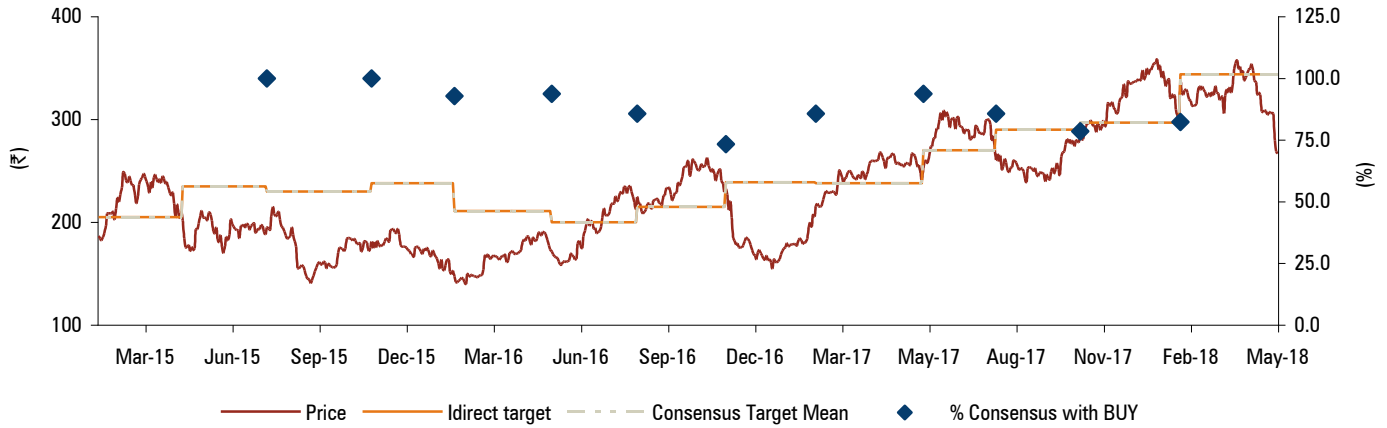
Source: Company, ICICI Direct Research

Exhibit 16: Century one year forward P/E



Source: Company, ICICI Direct Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
FY04	Rights issue 40% at ₹ 30 premium
FY04	Bonus 1:2 ratio
FY07	Acquires 51% stake in Auro Sundaram
FY08	Stock split 1:10
FY08	Acquisition of Star Ferro & Cement Ltd
FY09	CFS business becomes operational
FY10	Acquires 51% stake in Aegis Business
FY13	Demerger of Star Ferro and Cement Ltd
FY13	Ventures into readymade furniture business
FY14	Acquires 50% stake in Century Infotech
FY14	Demerger of Aegis business
Nov-15	Plans to build an MDF facility in Punjab with annual capacity of 1,80,000 CBM with capital expenditure of ~₹ 400 crore

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Bhajanka (Sajjan)	31-Dec-17	11.3%	25.0	0.0
2	Agarwal (Sanjay)	31-Dec-17	10.9%	24.2	0.0
3	Agarwal (Divya)	31-Dec-17	7.5%	16.7	0.0
4	Bhajanka (Santosh)	31-Dec-17	7.0%	15.4	0.0
5	Khemani (Vishnuprasad)	31-Dec-17	5.7%	12.6	0.0
6	Sriram Vanijya Pvt. Ltd.	31-Dec-17	3.8%	8.5	0.0
7	Brijdham Merchants Pvt. Ltd.	31-Dec-17	3.5%	7.7	0.0
8	Sumangal International Pvt. Ltd.	31-Dec-17	3.5%	7.7	0.0
9	Sumangal Business Pvt. Ltd.	31-Dec-17	3.1%	6.8	0.0
10	Sriram Merchants Pvt. Ltd.	31-Dec-17	3.0%	6.7	0.0

Shareholding Pattern

(in %)	Jun-17	Sep-17	Dec-17	Mar-18
Promoter	72.0	72.0	72.0	72.0
Public	28.0	28.0	28.0	28.0
Others	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0

Source: Reuters, ICICI Direct Research

Recent Activity

Buys			Sells		
Investor name	Value (m)	Shares (m)	Investor name	Value (m)	Shares (m)
Agarwala (Hari Prasad)	8.5	1.6	Sundaram Asset Management Company Limited	-1.7	-0.3
Aditya Birla Sun Life AMC Limited	2.7	0.5	AllianceBernstein L.P.	-1.5	-0.3
William Blair Investment Management, LLC	1.9	0.4	Canara Robeco Asset Management Company Ltd.	-0.6	-0.1
Choudhary (Nancy)	0.5	0.1	BOI AXA Investment Managers Private Limited	-0.3	-0.1
Taurus Asset Management Co. Ltd.	0.3	0.1	Van Eck Associates Corporation	-0.2	0.0

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement (₹ Crore)

(₹ Crore)	FY17	FY18	FY19E	FY20E
Net Sales	1,782.5	1,967.2	2,376.4	2,704.2
Raw Material Expense	602.6	691.7	898.3	1,021.2
Purchase of Traded Goods	315.5	331.3	344.6	378.6
Employee benefit expenses	256.7	283.9	343.0	390.3
Other Expenses	315.7	354.3	401.3	456.1
Total Expenses	1,490.4	1,661.2	1,987.2	2,246.2
EBITDA	292.0	306.1	389.2	458.0
EBITDA Margin (%)	16.4	15.6	16.4	16.9
Interest	28.6	32.7	45.6	46.0
Depreciation	52.4	81.0	97.5	106.3
Other income	22.7	6.7	7.0	7.4
PBT	233.7	199.0	253.1	313.1
Taxes	48.1	42.4	55.7	68.7
PAT	185.6	156.6	197.4	244.3
PAT Growth rate (%)	10.4	(15.6)	26.1	23.7
Adjusted EPS (Diluted)	8.4	7.1	8.9	11.0

Source: Company, ICICI Direct Research

Balance sheet (₹ Crore)

(₹ Crore)	FY17	FY18E	FY19E	FY20E
Liabilities				
Equity Capital	22.3	22.3	22.3	22.3
Reserve and Surplus	686.4	815.7	963.8	1,147.0
Total Shareholders funds	708.6	837.9	986.0	1,169.3
Minority Interest	-	-	-	-
Total Debt	563.0	502.2	517.5	580.4
Deferred Tax Liability	(61.9)	(69.0)	(69.0)	(69.0)
Total Liabilities	1,210.0	1,271.0	1,434.0	1,681.0
Assets				
Gross Block	542.2	923.0	1,110.7	1,210.7
Less Acc. Dep	293.5	381.7	479.3	585.6
Net Block	248.7	541.2	631.5	625.2
Net Intangibles Assets	0.7	0.8	7.6	11.3
Capital WIP	39.6	119.8	119.8	119.8
Total Fixed Assets	289.0	661.8	758.8	756.2
Investments	96.1	96.0	96.0	96.0
Inventory	263.8	338.2	395.5	472.3
Sundry Debtors	335.3	314.5	366.9	439.7
Loans & Advances	14.6	25.6	30.9	50.0
Cash & Bank Balances	53.8	16.5	10.9	118.1
Other Current Assets	188.6	137.6	160.9	179.5
Total Current Assets	856.2	832.4	965.1	1,259.6
Trade Payable	141.1	176.4	213.1	242.5
Other Current Liabilities	123.4	130.4	157.5	179.2
Provisions	11.5	12.3	14.9	9.5
Net Current Assets	580.2	513.3	579.6	828.4
Total Assets	965.0	1,271.0	1,434.0	1,681.0

Source: Company, ICICI Direct Research

Cash flow statement (₹ Crore)

(₹ Crore)	FY17	FY18E	FY19E	FY20E
Profit after Tax	185.6	156.6	197.4	244.3
Depreciation	52.4	81.0	97.5	106.3
Interest	28.6	32.7	45.6	46.0
Others	(78.9)	(146.6)	(50.6)	(20.7)
Cash Flow before wc changes	235.9	166.2	345.7	444.7
Net Increase in Current Assets	8.0	97.5	(12.1)	(55.4)
Net Increase in Current Liabilities	19.4	23.1	(69.5)	(132.2)
Net CF from operating activities	263.2	286.8	264.1	257.1
(Purchase)/Sale of Fixed Assets	(98.1)	(373.6)	(187.8)	(100.0)
Net CF from Investing activities	(301.7)	(203.2)	(190.0)	(105.7)
Dividend	(26.7)	(39.2)	(49.4)	(61.1)
Interest paid	(28.6)	(32.7)	(45.6)	(46.0)
Inc / (Dec) in Loans	107.6	(60.8)	15.3	62.9
Net CF from Financing activities	52.2	(132.6)	(79.7)	(44.2)
Net Cash flow	13.8	(49.0)	(5.6)	107.3
Opening Cash	19.0	53.8	16.5	10.9
Closing Cash/ Cash Equivalent	53.8	16.5	10.9	118.1

Source: Company, ICICI Direct Research

Key ratios

	FY17	FY18E	FY19E	FY20E
Per Share Data (₹)				
EPS - Diluted	8.4	7.1	8.9	11.0
Cash EPS	10.7	10.7	13.3	15.8
Book Value	31.9	37.7	44.4	52.6
Dividend per share	1.2	1.8	2.2	2.7
Operating Ratios (%)				
EBITDA / Net Sales	16.4	15.6	16.4	16.9
PAT / Net Sales	10.4	8.0	8.3	9.0
Inventory Days	54	63	61	64
Debtor Days	69	58	56	59
Creditor Days	29	33	33	33
Return Ratios (%)				
RoE	26.2	18.7	20.0	20.9
RoCE	21.7	18.2	20.8	21.4
RoIC	21.5	19.8	22.4	24.4
Valuation Ratios (x)				
EV / EBITDA	22.1	21.0	16.6	14.0
P/E (Diluted)	32.1	38.0	30.2	24.4
EV / Net Sales	3.6	3.3	2.7	2.4
Market Cap / Sales	3.3	3.0	2.5	2.2
Price to Book Value	8.4	7.1	6.0	5.1
Dividend Yield	0.4	0.7	0.8	1.0
Solvency Ratios (x)				
Net Debt / Equity	0.7	0.6	0.5	0.4
Debt / EBITDA	1.9	1.6	1.3	1.3
Current Ratio	2.7	2.4	2.4	2.5
Quick Ratio	1.8	1.4	1.3	1.4

Source: Company, ICICI Direct Research

ICICI direct Research coverage universe (Plywood)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)		
	(₹)	TP(₹)	Rating		FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Century Plyboard (CENPLY)	268	275	Hold	5971	8.4	7.1	8.9	32.1	38.0	30.2	22.1	21.0	16.6	8.4	7.1	6.0	26.2	18.7	20.0
Greenply (MTML)	289	425	Buy	4067	11.2	12.1	12.1	30.1	27.9	27.8	17.7	19.0	16.4	5.2	4.4	3.8	17.2	15.8	13.8

Source: Company, ICICI Direct Research

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Buy: > 10%/15% for large caps/midcaps, respectively;
Hold: Up to +/-10%;
Sell: -10% or more;



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