Index

Capital First

Reco: Buy

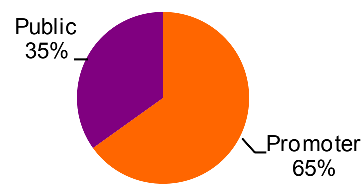
Stock Update

Strong, in-line results with continued growth momentum

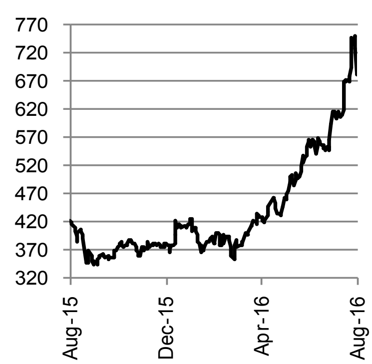
CMP: Rs682

Company details	
Price target:	Rs840
Market cap:	Rs6,240 cr
52-week high/low:	Rs796/321
NSE volume: (No of shares)	1.7 lakh
BSE code:	532938
NSE code:	CAPF
Sharekhan code:	CAPF
Free float: (No of shares)	3.2 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	14.6	48.1	79.8	62.2
Relative to Sensex	12.0	33.8	55.5	62.7

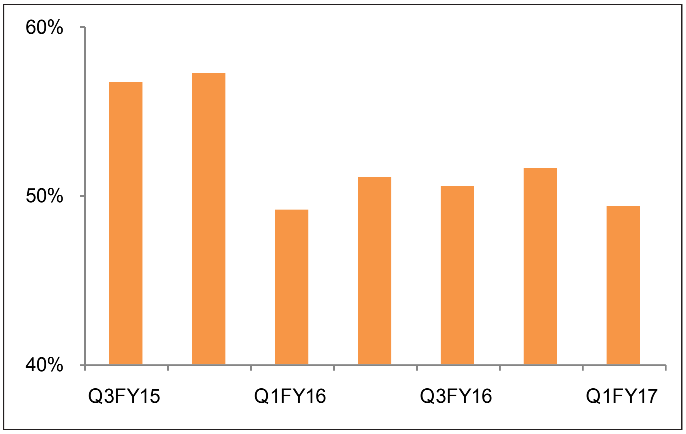
Key points

- **Continued strong growth; cost-to-income ratio improves sequentially:** Capital First (CAFL) results for Q1FY2017 are in line with expectations, with sturdy Net Interest Income (NII) growth as well as better control on operational costs. On a consolidated basis, net total income at Rs345.8 crore is up 73% YoY and 13.0% QoQ, with pre-provision profit at Rs174.78 crore, up 72% YoY and 18% QoQ. However, provisions of Rs99.45 crore (up 96% YoY and 30% QoQ)are higher than expectations and impacted profit growth. Consequently, Profit After Tax (PAT) stood at Rs49.16 crore, up 48% YoY and 3% QoQ. CAFL has seen strong growth in both, loan book (Rs13,665 crore, up 45.4% YoY and 7.9% QoQ) and Assets Under Management (AUM) (Rs 17,212 crore, up 36% YoY and 7.3% QoQ). Customer traction has also been robust not only in Q1FY2017 but largely in the last 12 quarters, and we believe that the trajectory will continue in the near term. With scale benefits, CAFL's Cost-to-Income ratio (C/I) also improved to 49.5% in Q1FY2017 from 51.6% in Q4FY2016.
- **Despite strong growth asset quality maintained:** CAFL has seen 28% three-year CAGR in its loan book, but its asset quality has been largely stable. In Q1FY2017, gross NPA increased to 1.18%, but seen in light of the RBI's directive the performance is positive. Provisions were higher by Rs18 crore due to change in norms with relation to standard asset provisioning for mortgage and housing loans. Adjusting for provisions, PAT growth is better than expectations. However, at CRAR of 18.7% (Tier 1 @13.8%), we believe CAFL may go for capital raising in the near term, which at current valuations will be book value accretive and positive for investors.
- **Outlook and Valuation:** CAFL is led by experienced and competent management and is backed by marquee private equity (PE) firm Warburg Pincus (owns 65% stake). The company is one of the fastest-growing NBFCs. Factors like rising urban consumption and increasingly improving credit score methodology are well entrenched long-term growth triggers in favor of the company. While the company's business is similar in nature to Bajaj Finance, CAFL is valued ~35% cheaper (despite growth) mainly due to smaller size and relatively shorter operating history. We maintain our Buy rating on the stock and have revised our price target (PT) to Rs840, which translates into adjusted book value of 3.5x FY18E.

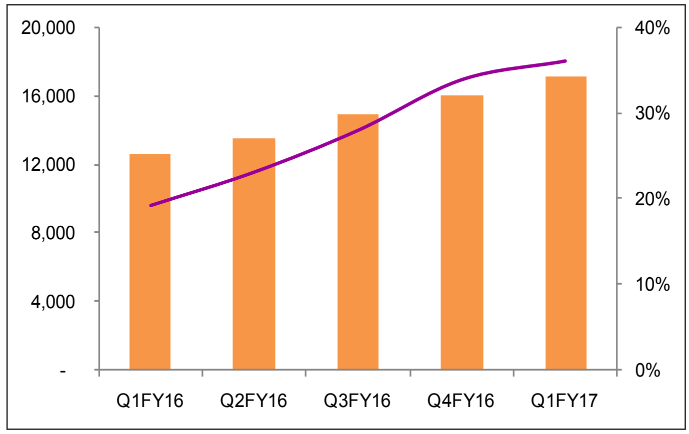
Results Rs cr

Particulars	Q1FY17	Q1FY16	YoY %	Q4FY16	QoQ %
Interest income	553.9	358.9	54.3	507.5	9.1
Interest expense	276.0	198.6	39.0	252.4	9.4
Net interest income	277.9	160.3	73.4	255.1	8.9
Non-interest income	67.9	39.4	72.3	50.8	33.7
Net total income	345.8	199.7	73.2	305.9	13.0
Operating expenses	171.0	98.3	74.0	157.9	8.3
Pre-provisioning profit	174.8	101.4	72.4	148.0	18.1
Provisions	99.5	50.8	95.9	76.6	29.9
Profit before tax	75.3	50.6	48.8	71.4	5.5
Tax	26.1	17.5	49.1	23.9	9.2
Profit after tax	49.2	33.1	48.6	47.5	3.6
Key items					
AUM	17,213	12,643	36.1	16,041	7.3
-Wholesale	1,971	1,896	4.0	2,285	-13.7
-Retail	15,241	10,747	41.8	13,756	10.8
Loan Book	13,665	9,396	45.4	12,667	7.9
Key ratios					
Gross NPLs	1.18	0.83	35 BPS	1.07	11 BPS
Net NPLs	0.60	0.46	14 BPS	0.55	5 BPS
CAR	18.7	22.1	-345 BPS	19.8	-113 BPS
C/I ratio	49.5	49.2	23 BPS	51.6	-217 BPS

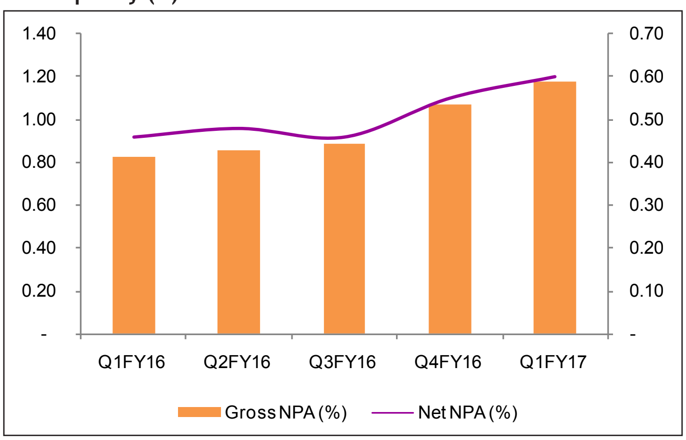
Cost to income ratio (%)



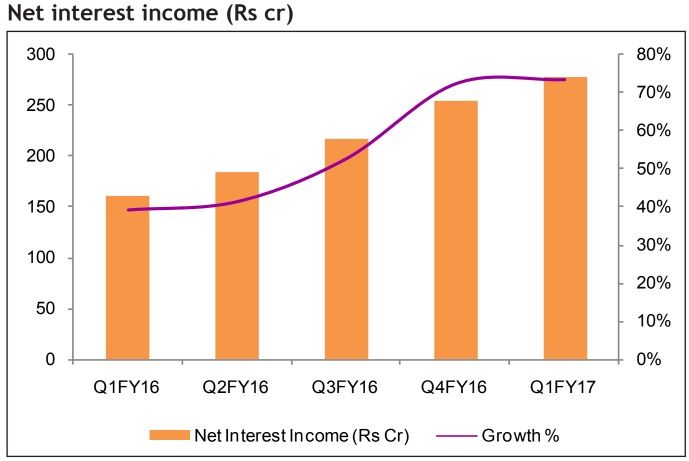
AUM (Rs cr)



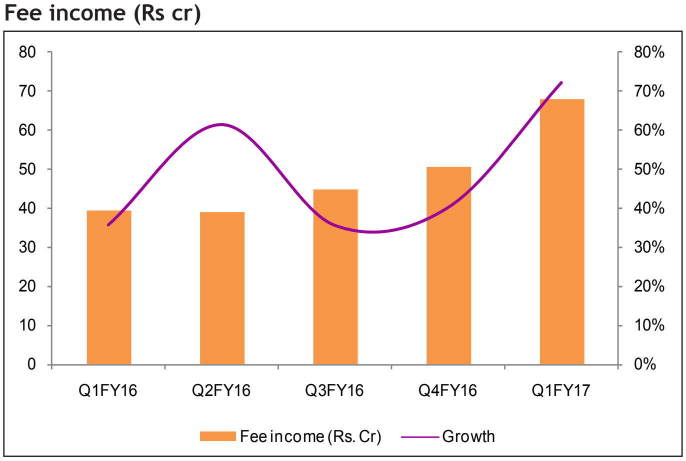
Asset quality (%)



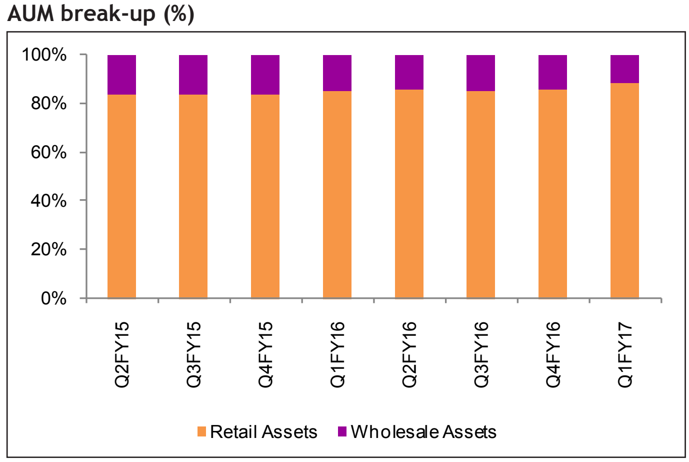
Net interest income (Rs cr)



Fee income (Rs cr)



AUM break-up (%)



Profit and loss statement

Rs cr

Particulars	FY14	FY15	FY16	FY17E	FY18E
Net interest income	328	501	807	1,088	1,435
Non interst income	88	153	185	212	255
Net total income	416	654	992	1,300	1,690
Operating expenses	302	386	503	650	843
Pre-provisioning profit	114	268	489	650	846
Provision	49	105	236	296	346
Profit before tax	65	163	252	354	501
Tax	6	52	86	117	165
Reported Profit after tax	53	114	166	237	336
Adj. Profit after tax	58	111	166	237	336

Balance sheet

Rs cr

Particulars	FY14	FY15	FY16	FY17E	FY18E
Share capital	82	91	91	91	91
Reserves and surplus	1,089	1,483	1,612	1,794	2,052
Networth	1,172	1,574	1,703	1,885	2,143
Borrowings	8,422	8,437	11,955	15,201	19,310
Current liabilities and provisons	538	671	867	1,040	1,248
Total Liabilities	10,132	10,682	14,525	18,126	22,700
Net block	28	19	29	32	35
Investments	347	95	42	46	50
Loans and advances	7,323	9,033	12,656	16,001	20,326
Current assets	2,411	1,493	1,743	1,993	2,234
Deffered tax assets	17	42	55	55	55
Other assets (incl goodwill)	6	0	0	0	0
Total Assets	10,132	10,682	14,525	18,126	22,700

Key ratios

Particulars	FY14	FY15	FY16	FY17E	FY18E
Per share data (Rs)					
Reported earnings	6.4	12.6	18.2	26.0	36.8
Adj. earnings	7.1	12.2	18.2	26.0	36.8
Book value	142.8	173.0	186.7	211.6	239.9
Adj. book value	141.3	172.8	186.5	206.4	234.6
Dividend	2.0	2.2	2.4	5.2	7.4
Spreads (%)					
Yield on funds	14.7	15.8	15.7	15.6	15.5
Cost of funds	8.8	9.3	8.8	8.4	8.0
Net interest margins	5.0	6.1	7.4	7.6	7.9
Operating ratios (%)					
Interest expended/ Interest earned	66.3	61.1	52.7	51.2	49.0
Cost to income	72.7	59.0	50.7	50.0	49.9
Non interest income / net total income	21.1	23.3	18.6	16.3	15.1
Return ratios (%)					
RoAE	4.9	8.3	10.1	13.2	16.7
RoAA	0.6	1.1	1.3	1.5	1.6
Assets/Equity (x)	8.6	6.8	8.5	9.6	10.6
Dividned yield	0.3	0.3	0.4	0.8	1.1
Growth ratios (%)					
Net interest income	33.9	52.8	60.9	34.8	31.9
Pre-provisioning profit	**41.7**	**135.8**	**82.5**	**32.9**	**30.3**
Profit after tax	-16.6	117.1	45.4	42.6	41.6
Advances	23.9	23.3	40.1	26.4	27.0
Borrowings	35.2	0.2	41.7	27.2	27.0
Valuation ratios (x)					
P/E	106.0	54.1	37.3	26.2	18.5
P/BV	4.8	3.9	3.6	3.2	2.9
P/ABV	4.8	3.9	3.6	3.3	2.9
Asset Quality (%)					
Gross NPA	0.45	0.69	1.07	0.95	0.95
Net NPA	0.1	0.2	0.6	0.3	0.3

The Ramco Cements

Reco: Hold

Stock Update

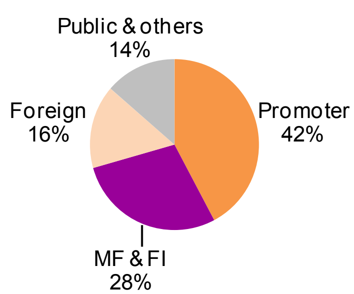
Better volume, cost efficiencies and lower leverage boost earnings

CMP: Rs535

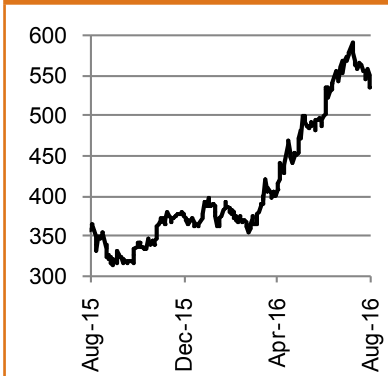
Company details

Price target:	Rs575
Market cap:	Rs12,729 cr
52-week high/low:	Rs595/300
NSE volume: (No of shares)	2.5 lakh
BSE code:	500260
NSE code:	RAMCOCEM
Sharekhan code:	RAMCOCEM
Free float: (No of shares)	13.7 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-5.8	13.7	42.0	51.2
Relative to Sensex	-7.9	2.7	22.8	51.7

Key points

- **Enhanced cost efficiencies and better volume boost earnings:** For Q1FY2017, The Ramco Cements has reported strong earnings growth, as better cost management and higher volume (up 14.5% YoY) in southern India offset lower realisation (down by 8.9% YoY). Revenue for the quarter grew by 2.6% YoY to Rs972 crore, but operating profit margin (OPM) saw a sharp jump of 451BPS YoY to 31.3%. Consequently, EBITDA per tonne improved by 14.2% YoY to Rs1,325 per tonne. Further, lower interest cost (reduction of borrowings) led to net profit of Rs156 crore as against Rs99 crore during Q1FY2016.

- **Cost efficiencies to sustain; de-leveraging to lower interest expense:** During the quarter, the company's margins have improved substantially on account of cost saving measures (across cost heads). Further, the management expects to sustain operating efficiencies in the coming quarters too on the back of ongoing cost-saving measures (company is targeting higher use of pet coke). Additionally, the company has reduced borrowings by ~Rs312 crore during Q1FY2017. It is planning a capex of ~Rs150 crore in FY2017 to increase its capacity further by 0.5 million tonne.

- **Limited upside, reiterate Hold with revised price target of Rs575:** We have fine-tuned our estimates for FY2017 and FY2018 to factor in marginally higher margins. After the recent appreciation, the stock is trading at close to 10.0x FY2018E EV/EBIDTA (near its one-year forward average EV/EBIDTA). Thus, owing to limited upside from current level (unfavorable risk-return ratio), we are maintaining our Hold recommendation with a revised price target (PT) of Rs575.

Results Rs cr

Particulars	Q1FY2017	Q1FY2016	YoY (%)
Net sales	972	947	3
Total expenditure	668	694	-4
Operating profit	304	254	20
Other income	2	2	2
EBIDTA	306	256	20
Interest	29	49	-41
PBDT	277	206	34
Depreciation	66	67	-1
PBT	211	140	51
Tax	55	40	36
Extraordinary items	0	0	-
Reported PAT	156	99	57
Adjusted PAT	156	99	57
EPS	7	4	57
OPM (%)	31.3	26.8	451 BPS
PAT (%)	16.0	10.5	557 BPS

Valuation **Rs cr**

Particulars	FY14	FY15	FY16	FY17E	FY18E
Net sales	3,740	3,724	3,673	3,891	4,389
Growth (%)	-2.4	-0.4	-1.4	5.9	12.8
EBDITA	619	792	1,136	1,185	1,375
EBDITA margin (%)	16.6	21.3	30.9	30.5	31.3
Adjusted PAT	123	236	534	567	704
Growth (%)	-69.5	91.8	126.4	6.1	24.2
EPS diluted (Rs)	5.2	9.9	22.4	23.8	29.6
PE (x)	103.5	54.0	23.9	22.5	18.1
P/BV (x)	5.1	4.8	4.1	3.5	3.0
EV/EBIDTA (x)	24.7	19.0	12.8	12.0	10.0
EV/sales (x)	4.1	4.0	3.9	3.6	3.1
RoE (%)	5.1	9.2	18.6	16.9	17.9
RoCE (%)	4.9	6.0	11.1	10.5	11.7

- **Better cost management and higher volumes result in earnings growth:** The overall revenue of The Ramco Cements grew by 2.6% YoY to Rs972 crore. The revenue growth was driven largely by higher volumes (up by 14.5% YoY) as realisations contracted by 8.9% YoY. The profit after tax (PAT) stood at Rs155.9 crore as against Rs99.2 crore during Q1FY2016. The bottomline growth was supported by 41% YoY drop in interest expense down (as the company cut borrowings by Rs312 crore through internal accruals and reduced working capital), besides lower effective tax rate (26.0% as against 28.9% in Q1FY2016).

- **Lower input, power and transportation costs spur OPM:** OPM for the quarter improved by 451BPS YoY to 31.3%. The margin expansion was on account of: (a) lower power cost from higher consumption of pet coke; (b) lower input cost, and (c) lower transportation cost on per tonne basis. Consequently, the overall cost of production decreased, lifting EBITDA per tonne for the quarter by 14.2% YoY to Rs1,325. The management is confident of sustaining the cost reduction initiatives in the coming quarters too.

- **Maintain Hold with revised PT of Rs575:** We have fine-tuned our estimates for FY2017 and FY2018 to factoring in marginally higher margins. After the recent appreciation, the stock is trading at close to 10.0x it FY2018E EV/EBIDTA (near its one-year forward average EV/EBIDTA). Thus, owing to limited upside from current level (unfavorable risk return ratio), we are maintaining our Hold recommendation with a revised PT of Rs575.

Per tonne analysis (blended basis) **Rs per tonne**

Particulars	Q1FY17	Q1FY16	YoY (%)
Volume (tonne)	2,076,000	1,813,000	14.5
Realisation	4,542	4,987	-8.9
Input cost	807	1,009	-20.1
Employee expense	340	344	-0.9
Power & fuel	623	804	-22.5
Transportation & handling	853	1,010	-15.5
Other expenses	594	660	-9.9
Total expenditure per tonne	3,217	3,826	-15.9
EBITDA per tonne	1,325	1,161	14.2

Wonderla Holidays

Reco: Buy

Stock Update

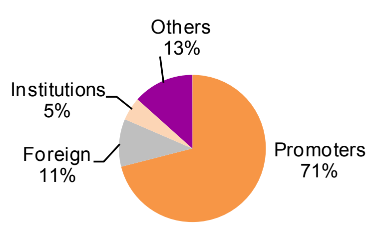
Start of Hyderabad Park affects margins; long-term prospects intact

CMP: Rs397

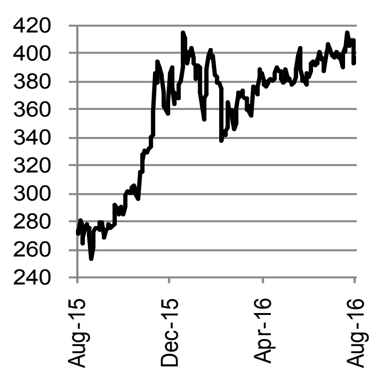
Company details

Price target:	Rs450
Market cap:	Rs2,237.4 cr
52-week high/low:	Rs430/245
NSE volume: (No of shares)	68,492
BSE code:	538268
NSE code:	WONDERLA
Sharekhan code:	WONDERLA
Free float: (No of shares)	1.64 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-0.9	4.7	4.2	53.7
Relative to Sensex	-3.1	-5.4	-9.9	54.2

Key points

- **Lower footfalls in Bangalore and Kochi parks hit revenue performance:** For Q1FY2017, Wonderla Holidays' (WHL) revenue grew by 29.6% to Rs88.9 crore - lower than our as well as street expectations. The miss on topline was mainly on account of 12% YoY and 24% YoY decline in the footfalls at Bangalore and Kochi amusement parks, respectively (affected by hike in ticket prices to mitigate the impact of higher service tax). However, the company has indicated that going ahead there won't be any significant price increases. Therefore, footfalls should revive in the coming quarters. Higher realisations and ~Rs20 crore contribution from the newly commissioned Hyderabad park led to 30% YoY growth in revenue inQ1FY2017.
- **Operating margin affected by higher operating costs towards Hyderabad park:** WHL's operating profit margin (OPM) contracted to 44.1% in Q1FY2017 from 60.7% in Q1FY2016. The commissioning of the Hyderabad park in April led to a sharp increase in the overall operating cost (advertisement & promotional spends and direct operating expenses almost doubled YoY). Also, other expenses include ~Rs4.5 provisioning toward service tax, leading to a significant decline in OPM during the quarter. Operating profit fell by 6% YoY to Rs39.2 crore and the reported Profit After Tax (PAT) declined by 20% YoY to Rs22.5 crore (affected by lower other income and higher depreciation charges toward Hyderabad park).
- **Hyderabad park, higher non-ticketing revenues to drive topline in FY2017; focus enhanced to improve footfalls in Bangalore and Kochi parks:** The management has maintained its guidance of achieving footfalls of 65 lakh in FY2017 from the Hyderabad park, while it will take some time for revival in footfalls in the Bangalore and Kochi parks (as price hikes will get absorbed in the coming quarters). Also, the management is planning to add two new rides in Kochi by the end of Q2FY2017 and would initiate extensive promotional activities to improve the footfalls at both the existing parks. Overall, the company expects its matured park footfalls to grow by 4-5% in the coming years. The non-ticket revenues would continue to support the overall revenue growth. OPM is expected to remain lower in FY2017 and is expected to improve gradually in FY2018 (once Hyderabad park attains certain scale of operations).
- **Near-term impact on profitability factored in estimates; long-term growth prospects intact:** Higher operating cost for the newly commissioned Hyderabad park will affect the company's profitability in the near term (we've factored in the same in our earnings estimates). However, with the gradual increase in scale of the business in Hyderabad and incremental improvement in the revenue mix toward non-ticketing revenues would boost margins over the next 2-3 years. Also, new attractions in the Kochi park, coupled with the better macro-economic environment will improve the footfalls. Thus, in view of long-term growth prospects and the company's better cash generation ability, we maintain our Buy recommendation on the stock with an unchanged price target (PT) of Rs450. The stock is currently trading at 13.5x FY2018E EV/EBIDTA.
- **Key concern:** Any significant drop in the footfalls of Bangalore and Kochi parks would act as a key risk to our earnings estimates.

Results (Standalone) Rs cr

Particulars	Q1FY17	Q1FY16	YoY %	Q4FY16	QoQ %
Net sales	88.9	68.6	29.6	36.5	143.7
Total expenditure	49.7	26.9	84.5	26.3	89.1
Operating profit	39.2	41.7	-5.9	10.2	284.6
Other income	2.0	6.1	-67.1	2.9	-31.0
Interest cost	0.2	0.4	-45.6	0.4	-50.9
Depreciation	7.2	4.4	63.2	4.1	76.4
PBT	33.8	43.0	-21.3	8.6	293.6
Tax	11.3	14.9	-23.9	2.0	466.5
Reported PAT	22.5	28.0	-19.9	6.6	241.0
OPM (%)	44.1	60.7	-	28.0	-
EPS (Rs)	3.9	5.0	-21.3	1.2	235.1

Performance of Bangalore park

Particulars	Q1FY17	Q1FY16	YoY %
Revenues (Rs cr)	44.4	41.2	7.6
Footfalls (,000)	366.7	417.1	-12.1
Avg. realisation (Rs)	1209.7	988.5	22.4
Avg. ticket rev. per visitor (Rs)	1011.0	806.8	25.3
Avg. non- ticket rev. per visitor (Rs)	198.7	181.7	9.4

Performance of Kochi park

Particulars	Q1FY17	Q1FY16	YoY %
Revenues (Rs cr)	22.0	24.1	-8.7
Footfalls (,000)	218.5	289.1	-24.4
Avg. realisation (Rs)	1,007.8	834.7	20.7
Avg. ticket rev. per visitor (Rs)	846	700.6	20.8
Avg. non- ticket rev. per visitor (Rs)	161.8	134.1	20.7

Performance of Hyderabad park

Particulars	Q1FY17	Q1FY16	YoY %
Revenues (Rs cr)	19.4	-	-
Footfalls (,000)	207.3	-	-
Avg. realisation (Rs)	934.9	-	-
Avg. ticket rev. per visitor (Rs)	646.0	-	-
Avg. non- ticket rev. per visitor (Rs)	290.2	-	-

Key highlights of the conference call:

- **Hyderabad park gaining good response; average ticket price stood at ~Rs650/person:** The Hyderabad park (commissioned in April), has received a good response in its very first quarter of full operation, with footfalls standing at 20.7 lakh. The average ticket price stood at Rs650 per person, while the non-ticketing revenues stood ~Rs300 per person (higher due to stringent rule made for visitors to compulsory buy swimming apparels for water rides). The management is confident of ending FY2017 with footfalls of 65 lakh from the Hyderabad park. We expect the Hyderabad park to contribute revenue of Rs55-57 crore in the first full year of its operations.

- **Capex of Rs120-125 crore in FY2017:** The company is planning to add two new rides in the Kochi park by the end of Q2FY2017 with an investment of Rs25-30 crore. Also, it is planning a capex of Rs90 crore at the proposed Chennai park. The commencement of work for the Chennai park will start once the project is finalised and detailed planning is done. The funding of the capex will largely be done through the internal accruals.

- **Bengaluru resort performance better in Q1FY2017:** Bengaluru resort revenue grew by 11% YoY in Q1FY2017, with an occupancy ratio of 67% as against 48% in Q1FY2016. The average room rentals of the resort stood at Rs4,608 per room per day as against Rs5,147 per room per day (down by 10.5% YoY due to discounts on group bookings). The management expects the Bangalore resort's performance to improve in the coming quarters. It also expects gradual improvement in the profitability of the resort.

Valuations (standalone) Rs cr

Particulars	FY14	FY15	FY16	FY17E	FY18E
Net sales	153.6	181.9	205.4	292.3	367.4
Operating profit	70.3	80.6	84.2	104.7	158.7
OPM (%)	45.8	44.3	41.0	35.8	43.2
PAT	39.9	50.6	59.8	65.2	92.8
EPS (Rs)	7.1	9.0	10.6	11.5	16.4
P/E (x)	56.2	44.2	37.4	34.3	24.1
EV/EBIDTA (x)	31.8	25.4	25.3	20.9	13.5
RoE (%)	29.5	20.0	15.8	15.6	20.0
RoCE (%)	37.7	27.6	23.0	23.0	29.3

Century Plyboards (India)

Reco: Buy

Stock Update

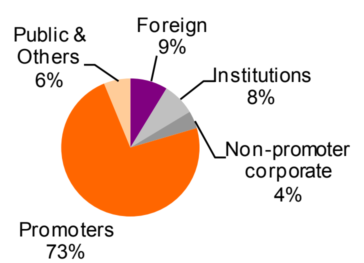
Robust brand franchise along with GST play; Maintain Buy with a revised PT of Rs257

CMP: Rs213

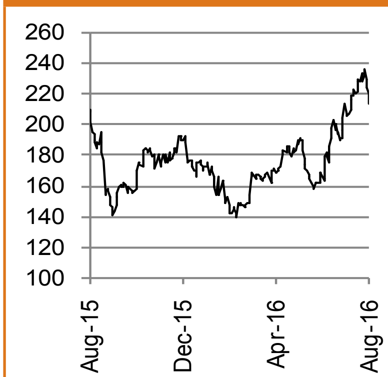
Company details

Price target:	Rs257
Market cap:	Rs4,732 cr
52-week high/low:	Rs244/135
NSE volume: (No of shares)	6.6 lakh
BSE code:	532548
NSE code:	CENTURYPLY
Sharekhan code:	CENTURYPLY
Free float: (No of shares)	5.9 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	7.5	16.4	55.4	7.9
Relative to Sensex	5.1	5.2	34.4	8.2

Key points

- **Q1FY2017 result snapshot:** Century Plyboards (India) has posted a 9.8% YoY growth in its consolidated revenue, aided by 11.2% YoY growth in the plywood business. The laminate business registered a muted performance with a meager 3% YoY topline growth (laminate performance is the weakest in the last 10 quarters). Aided by soft raw material prices, the gross margin stood strong and expanded by 253BPS YoY to 49.6% in Q1FY2017 from 47.1% in Q1FY2016. Despite strong gross margin performance, the increase in fixed costs (+11.6% YoY) undermined operating profit. Operating profit grew by just 1.8% YoY, with 132BPS contraction in operating margin. Consolidated net profit grew by 7.3% YoY, aided by lower finance and depreciation costs, even though the effective tax rate increased to 15.6% in Q1FY2017 from 11.6% in Q1FY2016.
- **Key management comments:** The management has mentioned that the laminate business' muted performance was an aberration on account of weak exports market, coupled with a delay in shipments to the Middle East countries. The laminate business would rebound in Q2FY2017. The particle board unit at Chennai has commenced commercial production and would provide fillip to the company's overall revenue going forward. On the demand front, the management has stated that the on-ground environment continues to be sluggish, but some tentative signs of recovery are visible. It expects the organised sector to witness robust growth post the introduction of the Goods & Service Tax (GST), as the gap between organised and the unorganised sector will diminish. The company continues to build new sourcing destination for its key raw material (currently sources from Laos and Myanmar and is evaluating other countries as well). The company is ahead of schedule for its MDF plant expansion (600 cubic meters) and is expected to start production by February 2017. It would also continue to invest in brand building and widening its distribution set-up, which would continue to keep Century Plyboards ahead of competition.
- **Maintain Buy:** We believe that with its top-of-the-mind brand recall, Century Plyboards is well positioned to ride the demand recovery driven by the gradual economic revival and increase its market dominance in the plywood and laminate segments. Along with the brand salience and brand building efforts, we like the company's ahead of the curve approach in securing the critical raw material base (via expansion in Myanmar, Laos and now in Indonesia) and expanding its product profile (ventured into MDF expansion in Punjab). These attributes would translate into healthier growth going ahead. We expect the company to post a 17% earnings CAGR over FY2016-FY2017. The impending implementation of GST would provide a further fillip to the revenue and earnings performance going forward. In view of these positives, we have maintained our Buy rating on the stock with a revised price target (PT) of Rs257 (valued at 25x its FY2018 earnings).

Results (consolidated) Rs cr

Particulars	Q1FY17	Q1FY16	YoY %	Q4FY16	QoQ %
Income from operations	405.8	369.5	9.8	454.7	(10.8)
COGS	204.5	195.6	4.5	229.4	(10.9)
Gross profit	201.2	173.9	15.7	225.3	(10.7)
Gross margin (%)	49.6	47.1	253	49.5	5.1
Employee cost	63.8	51.0	25.1	62.6	1.9
Other expenditure	69.1	55.8	23.8	85.3	(19.0)
Total expenditure	337.4	302.4	11.6	377.4	(10.6)
Operating profit	68.3	67.1	1.8	78.6	(13.0)
Operating profit margin (%)	16.8	18.2	(132)	17.3	(43.4)
Finance cost	8.9	12.2	-27.4	10.3	(13.9)
Depreciation	9.3	9.9	-6.6	12.2	(24.2)
Non operating income	0.8	0.4	97.4	0.1	823.4
PBT	51.0	45.41	12.4	56.1	(9.1)
Tax	8.0	5.3	50.9	14.4	(44.5)
Reported PAT	43.1	40.1	7.3	39.4	9.2

Valuations (Consolidated) Rs cr

Particulars	FY14	FY15	FY16	FY17E	FY18E
Net sales	1,348	1,588	1,664	1,925	2,192
% growth	14	18	5	16	14
Adjusted EBITDA	179	274	295	328	369
EBITDA margin (%)	13.3	17.2	17.7	17.1	16.9
Adjusted PAT	77	149	167	199	230
% growth	47	94	12	19	16
Adjusted EPS (Rs)	3.5	6.7	7.5	8.9	10.3
PER (x)	79	31.8	28.4	23.8	20.6
RoCE (%)	15.4	23.1	22.8	21.8	20.6
RoE (%)	23.1	44.0	35.5	30.4	26.5
EV/sales (x)	3.5	4.4	3.9	3.2	2.8
EV (Rs cr)	4,653	6,918	6,451	6,243	6,180

Key result highlights:

- **Revenue grows by 9.8% YoY, led by growth in plywood business:** The company's consolidated revenue grew by 9.8% YoY, led by volume growth across all segments viz, Plywood (+12.5% YoY), Laminates (+16% YoY) and Commercial Veneer (+44% YoY). The laminate business posted a decent 17% YoY overall growth in the domestic market but posted weak performance in the exports markets (down 9.3% YoY).

- **Gross margin expands, operating margin contracts:** Led by soft commodity prices, gross profit grew by 15.7% YoY, resulting in healthy 253BPS margin expansion. A strong gross profit growth did not percolate into operating performance, as the fixed overheads saw a strong upsurge. Employee cost increased by 25.1% YoY, while other expenditures grew by 23.8% YoY (led by marked increase in ad spend, which company has undertaken to promote its low-end brand 'Sainik'). Thus, led by these factors, the operating profit growth was restricted to 1.8% YoY, with OPM contracting by 132BPS YoY.

- **Particle board plant commences production:** The company has commenced production from its particle board plant w.e.f. July 23. The plant has a daily capacity of 180 cubic meters. The total capex spent on this plant is Rs58 crore and the same is located within its existing facility in Chennai.

Capex plan: Overall, the company plans to spend Rs615 crore over the next three years. Of this, a large part (Rs370 crore) would be spent in FY2017 (already spent Rs35 crore in Q1FY2017). The balance capex would be spent in the next two years on a new facility as well as augmenting capacity in the international operations.

Medium Density Fibre Board: The MDF facility is strategically located at Hoshiarpur, Punjab, which has adequate supply of raw material. The MDF plant has a capacity of 600 cubic meters per day. The total estimated capex to be incurred for the plant is Rs380 crore, of which Rs55 crore has been incurred up to June 30. The machinery order and the civil work have started and the installation is likely to get completed by December 2016. The company is expected to commence production from this new facility in the last quarter of FY2017.

International operations: Century Plyboards has incurred a capex of Rs86 crore toward enhancing the Myanmar capacity. Further, it has formed a company called Century Singapore Pte Ltd, Singapore with an investment of Rs18 crore.

Segmental performance

Plyboard	Q1Y17	Q1Y16	YoY %	Q4FY16	QoQ %
Topline (Rs cr)	286.6	257.6	11.2	320.7	(10.6)
EBIT (Rs cr)	43.6	43.8	(0.5)	48.2	(9.6)
EBIT margin (%)	15.2	17.0	(178.6)	15.0	(17.9)
Capital employed	523.2	529.8	(1.3)	501.7	4.3
RoCE (%)	33.3	33.1	26.8	38.5	

Laminate	Q1Y17	Q1Y16	YoY %	Q4FY16	QoQ %
Topline (Rs cr)	79.5	77.2	3.0	92.3	(13.8)
EBIT (Rs cr)	11.8	10.1	16.0	13.6	(13.5)
EBIT margin (%)	14.8	13.1	165.4	14.7	(5.6)
Capital employed (Rs cr)	159.4	175.2	(9.0)	157.2	1.4
RoCE (%)	29.5	23.1		34.6	

CFS	Q1Y17	Q1Y16	YoY %	Q4FY16	QoQ %
Topline (Rs cr)	23.4	17.4	34.5	23.8	(1.6)
EBIT (Rs cr)	7.9	5.4	45.5	8.7	(9.8)
EBIT margin (%)	33.6	31.0	254	36.6	303
Capital employed (Rs cr)	53.1	55.8	(4.8)	59.5	(10.8)
RoCE (%)	59.2	38.8		58.6	

Monsanto India

Viewpoint

Weak results, earnings decline by 10% YoY; book profit as upside capped **CMP: Rs2,300**

Key points

- **Weak results across parameters:** Monsanto India has reported weak set of numbers for Q1FY2017 across parameters due to delay in the onset of south-west monsoon in key markets. Sales for the quarter are down by 9% YoY to Rs240.3 crore. Operating performance is also weak, with operating profit margin (OPM) contracting by 220BPS to 25%. Net profit for the quarter declined by 10% YoY to Rs56.6 crore.
- **Outlook remains dull:** Since our initiation, the stock has delivered returns of ~8%. In the near term, negative news regarding cotton (government capping royalty, farmers moving toward desi cotton brand, decline in cotton sowing area on account of delay in monsoon onset and subdued cotton pricing) has impacted the stock price. These factors will cap any further upside in the stock from the current level.
- **Book profit:** Considering negative news flow on cotton and weak Q1Y2017 results, we ask our investors to book profit at the current market price.

Take Solution

Viewpoint

Positives priced in; Book profit with ~19% gain

CMP: Rs172

Key points

- **Book profit with gain of 19%:** Since our view point initiation, the share price of Take Solution has gained ~19%, leaving limited scope for further upside post the recent run-up. We had highlighted key positives, like growth potential in Life Sciences vertical, margin expansion, and likely improvement in return ratios. Though these factors could drive overall performance of the company in the long run, we see some pressure in margin in the short to medium term on account of integration of Ecron Acunova (EA). Hence, we recommend investors to book profit.
- **Integration of EA takes toll on Q1F2017 performance:** For Q1FY2017, Take Solution has reported 2.6% QoQ growth in dollar revenues at $47.4 million, driven by 2.9% QoQ growth in the Life Sciences business. Operating profit margin (OPM) declined by 122BPS QoQ, owing to one-time cost impact relating to EA (closure of five offices) and other strategic investments. Higher other income, along with lower tax provisioning resulted in marginal increase in net profit on a sequential basis.
- **Book profit:** The company's Board of Directors has allotted 1.08 crore equity shares to qualified institutional buyers (QIB) at Rs166.1 per share, a dilution of 8.8%. On diluted basis, the stock is currently trading at 17.0x and 14.2x its FY2017E and FY2018E earnings estimates, respectively. Though we believe the company's Life Sciences vertical will drive growth in future, the recent acquisition will put pressure on its margin in the near to medium term. At the current market price, the positives are largely priced in and don't leave meaningful scope for upside in the immediate term. Hence, we recommend investors to book profit.

Q1FY2017 results Rs cr

Particulars	Q1FY17	Q1FY16	YoY (%)	Q4FY16	QoQ (%)
Revenues (in $ Mn)	47.4	36.0	31.7	46.2	2.6
Net sales	317.6	228.6	39.0	312.1	1.8
EBITDA	61.1	48.1	26.9	63.8	-4.3
Adjusted PAT	31.4	39.5	-20.4	31.1	1.0
EPS (Rs)	2.6	3.3	-20.4	2.6	1.0
			BPS		BPS
EBITDA margin (%)	19.2	21.1	-182	20.5	-122
NPM (%)	9.9	17.3	-739	10.0	-8

Valuation

Particulars	FY2015	FY2016	FY2017E	FY2018E
Revenue (Rs cr)	730.4	1,030.1	1,298.0	1,470.0
EBITDA margins (%)	20.5	20.7	20.6	21.1
Net profit (Rs cr)	79.9	124.9	139.5	166.1
EPS (Rs)	5.2	7.6	10.1	12.1
PE (x)	32.7	22.5	17.0	14.2
EV/EBITDA (x)	15.9	11.7	9.0	7.4
RoE (%)	14.2	17.6	19.6	21.7
RoCE (%)	12.4	15.8	16.5	18.0

Automobiles
Apollo Tyres
Ashok Leyland
Bajaj Auto
Gabriel Industries
Hero MotoCorp
M&M
Maruti Suzuki
Rico Auto Industries
TVS Motor

Banks & Finance
Allahabad Bank
Axis (UTI) Bank
Bajaj Finance
Bajaj Finserv
Bank of Baroda
Bank of India
Capital First
Corp Bank
Federal Bank
HDFC
HDFC Bank
ICICI Bank
IDBI Bank
LIC Housing Finance
PTC India Financial Services
Punjab National Bank
SBI
Union Bank of India
Yes Bank

Consumer goods
Britannia
Emami
GSK Consumers
Godrej Consumer Products
Hindustan Unilever
ITC
Jyothy Laboratories
Marico
Zydus Wellness

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Firstsource Soluation
HCL Technologies
Infosys
Persistent Systems
Tata Consultancy Services
Wipro

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CESC
Crompton Greaves
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Greaves Cotton
Kalpataru Power Transmission
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Thermax
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IRB Infra
Jaiprakash Associates
Larsen & Toubro

Oil & gas
Oil India
Reliance Ind
Selan Exploration Technology

Pharmaceuticals
Aurobindo Pharma
Cipla
Cadila Healthcare
Divi's Labs
Glenmark Pharmaceuticals
Lupin
Sun Pharmaceutical Industries
Torrent Pharma

Building materials
Grasim
The Ramco Cements
Shree Cement
UltraTech Cement

Discretionary consumption
Century Plyboards (India)
Cox and Kings
Inox Leisure
Info Edge (India)
KDDL
KKCL
Orbit Exports
Raymond
Relaxo Footwear
Speciality Restaurants
Thomas Cook India
Wonderla Holidays
Zee Entertainment

Diversified / Miscellaneous
Aditya Birla Nuvo
Bajaj Holdings
Bharti Airtel
Bharat Electronics
Gateway Distriparks
Max Financial Services
PI Industries
Ratnamani Metals and Tubes
Supreme Industries
United Phosphorus

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