

Q2FY18 Result Update
Wood products Century Plyboards (I) Ltd.
BUY

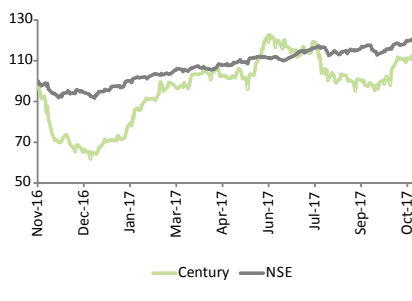
CMP (Rs)	294
Target Price (Rs)	312
Potential Upside	6.1%
Sensex	33,731
Nifty	10,452

Key Stock data

BSE Code	532548
NSE Code	CENTURYPLY
Bloomberg	CPBI:IN
Shares o/s, Cr (FV 1)	22.2
Market Cap (Rs Cr)	6,371
3M Avg Volume	4,16,117
52 week H/L	314/154

Shareholding Pattern

(%)	Mar-17	Jun-17	Sep-17
Promoter	72.0	72.0	72.0
FII	12.8	12.8	11.3
DII	4.0	4.0	3.8
Others	11.2	11.2	12.8

1 Year relative price performance

Plywood division drags performance

Century Plyboards (I) Ltd.'s (CPIL) Q2FY18 result was below our expectation. The company reported 4.3% YoY decrease in sales while EBITDA and PAT were down by 1% and 17.9% respectively over Q2FY17. Higher GST rate for plywood at 28% affected sales of plywood division, while growth in laminates division aided overall earnings. The company's foray in MDF segment and capacity addition in laminates division augurs well for future earnings growth. Maintain BUY.

Q2FY18 Result Update:

- CPIL reported net sales of Rs 474.6crs, which declined by 4.3% YoY as plywood segment revenue declined by 2% YoY. The management attributed degrowth in plywood to higher GST, which failed to divert demand towards branded products from unbranded, as anticipated earlier. However, GST rate is expected to be revised downward, which would bring back demand for branded products. Laminates division reported healthy 27% YoY growth on account of favourable GST rate at 18%. This also helped organised laminates players to gain market share from unorganised players and the management expects this growth trajectory to continue.
- EBITDA for the quarter came in at Rs 74.1crs, marginally down by 1% YoY. Raw material cost optimisation helped EBITDA margin expansion by 50 bps YoY at 15.6%.
- Net profit stood at Rs 40crs, down by 17.9% YoY. Higher depreciation and increase in tax outgo dented net profitability at 8.4%, degrowth of 140bps YoY.
- CPIL's MDF unit at Punjab has started commercial production and the management expects Rs 170-200crs revenue contribution in FY18E. The company is increasing laminates capacity by 50% in Q3FY18E, which would be another revenue growth driver for the company.

Outlook & Valuation:

CPIL is a market leader in the organised plywood sector and commands premium pricing over peers. We expect CPIL to report Net sales, EBITDA and PAT growth of 11.5%, 18.6% and 21.3% respectively over FY17-19E. We maintain BUY on the stock with a price target of Rs 312.

Financial Summary

Particulars, Rs cr	FY16	FY17	FY18E	FY19E
Net sales	1,635.7	1,782.5	1,966.2	2,215.6
EBITDA	283.5	292.1	353.0	411.1
EBITDAM (%)	17.3	16.4	18.0	18.6
PAT	169.8	185.6	232.2	273.1
PATM (%)	10.4	10.4	11.8	12.3
EPS (Rs)	7.6	8.3	10.4	12.3
PE (x)	38.5	35.3	28.2	24.0
RoE (%)	37.2	30.1	29.3	28.3

Source : Company; RSL Research

Research Analyst

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P&L Account Quarterly

Particulars, Rs cr	Q2FY18	Q2FY17	Y-o-Y %	Q1FY18	Q-o-Q %
Net sales	474.6	496.1	-4.3	473.4	0.2
Cost of materials consumed	161.7	143.2	12.9	143.9	12.4
Purchase of stock in trade	87.0	89.2	-2.4	89.2	-2.5
Changes in Inventories	5.7	8.1	-29.2	0.8	662.7
Employee cost	67.6	62.4	8.3	68.9	-1.9
Excise duty	0.0	33.4	-100.0	34.8	-100.0
Other expenses	78.4	85.0	-7.8	74.7	4.9
Total expenditure	400.5	421.2	-4.9	412.3	-2.9
EBITDA	74.1	74.9	-1.0	61.1	21.3
EBITDAM (%)	15.6	15.1		12.9	21.0
Other income	0.6	2.2	-72.3	0.5	13.0
Depreciation and amortisation expenses	13.8	12.6	9.6	13.2	4.9
EBIT	60.9	64.4	-5.5	48.5	25.6
Finance cost	7.9	6.0	31.6	6.3	25.9
PBT	53.0	58.4	-9.3	42.2	25.6
Tax	12.8	9.1	40.7	8.0	59.6
Net profit before adjustments	40.2	49.3	-18.6	34.2	17.6
Other comprehensive income	-0.2	-0.6	-73.7	-0.5	-71.2
Net profit	40.0	48.8	-17.9	33.6	19.0
NPM (%)	8.4	9.8		7.1	
EPS, Rs	1.8	2.2		1.5	

Source : Company; RSL Research

P&L Account

Particulars, Rs cr	FY16	FY17	FY18E	FY19E
Net sales	1,643.8	1,780.9	1,966.2	2,215.6
Expenditure				
Raw material consumed	633.8	601.0	853.4	972.9
Power & fuel cost	0.0	0.0	0.0	0.0
Employee cost	227.8	256.7	333.7	367.0
Other expenses	281.1	315.7	426.1	464.5
Total expenditure	1,360.3	1,488.8	1,613.2	1,804.4
EBITDA	283.5	292.1	353.0	411.1
EBITDAM (%)	17.2	16.4	18.0	18.6
Other income	6.5	22.7	24.9	26.2
Depreciation	43.7	52.4	48.7	50.9
PBIT	246.3	262.4	329.3	386.5
Interest expenses	46.5	28.6	35.4	40.8
PBT	199.8	233.7	293.9	345.6
Tax	30.0	48.1	61.7	72.6
Reported profit	169.8	185.6	232.2	273.1
PATM (%)	10.3	10.4	11.8	12.3

Source : Company; RSL Research

Balance sheet

Particulars, Rs cr	FY16	FY17	FY18E	FY19E
Share Capital	22.3	22.3	22.3	22.3
Reserves & Surplus	502.8	686.4	851.6	1030.9
Total Shareholder's Fund	525.1	708.6	873.8	1053.1
Non-Current Liabilities				
Long term borrowings	64.0	146.7	246.7	396.7
Other long term liabilities	0.3	0.2	0.3	0.3
Long term provision	0.0	0.0	0.0	0.0
Current Liabilities				
Short term borrowing	341.0	410.3	460.3	510.3
Trade payables	84.3	141.1	70.1	80.0
Short term provisions	6.8	11.5	72.9	103.5
Other current liabilities	118.3	129.1	131.6	134.6
Total liabilities	1,141.9	1,554.7	1,855.9	2,278.6
Fixed Assets	247.3	345.7	533.2	522.3
Current work in process	92.9	284.0	304.0	324.0
Non current investment	0.0	0.0	0.0	0.0
Long term loans & advances	7.4	10.0	10.5	11.1
Other non-current assets	31.6	24.4	3.2	3.7
Current Assets				
Current investments	0.0	0.0	0.0	0.0
Inventories	275.2	263.8	429.6	490.9
Trade receivables	286.8	335.3	339.4	394.6
Cash & Cash equivalents	23.8	58.5	61.5	339.6
Short term loans and advances	48.2	82.5	88.2	96.0
Other current assets	39.6	71.8	86.1	96.5
Total assets	1,141.9	1,554.7	1,855.8	2,278.6

Source : Company; RSL Research

Cash Flow statement

Particulars, Rs cr	FY16	FY17	FY18E	FY19E
Profit before tax	199.8	233.7	293.9	345.6
Add: Depreciation	43.7	52.4	48.7	50.9
Add: Interest cost	43.7	52.4	48.7	50.9
Others	0.0	0.0	0.0	0.0
Operating profit before working capital changes	79.1	-32.1	-166.9	-80.8
Changes in working capital	369.2	282.6	211.0	356.5
Direct taxes	-36.0	-53.1	-65.7	-76.6
Cash flow from operating activities	333.2	229.5	145.3	279.9
Net cash used in Investing Activities				
Purchase of fixed assets	-280.4	-250.0	-220.0	-60.0
Sale of fixed assets	0.0	0.0	-20.0	-20.0
sale of Investment	45.1	0.0	0.0	0.0
Cash flow from investing activities	-235.3	-250.0	-240.0	-80.0
Cash flow from Financing Activities				
Proceeds from issuance of shares	0.0	0.0	0.0	0.0
Net proceeds from borrowings	-48.7	156.7	150.0	200.0
Dividend (Incl dividend tax)	-56.3	-58.9	-67.0	-93.8
Interest cost	-46.5	-28.6	-35.4	-40.8
Others	0.0	0.0	50.2	12.7
Cash flow from Financing Activities	-151.4	69.2	97.9	78.1
Net cash Inflow/Outflow	-53.5	48.6	3.2	278.0
Opening Cash & Cash Equivalents	17.0	-11.7	58.5	61.5
Closing Cash & Cash Equivalents	-11.7	58.5	61.5	339.6

Source : Company; RSL Research

Key Financial ratios

Particulars, Rs cr	FY16	FY17	FY18E	FY19E
Dividend per share Rs				
Dividend Yield (%)	0.7	0.8	0.9	1.2
Payout (%)	27.5	26.4	24.0	28.5
EPS Rs	7.6	8.3	10.4	12.3
Book value per share Rs	23.6	31.8	39.3	47.3
Profitability Ratios				
EBITDA/Total Income (%)	17.3	16.4	18.0	18.6
PBT/ Total Income (%)	15.0	20.6	21.0	21.0
NPM/ Total Income (%)	10.3	10.4	11.8	12.3
RoCE (%)	26.5	22.9	22.3	21.1
RoE (%)	37.2	30.1	29.3	28.3
Liquidity Ratios				
Debt-Equity Ratio	0.9	0.9	0.9	0.9
Current ratio	1.2	1.2	1.4	1.7
Interest Cover Ratio	5.2	8.4	8.6	8.8
Turnover Ratios				
Total Asset Ratio	1.5	1.3	1.2	1.1
Fixed Asset Ratio	7.2	6.0	4.5	4.2
Debtors Velocity (Days)	64	69	63	65
Inventory (Days)	74	65	97	99
Creditors Velocity (Days)	49	86	30	30

Source : Company; RSL Research

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S. No.	Statement	Answer	
		YES	NO
		Tick appropriate	
		YES	NO
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		NO
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		NO
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		NO
	I/we have received any compensation from the subject company in the past twelve months?		NO
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		NO
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		NO
	I/we have served as an officer, director or employee of the subject company?		NO
	I/we have been engaged in market making activity for the subject company?		NO

Nature of Interest (if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above, are given below]

SS.No	Name(s) of RA	Signatures of RA	Serial Question of question which the signing RA needs to make separate declaration / answer	YES	NO

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