

01 February 2016

## Century Plyboards

*Below-par performance; lower figures, price target; retaining a Buy*

Rating: **Buy**

Target Price: ₹202

Share Price: ₹151

Century Plyboards' Q3 FY16 sales grew just 1.2% yoy to ₹3.9bn because of the decline in the plywood business, with overall margins at 17.8%. At ₹416m, PAT was flat. The Laos subsidiary will set up timber processing units. Total capex over FY16-17 would be ~₹3bn.

**Subdued, 1.2%, revenue growth.** Q3 FY16 revenue came at ₹3.9bn, up 1.2% yoy (7.7% below our estimate). This was because of a decline in its mainstay plywoods business (down 2% yoy), though laminates was up 8.1% yoy and logistics up 26.5% yoy. Century expects volumes to pick up in FY17, with revenue growth at ~12-15% over FY17-18.

**EBITDA margin down 110bps.** The Q3 EBITDA margin slipped 110bps yoy to 17.8% due to greater employee costs and other expenses. Management expects to hold the margin through more value-added products and greater sales of the Sainik brand plywood.

**Profit flat.** Profit came at ₹416m (up 0.5% yoy) due to flat revenue and margin pressures. During the quarter the tax rate was 13% (almost the same as a year ago). For 9M, PAT improved 24% yoy to ₹1,275m.

**Business Outlook.** Century will not be affected by the timber ban in Laos as it has a subsidiary in Laos. The particle-board plant will be commissioned from Jan'16. With mounting MDF demand, the company is setting up an MDF plant at ₹2.4bn capex, likely to start by end-CY16. The company is insistently campaigning for Sainik. The Punjab plywood plant will involve ~₹0.6bn capex.

**Valuations.** Demand for premium products has been affected while the economy product is doing well in the market; overall, increasing demand is expected from FY17 and, on the GST implementation, capacity is likely to be fully utilized. With the Housing-for-all campaign, advertising for laminates, advantages in input sourcing from Myanmar and Laos, and expanding capacities, volumes are likely to increase. We maintain a Buy on the stock, assigning a PE of 17.5x FY18e, and arrive at a target of ₹202. The stock trades at a PE of 15.8x FY17e and 13.1x FY18e. **Risks:** Currency fluctuations, substitutes, high interest rates.

Key data	CPBI IN / CNTP.BO
52-week high / low	₹262 / ₹137
Sensex / Nifty	24868 / 7573
3-m average volume	\$0.8m
Market cap	₹33.8bn / \$500m
Shares outstanding	222.2m

Shareholding pattern(%)	Dec'15	Sep'15	Jun'15
Promoters	73.3	73.3	73.3
- of which, Pledged	6.3	6.3	6.3
Free Float	26.7	26.7	26.7
- Foreign Institutions	10.7	10.7	8.8
- Domestic Institutions	3.4	3.4	3.1
- Public	12.5	12.5	14.7

Estimates revision (%)	FY16e	FY17e
Sales	(5.6)	(12.9)
EBITDA	(6.0)	(12.9)
EPS	(8.9)	(18.3)
Target Multiple (x)		17.5

Financials (YE Mar)	FY16e	FY17e
Sales (₹ m)	16,725	19,376
Net profit (₹ m)	1,756	2,125
EPS (₹)	7.9	9.6
Growth (%)	16.4	21.1
PE (x)	19.1	15.8
PBV (x)	6.4	4.8
RoE (%)	38.4	34.7
RoCE (%)	26.5	27.4
Dividend yield (%)	0.9	1.1
Net gearing (%)	0.9	0.6

Source: Anand Rathi Research

Quarterly results (YE Mar)	Q3 FY15	Q3 FY16	% yoy	9m FY15	9m FY16	% yoy
Sales (₹ m)	3,858	3,906	1.2	11,556	12,037	4.2
EBITDA (₹ m)	730	696	(4.6)	1,839	2,102	14.3
EBITDA margin (%)	18.9	17.8	-110bps	15.9	17.5	154bps
Interest (₹ m)	145	107	(26.2)	343	364	6.3
Depreciation (₹ m)	116	116	0.1	329	324	(1.6)
Other income (₹ m)	9	7	(23.4)	38	15	(58.9)
PBT (₹ m)	478	480	0.4	1,205	1,429	18.6
Tax (₹ m)	64	64	(0.8)	176	153	(13.1)
Tax rate (%)	13	13	-16bps	15	11	-391bps
PAT (₹ m)	414	416	0.6	1,028	1,275	24.0

Source: Company

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