

Century Plyboards

Growth likely to pick-up from FY17

CMP Rs173	Target Price Rs204 (▲)
Rating ACCUMULATE (■)	Upside 17.6 %

Result highlights

- Q4 FY16 witnessed healthy topline growth at 11% yoy to Rs. 4.5 bn mainly led by pick-up in volumes in plywood segment and healthy performance in laminates segment
- EBITDA at Rs.773 mn was down by 2.5% yoy due to drop in margins of plywood segment. Further, higher tax rate at 26% during the quarter resulted in decline in PAT by 16% yoy to Rs. 405 mn.
- Demand environment has improved during the quarter and management expects double digit revenue growth for plywood segment and 20% growth for laminates segment
- Foray in MDF / particleboard and increased utilisation in plywood segment to support topline growth. We have revised our target price to Rs. 204 as we roll forward our FY18E, valuing the stock at 20x FY18 EPS of Rs 10.2 while maintain our Accumulate rating

Q4FY16 results – driven by strong growth in plywood segment

Century's topline growth at 11% yoy to Rs. 4.5 bn was above our estimate as company posted 11% growth in plywood segment compared to only 2% growth achieved in FY16. However, EBITDA margins were marginally below our estimate due to drop in margins of plywood segment as company offered higher discounts and increased brand spends to drive volume growth. Laminates segment performed in line with estimates with 15% revenue growth and EBIT margins of 14.7%.

Improving demand environment, ongoing capex to drive growth

Century ply has upgraded the capacity expansion plan in MDF segment from 400 cubic meters per day to 600 cubic meters per day. Increase in capex to Rs. 3.8 bn in this segment is expected to drive revenue growth from FY18 onwards. Further, company's plywood and laminates segment are expected to growth at healthy rate of 12%/13% and 18%/20% respectively in FY17/18 given the improvement in demand from housing and commercial real estate segment. Further, company's margins are also likely to remain at healthy levels of 16-18% driving profitability.

Rollover estimates to FY18, retain accumulate

We believe that Century ply will report healthy revenue growth led by improving demand environment and addition of two more revenue streams - Particle Board Plant (commissioned in Q4 FY16; production expected to start from June 2016) and MDF plant in Jan 2017 (we expect revenues of Rs. 3.6 bn in FY18). On the back of healthy earnings growth and strong brand visibility, we rollover our target to FY18 estimated earnings of Rs 10.2 and maintain our Accumulate rating with price target of Rs 204 based on 20x multiple.

Financial Snapshot (Standalone)

(Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	12,840	15,648	16,469	18,740	25,244
EBITDA	1,482	2,498	2,829	3,181	4,624
EBITDA Margin (%)	11.5	16.0	17.1	16.9	18.2
APAT	669	1,508	1,634	1,847	2,267
EPS (Rs)	3.0	6.8	7.4	8.3	10.2
EPS (% chg)	27.1	125.3	8.4	13.0	22.7
ROE (%)	24.7	44.4	35.7	31.5	31.1
P/E (x)	57.6	25.5	23.6	20.9	17.0
EV/EBITDA (x)	28.9	17.2	15.0	14.2	9.8
P/BV (x)	13.2	9.9	7.3	6.0	4.7

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY17E/FY18E (%)	NA/NA
Target Price change (%)	NA
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY17E	FY18E
Emkay	8.3	10.2
Consensus	9.0	10.6
Mean Consensus TP	Rs 198	

Stock Details

Bloomberg Code	CPBI IN
Face Value (Rs)	1
Shares outstanding (mn)	222
52 Week H/L	219 / 135
M Cap (Rs bn/USD bn)	39 / 0.58
Daily Avg Volume (nos.)	4,29,661
Daily Avg Turnover (US\$ mn)	1.2

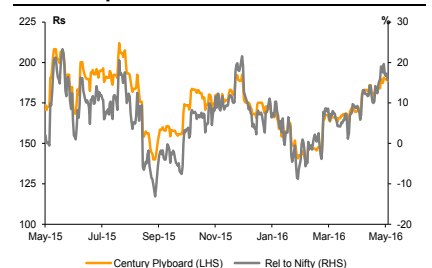
Shareholding Pattern Mar '16

Promoters	73.3%
FII's	12.1%
DII's	3.3%
Public and Others	11.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	24	(4)	1
Rel. to Nifty	(3)	10	(4)	5

Relative price chart



Source: Bloomberg

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Exhibit 1: Quarterly Result Table

(Y/E Mar, Rs mn)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	YoY (%)	QoQ (%)	FY15	FY16	YoY (%)
Net Sales	4,092	3,709	4,422	3,906	4,547	11.1	16.4	15,648	16,585	6.0
Expenditure	3,299	3,042	3,684	3,210	3,774	14.4	17.6	13,015	13,710	5.3
as % of sales	80.6	82.0	83.3	82.2	83.0			83.2	82.7	
Consumption of RM	1,506	1,526	1,899	1,226	1,605	6.6	30.9	6,584	6,256	-5.0
as % of sales	36.8	41.2	42.9	31.4	35.3			42.1	37.7	
Employee Cost	524	517	568	595	626	19.5	5.2	1,943	2,306	18.7
as % of sales	12.8	13.9	12.8	15.2	13.8			12.4	13.9	
Purchase of finished goods	597	430	445	612	690	15.5	12.8	1,927	2,176	12.9
as % of sales	14.6	11.6	10.1	15.7	15.2			12.3	13.1	
Others cost	754	580	763	808	866	14.8	7.2	2,706	3,017	11.5
as % of sales	18.4	15.6	17.3	20.7	19.1			17.3	18.2	
Loss on forex	-83	-12	9	-30	-13	-84.5	-57.5	-144	-46	-67.9
as % of sales	-2.0	-0.3	0.2	-0.8	-0.3			-0.9	-0.3	
EBITDA	793	668	738	696	773	-2.5	11.1	2,633	2,875	9.2
Depreciation	119	101	107	116	122	3.0	5.1	448	446	-0.4
EBIT	675	567	631	580	651	-3.5	12.3	2,185	2,428	11.2
Other Income	9	3	5	7	1	-89.9	-87.9	46	16	-64.7
Interest	90	123	135	107	103	14.3	-3.5	433	467	7.9
PBT	593	448	501	480	549	-7.5	14.4	1,798	1,978	10.0
Total Tax	114	51	39	64	144	26.6	124.7	290	297	2.4
Adjusted PAT	480	397	463	416	405	-15.5	-2.6	1,508	1,681	11.4
Extra ordinary items	0	0	0	0	0			0	0	
Reported PAT	480	397	463	416	405	-15.5	-2.6	1,508	1,681	11.4
Adjusted EPS	2.16	1.78	2.08	1.87	1.82	-15.5	-2.6	6.78	7.55	11.4

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	19.4	18.0	16.7	17.8	17.0	-238	-81	16.8	17.3	51
EBIT	16.5	15.3	14.3	14.8	14.3	-217	-52	14.0	14.6	68
EBT	14.5	12.1	11.3	12.3	12.1	-243	-22	11.5	11.9	43
PAT	11.7	10.7	10.5	10.6	8.9	-281	-174	9.6	10.1	50
Effective Tax rate	19.1	11.3	7.7	13.3	26.2	704	1285	16.1	15.0	-111

(Y/E Mar, Rs mn)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	YoY (%)	QoQ (%)	FY15	FY16	YoY (%)
Net Sales	4,057	3,687	4,399	3,896	4,517	1.8	-11.4	15,555	16,499	6.1
Plywood	2,918	2,576	3,199	2,753	3,207	9.9	16.5	11,471	11,735	2.3
laminates	805	772	885	774	923	14.7	19.2	2,935	3,353	14.2
Logistics	174	174	201	235	238	36.6	1.3	708	848	19.8
Others	160	165	114	134	150	-6.5	12.0	440	563	27.8
EBIT	693	592	665	596	695	-7.3	-10.4	2,287	2,547	11.4
Plywood	576	438	507	408	482	-16.3	18.2	1,867	1,835	-1.7
laminates	65	101	106	104	136	110.4	30.9	230	447	94.8
Logistics	60	54	56	84	87	46.1	3.3	218	282	29.4
Others	-8	-1	-4	-1	-11	32.2	1760.6	-28	-17	-39.1
EBIT Margins	17.1	16.1	15.1	15.3	15.4	177	174	14.7	15.4	74
Plywood	19.8	17.0	15.8	14.8	15.0	-471	21	16.3	15.6	-64
laminates	8.0	13.1	12.0	13.4	14.7	670	131	7.8	13.3	552
Logistics	34.2	31.0	28.0	35.9	36.6	237	71	30.8	33.2	246
Others	-5.0	-0.9	-3.7	-0.4	-7.0	-206	-660	-6.3	-3.0	329

Source: Company, Emkay Research

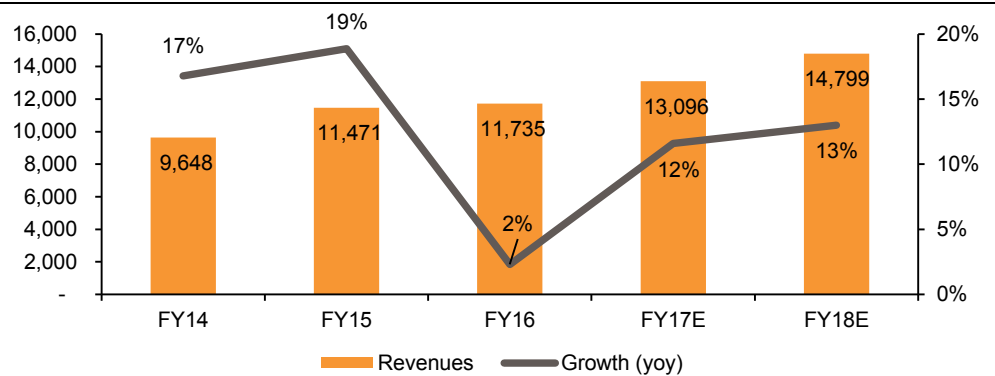
Volumes likely to pick up in plywood segment from FY17

In Q4FY16, revenues from plywood segment increased by 10% yoy to Rs. 3.2 bn. The growth was mainly on the back of increase in volumes by ~11% whereas realisations have remained muted. Volumes have picked-up as company has offered marginally higher discounts to dealer and increased brand spends.

Going forward, the management expect double digit revenue growth for plywood segment mainly led by volume growth. Also, company has already started seeing pick-up in volumes in April, 2016 and expects the trend to continue. We expect revenues from this segment to increase by 12/13% in FY17/18 after increasing by only 2% in FY16.

Pick-up in Plywood segment's volume's to sustain going forward

Exhibit 2: Revenue (Rs mn) and revenue growth (yoy)

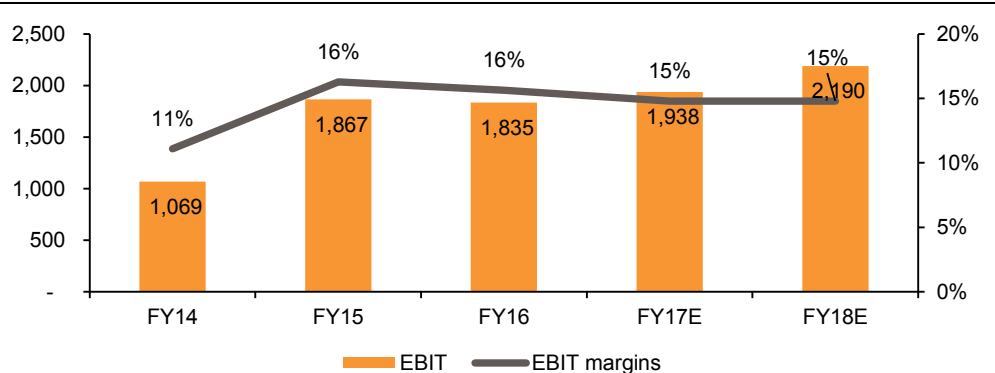


Source: Company, Emkay Research

Plywood margins to sustain at current levels

EBIT margins for plywood segment at 15% declined by 470 bps yoy mainly due to higher extraordinary margins last year. However, despite higher Ad spends and increasing proportion of volumes from SAINIK brand (low value product compared to premium category) company has been able to maintain margins at same level compared to last quarter. We expect company to maintain EBIT margins at current level of 15%.

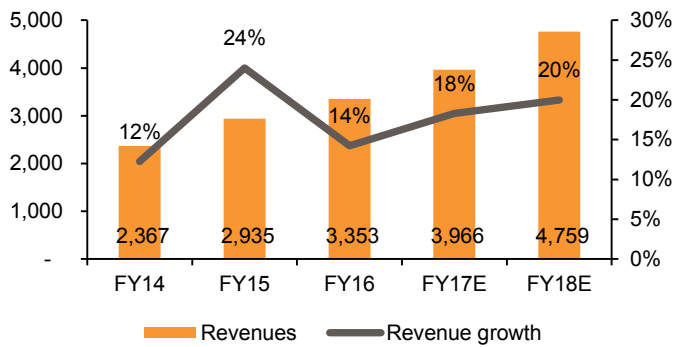
Exhibit 3: EBIT (Rs mn) and EBIT margins (%)



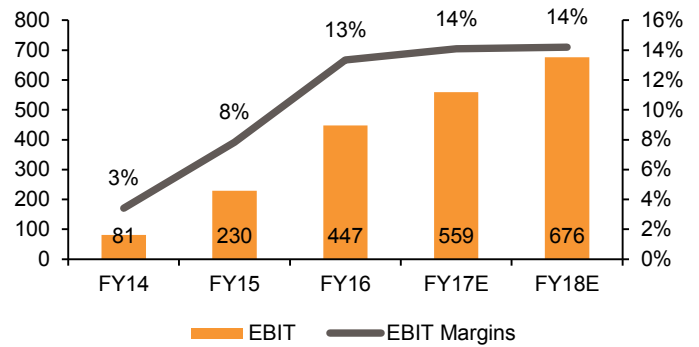
Source: Company, Emkay Research

Laminates segment will continue to grow at healthy rate

In Q4 FY16, revenues from laminates segment has increased by 15% yoy to Rs. 923 mn. Although the growth in FY16 slowed down to 14% from 24% achieved in FY14, management has guided for revenue growth from this segment to be 20%. We expect revenues from this segment to increase at 18%/20% in FY17/FY18 with improvement in demand from housing and commercial space. Further margins in this segment will continue to remain healthy at ~14%.

Exhibit 4: Revenues (Rs mn) and revenue growth (%)

Source: Company, Emkay Research

Exhibit 5: EBIT (Rs mn) and EBIT growth (%)

Source: Company, Emkay Research

Particle board/MDF segment will support growth from FY17/FY18 onwards

CPIL has setup particle board unit in current quarter (Q4 FY16) and the capacity is likely to start operations by June 2016. The unit at full capacity can provide revenue potential of Rs. 600-650 mn. Further, the particle board production will also be used internally for captive utilisation in its pre-laminated unit which will help company increase its utilisation rate.

CPIL is also setting up MDF Greenfield capacity and with higher growth visibility in this segment, company has increased its capacity expansion plan from 400 cubic meters per day to 600 cubic meters per day. The capex for the plant will be Rs. 4800 mn and plant is expected to commission by Jan 2017. Moreover, anti-dumping duty is being imposed on MDF imports from Indonesia and Vietnam that will help company increase its utilization rate at a fast pace. We have estimated revenues of Rs. 360 billion in first year of operation i.e FY18.

Rollover estimates to FY18, retain Accumulate

We have rollover our target price on FY18 and increased our target price to Rs. 204 while maintaining Accumulate rating with the target multiple 20x on account of healthy growth in earnings. We believe with entry in Plywood and Particle Board plant, Century Ply has become the only integrated players in wood and panel industry in India, having presence in plywood, laminates, veneer, doors, MDP and particle board.

Ongoing capex to drive growth going forward

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	12,840	15,648	16,469	18,740	25,244
Expenditure	11,358	13,150	13,756	15,687	20,752
EBITDA	1,482	2,498	2,829	3,181	4,624
Depreciation	332	448	446	520	980
EBIT	1,149	2,050	2,382	2,661	3,644
Other Income	95	181	16	28	32
Interest expenses	551	433	467	502	960
PBT	693	1,798	1,931	2,186	2,716
Tax	24	290	297	339	449
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	669	1,508	1,634	1,847	2,267
Adjusted PAT	669	1,508	1,634	1,847	2,267

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Equity share capital	223	223	223	228	228
Reserves & surplus	2,692	3,653	5,066	6,228	7,894
Net worth	2,914	3,876	5,289	6,455	8,122
Minority Interest	0	0	0	0	0
Loan Funds	4,478	4,587	4,098	6,798	6,798
Net deferred tax liability	(5)	(70)	(136)	(136)	(136)
Total Liabilities	7,386	8,392	9,251	13,117	14,784
Net block	2,120	2,089	2,975	6,022	5,582
Investment	379	451	497	497	497
Current Assets	6,480	7,662	7,852	9,164	12,127
Cash & bank balance	180	170	190	71	154
Other Current Assets	212	113	244	244	244
Current liabilities & Provision	1,780	2,037	2,073	2,571	3,427
Net current assets	4,700	5,625	5,779	6,593	8,700
Misc. exp	0	0	0	5	5
Total Assets	7,386	8,392	9,251	13,117	14,784

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
PBT (Ex-Other income) (NI+Dep)	598	1,617	1,915	2,158	2,684
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(522)	(1,000)	(199)	(933)	(2,024)
Operating Cashflow	936	1,040	2,696	1,804	2,047
Capital expenditure	(423)	(457)	(1,105)	(3,568)	(540)
Free Cash Flow	513	584	1,591	(1,764)	1,507
Investments	(223)	(72)	(46)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(551)	(348)	(1,135)	(3,540)	(508)
Equity Capital Raised	0	0	0	5	0
Loans Taken / (Repaid)	(200)	109	(489)	2,700	0
Dividend paid (incl tax)	(251)	(379)	(585)	(586)	(501)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(1,002)	(702)	(1,541)	1,617	(1,461)
Net chg in cash	(617)	(10)	20	(119)	78
Opening cash position	797	180	170	190	71
Closing cash position	180	170	190	71	149

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17E	FY18E
EBITDA Margin	11.5	16.0	17.1	16.9	18.2
EBIT Margin	9.0	13.1	14.4	14.1	14.4
Effective Tax Rate	3.4	16.1	15.4	15.5	16.5
Net Margin	5.2	9.6	9.9	9.8	8.9
ROCE	17.1	28.3	27.2	24.0	26.4
ROE	24.7	44.4	35.7	31.5	31.1
RoIC	18.4	28.9	29.6	25.2	27.3

Per Share Data (Rs)	FY14	FY15	FY16	FY17E	FY18E
EPS	3.0	6.8	7.4	8.3	10.2
CEPS	4.5	8.8	9.4	10.7	14.6
BVPS	13.1	17.4	23.8	29.0	36.5
DPS	0.3	1.0	2.0	2.3	2.3

Valuations (x)	FY14	FY15	FY16	FY17E	FY18E
PER	57.6	25.5	23.6	20.9	17.0
P/CEPS	38.5	19.7	18.5	16.3	11.9
P/BV	13.2	9.9	7.3	6.0	4.7
EV / Sales	3.3	2.7	2.6	2.4	1.8
EV / EBITDA	28.9	17.2	15.0	14.2	9.8
Dividend Yield (%)	0.1	0.6	1.2	1.3	1.3

Gearing Ratio (x)	FY14	FY15	FY16	FY17E	FY18E
Net Debt/ Equity	1.5	1.1	0.7	1.0	0.8
Net Debt/EBIDTA	2.9	1.8	1.4	2.1	1.4
Working Cap Cycle (days)	128.5	127.2	123.0	126.2	122.9

Growth (%)	FY14	FY15	FY16	FY17E	FY18E
Revenue	13.5	21.9	5.2	13.8	34.7
EBITDA	31.3	68.6	13.2	12.4	45.4
EBIT	33.5	78.3	16.2	11.7	37.0
PAT	27.1	125.3	8.4	13.0	22.7

Quarterly (Rs mn)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16
Revenue	4,092	3,709	4,422	3,906	4,547
EBITDA	793	668	738	696	773
EBITDA Margin (%)	19.4	18.0	16.7	17.8	17.0
PAT	480	397	463	416	405
EPS (Rs)	2.2	1.8	2.1	1.9	1.8

Shareholding Pattern (%)	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Promoters	73.3	73.3	73.3	73.3	73.3
FIIIs	8.5	8.8	10.7	10.6	12.1
DIIIs	3.3	3.1	3.4	3.4	3.3
Public and Others	14.8	14.7	12.5	12.7	11.3

Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

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