

Century Ply | HOLD

Disappointing quarter with slower revenue growth

Century Ply reported a significant miss to our 4QFY18 estimates on account of lower a) revenue growth in plywood (-7% YoY), b) EBITDA margins in MDF came in at 19.7% (25.7% in 3QFY18; despite strong revenue growth QoQ) and c) higher other expenses at INR 1.08bn (+27% YoY).

- 4QFY18 Summary:** Revenue at INR 5.44bn, up 11% YoY (10% below JMFe), led by MDF (commissioned in 3QFY18). Plywood revenue declined 14% YoY while Particle Board/CFS revenue too declined 7%/1% YoY respectively. Growth figures may not be exactly comparable YoY due to GST impact. Gross margin at 49.7%, up 150bps YoY (+80bps QoQ). Other expenses were up 27% YoY (+21% QoQ). This could be partly on account of forex loss. EBITDA at INR 838mn, was up 4% YoY (-1% QoQ). Depreciation and interest expense rose YoY on account of MDF capacity commissioning (Oct'17). Interest cost went up 51% QoQ to 122mn. PAT came in at INR 357mn (-36% YoY/-23% QoQ) and was 31% below JMFe.
- Plywood realisations declined in 4QFY18:** Plywood segment reported revenue of INR 3.23bn, down 7% YoY. Volume growth was weak (+2% YoY) while realisation declined 9% YoY. Commercial veneer segment sales at INR 338mn (-33% YoY) were led by a decline in volumes (-27% YoY) and drop in realisations (-9% YoY).
- MDF off to a good start:** MDF reported revenue at INR 648mn (INR 476mn in 3QFY18) in second quarter post commencement. MDF margins at 19.7% (25.7% in 3QFY18) were lower than expectations even though the average realisation was up at INR 23,765 per cbm (INR 23,053 per cbm in 3QFY18). The plant currently runs at 55% capacity utilisation. We await more clarity on this segment.
- Laminates steady:** Laminates and allied products division reported revenues at INR 1.19bn (+20% YoY) led by a healthy volume growth (+17% YoY in laminates / +100% YoY in pre lam sheets). However, the average realisations for laminates declined (-3% YoY in domestic and -4% YoY in exports).
- FY18 Results summary:** For FY18, Revenue grew 10% YoY while Adj. EBITDA/Net Income grew +6%/-9% YoY respectively. Gross margins/EBITDA margins contracted 50bps/70bps YoY respectively. Adj. Net Profit came in at INR 1.60bn (-9% YoY). Plywood volumes grew 6% YoY, while realisations declined 2% YoY.
- Management concall on 17th May at 3.00PM IST and the contact details are as follows (Universal: +91 22 6280 1325 / UK: 0808 101 1573 / US: 1866 746 2133)
- At INR 280, Century trades at 31.1x FY19EPS (24.6x FY20EPS). We have HOLD rating on the stock.**



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Exhibit 1. Quarterly Financials

INR mn	4Q17	4Q18	YoY	3Q18	QoQ	4Q18E	Var	FY17	FY18	YoY
Net Sales	4,885	5,441	11%	5,099	7%	6,020	-10%	17,825	19,672	10%
Raw Material Cost	2,531	2,738	8%	2,607	5%	3,141	-13%	9,181	10,230	11%
% of sales	51.8%	50.3%		51.1%		52.2%		51.5%	52.0%	
Gross Profit	2,355	2,703	15%	2,492	8%	2,879	-6%	8,644	9,443	9%
Gross Margin	48.2%	49.7%	150 bps	48.9%	80 bps	47.8%	180 bps	48.5%	48.0%	-50 bps
Employee cost	667	752	13%	723	4%	787	-5%	2,567	2,839	11%
% of sales	13.7%	13.8%	20 bps	14.2%	-40 bps	13.1%	70 bps	14.4%	14.4%	
Other expenses	850	1,079	27%	892	21%	1,090	-1%	3,144	3,496	11%
% of sales	17.4%	19.8%	240 bps	17.5%	230 bps	18.1%	170 bps	17.6%	17.8%	
Total Expenditure	4,048	4,569	13%	4,222	8%	5,018	-9%	14,892	16,565	11%
EBITDA	838	872	4%	878	-1%	1,002	-13%	2,933	3,107	6%
EBITDA margin	17.1%	16.0%	-110 bps	17.2%	-120 bps	16.6%	-60 bps	16.5%	15.8%	-70 bps
Depreciation	156	277	78%	263	5%	267	4%	524	810	55%
EBIT	682	595	-13%	615	-3%	735	-19%	2,409	2,297	-5%
Net finance cost	-36	109	-404%	67	64%	82	32%	195	267	37%
Other Income	83	13	-84%	14	-11%	14	-7%	112	39	-65%
Interest	47	122	159%	81	51%	96	27%	307	306	0%
XO Inc/-Exp	80	-41		46		0		123	-40	
PBT	798	445	-44%	594	-25%	653	-32%	2,337	1,990	-15%
Tax Expense	239	88	-63%	128	-31%	137	-36%	481	424	-12%
Tax Rate	30.0%	19.8%	-1020 bps	21.5%	-170 bps	20.9%	-120 bps	20.6%	21.3%	70 bps
Reported Net Profit	559	357	-36%	467	-23%	516	-31%	1,856	1,566	-16%
Adjusted Net Profit	506	391	-23%	431	-9%	516	-24%	1,766	1,602	-9%

Source: Company, JM Financial

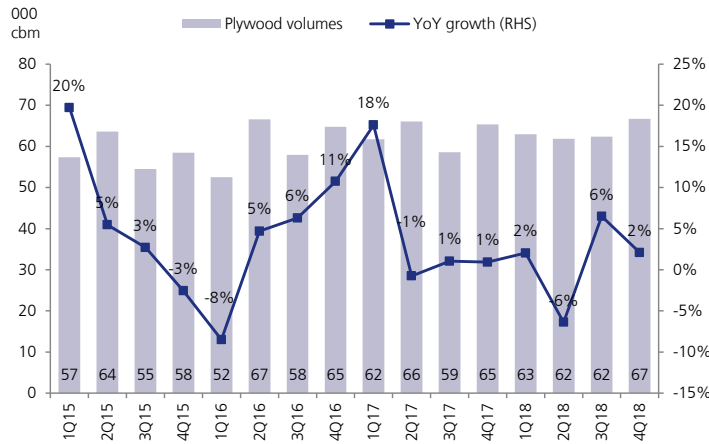
Exhibit 2. Segmental Information

INR mn	4Q17	4Q18	YoY	3Q18	QoQ	4Q18E	Var	FY17	FY18	YoY
Volume										
Plywood and Allied (cbm)	65,348	66,712	2%	62,366	7%	69,548	-4%	2,51,720	2,53,926	1%
Laminate and Allied										
Laminates (mn Nos)	1.36	1.60	17%	1.34	19%	1.58	1%	5.02	5.52	10%
Prelam sheets (sqm)	2,57,412	5,15,853	100%	2,60,198	98%	2,77,220	86%	9,03,697	13,95,365	54%
MDF (cbm)	0	27,250		20,639		35,000	-22%		21,057	NM
Net revenues	4,885	5,441	11%	5,099	7%	6,020	-10%	17,825	19,672	10%
Plywood and Allied	3,485	3,230	-7%	3,227	0%	3,616	-11%	12,618	12,689	1%
Laminate and Allied	995	1,194	20%	999	20%	1,179	1%	3,705	4,246	15%
Laminates	894	1,016	14%	898	13%	1,070	-5%	3,302	3,699	12%
Prelam sheets	101	178	77%	101	77%	109	63%	402	547	36%
MDF	0	648	NM	476	NM	805	-20%	12	1,125	NM
Others	406	370	-9%	397	-7%	420	-12%	1,490	1,612	8%
Segmental EBITDA	838	872	4%	878	-1%	1,002	-13%	2,933	3,107	6%
Plywood and Allied	666	538	-19%	435	24%	502	7%	2,125	1,801	-15%
Laminate and Allied	107	153	43%	140	9%	165	-7%	534	644	21%
MDF	0	128	NM	122	NM	201	-36%	5	250	NM
Others	65	53	-19%	181	-71%	134	-60%	270	412	53%
EBITDA Margins	17.1%	16.0%	-110 bps	17.2%	-120 bps	16.6%	-60 bps	16.5%	15.8%	-70 bps
Plywood and Allied	19.1%	16.7%	-240 bps	13.5%	320 bps	13.9%	280 bps	16.8%	14.2%	-260 bps
Laminate and Allied	10.7%	12.8%	210 bps	14.0%	-120 bps	14.0%	-120 bps	14.4%	15.2%	80 bps
MDF	NM	19.7%	NM	25.7%	NM	25.0%	-530 bps	40.7%	22.2%	NM
Others	16.1%	14.4%	-170 bps	45.5%	-3110 bps	31.9%	-1740 bps	18.1%	25.6%	750 bps

Source: Company, JM Financial

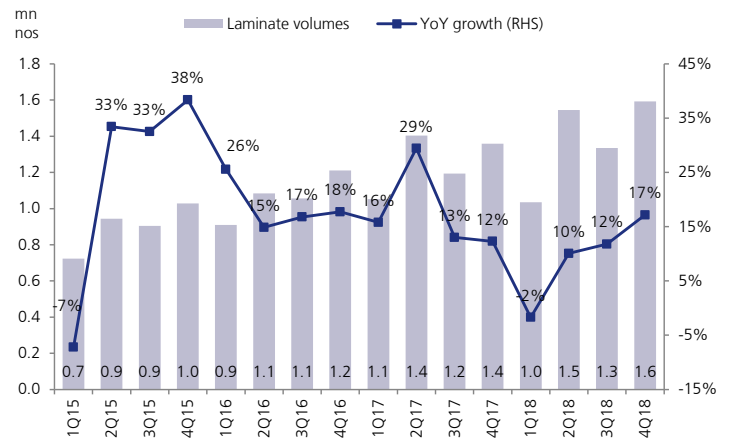
Centuryply Quarterly charts

Exhibit 3. Plywood volume growth trend – Quarterly



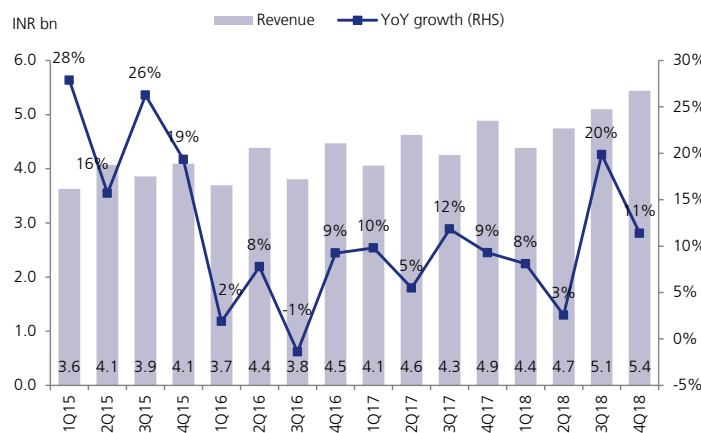
Source: Company, JM Financial

Exhibit 4. Laminates volume growth trend - Quarterly



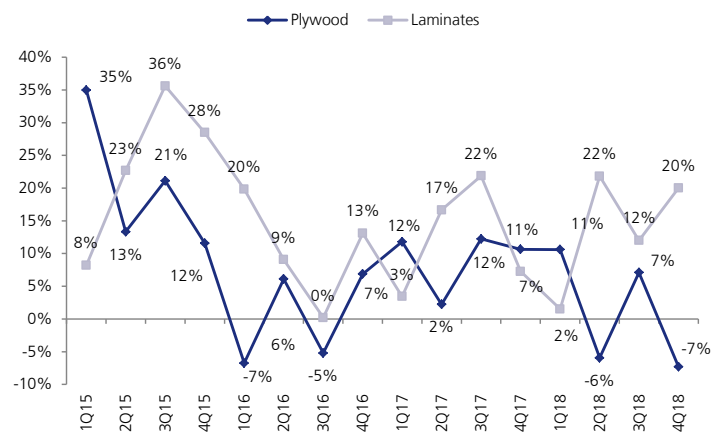
Source: Company, JM Financial

Exhibit 5. Overall revenue growth trend – Quarterly



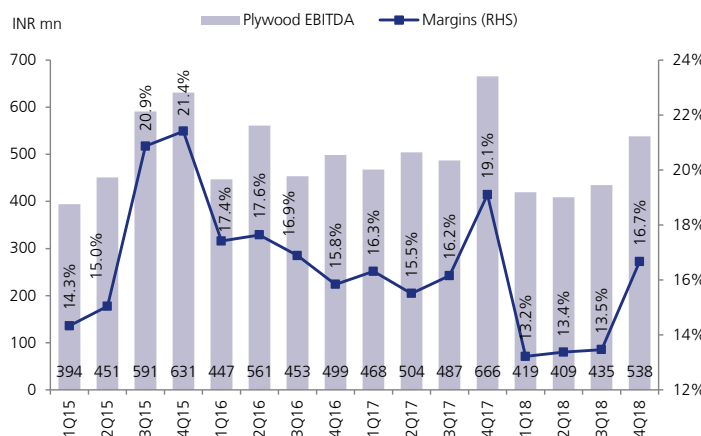
Source: Company, JM Financial

Exhibit 6. Plywood and Laminates revenue growth trend – Quarterly



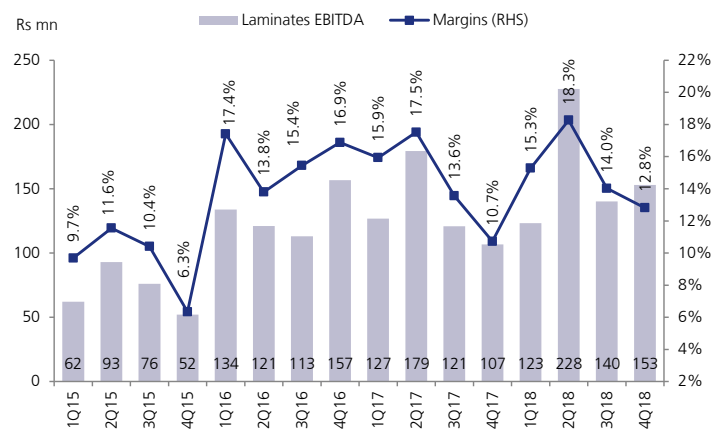
Source: Company, JM Financial

Exhibit 7. Plywood EBITDA and margin trend – Quarterly



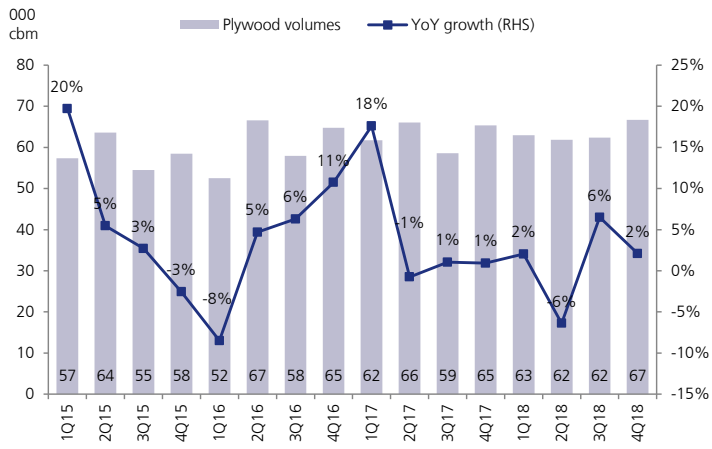
Source: Company, JM Financial

Exhibit 8. Laminates EBITDA and margin trend – Quarterly



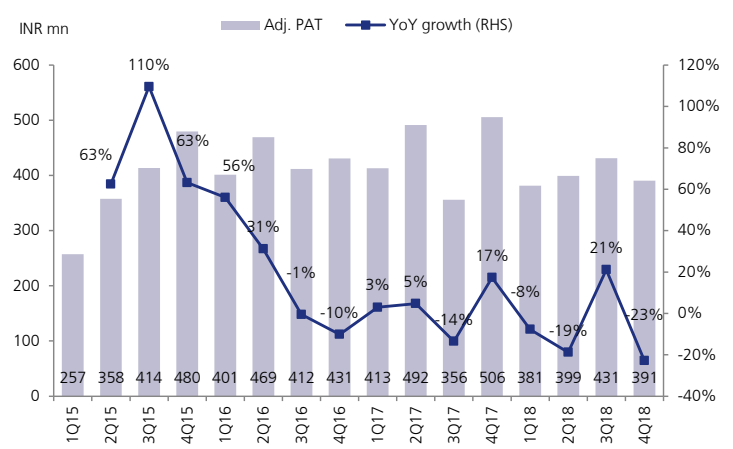
Source: Company, JM Financial

Exhibit 9. Overall EBITDA and margin trend – Quarterly



Source: Company, JM Financial

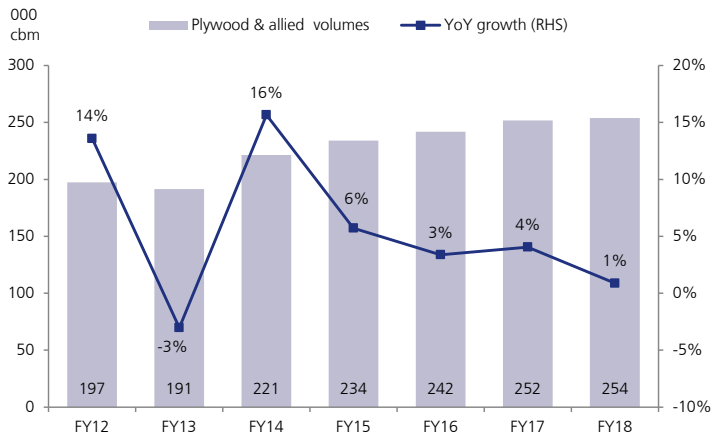
Exhibit 10. Profitability growth trends – Quarterly



Source: Company, JM Financial

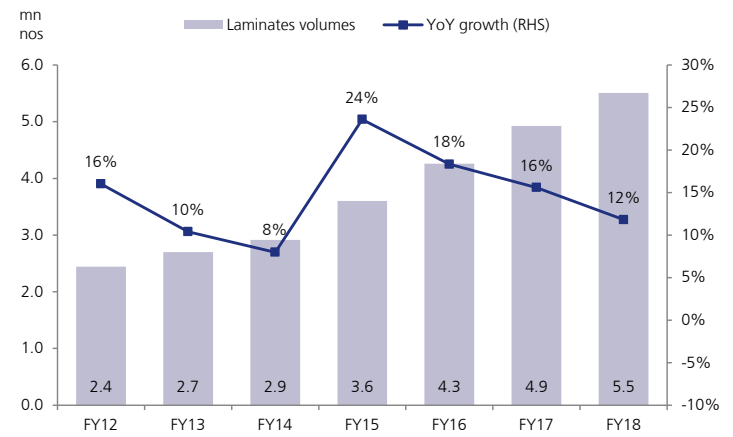
Centuryply Annual charts

Exhibit 11. Plywood volume growth trend



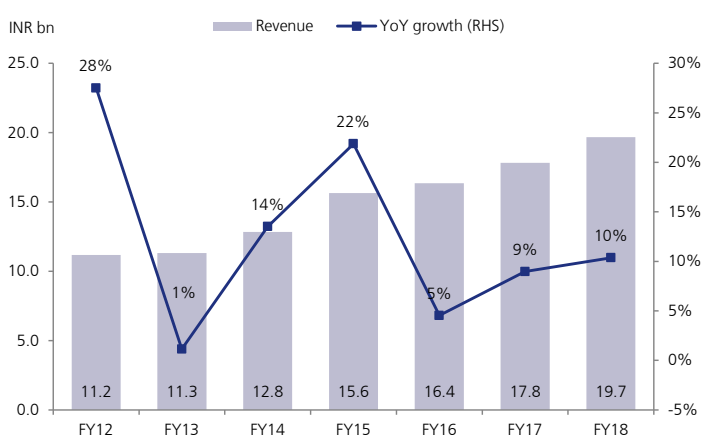
Source: Company, JM Financial

Exhibit 12. Laminates volume growth trend



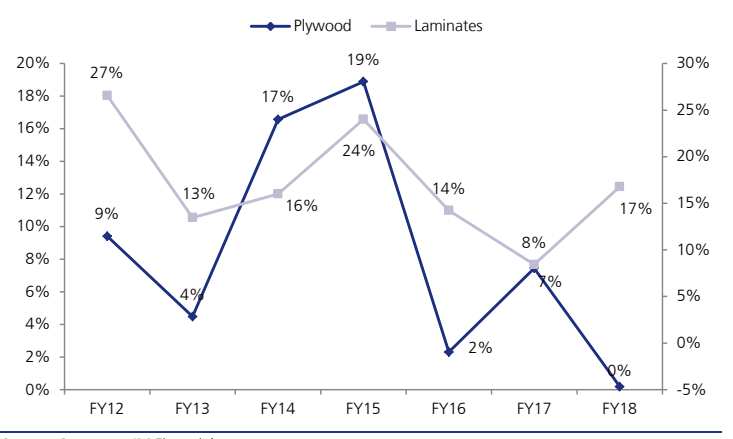
Source: Company, JM Financial

Exhibit 13. Overall revenue growth trend



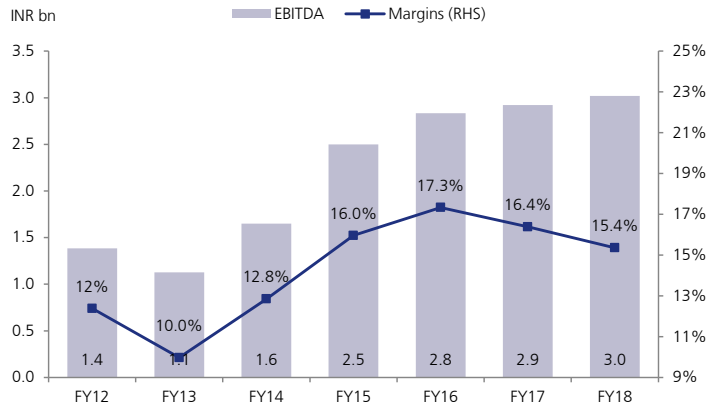
Source: Company, JM Financial

Exhibit 14. Plywood and Laminate revenue growth trend



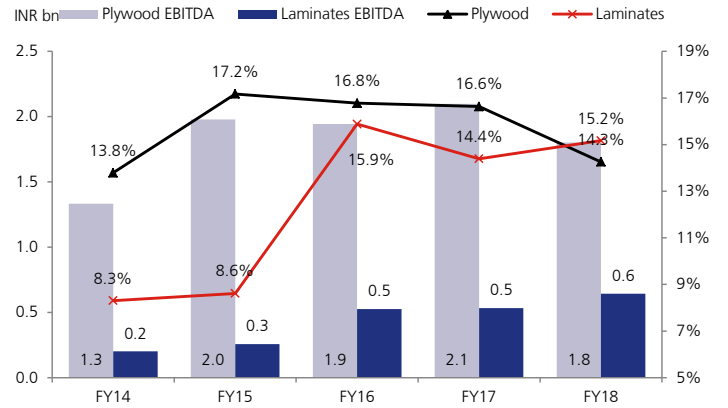
Source: Company, JM Financial

Exhibit 15. Overall EBITDA and margin trend



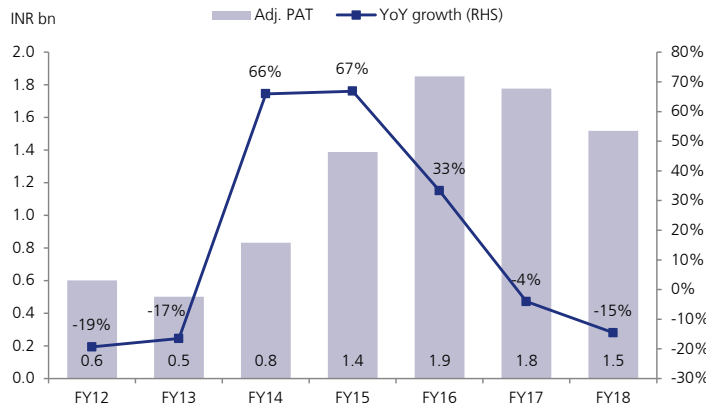
Source: Company, JM Financial

Exhibit 16. Plywood and Laminate EBITDA and margin trend



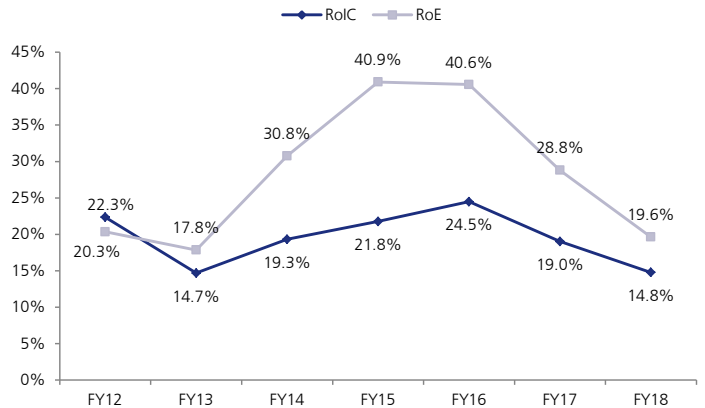
Source: Company, JM Financial

Exhibit 17. Profitability growth trend



Source: Company, JM Financial

Exhibit 18. Return ratios



Source: Company, JM Financial

APPENDIX I

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(formerly known as JM Financial Securities Limited)

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd., National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

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