

Century Plyboards (I) Ltd

BUY



Asian Markets Securities Pvt. Ltd.

Subdued quarter: Strong growth in laminates offset by weak plywood business

Institutional Research

CMP (Rs)	154
Target (Rs)	210

Nifty: 7,564; Sensex: 24,871

Key Stock Data

BSE Code	532548
NSE Code	CENTURYPLY
Bloomberg	CPBI IN
Shares O/s mn (FV Rs1)	222.2
Market cap (Rsbn)	33.2
52-week High/Low	262/138
3-m daily avg vol.	2,89,336

Price Performance

(%)	1m	3m	12m
CENTURYPL	(14.1)	(13.0)	(20.8)
NIFTY	(4.6)	(6.8)	(15.5)
Sensex	(4.6)	(7.3)	(16.2)

Shareholding Pattern

(%)	Dec 15	Sep15	Jun15
Promoter	73.3	73.3	73.3
FII	10.6	8.8	8.5
DII	3.5	3.1	3.3
Others	12.6	14.7	14.8

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CENTURY PLYBOARDS (INDIA) LIMITED (CPIL) reported subdued Q3FY16 results led by slower growth and margin squeeze in plywood business though laminates business fared well. The Company strategically focused on promoting the mid-market plywood brand SAINIK sensing the shift in demand from premium plywood to mid-market segment.

While underlying demand scenario remains challenging over the medium term, CPIL's investments in MDF and Particle Boards and strengthening RM sourcing overseas (Laos, Indonesia, Vietnam and Myanmar) provides promising growth visibility over the long term. We remain positive on CPIL in the backdrop of its superior brand and aggressive marketing strategy that will work well in garnering increased market share from unorganized players. **Maintain BUY.**

Revenue growth of 2% : Plywood dip by 2%, laminate up 8%

Century ply reported muted ~2% revenue growth at Rs 3886mn. Plywood revenue fell 2% yoy and 14% qoq to Rs2753mn (71% of the total revenue). Most of the plywood revenue decline was attributable to slow demand in premium plywood products (-19%) while mid-market products (CPIL's SAINIK brand) witnessed strong growth of 34%. Decorative plywood and veneer revenue grew at healthy pace (up 44%) though realization partly plunged due to lower RM prices and partially led by competitive pressure. Laminates segment (20% of the revenue) grew 8% yoy (-13% qoq) to Rs 774mn. However, adjusting for decline in prelam (-46%) and exterior products (-41%), laminates revenue grew by 19% and exports grew by 26%. CFS division revenue grew 27% yoy and 17% qoq to Rs 235mn.

Margin squeeze in plywood business led to EBIDTA decline by 2%, PAT flat

EBIDTA declined ~2% yoy and ~6% qoq to Rs 696mn. Sharp decline in plywood EBITM at 14.8% (19.2% yoy and 15.8% qoq) was partially offset by improved profitability in laminates business at 13.4% (7.1% yoy and 12% qoq). CFS margins too vaulted to 35.9% 32.4% yoy and 28% qoq) led by improved utilization. PAT was flat at Rs416mn. EBITA margins marginally dipped by 69bp yoy and increased 109 bp qoq to 17.9% while PAT margin was down 13 bp qoq and improved 17 bp yoy to 10.7%. For 9MFY16, revenue, EBIDTA and PAT stood at Rs12948mn, Rs2089mn and Rs1275mn, marking a growth of 4.3%, 17.5% and 24% respectively yielding an EPS of Rs5.7.

Investment in MDF, particle board, endeavor for increasing raw material security overseas comforting, BUY

While underlying demand scenario remains challenging for plywood and panel products over the medium term, CPIL's investments in MDF and Particle Boards and strengthening raw material sourcing overseas (Laos, Indonesia, Vietnam and Myanmar) provides promising growth visibility over the long term. We remain positive on CPIL in the backdrop of its superior brand and aggressive marketing strategy that will work well in garnering increased market share from unorganized players. We estimate sales, EBIDTA and PAT to grow at a CAGR of 12%, 18% and 15.7% respectively over FY15-18E. At CMP, the stock is trading at 20.3x, 18.8x and 14.5x PER to FY16/17/18 EEPS respectively. Maintain BUY with a TP of Rs 210 valuing the stock @ 20x FY18 EEPS.

Exhibit 1: Key Financials

Y/E Mar (Rs mn)	FY14	FY15	FY16E	FY17E	FY18E
Sales	12840	15648	16110	17652	22094
yoy (%)	13.5	21.9	3.0	9.6	25.2
EBITDA	1482	2498	2761	3141	4139
yoy (%)	31.3	68.6	10.5	13.7	31.8
PAT	669	1508	1665	1797	2334
yoy (%)	27.1	125.3	10.4	7.9	29.9
Equity	223	223	223	223	223
EPS (Rs)	3.01	6.78	7.48	8.08	10.49

Exhibit 2: Key Indicators

Y/E Mar	FY14	FY15	FY16E	FY17E	FY18E
EBITDAM (%)	11.5	16.0	17.1	17.8	18.7
NPM (%)	5.2	9.4	10.3	10.1	10.5
PER (x)	53.9	22.4	20.3	18.8	14.5
P/BV (x)	12.4	8.7	6.8	5.5	4.3
EV/Sales (x)	3.2	2.5	2.4	2.3	1.9
EV/EBITDA (x)	27.5	15.5	14.0	13.1	9.9
RoACE (%)	16.6	26.9	25.2	22.4	24.2
RoANW (%)	24.7	44.4	37.6	32.2	33.3

Source: Company, AMSEC Research

Exhibit 3: 3QFY16 Financials (Standalone)

Y/E March (Rs mn)	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	yoy (%)	qoq (%)	9MFY15	9MFY16	yoy%
Gross Sales	4074	4379	4001	4758	4189	2.8	(12.0)	12412	12948	4.3
Less: Excise Duty	255	330	321	367	303	18.9	(17.4)	937	992	5.9
Net Sales	3818	4049	3680	4391	3886	1.8	(34.3)	11475	10956	(4.5)
Other operating income	40	43	29	31	20	(49.1)	(35.4)	81	81	0.6
Net Sales & Other Oper. Inc.	3858	4092	3709	4422	3906	1.2	(11.7)	11556	12037	4.2
Total Expenditure	3149	3382	3054	3684	3210	2.0	(12.8)	9778	9948	1.7
(Increase) / Decrease In Stocks	-162	-11	-41	273	-308	90.4	(212.6)	-424	-75	(82.3)
Purchase of Finished Goods	420	597	430	445	612	45.6	37.5	1329	1486	11.8
Cost of Services & Raw Materials	1688	1517	1567	1626	1534	(9.1)	(5.7)	5502	4727	(14.1)
Operating & Manufacturing Exp.	707	754	580	763	808	14.2	5.9	1952	2151	10.2
Employee Cost	494	524	517	568	595	20.4	4.8	1419	1680	18.4
EBITDA	710	710	655	738	696	(2.0)	(5.8)	1778	2089	17.5
Other Income	29	92	16	5	7	(75.3)	45.1	99	28	(71.7)
Operating Profit	739	802	671	743	703	(4.9)	(5.4)	1877	2117	12.8
Interest	145	90	123	135	107	(26.2)	(20.7)	343	364	6.2
PBDT	594	712	548	609	596	0.3	(2.1)	1534	1753	14.3
Depreciation	116	119	101	107	116	0.0	8.1	329	324	(1.6)
PBT	478	593	448	501	480	0.4	(4.2)	1205	1429	18.6
Tax	64	114	51	39	64	(0.8)	65.5	176	153	(13.1)
Profit After Tax	414	480	397	463	416	0.5	(10.1)	1028	1275	24.0
Equity Capital	222.5	222.5	222.5	222.5	222.5			222.5	222.5	
EPS (Reported)	1.9	2.2	1.8	2.1	1.9			4.6	5.7	
EPS (Adjusted)	1.9	2.2	1.8	2.1	1.9			4.6	5.7	
EBIDTA (%)	18.6	17.5	17.8	16.8	17.9	(69bp)	109bp	15.39	17.36	197bp
PATM (%)	10.8	11.8	10.8	10.5	10.7	(13bp)	17bp	8.96	10.67	170bp
Tax / PBT (%)	13.5	19.1	11.3	7.7	13.3	(16bp)	561bp	14.63	10.72	(391bp)
Raw material / Net sales (%)	44.2	37.5	42.6	37.0	39.5	(474bp)	244bp	59.12	51.61	(750bp)
Employee cost / Net Sales (%)	12.9	12.9	14.1	12.9	15.3	237bp	238bp	12.28	13.96	168bp

Source: Company, AMSEC Research

Exhibit 4: 3QFY16 Segmental Financials (Standalone)

Y/E March (Rs mn)	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	yoy (%)	qoq (%)	9MFY15	9MFY16	yoy%
Segment Revenue										
Plywood and Allied Business	2810	2918	2576	3199	2753	(2.0)	(13.9)	8553	8528	(0.3)
Laminate and allied products	716	805	772	885	774	8.1	(12.6)	2131	2430	14.1
Container Freight station services	186	174	174	201	235	26.5	17.0	534	610	14.4
Others	114	160	165	114	134	17.3	17.0	280	413	47.6
Total segment revenue	3825	4057	3687	4399	3896	1.8	(11.4)	11497	11982	4.2
Less: Intersegment Revenue	7	8	7	9	10	40.0	12.8	22	26	17.4
Net sales/Income from operations	3818	4049	3680	4390	3886	1.8	(11.5)	11475	11956	4.2
Segment Result										
Plywood and Allied Business	540	576	438	507	408	(24.4)	(19.4)	1291	1353	4.8
Laminate and allied products	51	65	101	106	104	103.9	(2.1)	165	311	88.8
Container Freight station services	60	60	54	56	84	40.2	49.9	158	195	23.2
Others	(8)	(8)	(1)	(4)	(1)	(93.3)	(86.9)	(20)	(6)	(67.9)
Total	643	693	592	665	596	(7.3)	(10.4)	1594	1853	16.2
Less: Finance cost	145	90	123	135	107	(26.2)	(20.7)	343	364	6.3
Other Expenses	20	9	22	29	9	(54.6)	(68.4)	46	60	28.7
Total Profit/(Loss) before tax	478	593	447	501	480	0.3	(4.3)	1205	1429	18.6
Capital Employed (Segment Assets less Segment Liabilities)										
Plywood and Allied Business	4798	5598	5298	5732	5600	16.7	(2.3)	4798	5600	16.7
Laminate and allied products	1810	1705	1752	1767	2310	27.6	30.7	1810	2310	27.6
Container Freight station services	602	600	558	618	631	4.9	2.1	602	631	4.9
Others	26	31	143	102	153	479.9	50.2	26	153	479.9
Total	7236	7933	7752	8220	8694	20.2	5.8	7236	8694	20.1
EBIT/Sales (%)										
Plywood and Allied Business	19.2	19.8	17.0	15.8	14.8	(440bp)	(101bp)	15.1	15.9	78bp
Laminate and allied products	7.1	8.0	13.1	12.0	13.4	630bp	143bp	7.7	12.8	507bp
Container Freight station services	32.4	34.2	31.0	28.0	35.9	351bp	787bp	29.6	31.9	228bp
Others	(7.3)	(5.0)	(0.9)	(3.7)	(0.4)	688bp	331bp	(7.0)	(1.5)	548bp
Total	16.8	17.1	16.1	15.1	15.3	(151bp)	18bp	13.9	15.5	160bp
EBIT/Capital Employed (%)										
Plywood and Allied Business	11.3	10.3	8.3	8.8	7.3	(397bp)	(155bp)	26.9	24.2	(274bp)
Laminate and allied products	2.8	3.8	5.8	6.0	4.5	168bp	(151bp)	9.1	13.5	437bp
Container Freight station services	10.0	9.9	9.7	9.1	13.4	336bp	426bp	26.3	30.8	457bp
Others	(31.6)	(25.5)	(1.0)	(4.2)	-0.4	3119bp	382bp	(74.2)	-4.1	7013bp
Total	8.9	8.7	7.6	8.1	6.9	(203bp)	(124bp)	22.0	21.3	(72bp)

Source: Company, AMSEC Research

Concall Takeaways

- Market conditions have been challenging for the plywood and panel products industry led by acute slump in real estate. There has been a severe slow down in premium products while mid-market products doing well aided by increased marketing spend and gaining market share.
- **Raw material:** Expanding timber processing facility in Laos by adding three timber plants that will be operational by March 16. To set up a small unit in Indonesia. Not envisaging any major investment from the Indian entity as all the overseas investments will be funded through Singapore subsidiary and the funds will be raised through internal accruals and debt.
- CFS division is currently running at 60% capacity. The company expects better utilisation over the coming quarters. Also scouting new port opportunities for CFS business.
- **Outlook:** Q4FY16 to be on the similar lines as compared to Q3FY16 in terms of sales. On full year front, the management has guided sales growth of 5% yoy.
- **Capex :** In FY16, the company has incurred Rs 650 mn for particle board plant, Rs 200mn on Laos facility and Rs 300mn on MDF plant. Capex for FY17 will be for MDF plant and maintenance capex totalling Rs3.5bn.
- Particle board project will be ready March 16 while MDF plant will be operational in Dec 16/Jan 17. Particle board plant will generate revenue to the tune of Rs700 (Rs1bn if sold as pre-laminated board) at full capacity with 20% plus margins.

Exhibit 5: Quarterly Revenue Trend

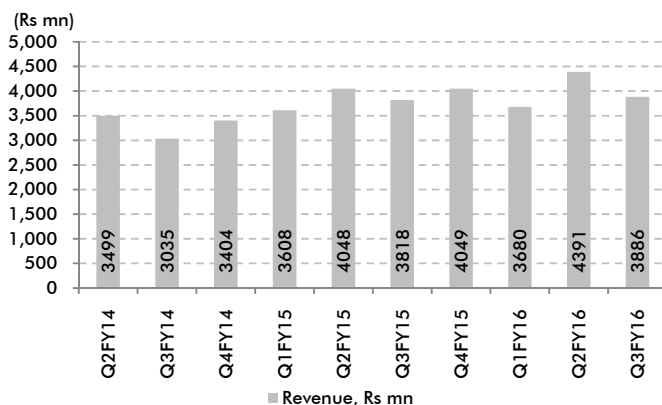


Exhibit 6: Quarterly EBITDA Trend

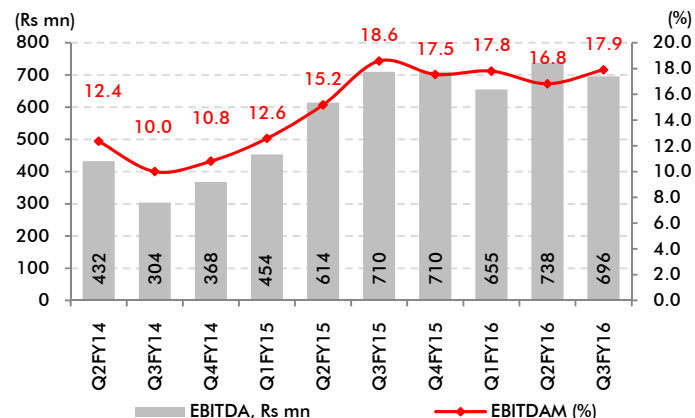


Exhibit 7: Quarterly PAT Trend

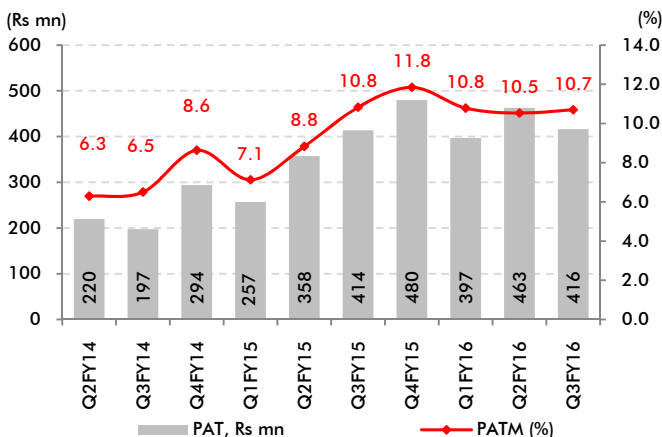
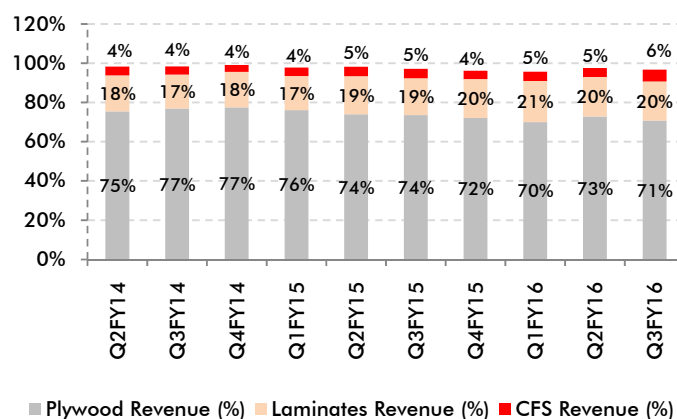


Exhibit 8: Segment Revenue Contribution



Source: Company, AMSEC Research

Segment performance-Plywood

Exhibit 9: Revenue

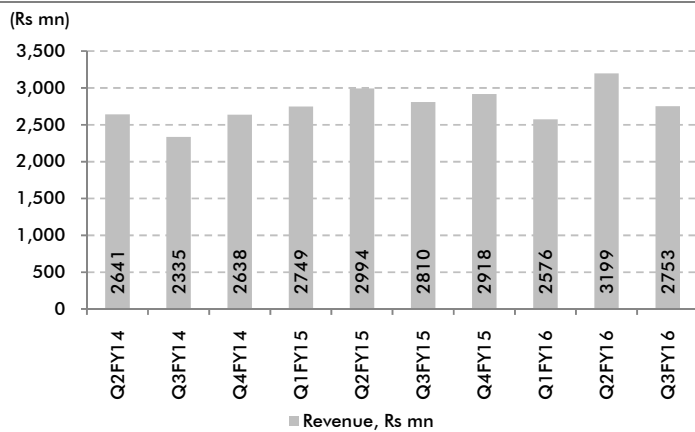


Exhibit 10: EBIT

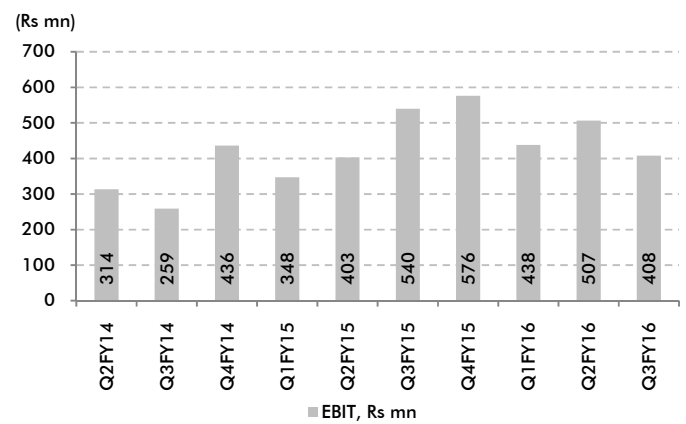


Exhibit 11: EBIT/Sales

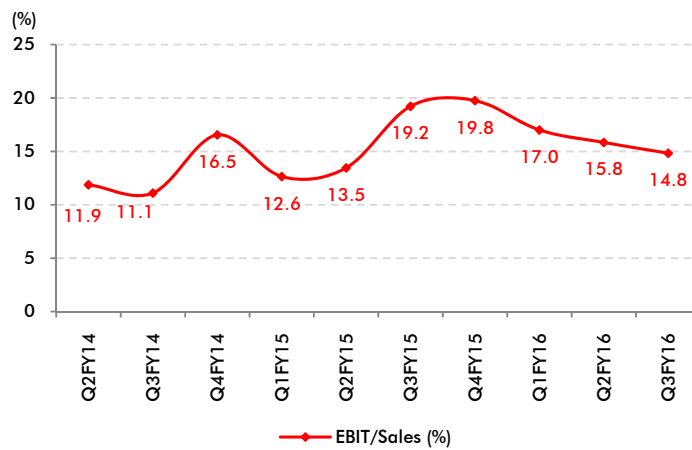
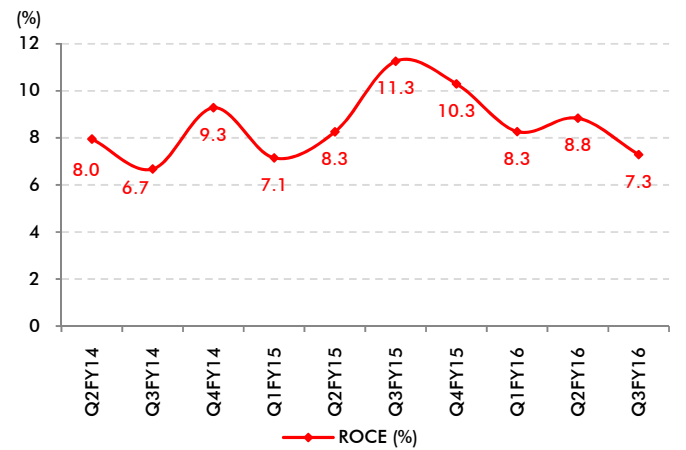


Exhibit 12: ROCE



Source: Company, AMSEC Research

Segment performance-Laminates

Exhibit 13: Revenue

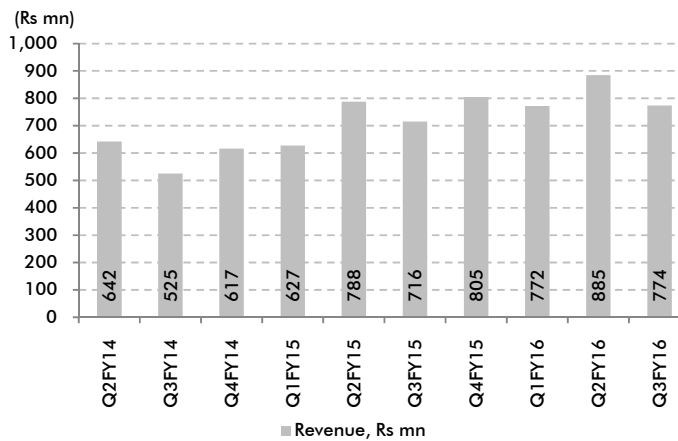


Exhibit 14: EBIT

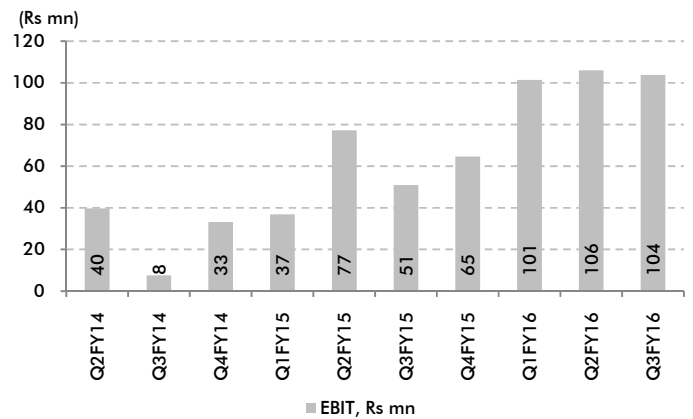


Exhibit 15: EBIT/Sales

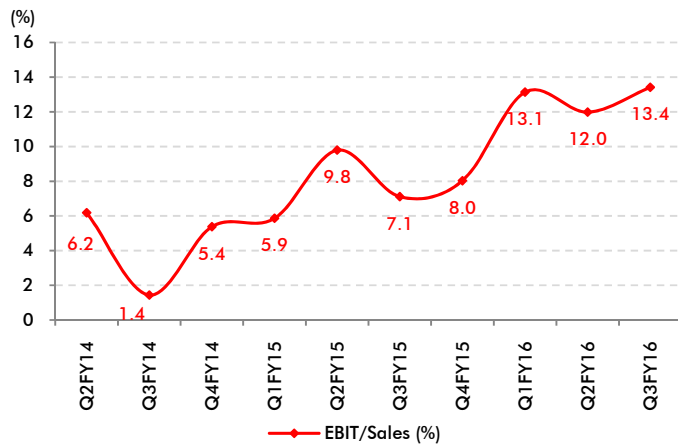
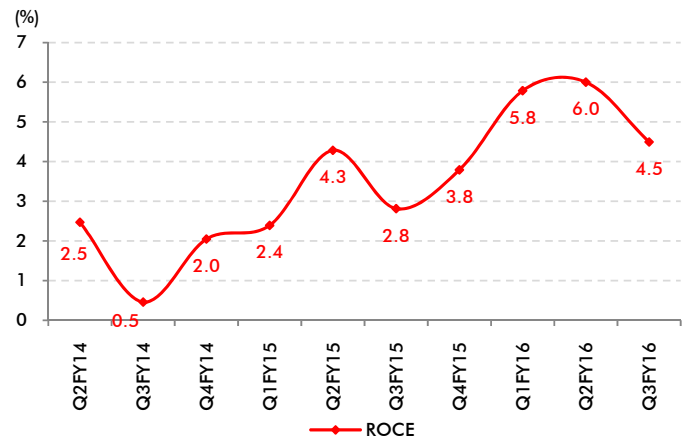


Exhibit 16: ROCE



Source: Company, AMSEC Research

Segment performance-CFS

Exhibit 17: Revenue

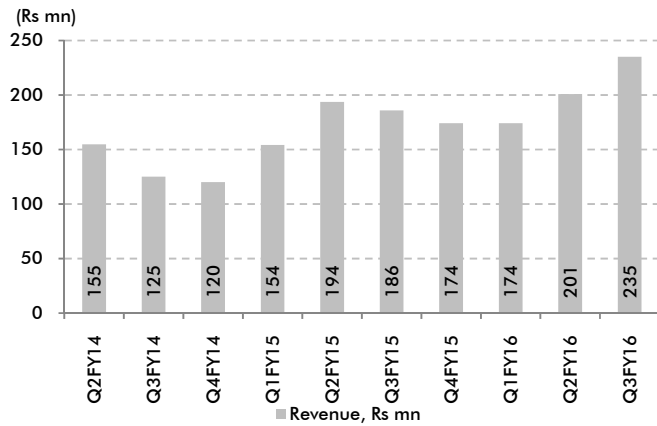


Exhibit 18: EBIT

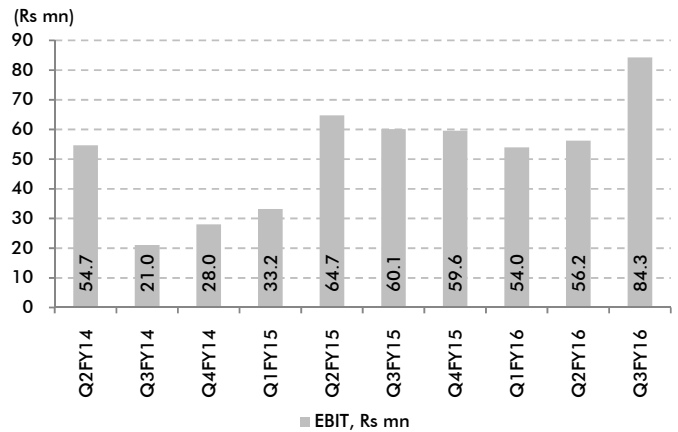


Exhibit 19: EBIT/Sales

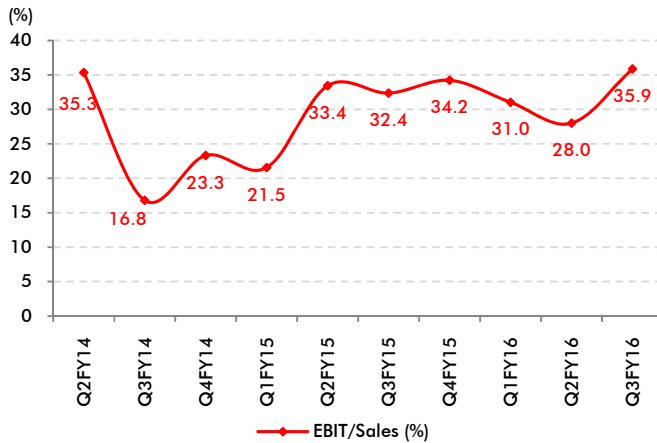
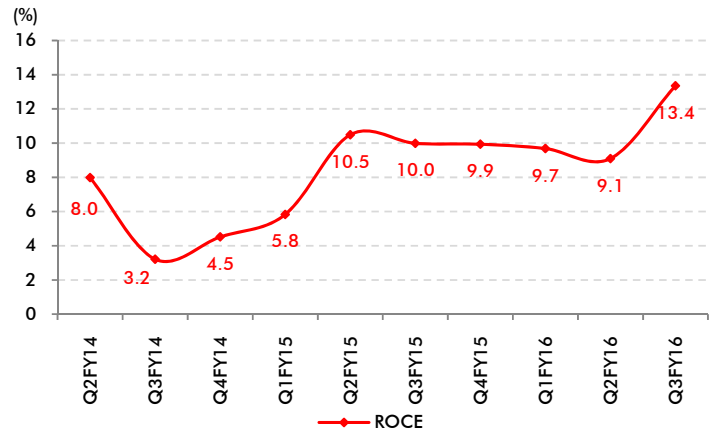


Exhibit 20: ROCE



Source: Company, AMSEC Research

Financial snapshot (Standalone)

Exhibit 21 : Revenue

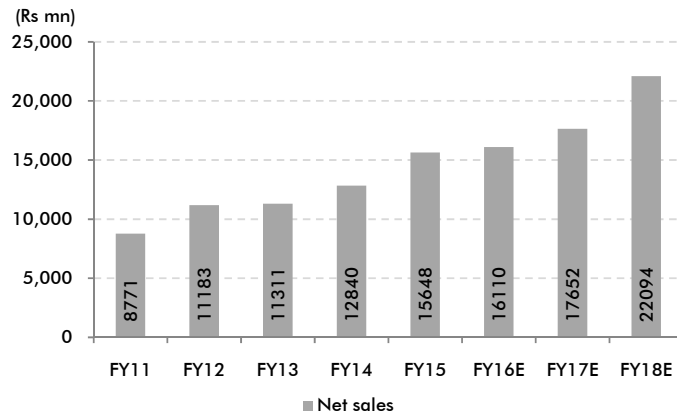


Exhibit 22 : EBITDA & EBITAM (%)

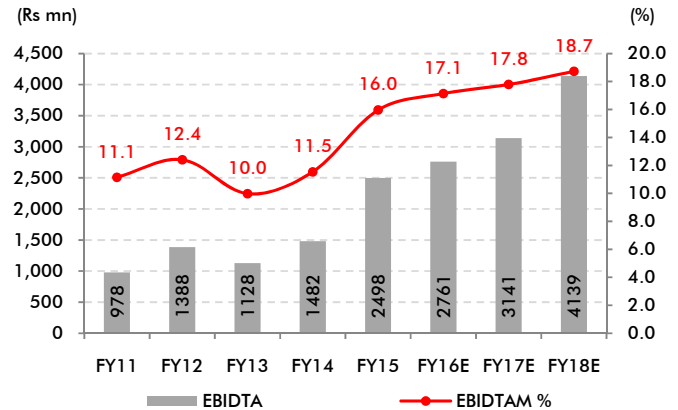


Exhibit 23: PAT & PATM (%)

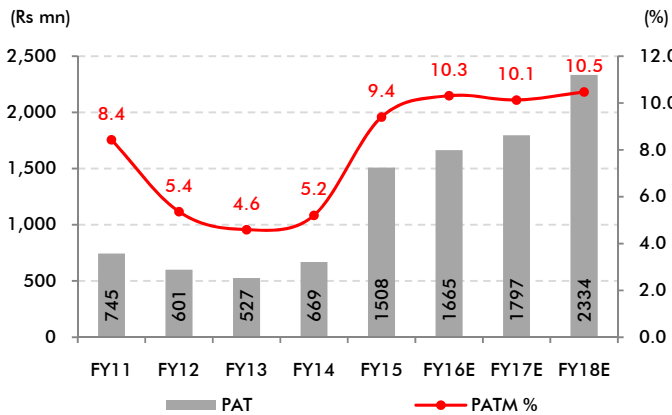


Exhibit 24: Return Ratios

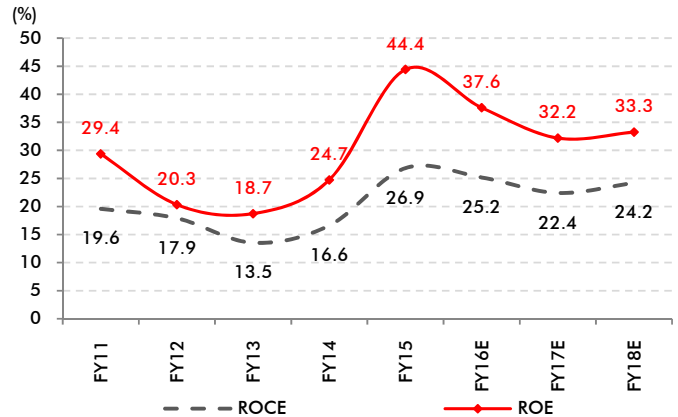


Exhibit 25: Dividend and Dividend payout ratio

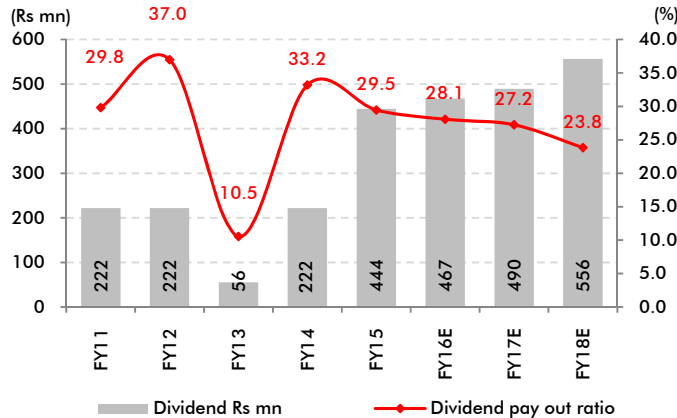
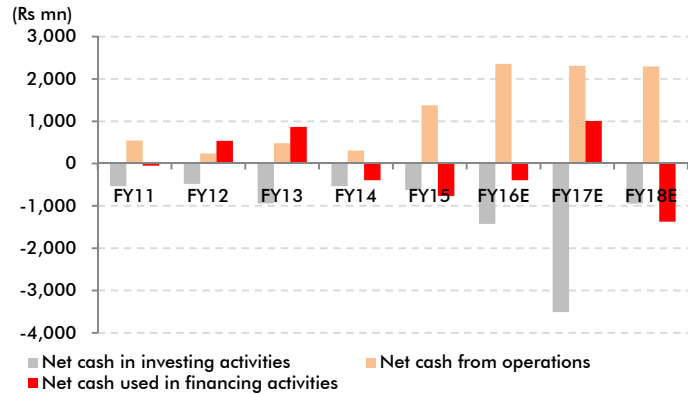


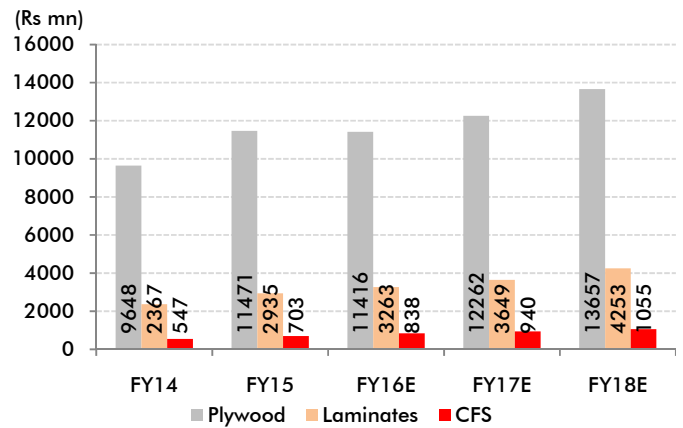
Exhibit 26: Cash Flow



Source: Company, AMSEC Research

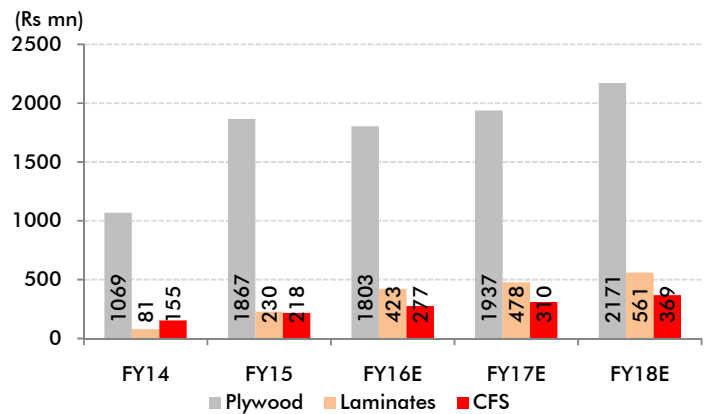
Segment performance

Exhibit 27: Segment revenue trend



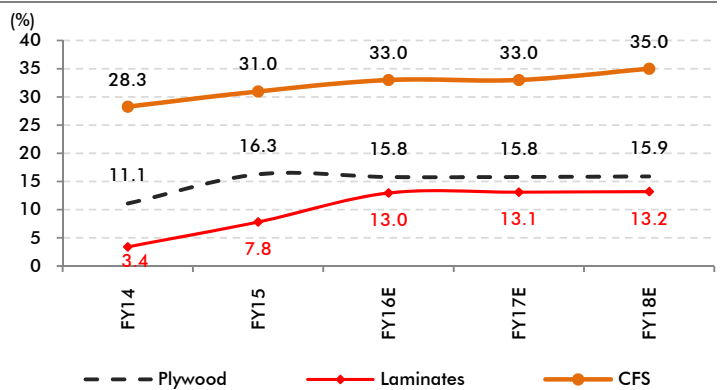
Source: Company, AMSEC Research

Exhibit 28: Segment EBIT trend



Source: Company, AMSEC Research

Exhibit 29: Segment EBITM trend



Source: Company, AMSEC Research

Century Plyboards (India) Ltd. Financials (Standalone)

(Rs mn)

Profit and Loss Account

Y/E (Mar)	FY14	FY15	FY16E	FY17E	FY18E
Net sales	12840	15648	16110	17652	22094
Inc./(Dec.e) in Stock	-24	-389	-34	-88	-195
Raw material cons.	7633	8946	8348	8950	11257
Power & Fuel cost	270	311	342	383	468
Employee cost	1514	1933	2204	2512	3065
Other manufact. Exp.	830	951	999	1099	1340
General & Adm. Exp.	194	202	212	233	284
Selling & AdmExpn.	412	764	825	924	1128
Misc. Expenses	530	432	453	499	608
Total expenditure	11382	13539	13383	14600	18150
Operating profit	1482	2498	2761	3141	4139
Other income	95	181	100	115	121
Interest expense	551	433	444	521	632
Gross Profit	1025	2246	2418	2735	3627
Dep. & Amortization	332	448	436	543	746
PBT	693	1798	1982	2191	2881
Provision for Tax	24	290	317	394	547
Reported Net Profit	669	1508	1665	1797	2334
Share O/s mn	223	223	223	223	223
EPS Rs	3.0	6.8	7.5	8.1	10.5

Cash Flow Statement

Y/E (Mar)	FY14	FY15	FY16E	FY17E	FY18E
PBT	693	1798	1982	2191	2881
Non-cash adjust.	829	842	880	1064	1378
Chg. in working cap.	-1104	-918	-129	-498	-1376
Tax & Interest Paid	-112	-344	-377	-444	-587
Cashflow from oper.	306	1378	2355	2313	2296
Capital expenditure	-482	-546	-1402	-3465	-893
Change in invest.	-227	-65	-23	-47	-52
Cashflow from inv.	-533	-624	-1425	-3512	-945
Issue of equity	0	0	0	0	0
Issue/repay debt	0	0	615	2115	-71
Interest Paid	-253	-296	-444	-521	-632
Dividends paid	-56	-389	-467	-490	-556
Other fin. Cash flow	-305	-129	0	0	0
Cash flow from fin.	-391	-764	-391	1005	-1373
Chg cash & cash eq	-617	-10	539	-195	-22
Open. cash eq	797	180	170	709	514
Clsq cash & cash eq	180	170	709	514	493
CashFlow to firm	-175	832	953	-1152	1403

Key Ratios

Y/E Mar	FY14	FY15	FY16E	FY17E	FY18E
GROWTH YOY%					
Sales Growth	13.5	21.9	3.0	9.6	25.2
EBITDA Growth	31.3	68.6	10.5	13.7	31.8
Net Profit Growth	27.1	125.3	10.4	7.9	29.9
Gross Fixed Asset Growth	17.0	11.1	34.4	62.0	9.9
PROFITABILITY					
Gross Profit/ Net sales (%)	23.9	28.6	30.5	31.4	32.0
EBITDA / Net Sales (%)	11.5	16.0	17.1	17.8	18.7
NPM / Total income (%)	5.2	9.4	10.3	10.1	10.5
Raw Material/Net Sales (%)	59.4	57.2	51.8	50.7	51.0
Int/PBIT (%)	47.9	21.1	19.1	20.1	18.6
ROE (%)	24.7	44.4	37.6	32.2	33.3
ROCE (%)	16.6	26.9	25.2	22.4	24.2
ROIC (%)	17.1	23.3	22.0	19.1	20.2
Tax / PBT (%)	3.4	16.1	16.0	18.0	19.0
TURNOVER (Days)					
Net Working Cycle	129	130	142	136	130
Debtors Velocity	58	63	65	63	63
Inventory	94	89	91	92	89
Creditors Velocity	28	27	30	30	30
Gross Asset Ratio	3.7	4.0	3.3	2.4	2.3
Total Asset Ratio	1.4	1.6	1.4	1.3	1.3
LIQUIDITY (x)					
Gross Debt-Equity Ratio	1.7	1.3	1.1	1.2	1.0
Net Debt-Equity Ratio	1.6	1.2	1.0	1.2	0.9
Interest Coverage	2.1	4.7	5.2	5.0	5.4
Current Ratio (x)	1.1	1.2	1.3	1.3	1.4
Quick Ratio (x)	0.6	0.6	0.8	0.7	0.7
PAYOUT					
Payout (%)	33.2	29.5	28.1	27.2	23.8
Dividend (%)	100%	200%	210%	220%	250%
Yield (%)	0.6%	1.3%	1.4%	1.4%	1.6%
Du Pont Analysis					
NP / PBT (%)	96.6	83.9	84.0	82.0	81.0
PBT / EBIT (X)	0.6	0.9	0.9	0.8	0.8
EBIT / Sales (X)	9.0	13.1	14.4	14.7	15.4
Sales / Assets (X)	1.3	1.5	1.3	1.1	1.2
Assets / Equity (X)	3.3	2.7	2.5	2.6	2.3
ROE (%)	24.7	44.4	37.6	32.2	33.3

Balance Sheet

Y/E (Mar)	FY14	FY15	FY16E	FY17E	FY18E
SOURCES OF FUNDS :					
Share Capital	223	223	223	223	223
Reserves Total	2692	3653	4755	5963	7627
Total Shareh. Funds	2914	3876	4978	6185	7849
Non-Current Liab.					
Long term borrowings	1180	814	1608	3477	2955
Deferred tax liability	-5	-70	-130	-180	-220
Other long term liab.	16	28	29	32	39
Long-term provisions	237	0	0	0	0
Long-term trade pay.	3	0	1	1	1
Current Liabilities					
Short term borrowings	3279	3744	3544	3744	4144
Trade payables	592	652	686	736	925
Other current liabilities	870	959	1002	1102	1272
Short term provisions	661	426	674	727	844
Total Equity & Liab.	9746	10429	12391	15823	17809
APPLICATION OF FUNDS :					
Non Current Assets					
Fixed Assets					
Gross Block	3744	4159	5588	9053	9945
Less:Accumulated Dep.	1624	2070	2505	3049	3794
Capital Work in Prog.	188	227	200	200	200
Non current Investment	379	451	474	521	573
Long term loans & adv.	914	789	820	902	1083
Other non-current ass.	24	23	24	27	32
Current Assets					
Current investment	-	-	-	-	-
Inventories	2927	3200	3328	3661	4394
Sundry Debtors	2046	2719	2869	3047	3813
Cash and Bank	180	170	709	514	493
Short Loans & Adv.	721	624	742	789	882
Others Current Assets	246	137	142	156	188
Total Assets	9746	10429	12391	15823	17809
Valuation Matrix	FY14	FY15	FY16E	FY17E	FY18E
EPS Rs	3.0	6.8	7.5	8.1	10.5
CEPS Rs	4.5	8.8	9.4	10.5	13.8
Book Value Rs	13.1	17.4	22.4	27.8	35.3
EV / Net Sales	3.2	2.5	2.4	2.3	1.9
EV / EBITDA	27.5	15.5	14.0	13.1	9.9
P / E Ratio	53.9	22.4	20.3	18.8	14.5
P / BV Ratio	12.4	8.7	6.8	5.5	4.3

Recommendation rationale

Buy: Potential upside of	> +15% (absolute returns)
Accumulate:	> +5 to +15%
Reduce:	+5 to -5%
Sell:	< -5%
Not Rated (NR):	No investment opinion on the stock

Sector rating

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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