

| | |
|------------------|----------|
| Current Reco | : BUY |
| Previous Reco | : BUY |
| CMP | : INR269 |
| Target Price | : INR310 |
| Potential Return | : 15% |

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Market data

| | | |
|----------------------|---|---------|
| Sensex | : | 35,149 |
| Sector | : | Mid Cap |
| Market Cap (INRbn) | : | 59.8 |
| Market Cap (USDbn) | : | 0.882 |
| O/S Shares (m) | : | 222.2 |
| 52-wk HI/LO (INR) | : | 364/235 |
| Avg Daily Vol ('000) | : | 315 |
| Bloomberg | : | CPBI IN |

Source: Bloomberg

Valuation

| | FY18 | FY19e | FY20e |
|--------------------|------|-------|-------|
| EPS (INR) | 7.3 | 9.9 | 12.2 |
| P/E | 36.7 | 27.2 | 22.0 |
| P/BV | 7.0 | 5.7 | 4.7 |
| EV/EBITDA | 19.6 | 16.3 | 13.2 |
| Dividend Yield (%) | 0.4 | 0.4 | 0.5 |

Source: Bloomberg

Returns (%)

| | 1m | 3m | 6m | 12m |
|----------|------|------|------|------|
| Absolute | (21) | (16) | (9) | 2 |
| Relative | (23) | (19) | (13) | (11) |

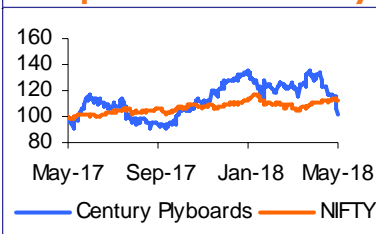
Source: Bloomberg

Shareholding pattern

| | | |
|-----------|---|-----|
| Promoters | : | 72% |
| Public | : | 28% |
| Others | : | 0% |

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg, Indexed to 100

4QFY18 RESULT REVIEW

Century Plyboards (I) Limited

Q4 just a blip; good times ahead

Century Plyboards India (CPBI) reported a muted Q4FY18, below consensus estimate and ours. While it reported revenue growth of 11% YoY respectively, EBITDA/PAT declined 1%/36% YoY respectively. Key positives are: (1) CPBI is witnessing strong traction in low-grade and medium-grade plywood segment, which is primarily catered to by unorganized players; (2) the company has taken price increase effective June 2018 to pass on the increased raw material cost; (3) it expects recovery in business and has guided for revenue growth of 25% in FY19 (vs. 11% in FY18); (4) it has guided for EBITDA margin of 17.5% (100bps expansion) in FY19; (5) the company expects strong recovery in business post implementation of E-way bill. Higher competitive intensity from unorganized players ahead of E-way bill implementation and weak surveillance under GST have led to a slower shift in business to organized players than what we expected and compel us to trim our FY19E/FY20E EPS by 9%/8% respectively. We expect the company to report revenue/EBITDA/PAT CAGRs of 14%/20%/29% respectively over FY18-FY20. We revise our target price to INR 310 (from INR 334 earlier), set at 25x FY20E EPS. Maintain BUY.

Aggression from unorganized players impacts performance

CPBI reported revenue growth of 11% YoY to INR5.4bn (consensus - INR5.8bn), primarily driven by growth in MDF segment. Revenue contribution of plywood and allied products segment dipped to ~59% from ~71% in Q4FY17 due to increasing contribution from MDF segment. Revenue ex-MDF declined 2% YoY, primarily led by higher competitive intensity from unorganized players ahead of E-way bill implementation. Revenue from plywood & allied products and container freight station services declined 14% and 1% YoY respectively. Revenue from laminate & allied products and MDF, Particle Board & Other segment grew by 9% and 298% YoY respectively. Management expects recovery in business and has guided for revenue growth of 25% in FY19 (vs. 11% in FY18). We believe CPBI will report strong growth after implementation of E-way bill, which is expected to result in shift of business from unorganized players to organized ones. Further, a ramp-up of MDF unit and capacity expansion in laminate business will drive growth over the medium term. We expect CPBI to report a 14% CAGR in revenue over FY18-FY20.

Margin dips 190bps YoY

EBITDA margin dipped by 190bps YoY to 15.3% (consensus- 16.5%), largely due to a change in product mix, higher other expenditure (320bps) and higher employee cost (20 bps). Management has guided for EBITDA margin of 17.5% (100bps expansion) in FY19. PAT declined 36% YoY on the back of increased depreciation led by MDF facility, decline in other income led by foreign exchange loss of INR70mn vs. foreign exchange gain of INR180mn in the base quarter, and increased finance cost.

Other highlights:

- (1) Management has guided for capex of INR1.9bn in FY19.
- (2) CPBI has taken price increase effective June 2018 to pass on the increased raw material cost.
- (3) Delay in implementation of E-way bill led to higher competitive intensity from unorganized players.

Valuation and outlook

We are positive on CPBI's continued market share gains, superior brands, and healthy profitability matrix. It is also expected to be supported by strong industry drivers, structural shift from unorganized to organized players and capacity expansion. We estimate the company to clock revenue and PAT CAGRs of 14% and 29% respectively with strong pre-tax RoCE of >20% over FY18-20E. Maintain BUY.

Financial Performance

| Particulars (INRm) | 4QFY18 | 4QFY17 | YoY (%) | 3QFY18 | QoQ (%) |
|-------------------------|--------------|--------------|-----------------|--------------|-----------------|
| Net Sales | 5,441 | 4,885 | 11.4 | 5,099 | 6.7 |
| Other Op. Income | 0 | 0 | | 0 | |
| Total Op. Income | 5,441 | 4,885 | 11.4 | 5,099 | 6.7 |
| Expenditure | 4,610 | 4,048 | 13.9 | 4,222 | 9.2 |
| Raw Materials | 2,028 | 1,611 | 25.9 | 1,767 | 14.8 |
| Cost of traded goods | 710 | 920 | (22.8) | 840 | (15.5) |
| Staff Cost | 752 | 667 | 12.7 | 723 | 4.0 |
| Other Expenditure | 1,119 | 850 | 31.8 | 892 | 25.5 |
| Operating Profit | 832 | 838 | (0.7) | 878 | (5.3) |
| OPM (%) | 15.3 | 17.1 | -187 bps | 17.2 | -193 bps |
| Depreciation | 277 | 156 | 78.2 | 263 | 5.4 |
| Other Income | 13 | 141 | (90.8) | 42 | (69.4) |
| Interest | 122 | 26 | 377.3 | 63 | 94.5 |
| Exceptional income | 0 | 0 | | 0 | |
| PBT | 445 | 798 | (44.2) | 594 | (25.1) |
| Tax | 88 | 239 | (63.1) | 128 | (31.0) |
| PAT | 357 | 559 | (36.1) | 467 | (23.4) |
| Adjusted PAT | 357 | 559 | (36.1) | 467 | (23.4) |
| NPM (%) | 6.6 | 11.4 | -488 bps | 9.2 | -259 bps |

Source: Company, Antique

Segment revenue

| Particulars (INRm) | 4QFY18 | 4QFY17 | YoY (%) | 3QFY18 | QoQ (%) |
|-------------------------------|--------------|--------------|------------|--------------|------------|
| Plywood & Allied Products | 3,230 | 3,743 | (13.7) | 3,227 | 0.1 |
| Laminates & Allied Products | 1,194 | 1,099 | 8.6 | 999 | 19.5 |
| CFS | 233 | 235 | (0.9) | 276 | (15.6) |
| MDF / Particle Board / Others | 854 | 215 | 298.0 | 651 | 31.3 |
| Net Sales | 5,511 | 5,292 | 4.1 | 5,153 | 7.0 |
| Less: Intersegment | 70 | 33 | 108.6 | 53 | 30.7 |
| Total | 5,441 | 5,258 | 3.5 | 5,099 | 6.7 |

Source: Company, Antique

EBIT

| Particulars (INRm) | 4QFY18 | 4QFY17 | YoY (%) | 3QFY18 | QoQ (%) |
|-------------------------------|------------|------------|---------------|------------|--------------|
| Plywood & Allied Products | 480 | 740 | (35.2) | 422 | 13.9 |
| Laminates & Allied Products | 115 | 110 | 3.8 | 122 | (6.2) |
| CFS | 62 | 60 | 3.6 | 85 | (27.1) |
| MDF / Particle Board / Others | (51) | (61) | (16.4) | 13 | (497.5) |
| Total | 606 | 850 | (28.7) | 642 | (5.6) |

Source: Company, Antique

EBIT Margin (%)

| Particulars (INRm) | 4QFY18 | 4QFY17 | YoY (bps) | 3QFY18 | QoQ (%) |
|-------------------------------|-------------|-------------|--------------|-------------|--------------|
| Plywood & Allied Products | 14.9 | 19.8 | (492) | 13.1 | 180 |
| Laminates & Allied Products | 9.6 | 10.0 | (44) | 12.2 | (263) |
| CFS | 26.7 | 25.5 | 116 | 30.9 | (422) |
| MDF / Particle Board / Others | (6.0) | (28.4) | 2240 | 2.0 | (792) |
| Total | 11.1 | 16.2 | (503) | 12.6 | (145) |

Source: Company, Antique

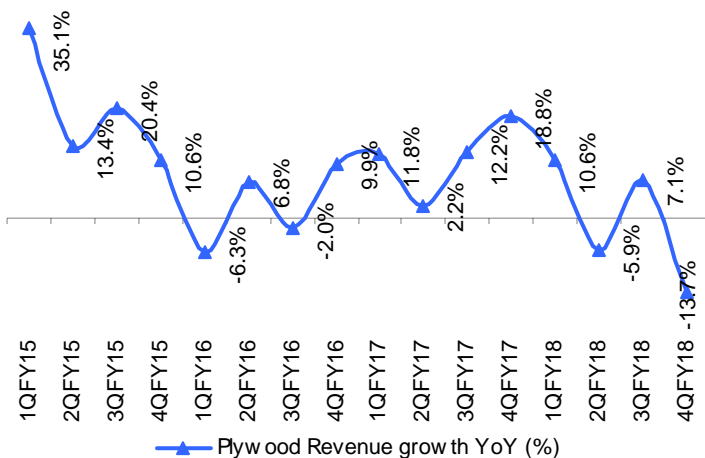
ROCE (%)

| Particulars (INRm) | 4QFY18 | 4QFY17 | YoY (bps) | 3QFY18 | QoQ (%) |
|-----------------------------|--------------|--------------|----------------|------------|-----------------|
| Plywood & Allied Products | 43.4 | 54.9 | -1,150 bps | 31.2 | 1,214 bps |
| Laminates & Allied Products | 22.8 | 27.5 | -476 bps | 25.3 | -252 bps |
| CFS | 62.1 | 48.4 | 1,367 bps | 79.5 | -1,745 bps |
| Others | (4.8) | (7.4) | 264 bps | 1.3 | -613 bps |

Source: Company, Antique

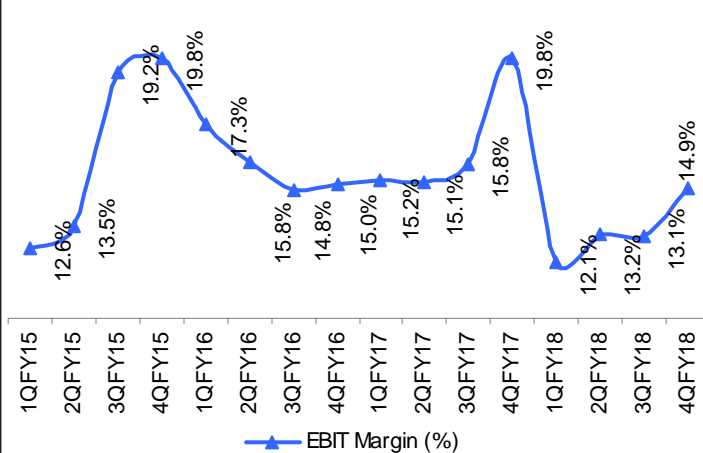
Plywood division performance

Revenue Growth Trend



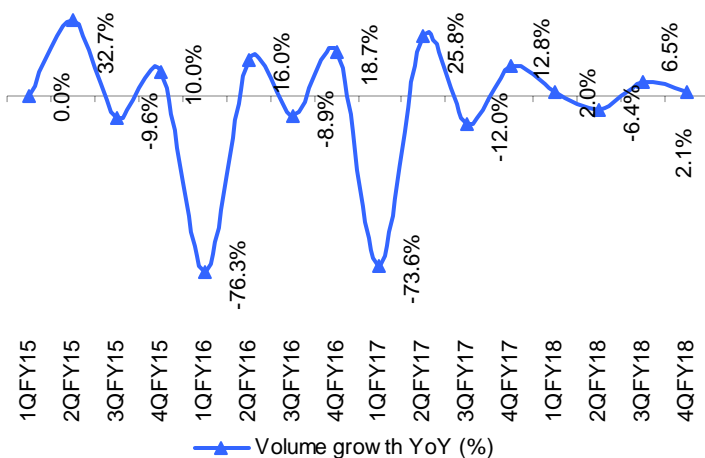
Source: Company, Antique

EBIT Margin Trend



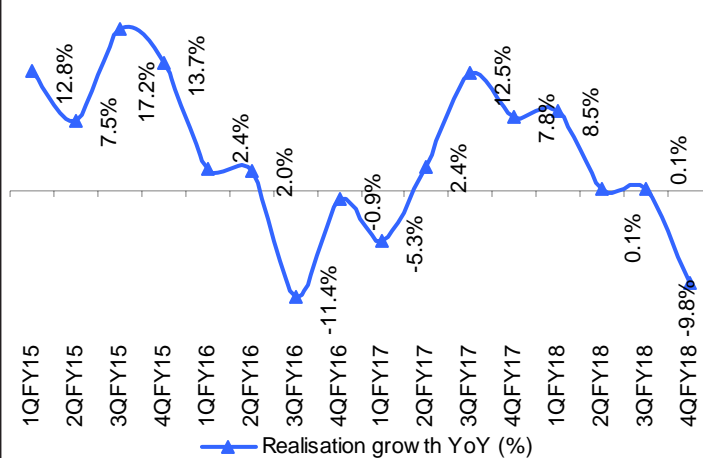
Source: Company, Antique

Total Volume Growth Trend



Source: Company, Antique

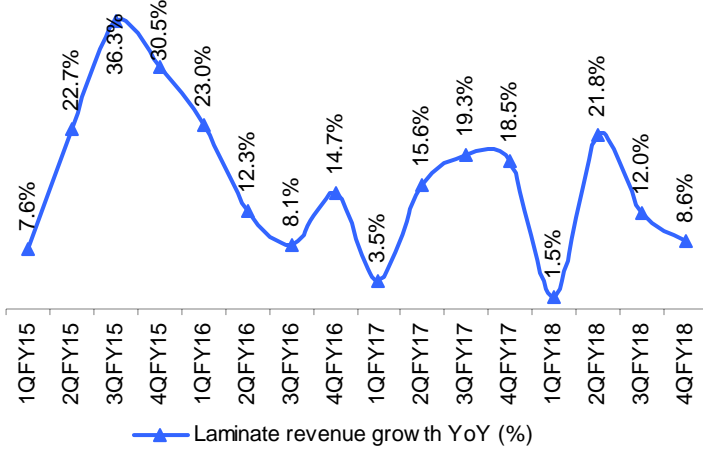
Blended Realisation Growth Trend



Source: Company, Antique

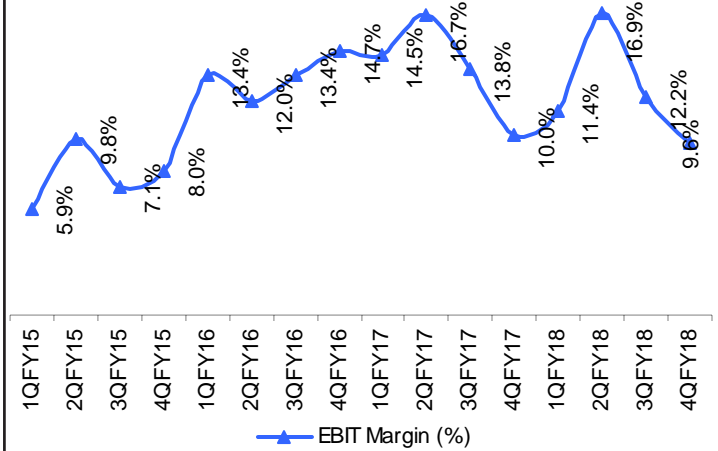
Laminate division performance

Revenue Growth Trend



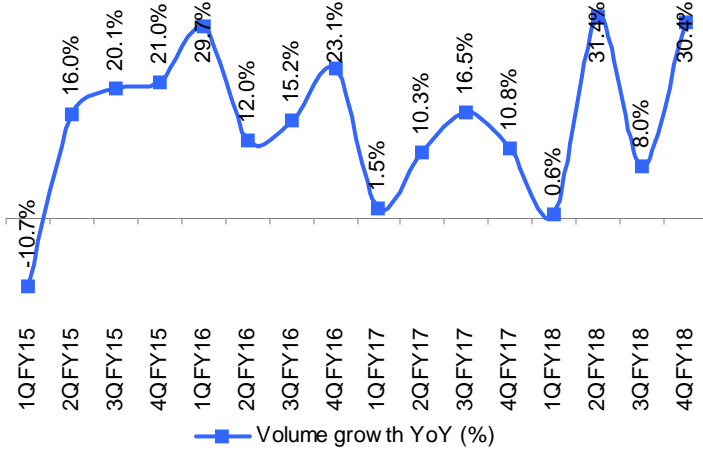
Source: Company, Antique

EBIT Margin Trend



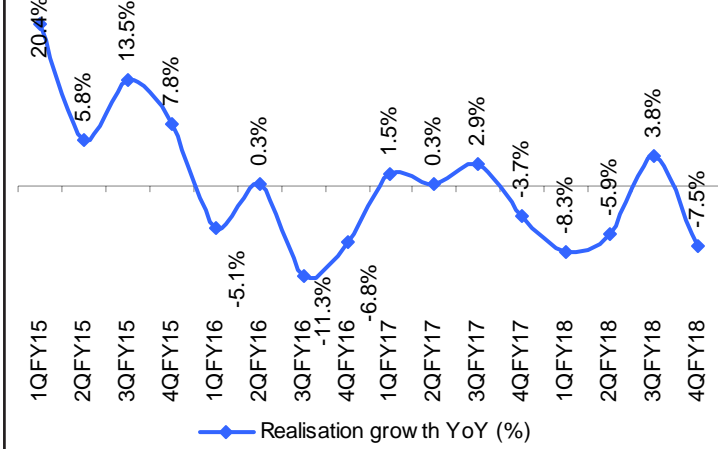
Source: Company, Antique

Total Volume Growth Trend



Source: Company, Antique

Blended Realisation Growth Trend



Source: Company, Antique

Financials

Profit and loss account (INRm)

| Year ended 31 Mar | FY16 | FY17 | FY18 | FY19e | FY20e |
|--|---------------|---------------|---------------|---------------|---------------|
| Net Revenue | 16,409 | 18,187 | 20,239 | 23,134 | 26,330 |
| Op. Expenses | 13,515 | 15,068 | 16,929 | 19,158 | 21,550 |
| EBITDA | 2,895 | 3,120 | 3,311 | 3,976 | 4,779 |
| Depreciation | 475 | 593 | 907 | 1,014 | 1,154 |
| EBIT | 2,420 | 2,526 | 2,404 | 2,962 | 3,625 |
| Other income | 60 | 226 | 79 | 35 | 40 |
| Interest Exp. | 479 | 302 | 358 | 295 | 241 |
| Reported PBT | 2,001 | 2,450 | 2,124 | 2,703 | 3,424 |
| Tax | 304 | 515 | 463 | 486 | 685 |
| Reported PAT | 1,698 | 1,935 | 1,661 | 2,216 | 2,740 |
| Minority Int./Profit (loss) From Asso. | (8) | (30) | (31) | (12) | (14) |
| Net Profit | 1,689 | 1,905 | 1,631 | 2,204 | 2,726 |
| Adjusted PAT | 1,689 | 1,905 | 1,631 | 2,204 | 2,726 |
| Adjusted EPS (INR) | 7.6 | 8.6 | 7.3 | 9.9 | 12.2 |

Balance sheet (INRm)

| Year ended 31 Mar | FY16 | FY17 | FY18 | FY19e | FY20e |
|---|--------------|---------------|---------------|---------------|---------------|
| Share Capital | 223 | 223 | 223 | 223 | 223 |
| Reserves & Surplus | 5,066 | 6,927 | 8,293 | 10,197 | 12,572 |
| Networth | 5,288 | 7,149 | 8,516 | 10,419 | 12,794 |
| Debt | 4,193 | 5,663 | 5,346 | 5,377 | 3,377 |
| Minority Interest | 90 | 120 | 184 | 196 | 210 |
| Net deferred Tax liabilities | 7 | 14 | 23 | 23 | 23 |
| Capital Employed | 9,578 | 12,946 | 14,069 | 16,015 | 16,404 |
| Gross Fixed Assets | 5,130 | 6,281 | 10,618 | 13,230 | 13,930 |
| Accumulated Depreciation | 2,626 | 3,219 | 4,126 | 5,139 | 6,294 |
| Capital work in progress | 1,020 | 2,988 | 1,261 | 250 | 250 |
| Net Fixed Assets | 3,524 | 6,050 | 7,754 | 8,340 | 7,886 |
| Investments | 61 | 61 | 61 | 61 | 61 |
| Non Current Investments | 61 | 61 | 61 | 61 | 61 |
| Current Assets, Loans & Adv. | 8,166 | 9,738 | 9,439 | 10,864 | 12,018 |
| Inventory | 2,975 | 3,006 | 3,828 | 3,866 | 4,400 |
| Debtors | 2,842 | 3,422 | 3,572 | 3,803 | 4,328 |
| Cash & Bank balance | 390 | 672 | 211 | 245 | 179 |
| Loans & advances and others | 1,959 | 2,637 | 1,829 | 2,950 | 3,110 |
| Current Liabilities & Prov. | 2,174 | 2,903 | 3,186 | 3,251 | 3,561 |
| Liabilities | 2,082 | 2,716 | 3,065 | 3,130 | 3,440 |
| Provisions | 91 | 187 | 120 | 120 | 120 |
| Net Current Assets | 5,993 | 6,834 | 6,254 | 7,613 | 8,457 |
| Application of Funds | 9,578 | 12,946 | 14,069 | 16,015 | 16,404 |

Per share data

| Year ended 31 Mar | FY16 | FY17 | FY18 | FY19e | FY20e |
|---------------------------|------|------|------|-------|-------|
| No. of shares (m) | 223 | 223 | 223 | 223 | 223 |
| Diluted no. of shares (m) | 223 | 223 | 223 | 223 | 223 |
| BVPS (INR) | 23.8 | 32.1 | 38.3 | 46.8 | 57.5 |
| CEPS (INR) | 9.8 | 11.4 | 11.5 | 14.5 | 17.5 |
| DPS (INR) | 1.0 | 1.0 | 1.0 | 1.2 | 1.4 |

Source: Company, Antique

Cash flow statement (INRm)

| Year ended 31 Mar | FY16 | FY17 | FY18 | FY19e | FY20e |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| PBT | 1,993 | 2,420 | 2,093 | 2,691 | 3,410 |
| Depreciation & amortisation | 475 | 593 | 907 | 1,014 | 1,154 |
| Interest expense | 479 | 302 | 358 | 295 | 241 |
| (Inc)/Dec in working capital | 331 | (552) | 129 | (1,326) | (909) |
| Tax paid | (304) | (515) | (463) | (486) | (685) |
| Other operating Cash Flow | 21 | - | - | - | - |
| CF from operating activities | 2,995 | 2,248 | 3,025 | 2,186 | 3,211 |
| Capital expenditure | (1,217) | (3,119) | (2,610) | (1,600) | (700) |
| Inc/(Dec) in investments | (57) | 0 | (0) | - | - |
| CF from investing activities | (1,274) | (3,119) | (2,610) | (1,600) | (700) |
| Inc/(Dec) in debt | (945) | 1,470 | (317) | 31 | (2,000) |
| Dividend Paid | (260) | (260) | (267) | (312) | (364) |
| Others | (499) | (56) | (291) | (271) | (213) |
| CF from financing activities | (1,705) | 1,154 | (875) | (553) | (2,577) |
| Net cash flow | 16 | 282 | (461) | 34 | (66) |
| Opening balance | 374 | 390 | 672 | 211 | 245 |
| Closing balance | 390 | 672 | 211 | 245 | 179 |

Growth indicators (%)

| Year ended 31 Mar | FY16 | FY17 | FY18 | FY19e | FY20e |
|-------------------|------|------|--------|-------|-------|
| Revenue(%) | 3.3 | 10.8 | 11.3 | 14.3 | 13.8 |
| EBITDA(%) | 7.1 | 7.8 | 6.1 | 20.1 | 20.2 |
| Adj PAT(%) | 13.4 | 12.7 | (14.4) | 35.2 | 23.7 |
| Adj EPS(%) | 13.4 | 12.7 | (14.4) | 35.2 | 23.7 |

Valuation (x)

| Year ended 31 Mar | FY16 | FY17 | FY18 | FY19e | FY20e |
|--------------------|------|------|------|-------|-------|
| P/E | 35.4 | 31.4 | 36.7 | 27.2 | 22.0 |
| P/BV | 11.3 | 8.4 | 7.0 | 5.7 | 4.7 |
| EV/EBITDA | 22.0 | 20.8 | 19.6 | 16.3 | 13.2 |
| EV/Sales | 3.9 | 3.6 | 3.2 | 2.8 | 2.4 |
| Dividend Yield (%) | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 |

Financial ratios

| Year ended 31 Mar | FY16 | FY17 | FY18 | FY19e | FY20e |
|---------------------|------|------|------|-------|-------|
| RoE (%) | 36.8 | 30.6 | 20.8 | 23.3 | 23.5 |
| RoCE (%) | 26.6 | 24.4 | 18.4 | 19.9 | 22.6 |
| Asset/T.O (x) | 1.8 | 1.6 | 1.5 | 1.5 | 1.6 |
| Net Debt/Equity (x) | 0.7 | 0.7 | 0.6 | 0.5 | 0.2 |
| EBIT/Interest (x) | 5.2 | 9.1 | 6.9 | 10.2 | 15.2 |

Margins (%)

| Year ended 31 Mar | FY16 | FY17 | FY18 | FY19e | FY20e |
|-------------------|------|------|------|-------|-------|
| EBITDA Margin(%) | 17.6 | 17.2 | 16.4 | 17.2 | 18.2 |
| EBIT Margin(%) | 14.7 | 13.9 | 11.9 | 12.8 | 13.8 |
| PAT Margin(%) | 10.3 | 10.3 | 8.0 | 9.5 | 10.3 |

Source: Company Antique