

Century Plyboards (I) Ltd

HOLD



Asian Markets Securities Pvt. Ltd.

Plywood reeling under GST woes, laminates mark strong growth

Institutional Research

CMP (Rs)	284
Target (Rs)	280

Nifty: 10,441; Sensex: 33,600

Key Stock Data

BSE Code	532548
NSE Code	CENTURYPLY
Bloomberg	CPBI IN
Shares O/s mn (FV Rs1)	222.5
Market cap (Rsbn)	62.3
52-week High/Low	313/155
3-m daily avg vol.	4,74,957

Price Performance

(%)	1m	3m	12m
CENTURYPL	12.5	(0.0)	11.6
NIFTY	6.7	3.2	21.0
Sensex	7.4	3.1	20.5

Shareholding Pattern

(%)	Mar17	Jun17	Sep17
Promoter	72.0	72.0	72.0
FII	12.8	13.2	11.4
DII	4.0	3.6	3.8
Others	11.2	11.2	12.8

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CENTURY PLYBOARDS (INDIA) LIMITED (CPIL) posted yet another muted quarter with flat topline and 19% decline in earnings. Plywood business was reeling under GST woes as channel de-stocking at dealer level on hopes of lower GST rate (from 28% to 18%) as also non-availability of quality timber for face veneer from Myanmar and Laos. Laminates business though marked strong volume growth with healthy margins. GST @ 18% laminates has led to steady transition from unorganized products to organized ones. The Company commissioned MDF plant in July 17 and expecting to see high utilisation of 75% in 2H. Particle board plant also witnessed strong volume growth with good margins. Higher contribution from MDF and particle board products and expanded laminate plant will drive the growth from FY19 onwards. We remain positive on CPIL considering its multi faceted expansion, superior brand and aggressive marketing strategy in the backdrop of promising market opportunity. **HOLD.**

Revenue growth of 2.6%, plywood revenue dip 6.3%, laminates star performer with 24% growth, margins flattish.

CPIL posted 2.6% increase in revenue at Rs4746mn. Plywood segment suffered with inventory de-stocking at dealer level amid hope of lower GST (from 28% to 18%). The segment witnessed volume/volume dip of 6.4/6.3% to 61858CBM/Rs3045mn. EBITDAM dipped by 160bp yoy to 14%. Subdued demand conditions, rampant competition from unorganised players and higher RM cost of imported face veneer weighed on margins. The Company scouted new avenues for sourcing cheaper face veneer from the Solomon Island as Myanmar and Laos Govt banned exports of timber. This may improve margins going forward. Laminates contributing 26% to revenues (Rs1210mn) witnessed sales growth of 24%, led by volume growth of 15% in Domestic and 22% in export market yielding higher EBIDTAM at 18.4% (18.3% yoy and 13.3% qoq). Overall EBIDTA was flat at Rs741mn with EBIDTAM of 15.6% vs 16.2% yoy and 13.9% qoq. PAT tumbled 19% yoy to Rs401mn led by 31% jump in interest cost and higher tax outgo due to disruption in Assam plywood plant (enjoying tax exemption).

Overall, in 1HFY18 sales stood Rs9132mn (+5.1% yoy), EBITDA at Rs1351mn (-4%) and PAT of Rs743mn (-20%) yielding an EPS of Rs3.3.

MDF, particle board and laminate to drive future growth, maintain HOLD

The Company's Rs7.2bn capex over FY15-18 is largely fructified in FY18 while D/E will peak out to 0.6x in FY18 and will improve to 0.4x by FY20. Laminate business is on strong footing and the Company is facing capacity constraint which will be addressed post 50% increase in capacity by December 2017. Besides higher contribution from MDF and particle board products will drive strong revenue and earnings growth for the Company as all these are high margin businesses. However, plywood business now appears to be structurally in lower growth mode cannibalised by MDF and particle board. Probable lowering of GST rate on plywood to 18% from the present 28% may support organised players.

We remain positive on CPIL considering its multi faceted expansion, superior brand and aggressive marketing strategy in the backdrop of promising market opportunity. We estimate plywood / laminate volume growth of 4% and 15% CAGR over FY17/20 and strong growth in new businesses of MDF and particle board contributing 17%/19% to the revenue in FY19/FY20. We forecast sales, EBITDA and PAT to grow at a CAGR of 14%, 14% and 8% respectively over FY17-20E. Lower PAT growth is due to high fixed cost on MDF plant and increase in tax outgo from 20% to 23%. Lower margins and higher fixed cost on commissioning of MDF plant will weigh on FY18 earnings and the real earnings growth in MDF business will start flowing in from FY19. At CMP, the stock is trading 45x/34x/27x FY18/19/20 EEPS respectively. Lowering of GST rates on wood plywood, MDF and particle board and better profitability aided by improved RM availability may be incremental growth catalysts for the Company. **HOLD.**

Exhibit 1: Key Financials

Y/E Mar (Rsmn)	FY16	FY17	FY18E	FY19E	FY20E
Sales	16357	17825	19192	23182	26286
yoy (%)	4.5	9.0	7.7	20.8	13.4
EBITDA	2835	2920	2705	3684	4496
yoy (%)	13.5	3.0	-7.4	36.2	22.0
PAT	1698	1856	1389	1786	2308
yoy (%)	12.6	9.3	-25.1	28.5	29.3
Equity	223	223	223	223	223
EPS (Rs)	7.6	8.3	6.2	8.0	10.4

Source: Company, AMSEC Research

Exhibit 2: Key Indicators

Y/E Mar	FY16	FY17	FY18E	FY19E	FY20E
EBITDAM (%)	17.3	16.4	14.1	15.9	17.1
NPM (%)	10.3	10.4	7.2	7.6	8.7
PER (x)	32.4	33.7	45.5	35.4	27.4
P/BV (x)	10.5	8.8	7.7	6.5	5.4
EV/Sales (x)	3.6	3.8	3.6	3.0	2.7
EV/EBITDA (x)	20.9	23.3	25.9	19.1	15.5
RoCE (%)	26.0	23.0	15.5	18.0	20.1
RoE (%)	36.0	30.1	18.2	19.9	21.7

Exhibit 3: Key Assumptions

Key Assumptions	FY16	FY17	FY18E	FY19E	FY20E
Revenue Rsmn					
Plywood	11735	12609	12436	13573	14814
yoy%	2.3%	7.4%	-1.4%	9.1%	9.1%
Laminates	3353	3635	4131	4862	5638
yoy%	14.2%	8.4%	13.6%	17.7%	16.0%
MDF	105	421	897	2772	3582
yoy%	15.5%	300.3%	113.2%	209.0%	29.2%
Particle Board	-	165	339	454	556
yoy%			105.4%	34.2%	22.4%
EBITDA Rsmn					
Plywood	1994	2164	1679	1968	2222
Laminates	537	586	690	827	987
MDF	-	-74	72	554	895
Particle Board	-	52	88	123	150
EBITDAM%					
Plywood	17.0	17.2	13.5	14.5	15.0
Laminates	16.0	16.1	16.7	17.0	17.5
MDF	-	-	8.0	20.0	25.0
Particle Board	-	31.3	26.0	27.0	27.0

Source: Company, AMSEC Research

Exhibit 4: 2QFY18 Financials (Standalone)

Y/E Mar (Rs.mn)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	yoY (%)	qoq (%)	1HFY17	1HFY18	yoY%
Gross Sales	4961	4587	5258	4734	4746	(4.3)	0.2	9358	9480	1.3
Less: Excise Duty	334	332	373	348	0	(100.0)	(100.0)	673	348	(48.3)
Net Sales & Other Operating Income	4627	4255	4885	4386	4746	2.6	8.2	8685	9132	5.1
Total Expenditure	3879	3582	4048	3775	4005	3.3	6.1	7275	7780	6.9
(Increase) / Decrease In Stocks	81	16	14	8	57	(29.1)	658.7	-13	65	(584.5)
Purchase of Finished Goods	892	737	920	892	870	(2.4)	(2.5)	1498	1762	17.7
Cost of Services & Raw Materials	1432	1448	1597	1439	1617	12.9	12.4	2965	3057	3.1
Operating & Manufacturing Expenses	850	744	850	747	784	(7.7)	4.9	1563	1532	(2.0)
Employee Cost	624	637	667	689	676	8.3	(1.9)	1262	1365	8.1
EBIDTA	748	673	838	611	741	(1.0)	21.3	1410	1351	(4.1)
Other Income	22	33	141	5	6	(71.9)	13.6	52	12	(77.7)
Operating Profit	770	706	979	616	747	(3.1)	21.2	1462	1363	(6.8)
Interest	60	112	26	63	79	31.4	25.8	149	142	(4.6)
PBDT	710	594	954	553	668	(6.0)	20.7	1313	1221	(7.0)
Depreciation	126	149	156	132	138	9.5	4.8	219	270	23.5
PBT	584	445	798	421	529	(9.3)	25.6	1094	951	(13.1)
Tax	91	72	239	80	128	40.7	59.5	171	208	21.9
Profit After Tax	493	373	559	341	401	(18.6)	17.6	924	743	(19.6)
Other comprehensive	-6	-6	-3	-5	-2	(64.8)	(61.6)	-11	-7	(36.6)
Equity Capital	222.5	222.5	222.5	222.5	222.5			222.5	222.5	
EPS (Reported)	2.2	1.7	2.5	1.5	1.8			4.2	3.3	
EPS (Adjusted)	2.2	1.7	2.5	1.5	1.8			4.2	3.3	
EBIDTA (%)	16.2	15.8	17.1	13.9	15.6	(57bp)	168bp	16.2	14.8	(143bp)
PATM (%)	10.7	8.8	11.4	7.8	8.5	(219bp)	68bp	10.6	8.1	(250bp)
Tax / PBT (%)	15.6	16.1	30.0	19.0	24.2	859bp	513bp	15.6	21.9	629bp
Raw material / Net sales (%)	52.0	51.7	51.8	53.3	53.6	166bp	30bp	51.2	53.5	225bp
Other exp/Net sales	18.4	17.5	17.4	17.0	16.5	(185bp)	(51bp)	18.0	16.8	(123bp)
Employee cost / Net Sales (%)	13.5	15.0	13.7	15.7	14.2	75bp	(146bp)	14.5	14.9	41bp

Source: Company, AMSEC Research

Exhibit 5: 2QFY18 Segmental Financials (Standalone)

Particulars, Rs mn	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	yoy (%)	qoq (%)	1HFY17	1HFY18	yoy%
Gross Segment Revenue										
Plywood and Allied Business	3467	3235	3743	3427	3059	(11.8)	(10.8)	6583	6486	(1.5)
Laminate and allied products	1139	994	1099	891	1246	9.4	39.8	2030	2138	5.3
MDF	12	2	6	6	1	(87.7)	(75.7)	26	8	(70.8)
Particle Board	32	103	117	111	145	350.7	30.2	32	256	696.9
CFS	213	202	235	239	250	17.5	4.6	448	489	9.2
Others	115	83	91	94	110	(4.2)	16.7	263	205	(22.1)
Total segment revenue	4977	4618	5292	4769	4811	(3.3)	0.9	9381	9580	2.1
Less: Intersegment Revenue	17	31	33	35	66	290.5	87.0	23	101	338.5
Gross Sales	4961	4587	5258	4734	4745	(4.3)	0.2	9358	9480	1.3
Segment Result										
Plywood and Allied Business	492	476	740	385	403	(18.1)	4.8	928	788	(15.1)
Laminate and allied products	171	123	110	92	210	22.9	129.5	286	302	5.5
MDF	3	0	-6	-2	0	(84.3)	(122.0)	5	-1	(128.7)
Particle Board	-12	-24	-33	-37	2	(120.0)	(106.4)	-12	-35	191.7
CFS	56	41	60	67	68	20.1	0.8	135	135	(0.1)
Others	-24	-28	-21	-4	1	(102.4)	(114.4)	-28	-3	(87.7)
Total EBIT	686	587	850	500	684	(0.3)	36.8	1315	1185	(9.9)
Less: Finance cost	60	112	26	63	79	31.4	25.9	149	142	(4.6)
Other Unallocable Expen	42	30	26	16	76	79.2	375.8	72	92	27.3
Total PBT	584	445	798	421	530	(9.3)	25.7	1094	951	(13.1)
Capital Employed										
Plywood and Allied Business	5539	5352	5397	5427	5715	3.2	5.3	5539	5715	3.2
Laminate and allied products	1550	1628	1603	1741	1919	23.8	10.2	1550	1919	23.8
MDF	1502	2110	2645	3258	3570	137.6	9.6	1502	3570	137.6
Particle Board	687	607	567	542	506	(26.3)	(6.5)	687	506	(26.3)
CFS	580	547	495	446	455	(21.6)	2.0	580	455	(21.6)
Others	84	69	56	46	70	(16.7)	50.3	84	70	(16.7)
Total Capital Employed	9942	10313	10764	11460	12235	23.1	6.8	9942	12235	23.1
EBIT/Sales (%)										
Plywood and Allied Business	14.2	14.7	19.8	11.2	13.2	(102bp)	196bp	14.1	12.1	(196bp)
Laminate and allied products	15.0	12.4	10.0	10.3	16.9	185bp	660bp	14.1	14.1	2bp
MDF	21.1	-8.4	-108.0	-29.9	27.0	590bp	5696bp	19.1	-18.8	(3790bp)
Particle Board	-37.3	-23.6	-28.3	-33.6	1.7	3900bp	3528bp	-37.3	-13.7	-
CFS	26.5	20.1	25.5	28.1	27.1	59bp	(103bp)	30.1	27.6	(257bp)
Others	-20.7	-33.5	-23.3	-4.2	0.5	2125bp	469bp	-10.5	-1.6	882bp
Total EBIT/Sales	13.8	12.7	16.1	10.5	14.2	44bp	374bp	14.0	12.4	(165bp)
EBIT/Capital Employed (%)										
Plywood and Allied Business	8.9	8.9	13.7	7.1	7.1	(183bp)	(3bp)	16.8	13.8	(298bp)
Laminate and allied products	11.0	7.5	6.9	5.3	11.0	(8bp)	570bp	18.5	15.7	(274bp)
MDF	0.2	0.0	-0.2	-0.1	0.0	(16bp)	7bp	0.3	0.0	(37bp)
Particle Board	-1.7	-4.0	-5.9	-6.9	0.5	222bp	737bp	-1.7	-6.9	(516bp)
CFS	9.7	7.4	12.1	15.1	14.9	516bp	(19bp)	23.3	29.6	636bp
Others	-28.5	-40.4	-38.3	-8.5	0.8	2932bp	931bp	-32.9	-4.8	2803bp
Total EBIT/Capital Employed (%)	6.9	5.7	7.9	4.4	5.6	(131bp)	123bp	13.2	9.7	(354bp)
Volume data										
Volume										
Plywood (CBM)	66,075	58,562	65,348	62,990	61,858	(6.4)	(1.8)	127810	124848	(2.3)
Laminates (No's)	13,19,016	11,94,006	13,59,342	10,34,746	15,44,859	17.1	49.3	2371676	2579605	8.8
Domestic	9,22,483	8,17,267	9,58,560	7,18,918	10,61,774	15.1	47.7	1729632	1780692	3.0
Export	3,96,533	3,76,739	4,00,782	3,15,828	4,83,085	21.8	53.0	642044	798913	24.4
CFS (TEU's)	20,233	19,068	19,004	20,970	20,950	3.5	(0.1)	42081	41920	(0.4)
Net sales (Rs.mn)										
Plywood	3,251	3,005	3,488	3,172	3,045	(6.3)	(4.0)	6116	6217	1.7
Laminates	900	762	874	685	1,065	18.3	55.5	1605	1750	9.1
Domestic	676	558	647	500	803	18.7	60.8	1215	1303	7.2
Export	224	205	227	186	262	17.1	41.2	390	448	14.7
CFS	211	199	233	238	249	18.1	4.6	444	487	9.8
Prelam & Extra Grade laminates	79	115	110	99	145	84.0	46.2	169	245	44.6
Particle Board	20	65	79	73	84			20	158	679.7
Others	166	108	100	118	157	(5.6)	32.8	331	275	(17.0)
Total Sales	4,627	4,255	4,885	4,386	4,746	2.6	8.2	8,685	9,131	5.1
Average realization										
Plywood (Rs/CBM)	49,194	51,311	53,380	50,352	49,230	0.1	(2.2)	47,852	49,797	4.1
Laminates (Rs/No.)	682	638	643	662	689	1.0	4.1	677	678	0.3
Domestic	733	682	675	695	756	3.2	8.8	702	731	4.2
Export	565	543	566	588	543	(3.9)	(7.7)	608	560	(7.8)
CFS (Rs/TEU)	10,429	10,452	12,282	11,354	11,890	14.0	4.7	10,542	11,622	10.3
EBITM (%)										
Plywood	15.1	15.8	21.2	12.1	13.2	(190bp)	111bp	15.2	12.7	(251bp)
Laminates *	17.5	14.0	11.2	11.7	17.4	(10bp)	569bp	16.1	15.1	(100bp)
CFS	26.7	20.3	25.7	28.2	27.2	46bp	(104bp)	30.4	27.7	(276bp)
EBIDTAM (%)										
Plywood	15.6	16.6	20.2	12.9	14.0	(160bp)	110bp	15.7	13.4	(230bp)
Laminates *	18.3	16.0	12.4	13.3	18.4	10bp	510bp	17.6	16.4	(120bp)
CFS	39.2	34.7	37.6	38.4	37.2	(200bp)	(120bp)	41.9	37.8	(410bp)

Source: Company, AMSEC Research, * Including Pre Lam & Exteria Grade Laminates

2QFY18 Conference Call takeaways**Plywood**

- Awaiting clarity about the change in rate, channel was apprehensive of buying hence inventory remained low while Company level inventory increased. Besides increase in exemption limit under GST from Rs20 lakh to Rs15mn of revenue for small players and deferring of E-Way bill till April 2018 made it easier for unorganised players to function without invoicing, impacting organised players volume. Hopeful of GST rate on plywood to be reduced from 28% to 18%. Post which and demand to improve in case of downward revision in GST rate and stringent compliance under GST regime post April 2018.
- Plywood margin dipped on account of higher RM cost, disruption in Assam plant and rampant competition from unorganised players stopping the Company from taking price hike. . Over the long term, though plywood growth will be subdued as MDF demand is set to outgrow.
- Raw materials: With ban on export of face veneer by Myanmar and LAOS, the Company looked for new alternative source from Saloman Island (70% of total requirement) which is better quality and cheaper (350\$ compared to 600\$). As a forward integration measure, the Company has set up plywood units in Myanmar and LAOS which will be commissioned next year. The Company buys core veneer and timber for plywood, MDF and particle board locally as also through import partially while face veneer for plywood is imported from Solomon Island.
- Tax rate for the quarter is higher at 24.2% led by lower profitability at Assam Unit which has tax exemption. One more unit is commissioned in Assam to avail tax benefits. For 1HFY18, effective tax rate stood 21.9%, which will be maintained.

Laminates

- Laminates business growing at healthy pace as GST rate reduced to 18% from 20/22% that has helped organised players gain market share. The Company is facing capacity constraint and expanding capacity by 50% by December 2017. 15-20% growth expected for current year and 20/25% growth expected in next year, with incremental capacities in place from Jan 2018.

MDF

- MDF plant commissioned and production quality is stabilised. The Company expects to ramp up utilisation to 75% by end of 3QFY18 and further to 80% in 4QFY18. Focusing on strengthened marketing efforts along with ramp up in manufacturing capacity. With average realisation at Rs23,500/CBM, the company expects 22/25% EBITDA margin once production is scaled up and value add products like pre-laminated products, doors, flooring etc. being introduced.
- Over the long term MDF demand is poised for strong growth cannibalising lower grade plywood. Century may consider second phase of MDF expansion in FY19.

Exhibit 6: Quarterly Net Revenue Trend

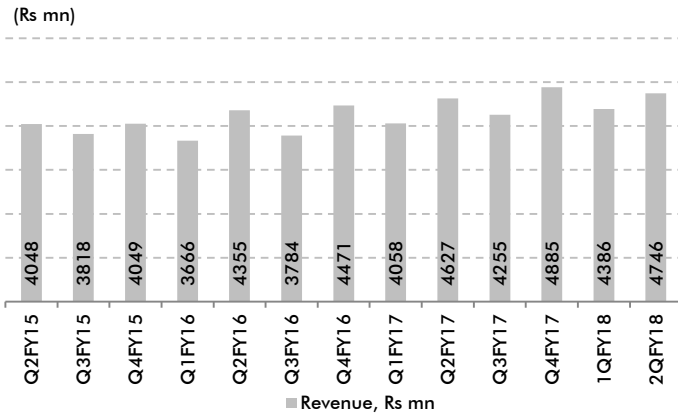


Exhibit 7: Quarterly EBITDA Trend

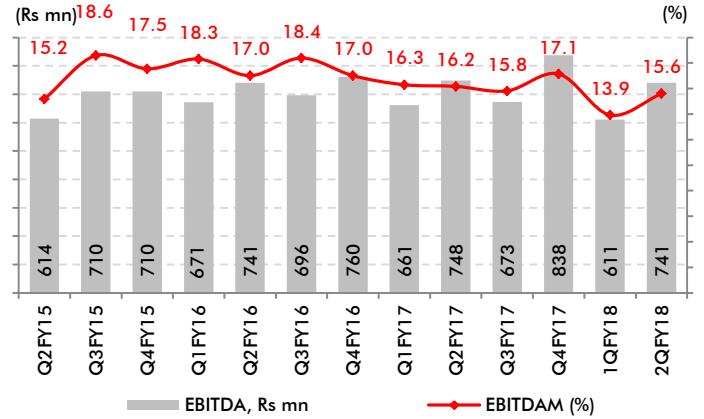


Exhibit 8: Quarterly PAT Trend

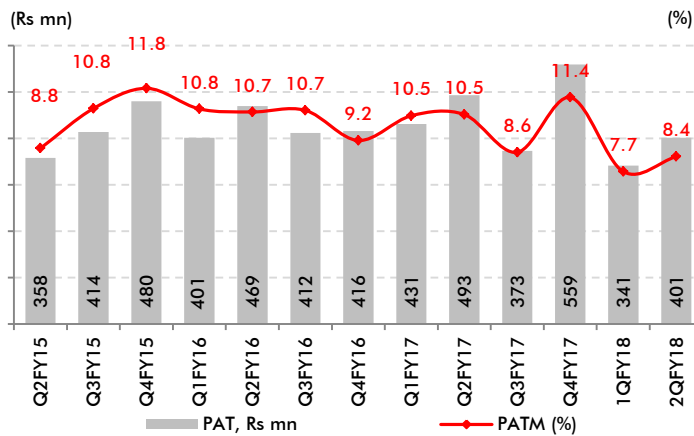
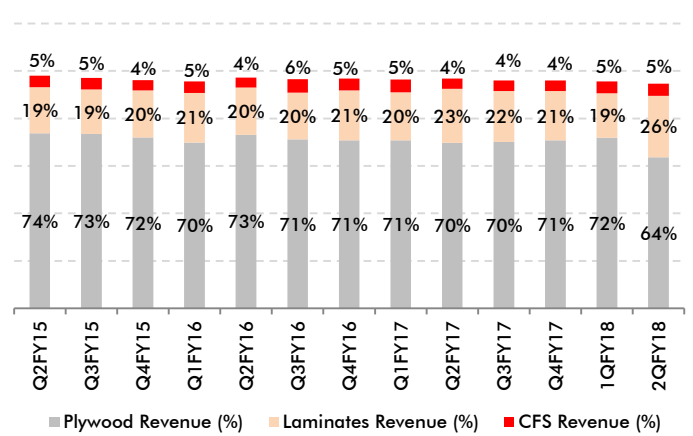


Exhibit 9: Segment Revenue Contribution



Source: Company, AMSEC Research

Quarterly Segment performance-Plywood

Exhibit 10: Net Revenue

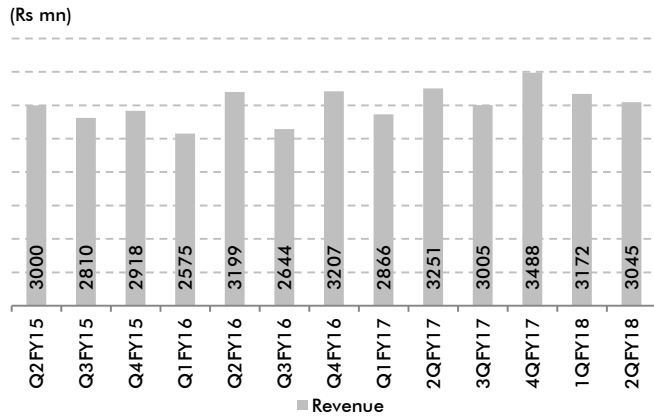


Exhibit 11: EBIT

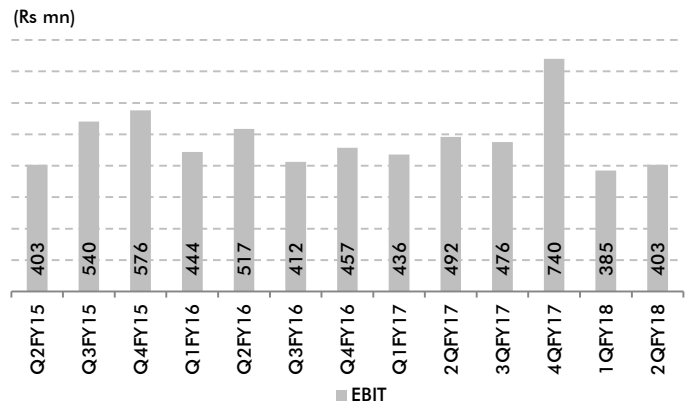


Exhibit 12: EBIT/Sales

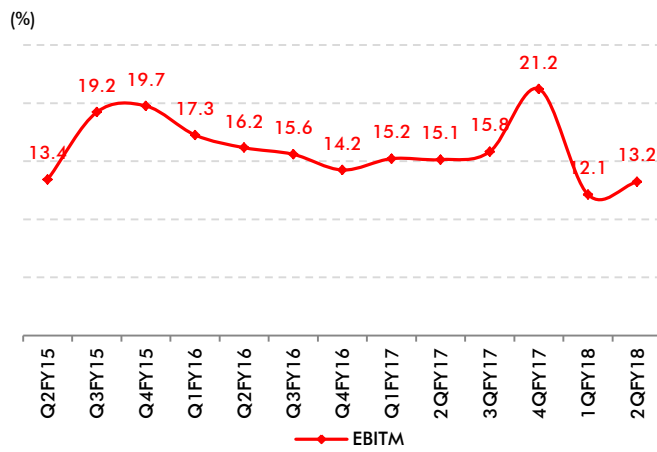
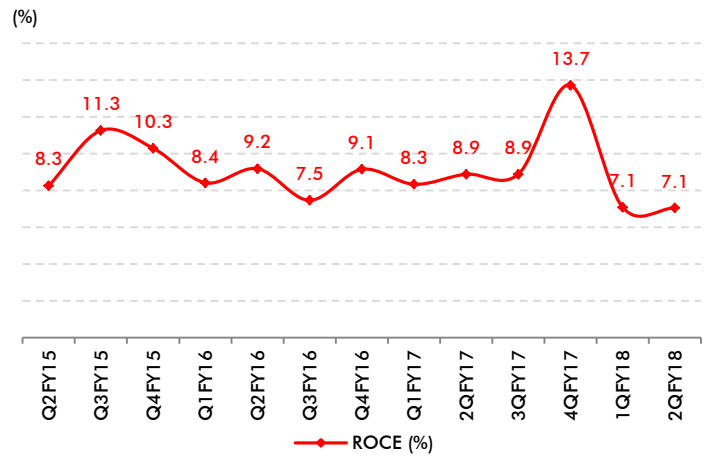


Exhibit 13: ROCE



Source: Company, AMSEC Research

Quarterly Segment performance -Laminates

Exhibit 14: Net Revenue

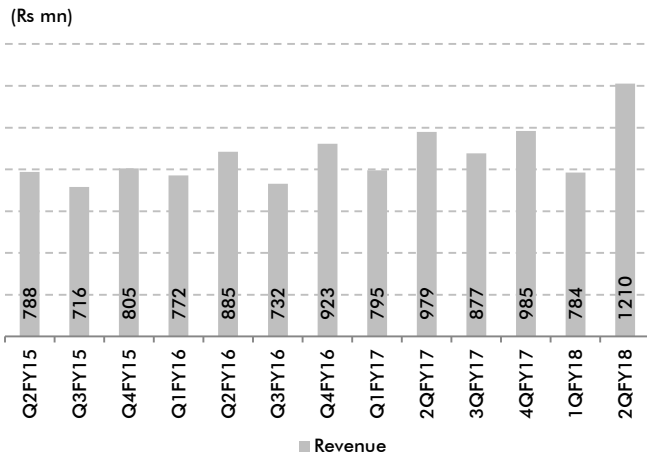


Exhibit 15: EBIT

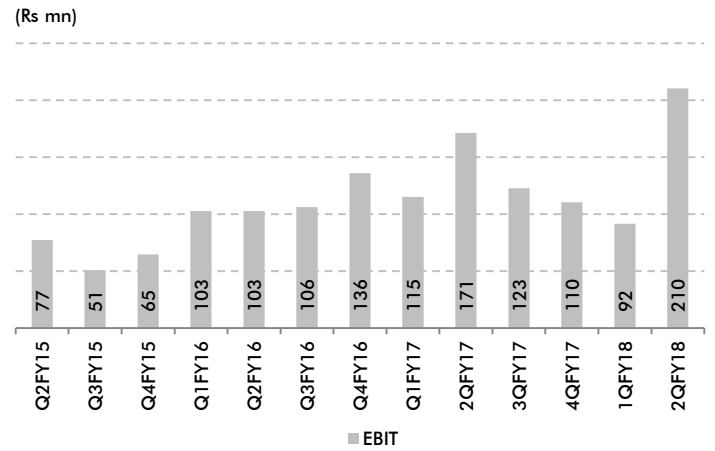


Exhibit 16: EBIT/Sales

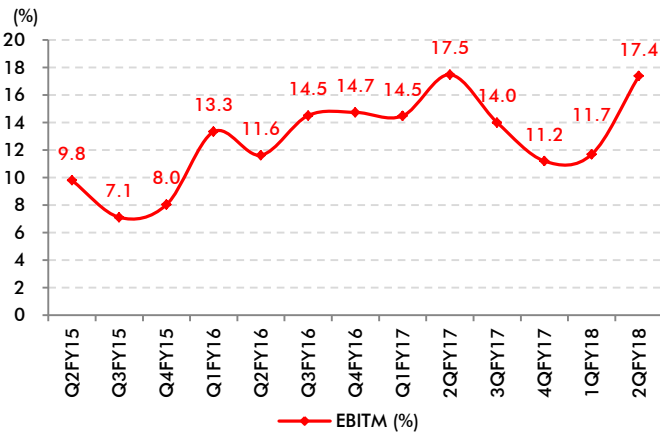
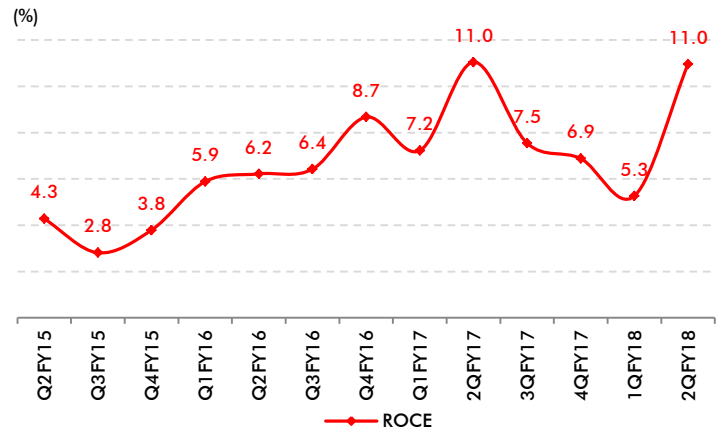


Exhibit 17: ROCE



Source: Company, AMSEC Research

Quarterly Segment performance -CFS

Exhibit 18: Net Revenue

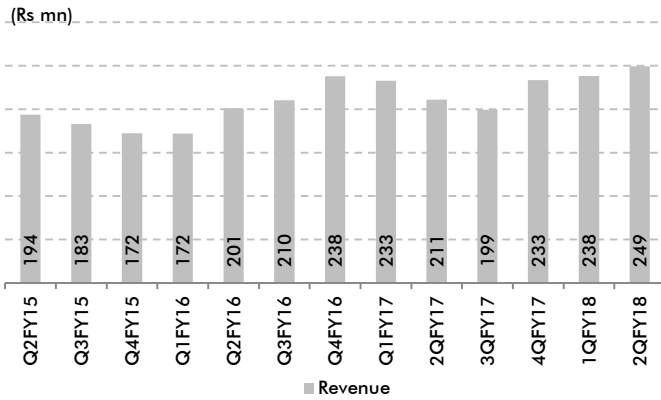


Exhibit 19: EBIT

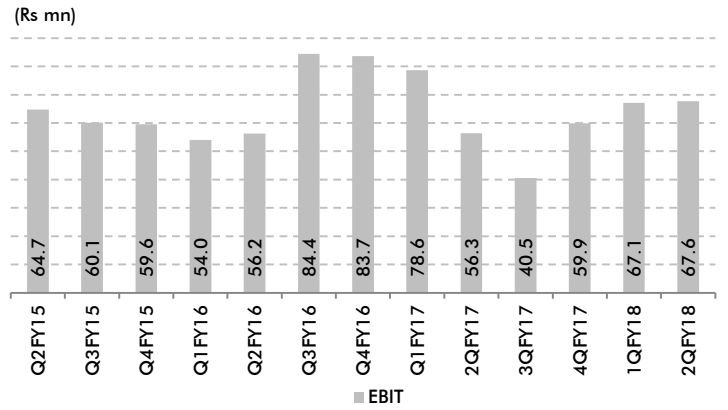


Exhibit 20: EBIT/Sales

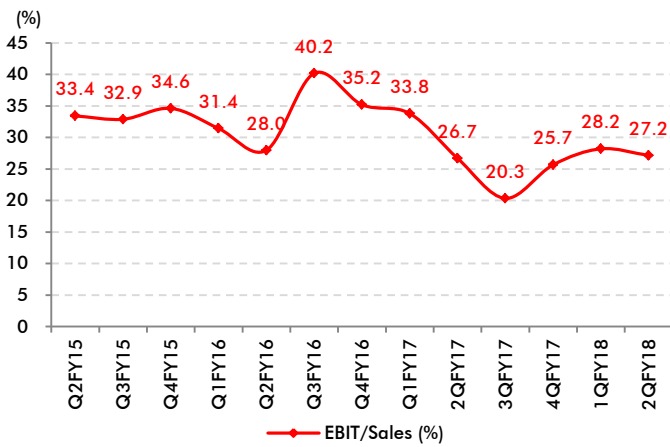
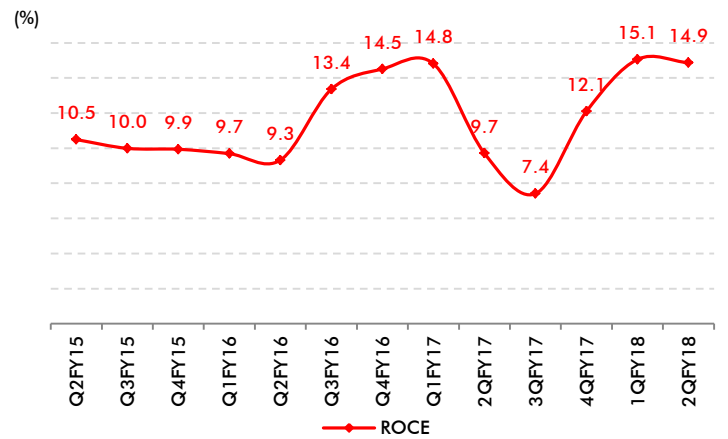


Exhibit 21: ROCE



Source: Company, AMSEC Research

Financial snapshot (Standalone)

Exhibit 22: Revenue

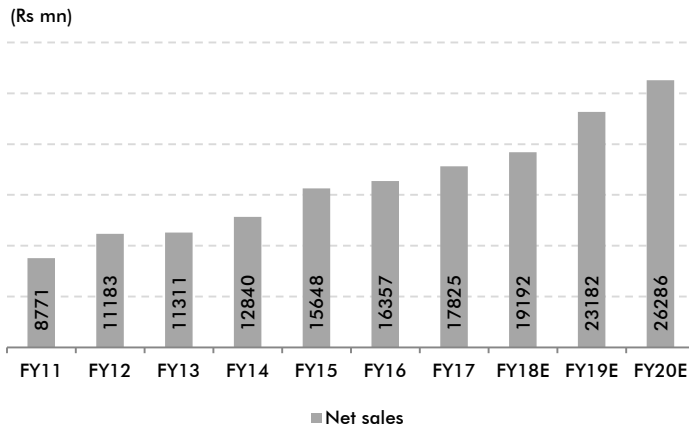


Exhibit 23: EBIDTA&EBIDTAM (%)

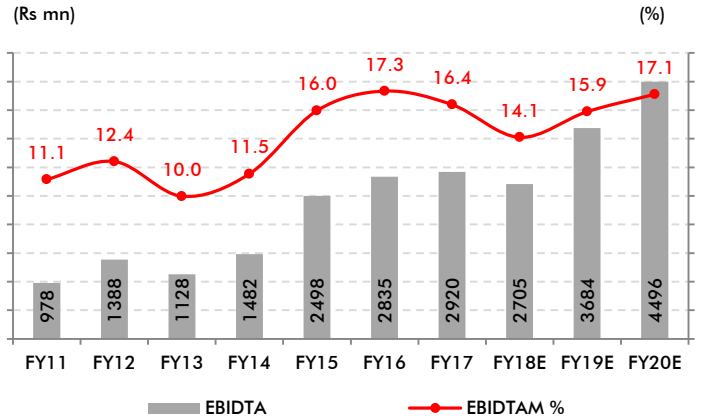


Exhibit 24: PAT & PATM (%)

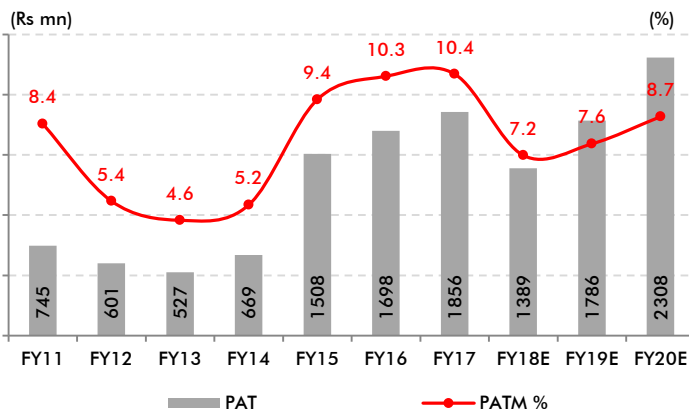


Exhibit 25: Return Ratios

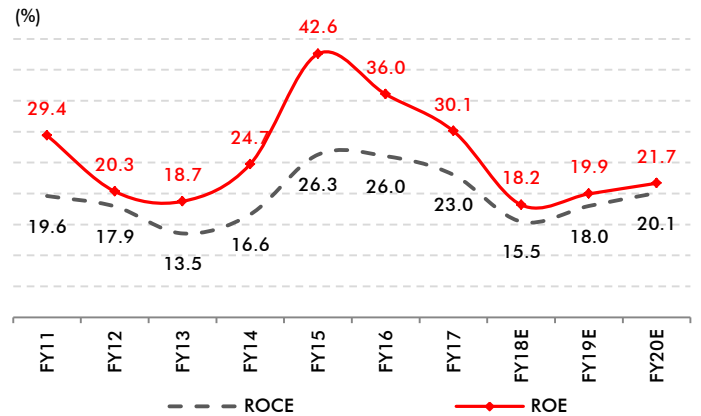


Exhibit 26: Dividend and Dividend payout ratio

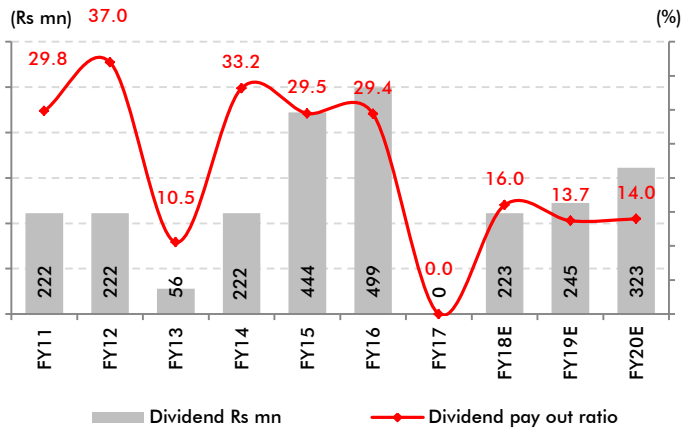
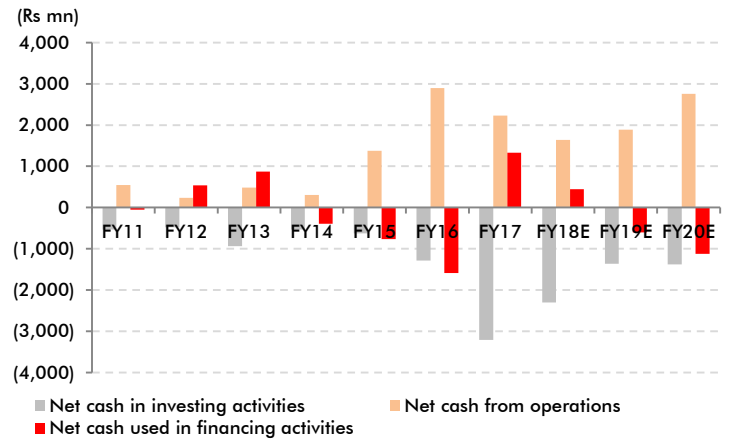


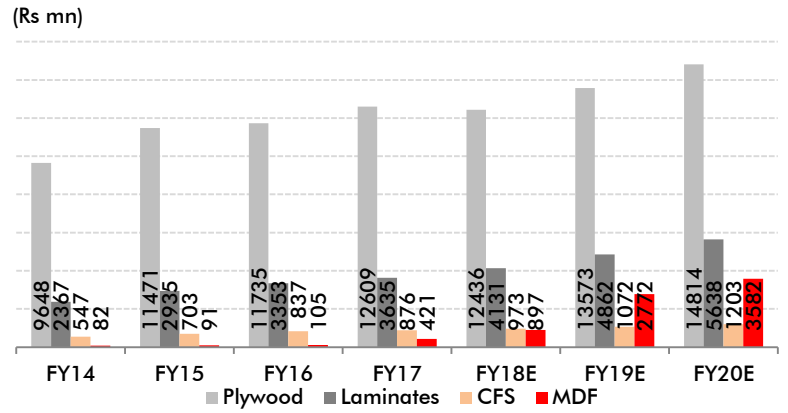
Exhibit 27: Cash Flow



Source: Company, AMSEC Research

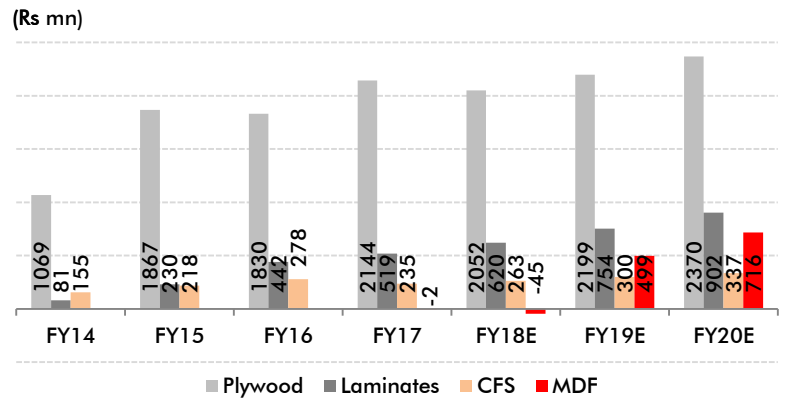
Yearly Segment performance

Exhibit 28: Segment revenue trend



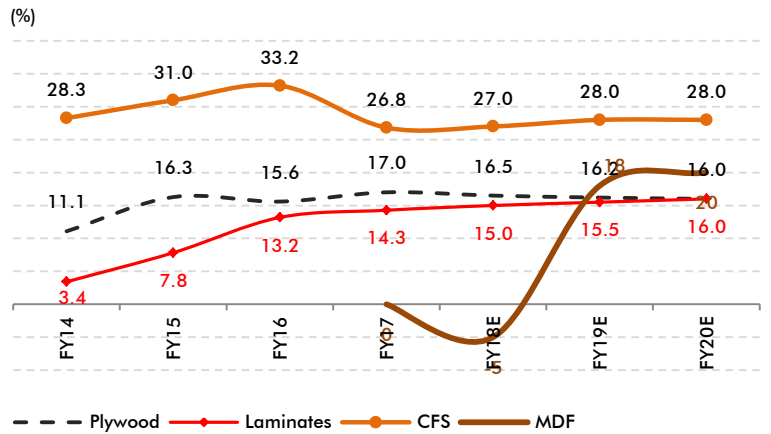
Source: Company, AMSEC Research

Exhibit 29: Segment EBIT trend



Source: Company, AMSEC Research

Exhibit 30: Segment EBITM trend



Source: Company, AMSEC Research

Century Plyboards (India) Ltd. Financials (Standalone)

(Rs mn)

Profit and Loss Account

Y/E (Mar)	FY16	FY17	FY18E	FY19E	FY20E
Net sales	16357	17825	19192	23182	26286
Inc./(Dec.) in Stock	81	-16	154	192	180
Raw material cons.	8514	9165	9999	11939	13406
Power & Fuel cost	301	374	430	508	569
Employee cost	2278	2567	2977	3513	3900
Other mfg Exp.	896	996	1145	1317	1449
General & Adm. Exp.	302	312	359	413	454
Selling & Advt. Exp.	779	907	1088	1262	1388
Misc. Expenses	533	568	642	738	805
Total expenditure	13603	14888	16641	19690	21970
Operating profit	2835	2920	2705	3684	4496
Other income	65	227	181	196	212
Interest expense	465	286	404	576	581
Gross Profit	2435	2861	2483	3304	4127
Dep. & Amortization	437	524	702	985	1129
PBT	1998	2337	1781	2319	2998
Provision for Tax	300	481	392	533	690
Reported Net Profit	1698	1856	1389	1786	2308
Share O/s mn	223	223	223	223	223
EPS Rs	7.6	8.3	6.2	8.0	10.4

Cash Flow Statement

Y/E (Mar)	FY16	FY17	FY18E	FY19E	FY20E
PBT	1998	2337	1781	2319	2998
Non-cash adjust.	995	633	1106	1561	1710
Chg. in working cap.	365	-283	-814	-1419	-1225
Tax & Interest Paid	-463	-457	-432	-573	-730
Cashflow from op.	2895	2230	1641	1888	2753
Capital expenditure	-1266	-2897	-2205	-1260	-1260
Change in invest.	1	0	-96	-106	-116
Cashflow from inv.	-1287	-3208	-2301	-1366	-1376
Issue of equity	0	0	0	0	0
Issue/repay debt	0	0	1116	271	-153
Interest Paid	-261	-239	-404	-576	-581
Dividends paid	-499	0	-223	-245	-323
Other fin. Cash flow	-208	-47	0	0	0
Cash flow from fin.	-1588	1326	444	-601	-1122
Chg cash & cash eq	20	348	-216	-78	255
Open. cash eq	170	190	538	323	244
Clsq cash & cash eq	191	538	323	244	499
CashFlow to firm	1629	-667	-564	628	1493

Key Ratios

Y/E Mar	FY16	FY17	FY18E	FY19E	FY20E
PER SHARE					
EPS Rs	7.6	8.3	6.2	8.0	10.4
CEPS Rs	9.6	10.7	9.4	12.4	15.4
Book Value Rs	23.6	31.8	36.9	43.6	52.2
VALUATION					
EV / Net Sales	3.6	3.8	3.6	3.0	2.7
EV / EBITDA	20.9	23.3	25.9	19.1	15.5
P / E Ratio	32.4	33.7	45.5	35.4	27.4
P / BV Ratio	10.5	8.8	7.7	6.5	5.4
GROWTH YOY%					
Sales Growth	4.5	9.0	7.7	20.8	13.4
EBITDA Growth	13.5	3.0	-7.4	36.2	22.0
Net Profit Growth	12.6	9.3	-25.1	28.5	29.3
Gross Fixed Asset Growth	-1.7	43.0	141.4	16.4	13.1
PROFITABILITY					
Gross Profit/ Net sales (%)	30.4	30.9	28.0	29.2	30.3
EBITDA / Net Sales (%)	17.3	16.4	14.1	15.9	17.1
NPM / Total income (%)	10.3	10.4	7.2	7.6	8.7
Raw Material/Net Sales (%)	52.0	51.4	52.1	51.5	51.0
Int/PBIT (%)	19.4	12.0	20.2	21.4	17.3
ROE (%)	36.0	30.1	18.2	19.9	21.7
ROCE (%)	26.0	23.0	15.5	18.0	20.1
ROIC (%)	26.3	22.0	14.7	17.0	19.2
Tax / PBT (%)	15.0	20.6	22.0	23.0	23.0
TURNOVER (Days)					
Net Working Cycle	106	88	90	88	93
Debtors Velocity	64	69	65	65	65
Inventory	74	65	69	69	71
Creditors Velocity	36	56	50	50	50
Gross Asset Ratio	6.8	6.1	3.3	2.6	2.6
Total Asset Ratio	1.5	1.3	1.1	1.2	1.2
LIQUIDITY (x)					
Gross Debt-Equity Ratio	0.9	0.8	0.9	0.8	0.6
Net Debt-Equity Ratio	0.8	0.8	0.8	0.7	0.6
Interest Coverage	5.2	8.4	5.0	4.7	5.8
Current Ratio (x)	1.2	1.2	1.1	1.1	1.3
Quick Ratio (x)	0.7	0.8	0.7	0.7	0.8
PAYOUT					
Payout (%)	29.4	0.0	16.0	13.7	14.0
Dividend (%)	1.0	1.0	1.1	1.5	1.8
Yield (%)	0.4	0.4	0.4	0.5	0.6

Balance Sheet

Y/E (Mar)	FY16	FY17	FY18E	FY19E	FY20E
SOURCES OF FUNDS :					
Share Capital	223	223	223	223	223
Reserves Total	5028	6864	7985	9476	11396
Total Shareh. Funds	5251	7086	8208	9698	11618
Non-Current Liab.					
Long term borrowings	640	1467	1500	1426	1355
Deferred tax liability	0	0	-40	-80	-120
Other long term liab.	3	2	3	3	4
Long-term provisions	0	0	0	0	0
Long-term trade pay.	0	0	0	0	0
Current Liabilities					
Short term borrowings	3410	4103	5129	5386	5224
Trade payables	843	1411	1370	1635	1836
Other current liabilities	873	911	1048	1236	1422
Short term provisions	68	185	224	279	340
Total Equity & Liab.	11420	15547	17879	20109	22283
APPLICATION OF FUNDS :					
Non Current Assets					
Fixed Assets					
Gross Block	2397	3427	8272	9632	10892
Less: Accum Dep.	421	931	1633	2618	3746
Net Block	1976	2497	6639	7015	7146
Capital WIP	297	396	200	100	100
Noncurrent Investment	497	960	1056	1162	1278
Long term loans & adv.	730	789	907	1088	1252
Other non-current ass.	553	343	395	474	545
Current Assets					
Current investment	0	0	0	0	0
Inventories	2752	2638	3113	3705	4260
Sundry Debtors	2868	3353	3418	4128	4681
Cash and Bank	191	538	323	244	499
Short Loans & Adv.	48	46	53	64	73
Others Current Assets	878	1543	1774	2129	2449
Total Assets	11420	15547	17879	20109	22283
Net working capital	1018	589	150	964	2038
Total Gross Debt	4496	5955	7071	7341	7189
Total Net debt	4306	5417	6748	7097	6690
Total capital employed	9747	13041	15238	16960	18687

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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