



© 2017 Equirus All rights reserved

Rating Information	
Price (Rs)	297
Target Price (Rs)	344
Target Date	30th Jun'19
Target Set On	06th Feb'18
Implied yrs of growth (DCF)	15
Fair Value (DCF)	258
Fair Value (DDM)	203
Ind Benchmark	BSETCD
Model Portfolio Position	NA

Stock Information	
Market Cap (Rs Mn)	65,908
28.00 %	52.6%
52 Wk H/L (Rs)	363/212.4
Avg Daily Volume (1yr)	339,825
Avg Daily Value (Rs Mn)	94
Equity Cap (Rs Mn)	222
Face Value (Rs)	1
Bloomberg Code	CPBI IN

Ownership	Recent	3M	12M
Promoters	72.0%	0.00%	-0.21%
DII	3.7%	0.12%	-1.49%
FII	11.4%	-1.81%	-0.21%
Public	12.9%	1.69%	1.94%

Price %	1M	3M	12M
Absolute	-13.8 %	1.0 %	36.0 %
Vs Industry	-3.9 %	4.0 %	14.8 %
Greenply	-15.0 %	4.8 %	12.0 %
Greenlam	-10.6 %	16.0 %	69.1 %

#### Standalone Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (17A)	1.9	2.2	1.7	2.5
EPS (18E)	1.5	1.8	2.1	2.2

# Century Plyboards Ltd.

3QFY18 Result: Estimate(↓), TP(↑), Rating(↔) Regular Coverage

Laminates, MDF and PB to drive growth ahead; maintain LONG

Century Plyboards' (CPBI) 3QFY18 revenues grew 20% yoy to Rs 5.1bn, in line with EE. Plywood volumes were up 5% yoy on some demand traction at the dealer level, while laminates business posted decent volume growth of 12% led by a favourable GST rate and capacity addition. EBITDA margins beat EE driven by operational stability in the particle board (PB) division and better realizations in the CFS division. We believe laminates will continue to see better growth ahead while MDF and PB will start contributing meaningfully from 1HFY19. However, we expect some margin pressure due to an increase in chemical (RM) costs, leading us to cut our FY18E/FY19E EBITDA estimates by 1%/4%. Maintain LONG with a Jun'19 TP of Rs 344 (Mar'19 TP of Rs 329 earlier) set at a 28x PE on TTM EPS of Rs 12.3.

**Plywood demand to recover over next few quarters:** CPBI posted plywood volume/revenue growth of 5%/14% led by demand traction at the dealer level post the GST rate cut. With new demand from real estate projects remaining subdued and the E-Way Bill implementation being pushed back (currently on trial basis), market shift from unorganized to branded plywood would take more time than estimated earlier. We expect CPBI's plywood segment to post volume/revenue CAGR of 11%/13% over FY17-FY20E. Commercial veneer trading volumes grew 22% yoy while sales declined 21% as CPBI shifted some of its face veneer sourcing to Solomon Islands, which is cheaper to Gurjan veneer and therefore leads to lower realizations.

**Laminates revenues continue to grow:** Laminate volumes/revenues grew 12%/14% yoy but fell sequentially as 3Q is typically a weak quarter for laminates. Organized players have passed on benefits of the GST rate cut to consumers. We have built in a volume/revenue CAGR of 19%/20% for CPBI's laminates division over FY17-FY20E.

**MDF to start contributing from 2HFY18; PB unit running at full capacity:** CPBI's MDF plant contributed Rs 473mn to 3QFY18 revenues with 25% EBITDA margins. We build in volume/revenue CAGR of 55%/53% over FY18E-FY21E as the product will take time to gain market acceptability and there could be realization pressures ahead amid excess capacity. PB operations continue to stabilize and the division posted revenues of Rs 357mn in 9MFY18 with a positive EBIT for 3QFY18. We expect 50% revenue CAGR over FY17-FY20E for the PB division on a lower base.

**Higher RM costs to hurt margins:** Prices of chemicals (20%/40% of production costs in case of Plywood/Laminates) have been on a rise for the last few months. We therefore expect some margin pressure in FY19, even as the company has taken a price hike of 3% in 4QFY18 in Laminates. We thus cut our FY19E EBITDA estimates by 4%.

**Key risks:** Slower demand pick up, pricing war in MDF and any adverse environmental regulations/bans related to raw material supply in plywood are key downside risks.

Absolute : LONG  
Relative : Overweight  
12% ATR in 17 months

Building Materials

#### Change in Estimates

	Revised Estimates		% Change over Old	
	FY18E	FY19E	FY18E	FY19E
Sales	19,946	25,124	-1%	-1%
EBITDA	3,126	4,234	-1%	-4%
EBIT	2,405	3,388	-5%	-2%
PAT	1,695	2,488	-4%	0%

#### Standalone Financials

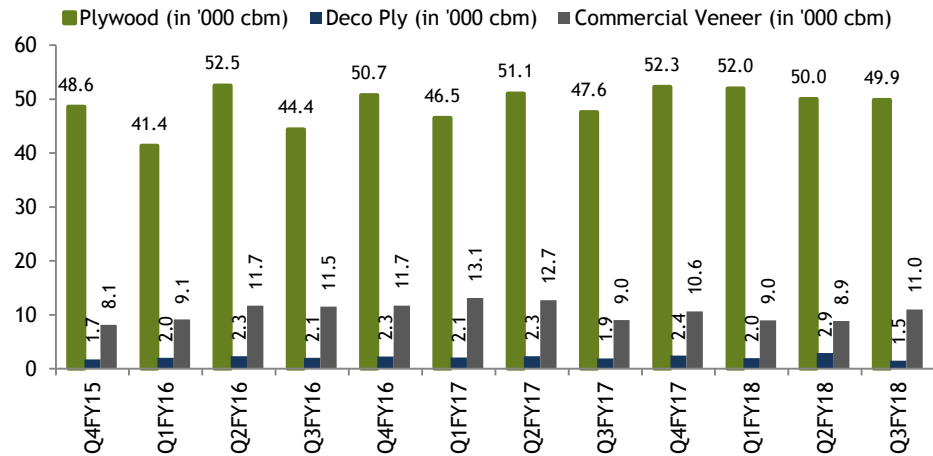
Rs. Mn	YE Mar	FY17A	FY18E	FY19E	FY20E
Sales		17,825	19,946	25,124	29,784
EBITDA		3,121	3,126	4,234	5,190
Depreciation		524	721	846	951
Interest Expense		286	310	416	362
Other Income		26	68	63	74
Net Profit		1,836	1,695	2,488	2,904
Adj. Net Profit		1,836	1,695	2,488	2,904
Total Equity		7,086	8,378	10,331	12,566
Gross Debt		5,571	7,142	6,742	5,342
Cash		538	588	404	583
Rs Per Share		FY17A	FY18E	FY19E	FY20E
Earnings		8.3	7.7	11.2	13.0
Book Value		32	38	46	56
Dividends		1.0	1.5	2.0	2.5
FCFF		-3.4	-3.9	4.9	11.3
P/E (x)		35.6	38.8	26.6	22.8
P/B (x)		9.3	7.9	6.4	5.3
EV/EBITDA (x)		22.7	23.2	17.1	13.6
ROE (%)		30%	22%	27%	25%
Core ROIC (%)		20%	14%	17%	18%
EBITDA Margin (%)		18%	16%	17%	17%
Net Margin (%)		10%	8%	10%	10%



## Standalone Quarterly Performance

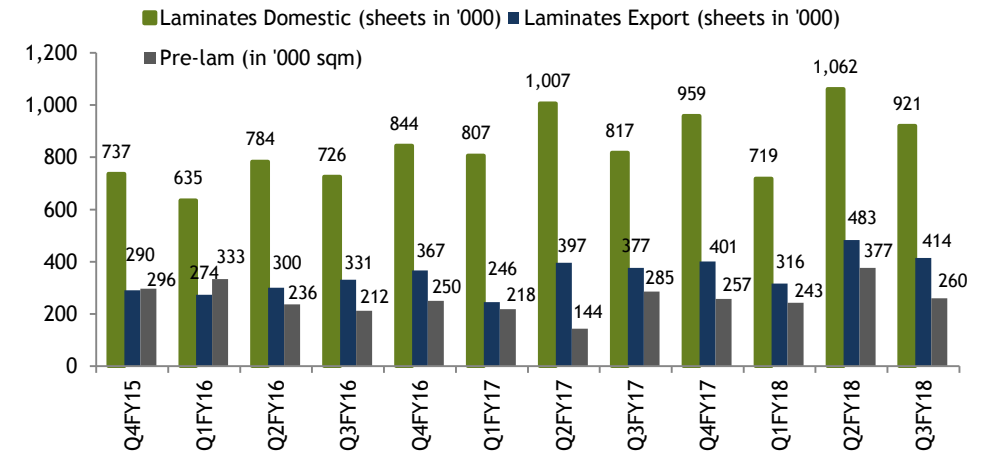
Particulars (Rs Mn)	3QFY18	3QFY18E	2QFY18	3QFY17	% Change			Comments
					3QFY18E	2QFY18	3QFY17	
Net Sales	5,099	5,155	4,746	4,255	-1%	7%	20%	
Cost of Materials Consumed	2,607	2,784	2,545	2,200	-6%	2%	19%	
Employee Benefit Expenses	723	714	676	637	1%	7%	13%	
Other Expenses	892	848	784	743	5%	14%	20%	
<b>Total Expenditures</b>	<b>4,222</b>	<b>4,346</b>	<b>4,005</b>	<b>3,580</b>	<b>-3%</b>	<b>5%</b>	<b>18%</b>	
<b>EBITDA</b>	<b>878</b>	<b>809</b>	<b>741</b>	<b>675</b>	<b>8%</b>	<b>18%</b>	<b>30%</b>	
Depreciation	263	177	138	149	49%	90%	76%	
<b>EBIT</b>	<b>615</b>	<b>632</b>	<b>603</b>	<b>525</b>	<b>-3%</b>	<b>2%</b>	<b>17%</b>	
Interest	63	101	79	112	-38%	-21%	-44%	
Other Income	42	13	6	32	228%	583%	32%	
<b>PBT</b>	<b>594</b>	<b>544</b>	<b>530</b>	<b>446</b>	<b>9%</b>	<b>12%</b>	<b>33%</b>	
Tax	128	131	128	72	-2%	0%	78%	
<b>Recurring PAT</b>	<b>467</b>	<b>413</b>	<b>402</b>	<b>374</b>	<b>13%</b>	<b>16%</b>	<b>25%</b>	
Extraordinaries	3	0	2	6				
<b>Reported PAT</b>	<b>464</b>	<b>413</b>	<b>400</b>	<b>368</b>	<b>12%</b>	<b>16%</b>	<b>26%</b>	
EPS (Rs)	2.1	1.9	1.8	1.7	13%	16%	25%	
EBITDA Margin	17.2%	15.7%	15.6%	15.9%	151 bps	160 bps	135 bps	
EBIT Margin	12.1%	12.3%	12.7%	12.3%	-21 bps	-65 bps	-29 bps	
PBT Margin	11.7%	10.6%	11.2%	10.5%	110 bps	49 bps	118 bps	
PAT Margin	9.1%	8.0%	8.4%	8.7%	108 bps	66 bps	45 bps	
Tax Rate	21.5%	24.0%	24.1%	16.1%	-252 bps	-266 bps	540 bps	

Exhibit 1: Plywood volume hit due to GST-related issues, lower restocking by dealers



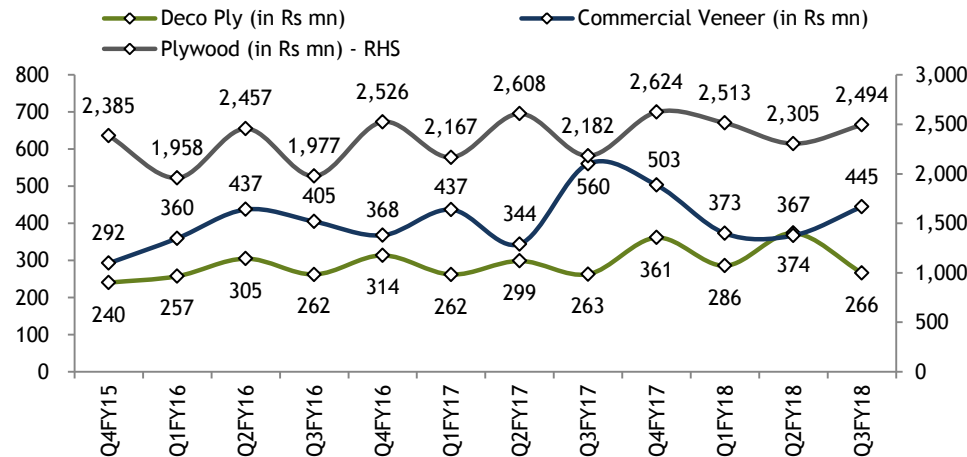
Source: Company, Equirus Securities

Exhibit 3: Laminates saw strong revenue growth on favorable GST rates, higher capacity utilization



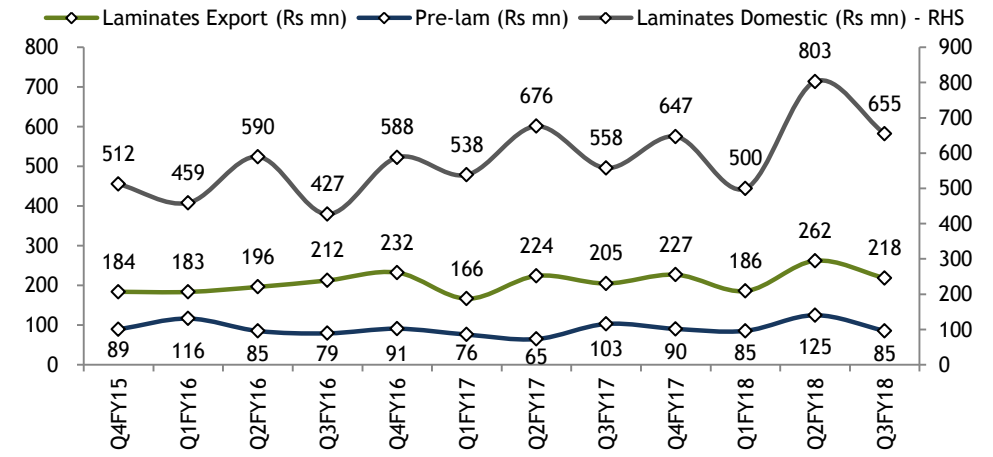
Source: Company, Equirus Securities

Exhibit 2: Plywood revenues down 12% yoy on lower volumes and realizations, while commercial veneer volumes declined 30% yoy



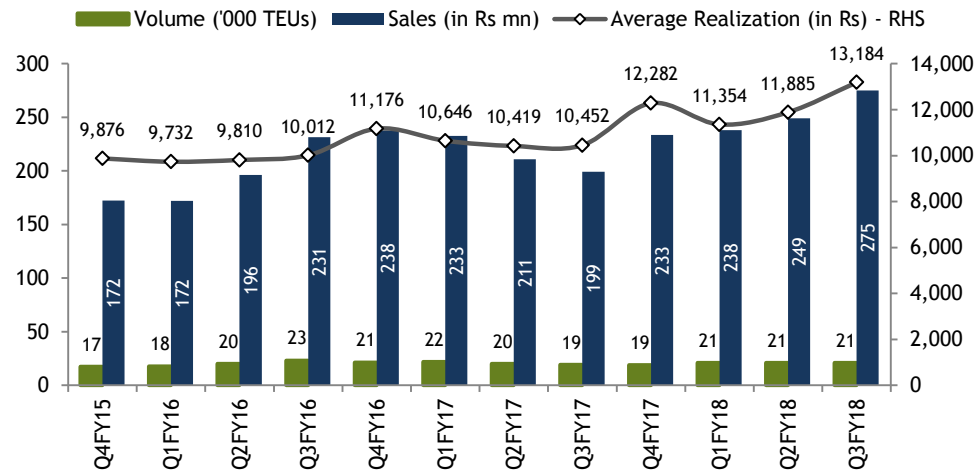
Source: Company, Equirus Securities

Exhibit 4: Domestic laminate and pre-lam revenues saw strong growth yoy



Source: Company, Equirus Securities

Exhibit 5:CFS business performed steadily during the quarter



Source: Company, Equirus Securities

**Exhibit 6: Segment finance**

Revenue (Rs mn)	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
<b>Plywood and Allied Products</b>	2,566	3,199	2,644	3,418	3,116	3,251	3,013	3,743	3,173	3,059	3,227
<b>Laminate and Allied Products</b>	768	885	732	1,012	891	979	892	892	807	1,246	999
<b>CFS</b>	174	201	231	242	235	211	202	202	238	249	276
<b>MDF</b>	0	17	15	7	14	12	4	6	6	1	476
<b>Particle Board</b>	0	0	0	0	0	20	111	117	73	125	143
<b>Others</b>	165	114	134	150	148	113	80	91	94	106	68
<b>Total Segment Revenue</b>	<b>3,673</b>	<b>4,416</b>	<b>3,756</b>	<b>4,829</b>	<b>4,403</b>	<b>4,586</b>	<b>4,301</b>	<b>5,051</b>	<b>4,392</b>	<b>4,786</b>	<b>5,189</b>
<b>Less: Intersegment Revenue</b>	7	9	10	5	7	17	31	33	35	66	53
<b>Net Sales/ Income from Operations</b>	<b>3,666</b>	<b>4,408</b>	<b>3,746</b>	<b>4,824</b>	<b>4,397</b>	<b>4,569</b>	<b>4,270</b>	<b>5,018</b>	<b>4,357</b>	<b>4,721</b>	<b>5,136</b>
<b>Gross Profit</b>											
<b>Plywood and Allied Products</b>	849	1,119	898	1,084	946	1,064	1,003	1,281	866	896	944
<b>Laminate and Allied Products</b>	266	288	257	327	291	394	304	290	277	418	303
<b>CFS</b>	155	173	205	216	205	187	175	205	208	222	242
<b>MDF</b>	0	0	0	0	2	2	1	1	1	0	209
<b>Particle Board</b>	0	0	0	0	0	4	28	30	13	44	41
<b>Others</b>	17	24	24	19	19	6	-2	14	14	12	20
<b>Total</b>	<b>1,287</b>	<b>1,604</b>	<b>1,384</b>	<b>1,646</b>	<b>1,463</b>	<b>1,657</b>	<b>1,509</b>	<b>1,820</b>	<b>1,378</b>	<b>1,592</b>	<b>1,758</b>
<b>EBITDA</b>											
<b>Plywood and Allied Products</b>	456	555	471	506	455	507	499	703	408	428	456
<b>Laminate and Allied Products</b>	138	124	122	159	132	188	143	124	107	230	148
<b>CFS</b>	78	82	113	105	103	83	69	88	92	93	110
<b>MDF</b>	0	0	0	0	0	0	0	0	0	0	0
<b>Particle Board</b>	0	0	0	0	0	3	21	23	-2	40	34
<b>Others</b>	0	-3	1	-9	-3	-23	-27	-21	-21	1	3
<b>Total</b>	<b>672</b>	<b>757</b>	<b>707</b>	<b>761</b>	<b>688</b>	<b>758</b>	<b>705</b>	<b>917</b>	<b>585</b>	<b>791</b>	<b>752</b>
<b>EBIT</b>											
<b>Plywood and Allied Products</b>	444	517	412	457	436	492	476	740	385	403	422
<b>Laminate and Allied Products</b>	103	103	106	136	115	171	123	110	92	210	122
<b>CFS</b>	54	56	84	84	79	56	41	60	67	68	85
<b>MDF</b>	0	2	3	-6	2	3	0	-6	-2	-2	1
<b>Particle Board</b>	0	0	0	0	0	-12	-24	-33	-37	2	8
<b>Others</b>	-1	-4	-1	-11	-4	-24	-28	-21	-4	1	3
<b>Total</b>	<b>600</b>	<b>673</b>	<b>605</b>	<b>660</b>	<b>629</b>	<b>686</b>	<b>587</b>	<b>850</b>	<b>500</b>	<b>682</b>	<b>641</b>

**Earnings call takeaways**
**3Q performance, guidance**

- For 3Q18, existing businesses of Plywood and Laminates contributed 9% to the topline growth yoy while MDF & Particle board contributed 11% to the topline.
- Overall demand environment remains challenging, particularly for the plywood due to RERA related impact. However, the shift from unorganized to organized over next 2-3 years will help the company in achieving revenue decent growth.
- Forex exposure: USD 47mn and Euro 7mn Stronger rupee has resulted in company being able to wipe of all MTM forex losses and currently there is MTM forex gain of 1.4%.
- Lower profitability in Plywood was due to Assam unit.
- MDF business commenced production in 3Q18 and company was able to post profit in 1<sup>st</sup> quarter of operations only.
- Laminates continues to see migration from the unorganized to organized sector as GST benefits were passed onto consumers.
- Particle board unit ran at full capacity during the quarter due to which revenue contribution from PB and pre-laminated PB was very strong. Division was also able to post profit at EBIT level.
- CPBI has taken price hikes of 3% in laminates in order to pass on some of the Raw material cost inflation. No price hikes have been taken in Plywood.
- MDF unit is expected to achieve 25-27% capacity utilization in FY18 while management expects capacity utilization to reach 80%+ in FY19.
- Sainik volumes were down 14% yoy and it contributed 21% to the total plywood revenues. Prices for Sainik has not gone down as it is outsourced and unorganized players have not reduced their prices post GST while in Premium plywood prices of products fell post GST which helped better volume growth for premium plywood.
- As the E-way bill is yet to be introduced, unorganized players are finding it easy to do tax arbitrage and under-billing.
- Many builders and bigger dealers are insisting on bills as input tax credit is available. Company is getting input tax credit of 9% of the 18% GST rate. Unorganized players lose 7-8% on RM as they are not able to get input tax credit on the RM due to most of their business being in cash.
- The effective pricing gap between organized and unorganized has come down from 35-40% to 20-25% post GST rate cut and some price hikes taken by the unorganized players.
- In Laminates, management expects 15-20% volume growth. Laminate saw de-growth qoq as after the GST rate cut, dealers had stocked up inventory in 2Q18.
- In MDF, company has already appointed around 60-65% of total dealer network required. 70% MDF was sold in North while 30% MDF was sold in West, South and East combined.

- MDF market is growing strongly and most of the sales for Centuryply came from new demand and not from gaining market share of competitors.
- Company might be taking a price hike of around 3-5% in Plywood going forward.
- Pine timber used for making Block boards at Guwahati is only available from North East and since govt. did not allow cutting of trees last year, cost for Pine planks increased by 50% during last 3-4 months. This the reason why Assam unit posted lower profitability. However, now the supply has stabilized and prices have fallen down by 20-25%.
- For MDF, realizations in North are between 19,000 to 22,000/cbm in North and 17,000 to 23,000/cbm in South India. Have capability to produce 2.1 - 35mm thickness MDF.
- Avg. interest cost is below 4%.

**Raw material sourcing**

- Earlier, company used to source veneer from Myanmar (Gurjan) which cost around USD 600+/cbm and its realizations were also higher in the domestic market due to its perceived higher quality. Now company is sourcing and marketing veneer from Solomon Islands (PQ cedar) which costs around USD 350/cbm due to which its realizations are lower. This is the reason why commercial veneer volumes were higher but realizations were impacted.
- Currently, maximum veneer coming in the Indian market is from Gabon which is cheaper than Gurjan and PQ cedar.
- There has been increase in RM costs like chemicals, power etc. for plywood which negated any margin improvement from fall in imported face veneer prices.
- The Laos govt. has decided not to allow veneer exports, due to which CPBI has converted its veneer peeling facility to a plywood manufacturing facility.
- The Myanmar govt. will allow cutting of new trees from Apr'18, which would reduce the pressure on raw material availability.
- For core veneer, there is ample availability of timber plantations from domestic markets. Therefore, the company is not facing any sourcing issues.

**Other takeaways**

- CPBI plans to set up a door unit in collaboration with a Chinese company. This JV will manufacture MDF doors along with many other value-added products using captive MDF. The capex for setting up the unit is around Rs 600mn.
- The company also intends to set up rooftop solar panel on its plants, which would help save 5-10% in electricity costs. In the initial phase, this will be implemented at its Chennai unit (capacity: 1.056MW) and at an investment of around Rs 50mn. Total investment for all units would be around Rs 350mn.
- Plywood will be able to grow 10-11% CAGR over next 3 years while MDF will grow at 22% CAGR over the same time period.
- The new plywood unit set in Assam will receive excise and transport subsidies for the next 10 years.

- Company operated at 53% capacity utilization in MDF with EBITDAM of 21%. With every 10% increase in capacity utilization, EBITDAM are expected to improve by 200bps. So at 90% capacity utilization, MDF division will generate an EBITDAM of 28-29%.
- Company has showed interest in setting up a plant in UP in coming 2 years while it also has plans to set up an MDF in Assam in the future which would be using bamboo as raw material. In its current MDF plant, company will be putting up a second line with 400cbm capacity which would product 1 to 4mm thick MDF products. The new line will become operational over next 1 year.
- Company has taken loan from promoters at Arm's length at a rate of 6.75% as if company had used its CC credit limit it would have cost around 9%.

## Company Snapshot

### How we differ from Consensus

	-	Equirus	Consensus	% Diff	Comment
EPS	FY18E	8.1	8.2	-1 %	
	FY19E	11.8	11.9	-1 %	
Sales	FY18E	20,374	20,913	-3 %	
	FY19E	25,612	25,693	0 %	
PAT	FY18E	1,803	1,821	-1 %	
	FY19E	2,618	2,635	-1 %	

### Our Key Investment arguments:

- Plywood and laminate to see strong volume growth with a shift from unbranded to branded products but it might take longer than expected as actual E-way bill implementation has been postponed.
- MDF as a product to see strong growth due to shift from cheap quality plywood and increased use of the product for ready-made furniture.
- Diversified revenue stream and timely capacity expansions provide strong revenue visibility.

	FY16	FY17	FY18E	FY19E	FY20E
<b>Plywood</b>					
Volume (in cbm)	189,117	197,474	209,322	236,534	272,015
Sales (Rs mn)	11,735	12,610	13,087	15,020	17,444
<b>Laminates</b>					
Volume (no. of sheets in '000)	4,260	4,925	5,516	6,730	8,277
Sales (Rs mn)	3,353	3,636	4,153	5,213	6,460
<b>MDF</b>					
Volume (in cbm)		49,500	142,560	174,240	186,120
Sales (Rs mn)		1,040	2,934	3,514	3,697

### Key Triggers

- A pick-up in real estate activity

% Impact on EPS	% Change	% Change
Raw Material Cost	1 %	-9 %
Interest Cost	1 %	-5 %
-	-	-

### DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
6.8 %	0.9	11.9 %	3.0 %	31.1 %

	FY18E	FY19E	FY20-22E	FY23-27E	FY28-32E
Sales Growth	12 %	26 %	14 %	13 %	8 %
NOPAT Margin	10 %	11 %	11 %	12 %	12 %
IC Turnover	1.27	1.42	1.50	1.45	1.45
RoIC	13.7 %	17.0 %	18.3 %	18.0 %	17.7 %

Years of strong growth	1	1	5	10	15
Valuation as on date (Rs)	74	98	131	186	217
Valuation as of Jun'19	86	114	154	217	254

Based on DCF, assuming 15 years of 8% revenue CAGR and 18% average ROIC, we derive our current fair value of Rs 217 and our Jun'19 fair value of Rs 254.

### Company Description:

Century Ply boards is one of India's leading interior infrastructure product manufacturers. Currently, it has 6 manufacturing facilities in India and 1 facility in Myanmar. Company is a co-market leader in plywood having 25% market share. It is also among the top 3 laminate producers in the country with an installed capacity of 4.8mn sheets/annum near Kolkata. Century also owns Eastern India's largest & first privately owned container freight station (CFS) in Kolkata with a capacity of 156,000 TEUs.

Comparable valuation		Mkt Cap Rs. Mn.	Price Target	Target Date	EPS			P/E			BPS			P/B			RoE			Div Yield	
Company	Reco.				CMP	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A
Century Ply	LONG	297	65,908	344	30th Jun'19	8.6	8.1	11.8	34.7	36.5	25.2	32.1	7.7	31 %	23 %	27 %	0.3 %	0.5 %			
Greenply Industries	ADD	315	38,683	333	31st Mar'19	9.7	10.9	13.3	32.6	28.9	23.7	63.0	4.3	17 %	16 %	17 %	0.2 %	0.3 %			
Greenlam	NR	1,120	27,033	NR	NR	20.6	27.9	38.1	54.3	40.2	29.4	120.4	9.3	19 %	16 %	21 %	0.2 %	0.1 %			





Quarterly Earnings Forecast and Key Drivers

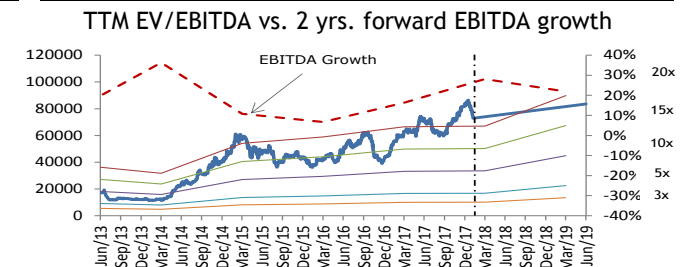
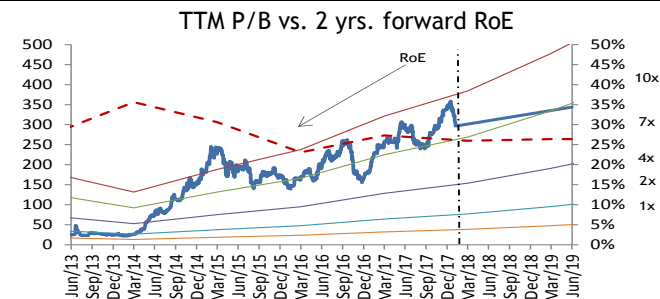
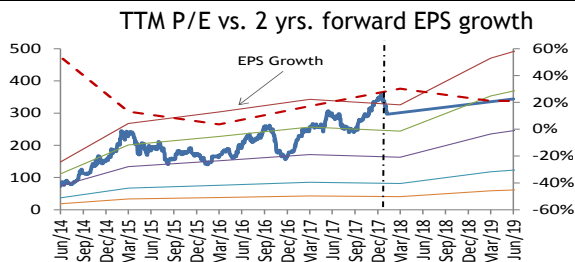
Rs in Mn	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18A	3Q18A	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	FY17A	FY18E	FY19E	FY20E
Revenue	4,058	4,627	4,255	4,885	4,386	4,746	5,099	5,715	5,563	6,018	6,316	7,227	17,825	19,946	25,124	29,784
Cost of Materials Consumed	2,045	2,404	2,200	2,531	2,339	2,545	2,607	3,029	2,976	3,205	3,363	3,848	9,180	10,520	13,393	15,860
Employee Benefit Expenses	638	624	637	667	689	676	723	787	813	838	831	937	2,567	2,875	3,419	3,974
Other Expenses	713	850	743	850	747	784	892	1,002	882	988	1,025	1,183	3,156	3,426	4,078	4,760
EBITDA	661	757	675	838	611	741	878	896	892	988	1,096	1,259	2,932	3,126	4,234	5,190
Depreciation	93	126	149	155	132	138	263	188	188	207	226	225	523	721	846	951
EBIT	569	631	525	683	479	603	615	709	704	780	870	1,034	2,408	2,405	3,388	4,239
Interest	89	60	112	26	63	79	63	105	83	104	108	121	286	310	416	362
Other Income	30	13	32	141	5	6	42	14	14	15	16	18	217	68	63	74
PBT	510	584	446	799	421	530	594	618	635	691	778	931	2,339	2,163	3,035	3,951
Tax	80	91	72	239	80	128	128	124	114	124	140	168	481	459	546	1,047
Recurring PAT	431	493	374	560	341	402	467	494	520	567	638	764	1,858	1,704	2,488	2,904
Extraordinary	6	6	6	3	5	2	3	0	0	0	0	0	20	9	0	0
Reported PAT	425	487	368	557	336	400	464	494	520	567	638	764	1,838	1,695	2,488	2,904
EPS (Rs)	1.94	2.22	1.68	2.52	1.53	1.81	2.10	2.22	2.34	2.55	2.87	3.43	8.35	7.66	11.18	13.05
<b>Key Drivers</b>																
Plywood Sales (Rs mn)	3,116	3,251	3,013	3,743	3,173	3,059	3,227	3,628	3,304	3,605	3,755	4,356	13,122	13,087	15,020	17,444
Laminates Sales (Rs mn)	891	1,023	892	892	807	1,246	999	1,100	1,147	1,251	1,303	1,512	3,697	4,153	5,213	6,460
CFS Sales (Rs mn)	235	213	202	202	238	249	276	229	267	279	302	314	851	992	1,162	1,362
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Sequential Growth (%)</b>																
Revenue	-9 %	14 %	-8 %	15 %	-10 %	8 %	7 %	12 %	-3 %	8 %	5 %	14 %	-	-	-	-
Cost of Materials Consumed	-11 %	18 %	-8 %	15 %	-8 %	9 %	2 %	16 %	-2 %	8 %	5 %	14 %	-	-	-	-
EBITDA	-13 %	14 %	-11 %	24 %	-27 %	21 %	18 %	2 %	0 %	11 %	11 %	15 %	-	-	-	-
EBIT	-11 %	11 %	-17 %	30 %	-30 %	26 %	2 %	15 %	-1 %	11 %	12 %	19 %	-	-	-	-
Recurring PAT	3 %	14 %	-24 %	50 %	-39 %	18 %	16 %	6 %	5 %	9 %	13 %	20 %	-	-	-	-
EPS	3 %	14 %	-24 %	50 %	-39 %	18 %	16 %	6 %	5 %	9 %	13 %	20 %	-	-	-	-
<b>Yearly Growth (%)</b>																
Revenue	10 %	5 %	12 %	9 %	8 %	3 %	20 %	17 %	27 %	27 %	24 %	26 %	9 %	12 %	26 %	19 %
EBITDA	-1 %	2 %	-3 %	10 %	-8 %	-2 %	30 %	7 %	46 %	33 %	25 %	40 %	2 %	7 %	35 %	23 %
EBIT	-1 %	-1 %	-10 %	7 %	-16 %	-5 %	17 %	4 %	47 %	29 %	42 %	46 %	-1 %	0 %	41 %	25 %
Recurring PAT	7 %	5 %	-9 %	35 %	-21 %	-18 %	25 %	-12 %	52 %	41 %	37 %	54 %	9 %	-8 %	46 %	17 %
EPS	7 %	5 %	-9 %	35 %	-21 %	-18 %	25 %	-12 %	52 %	41 %	37 %	54 %	9 %	-8 %	46 %	17 %
<b>Margin (%)</b>																
EBITDA	16 %	16 %	16 %	17 %	14 %	16 %	17 %	16 %	16 %	16 %	17 %	17 %	16 %	16 %	17 %	17 %
EBIT	14 %	14 %	12 %	14 %	11 %	13 %	12 %	12 %	13 %	13 %	14 %	14 %	14 %	12 %	13 %	14 %
PBT	13 %	13 %	10 %	16 %	10 %	11 %	12 %	11 %	11 %	11 %	12 %	13 %	13 %	11 %	12 %	13 %
PAT	11 %	11 %	9 %	11 %	8 %	8 %	9 %	9 %	9 %	9 %	10 %	11 %	10 %	9 %	10 %	10 %

**Consolidated Financials**

P&L (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Revenue	18,187	20,374	25,612	30,389
Op. Expenditure	14,867	17,024	21,121	24,885
EBITDA	3,321	3,350	4,491	5,504
Depreciation	593	791	917	1,022
EBIT	2,727	2,559	3,574	4,482
Interest Expense	302	310	416	362
Other Income	25	68	63	74
PBT	2,450	2,318	3,220	4,194
Tax	515	505	602	1,120
PAT bef. MI & Assoc.	1,935	1,812	2,618	3,074
Minority Interest	30	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	1,905	1,812	2,618	3,074
Extraordinaires	24	9	0	0
Reported PAT	1,881	1,803	2,618	3,074
FDEPS (Rs)	8.6	8.1	11.8	13.8
DPS (Rs)	1.0	1.5	2.0	2.5
CEPS (Rs)	11.2	11.7	15.9	18.4
FCFPS (Rs)	-2.7	-3.4	4.8	11.0
BVPS (Rs)	32.1	38.4	47.8	58.6
EBITDAM (%)	18 %	16 %	18 %	18 %
PATM (%)	10 %	9 %	10 %	10 %
Tax Rate (%)	21 %	22 %	19 %	27 %
Sales Growth (%)	11 %	12 %	26 %	19 %
FDEPS Growth (%)	13 %	-5 %	44 %	17 %

Balance Sheet (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Equity Capital	223	223	223	223
Reserve	6,926	8,327	10,410	12,815
Networth	7,149	8,550	10,632	13,037
Long Term Debt	6,114	7,656	7,289	5,933
Def Tax Liability	20	77	74	60
Minority Interest	120	120	120	120
Account Payables	1,410	1,460	1,793	2,120
Other Curr Liabi	1,036	970	1,114	1,216
Total Liabilities & Equity	15,848	18,833	21,022	22,486
Net Fixed Assets	3,118	6,810	7,063	6,766
Capital WIP	2,991	277	0	0
Others	1,038	1,732	2,332	2,332
Inventory	3,006	3,405	4,280	5,162
Account Receivables	3,422	3,517	4,421	5,245
Other Current Assets	1,602	2,226	2,232	2,146
Cash	672	867	694	835
Total Assets	15,849	18,833	21,022	22,486
Non-cash Working Capital	5,585	6,718	8,027	9,217
Cash Conv Cycle	112.1	120.3	114.4	110.7
WC Turnover	3.3	3.0	3.2	3.3
FA Turnover	3.0	2.9	3.6	4.5
Net D/E	0.8	0.8	0.6	0.4
Revenue/Capital Employed	1.5	1.4	1.5	1.6
Capital Employed/Equity	1.9	1.9	1.8	1.6

Cash Flow (Rs Mn)	FY17A	FY18E	FY19E	FY20E
PBT	2,450	2,318	3,220	4,194
Depreciation	593	791	917	1,022
Others	126	-9	0	0
Taxes Paid	429	505	602	1,120
Change in WC	-536	-1,133	-1,309	-1,190
Operating C/F	2,205	1,461	2,226	2,906
Capex	-3,047	-2,464	-1,494	-725
Change in Invest	2	0	0	0
Others	1	0	0	0
Investing C/F	-3,044	-2,464	-1,494	-725
Change in Debt	1,409	1,541	-366	-1,356
Change in Equity	15	0	0	0
Others	-302	-344	-539	-683
Financing C/F	1,122	1,197	-906	-2,040
Net change in cash	284	195	-173	141
RoE (%)	31 %	23 %	27 %	26 %
RoIC (%)	18 %	14 %	17 %	18 %
Core RoIC (%)	19 %	14 %	17 %	18 %
Div Payout (%)	14 %	22 %	20 %	22 %
P/E	34.7	36.5	25.2	21.5
P/B	9.2	7.7	6.2	5.1
P/FCFF	-110.1	-87.0	61.7	27.0
EV/EBITDA	21.5	21.7	16.2	12.9
EV/Sales	3.9	3.6	2.8	2.3
Dividend Yield (%)	0.3 %	0.5 %	0.7 %	0.8 %



**Historical Consolidated Financials**

P&L (Rs Mn)	FY14A	FY15A	FY16A	FY17A	Balance Sheet (Rs Mn)	FY14A	FY15A	FY16A	FY17A	Cash Flow (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Revenue	13,477	15,884	16,409	18,187	Equity Capital	223	223	223	223	PBT	629	1,796	2,001	2,450
Op. Expenditure	11,894	13,181	13,468	14,867	Reserve	2,709	3,968	5,066	6,926	Depreciation	387	485	475	593
EBITDA	1,582	2,703	2,941	3,321	Networth	2,932	4,191	5,288	7,149	Others	607	421	577	126
Depreciation	387	485	475	593	Long Term Debt	5,801	5,136	4,698	6,114	Taxes Paid	117	337	468	429
EBIT	1,195	2,218	2,466	2,727	Def Tax Liability	20	17	14	20	Change in WC	-1,168	-877	344	-536
Interest Expense	603	456	479	302	Minority Interest	114	55	90	120	Operating C/F	338	1,488	2,928	2,205
Other Income	37	33	13	25	Account Payables	753	617	864	1,410	Capex	-644	68	-1,498	-3,047
PBT	629	1,796	2,001	2,450	Other Curr Liabi	620	625	798	1,036	Change in Invest	42	44	106	2
Tax	-5	296	304	515	Total Liabilities & Equity	10,240	10,642	11,752	15,848	Others	-104	16	2	1
PAT bef. MI & Assoc.	633	1,500	1,697	1,935	Net Fixed Assets	3,164	2,383	2,562	3,118	Investing C/F	-706	128	-1,389	-3,044
Minority Interest	31	9	8	30	Capital WIP	240	324	1,022	2,991	Change in Debt	372	-650	-461	1,409
Profit from Assoc.	1	-1	0	0	Others	671	796	1,058	1,038	Change in Equity	0	0	20	15
Recurring PAT	603	1,490	1,689	1,905	Inventory	3,029	3,322	2,975	3,006	Others	-653	-927	-1,084	-302
Extraordinaires	0	0	19	24	Account Receivables	2,089	2,622	2,842	3,422	Financing C/F	-281	-1,577	-1,525	1,122
Reported PAT	603	1,490	1,671	1,881	Other Current Assets	660	821	904	1,602	Net change in cash	-649	39	14	284
EPS (Rs)	2.7	6.7	7.6	8.6	Cash	387	374	390	672	RoE (%)	22 %	42 %	36 %	31 %
DPS (Rs)	1.0	2.0	1.0	1.0	Total Assets	10,240	10,642	11,752	15,849	RoIC (%)	14 %	20 %	22 %	18 %
CEPS (Rs)	4.4	8.8	9.7	11.2	Non-cash Working Capital	4,405	5,522	5,059	5,585	Core RoIC (%)	15 %	20 %	21 %	19 %
FCFPS (Rs)	1.1	8.9	8.7	-2.7	Cash Conv Cycle	119.3	126.9	112.5	112.1	Div Payout (%)	42 %	36 %	16 %	14 %
BVPS (Rs)	13.2	18.8	23.8	32.1	WC Turnover	3.1	2.9	3.2	3.3	P/E	109.7	44.4	39.1	0.0
EBITDAM (%)	12 %	17 %	18 %	18 %	FA Turnover	4.0	5.9	4.6	3.0	P/B	22.5	15.8	12.5	0.0
PATM (%)	4 %	9 %	10 %	10 %	Net D/E	1.8	1.1	0.8	0.8	P/FCFF	276.5	33.3	34.0	-110.1
Tax Rate (%)	-1 %	16 %	15 %	21 %	Revenue/Capital Employed	1.6	1.7	1.7	1.5	EV/EBITDA	45.1	26.2	23.9	0.0
Sales growth (%)	14 %	18 %	3 %	11 %	Capital Employed/Equity	3.1	2.6	2.1	1.9	EV/Sales	5.3	4.5	4.3	0.0
FDEPS growth (%)	9 %	147 %	13 %	13 %						Dividend Yield (%)	0.3 %	0.7 %	0.3 %	0.3 %

## Equirus Securities

Research Analysts	Sector/Industry	Email		Equity Sales	E-mail	
Abhishek Shindadkar	IT Services	<a href="mailto:abhishek.shindadkar@equirus.com">abhishek.shindadkar@equirus.com</a>	91-22-43320643	Vishad Turakhia	<a href="mailto:vishad.turakhia@equirus.com">vishad.turakhia@equirus.com</a>	91-22-43320633
Ashutosh Tiwari	Auto, Metals & Mining	<a href="mailto:ashutosh@equirus.com">ashutosh@equirus.com</a>	91-79-61909517	Subham Sinha	<a href="mailto:subham.sinha@equirus.com">subham.sinha@equirus.com</a>	91-22-43320631
Depesh Kashyap	Mid-Caps	<a href="mailto:depesh.kashyap@equirus.com">depesh.kashyap@equirus.com</a>	91-79-61909528	Viral Desai	<a href="mailto:viral.desai@equirus.com">viral.desai@equirus.com</a>	91-22-43320635
Devam Modi	Power & Infrastructure	<a href="mailto:devam@equirus.com">devam@equirus.com</a>	91-79-61909516	Rushabh Shah	<a href="mailto:rushabh.shah@equirus.com">rushabh.shah@equirus.com</a>	91-22-43320632
Dhaval Dama	FMCG, Mid-Caps	<a href="mailto:dhaval.dama@equirus.com">dhaval.dama@equirus.com</a>	91-79-61909518			
Manoj Gori	Consumer Durables	<a href="mailto:manoj.gori@equirus.com">manoj.gori@equirus.com</a>	91-79-61909523	<b>Dealing Room</b>	<b>E-mail</b>	
Maulik Patel	Oil and Gas	<a href="mailto:maulik@equirus.com">maulik@equirus.com</a>	91-79-61909519	Ashish Shah	<a href="mailto:ashishshah@equirus.com">ashishshah@equirus.com</a>	91-22-43320662
Praful Bohra	Pharmaceuticals	<a href="mailto:praful.bohra@equirus.com">praful.bohra@equirus.com</a>	91-79-61909532	Ilesh Savla	<a href="mailto:ilesh.savla@equirus.com">ilesh.savla@equirus.com</a>	91-22-43320666
Rohan Mandora	Banking & Financial Services	<a href="mailto:rohan.mandora@equirus.com">rohan.mandora@equirus.com</a>	91-79-61909529	Manoj Kejriwal	<a href="mailto:manoj.kejriwal@equirus.com">manoj.kejriwal@equirus.com</a>	91-22-43320663
<b>Associates</b>		<b>E-mail</b>		Dharmesh Mehta	<a href="mailto:dharmesh.mehta@equirus.com">dharmesh.mehta@equirus.com</a>	91-22-43320661
Ankit Choudhary		<a href="mailto:ankit.choudhary@equirus.com">ankit.choudhary@equirus.com</a>	91-79-61909533	Sandip Amrutiya	<a href="mailto:sandipamrutiya@equirus.com">sandipamrutiya@equirus.com</a>	91-22-43320660
Bharat Celly		<a href="mailto:bharat.celly@equirus.com">bharat.celly@equirus.com</a>	91-79-61909524	<b>Compliance Officer</b>		
Harshit Patel		<a href="mailto:harshit.patel@equirus.com">harshit.patel@equirus.com</a>	91-79-61909522	Jay Soni	<a href="mailto:jay.soni@equirus.com">jay.soni@equirus.com</a>	91-79-61909561
Meet Chande		<a href="mailto:meet.chande@equirus.com">meet.chande@equirus.com</a>	91-79-61909513	<b>Corporate Communications</b>		
Nishant Bagrecha		<a href="mailto:nishant.bagrecha@equirus.com">nishant.bagrecha@equirus.com</a>	91-79-61909526	Mahdokht Bharda	<a href="mailto:mahdokht.bharda@equirus.com">mahdokht.bharda@equirus.com</a>	91-22-43320647
Parva Soni		<a href="mailto:parva.soni@equirus.com">parva.soni@equirus.com</a>	91-79-61909521			
Pranav Mehta		<a href="mailto:pranav.mehta@equirus.com">pranav.mehta@equirus.com</a>	91-79-61909514			
Ronak Soni		<a href="mailto:Ronak.soni@equirus.com">Ronak.soni@equirus.com</a>	91-79-61909525			
Samkit Shah		<a href="mailto:samkit.shah@equirus.com">samkit.shah@equirus.com</a>	91-79-61909520			
Shreepal Doshi		<a href="mailto:shreepal.doshi@equirus.com">shreepal.doshi@equirus.com</a>	91-79-61909541			
Varun Baxi		<a href="mailto:varun.baxi@equirus.com">varun.baxi@equirus.com</a>	91-79-61909527			
Vikas Jain		<a href="mailto:vikas.jain@equirus.com">vikas.jain@equirus.com</a>	91-79-61909531			
<b>Rating &amp; Coverage Definitions:</b>				<b>Registered Office:</b>		
<b>Absolute Rating</b>				Equirus Securities Private Limited		
• LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap > Rs 5 billion and ATR >= 20% for rest of the companies				Unit No. 1201, 12th Floor, C Wing, Marathon Futurex,		
• ADD: ATR >= 5% but less than Ke over investment horizon				N M Joshi Marg, Lower Parel,		
• REDUCE: ATR >= negative 10% but <5% over investment horizon				Mumbai-400013.		
• SHORT: ATR < negative 10% over investment horizon				Tel. No: +91 - (0)22 - 4332 0600		
<b>Relative Rating</b>				Fax No: +91- (0)22 - 4332 0601		
• OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon						
• BENCHMARK: likely to perform in line with the benchmark						

- UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon

**Investment Horizon**

Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

**Lite vs. Regular Coverage vs. Spot Coverage**

We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.

**Corporate Office:**

3rd floor, House No. 9,

Magnet Corporate Park, Near Zydus Hospital, B/H Intas Sola Bridge,

S.G. Highway Ahmedabad-380054

Gujarat

Tel. No: +91 (0)79 - 6190 9550

Fax No: +91 (0)79 - 6190 9560

**© 2018 Equirus Securities Private Limited. All rights reserved. For Private Circulation only. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Equirus Securities Private Limited**

**Analyst Certification**

We, Pranav Mehta/Dhaval Dama, authors to this report, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

**Disclosures**

Equirus Securities Private Limited (ESPL) having Corporate Identification Number U65993MH2007PTC176044 is registered in India with Securities and Exchange Board of India (SEBI) as a trading member on the Capital Market (Reg. No. INB231301731), Futures & Options Segment (Reg. No. INF231301731) of the National Stock Exchange of India Ltd. (NSE) and on Cash Segment (Reg. No. INB011301737) of Bombay Stock Exchange Limited (BSE). ESPL is also registered with SEBI as Research Analyst under SEBI (Research Analyst) Regulations, 2014 (Reg. No. INH000001154), as a Portfolio Manager under SEBI (Portfolio Managers Regulations, 1993 (Reg. No. INP000005216) and as a Depository Participant of the Central Depository Services (India) Limited (Reg. No. IN-DP-324-2017). There are no disciplinary actions taken by any regulatory authority against ESPL. ESPL is a subsidiary of Equirus Capital Pvt. Ltd. (ECPL) which is registered with SEBI as Category I Merchant Banker and provides investment banking services including but not limited to merchant banking services, private equity, mergers & acquisitions and structured finance.

As ESPL and its associates are engaged in various financial services business, it might have: - (a) received compensation (except in connection with the preparation of this report) from the subject company for investment banking or merchant banking or brokerage services in the past twelve months; (b) managed or co-managed public offering of securities for the subject company in the past twelve months; or (c) have received a mandate from the subject company; or (d) might have other financial, business or other interests in entities including the subject company (ies) mentioned in this Report. ESPL & its associates, their directors and employees may from time to time have positions or options in the company and buy or sell the securities of the company (ies) mentioned herein. ESPL and its associates collectively do not own (in their proprietary position) 1% or more of the equity securities of the subject company mentioned in the report as the last day of the month preceding the publication of the research report. ESPL or its Analyst or Associates did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ESPL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ESPL has not been engaged in market making activity for the subject company.

The Research Analyst engaged in preparation of this Report:-

(a) has not received any compensation from the subject company in the past twelve months; (b) has not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) has not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) has not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the research report; (f) might have served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession of this document are required to inform themselves of, and to observe, such applicable restrictions. Please delete this document if you are not authorized to view the same. By reading this document you represent and warrant that you have full authority and all rights necessary to view and read this document without subjecting ESPL and affiliates to any registration or licensing requirement within such jurisdiction.

This document has been prepared solely for information purpose and does not constitute a solicitation to any person to buy, sell or subscribe any security. ESPL or its affiliates are not soliciting any action based on this report. The information and opinions contained herein is from publicly available data or based on information obtained in good faith from sources believed to be reliable but ESPL provides no guarantee as to its accuracy or completeness. The information contained herein is as on date of this report, and is subject to change or modification and any such changes could impact our interpretation of relevant information contained herein. While we would endeavour to update the information herein on reasonable basis, ESPL and its affiliates, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent ESPL and its group companies from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document including the merits and risks involved. This document is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. ESPL and its group companies, employees, directors and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. ESPL/its affiliates do and seek to do business with companies covered in its research report. Thus, investors should be aware that the firm may have conflict of interest.

A graph of daily closing prices of securities is available at <http://www.nseindia.com/ChartApp/install/charts/mainpage.jsp> and [www.bseindia.com](http://www.bseindia.com) (Choose a company from the list on the browser and select the “three years” period in the price chart).

Disclosure of Interest statement for the subject Company	Yes/No	If Yes, nature of such interest
Research Analyst’ or Relatives’ financial interest	No	
Research Analyst’ or Relatives’ actual/beneficial ownership of 1% or more	No	
Research Analyst’ or Relatives’ material conflict of interest	No	

**Disclaimer for U.S. Persons**

ESPL/its affiliates are not a registered broker-dealer under the U.S. Securities Exchange Act of 1934, as amended (the “1934 act”) and under applicable state laws in the United States. In addition Equirus is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act” and together with the 1934 Act, the “Acts”), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Equirus, including the products and services described herein are not available to or intended for U.S. persons. The information contained in this Report is not intended for any person who is a resident of the United States of America or a resident of any jurisdiction, the laws of which imposes prohibition on soliciting the securities business in that jurisdiction without going through the registration requirements and/ or prohibit the use of any information contained in this report. This Report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. “U.S. Persons” are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed “US Persons” under certain rules.