

# Century Plyboards | CPBI IN

## Structural story intact, wait for dips to BUY

Centuryply is joint number one player with Greenply in plywood and third largest in laminate. Strong at execution: (1) it delivered revenue/PAT growth of more than 20%/25% over the last decade; (2) it was quick to capitalize on face veneer business in FY15 leading to revenue/PAT growth of c.22%/125%; (3) it has established strong brand/distribution channel with largely retail sales. With sufficient capacity to grow without incurring any immediate capex, company has decided to enter MDF business to ensure future growth. We believe FY15-18E revenue/EBITDA growth would be led by laminate which has been delivering more than 20% volume growth since last year. Company is expected to maintain RoEs of c.30% with net-debt/equity of 0.7x by FY18. We expect company to deliver FY15-18E revenue/EBITDA/EPS CAGR of 14%/16%/14% driven by expected slowdown in FY16 in plywood segment, albeit on a higher base of FY15 and higher interest cost on back of new expansion of MDF unit. We value stock at 20x 1yr-forward EPS; TP of ₹200 (Mar'17). Initiate with HOLD. GST implementation and early ramp up of MDF unit would provide additional uptick.

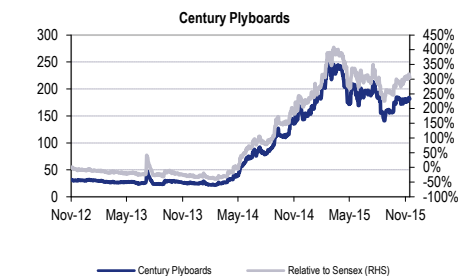
- Intelligent capex plans; Laminates to lead FY15-18E growth:** Company is a joint number one with Greenply in plywood and third largest in laminate. With sufficient capacity in these segments, it decided to enter MDF business and expand face veneer capacity to ensure future growth. Laminate revenue is expected to see 22% CAGR (c.24% volume growth in FY15) vs. company's FY15-18E CAGR of c.14%. Plywood segment is expected to pick-up post FY16, though Sainik's (mid-segment brand) volumes should continue to grow.
- Establishment of Myanmar, Laos units noteworthy; Plywood EBITDA margins at peak:** Company's extremely strong execution in timely establishment of timber processing units at Myanmar and Laos to build a long term security of raw-material and higher profits from sale of surplus raw-material led to c.400bps EBITDA margin expansion for the plywood segment in FY15. Plywood EBITDA grew more than 50% in FY15 - is at a high base with margin peaking. For FY15-18E we expect EBITDA growth to be driven by Laminates segment with higher revenue growth and margin expansion. Laminates is expected to deliver more than 40% EBITDA growth vs. company's EBITDA CAGR of c.16% for FY15-18E. Company is expected to maintain RoEs of c.30% with net-debt/equity of 0.7x by FY18.
- Initiate with HOLD:** Company's P/E has re-rated with FY15 revenue/EBITDA/EPS CAGR at 22/69/125%. Currently stock is trading at FY17/18 P/E of 21.2/19x. We expect FY15-18E revenue/EBITDA/EPS CAGR of 14%/16%/14% driven by slowdown in plywood, albeit on FY15 higher base and higher interest cost on MDF expansion. We value stock at 20x 1-yr forward EPS to arrive at TP of ₹200 (Mar'17). Initiate with a HOLD.

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### Key Data

Market cap (bn)	₹ 42.7 / US\$ 0.6
Shares in issue (mn)	222.2
Diluted share (mn)	222.2
3-mon avg daily val (mn)	₹ 67.6/US\$ 1.0
52-week range	₹ 262.0/137.0
Sensex/Nifty	26,146/7,935
₹/US\$	66.6

### Daily Performance



%	1M	3M	12M
Absolute	9.8	25.3	12.6
Relative*	11.7	25.8	21.5

\* To the BSE Sensex

### Shareholding Pattern (%)

	Sep-15	Sep-14
Promoters	73.3	74.5
FII	10.7	5.9
DII	3.4	2.0
Public / others	12.5	17.7

### Exhibit 1: Financial Summary

Y/E March	FY14A	FY15A	FY16E	FY17E	FY18E
Net sales	12,840	15,648	16,600	19,092	23,078
Sales growth (%)	13.5	21.9	6.1	15.0	20.9
EBITDA	1,482	2,498	2,911	3,318	3,947
EBITDA (%)	11.5	16.0	17.5	17.4	17.1
Adjusted net profit	670	1,508	1,728	2,009	2,250
EPS (₹)	3.0	6.8	7.8	9.0	10.1
EPS growth (%)	27.2	125.2	14.6	16.2	12.0
ROCE (%)	17.1	22.9	22.2	20.5	20.4
ROE (%)	24.8	44.4	38.5	34.6	30.8
PE (x)	63.7	28.3	24.7	21.2	19.0
Price/Book value (x)	14.6	11.0	8.4	6.5	5.3
EV/EBITDA (x)	31.7	18.8	16.4	14.7	12.2

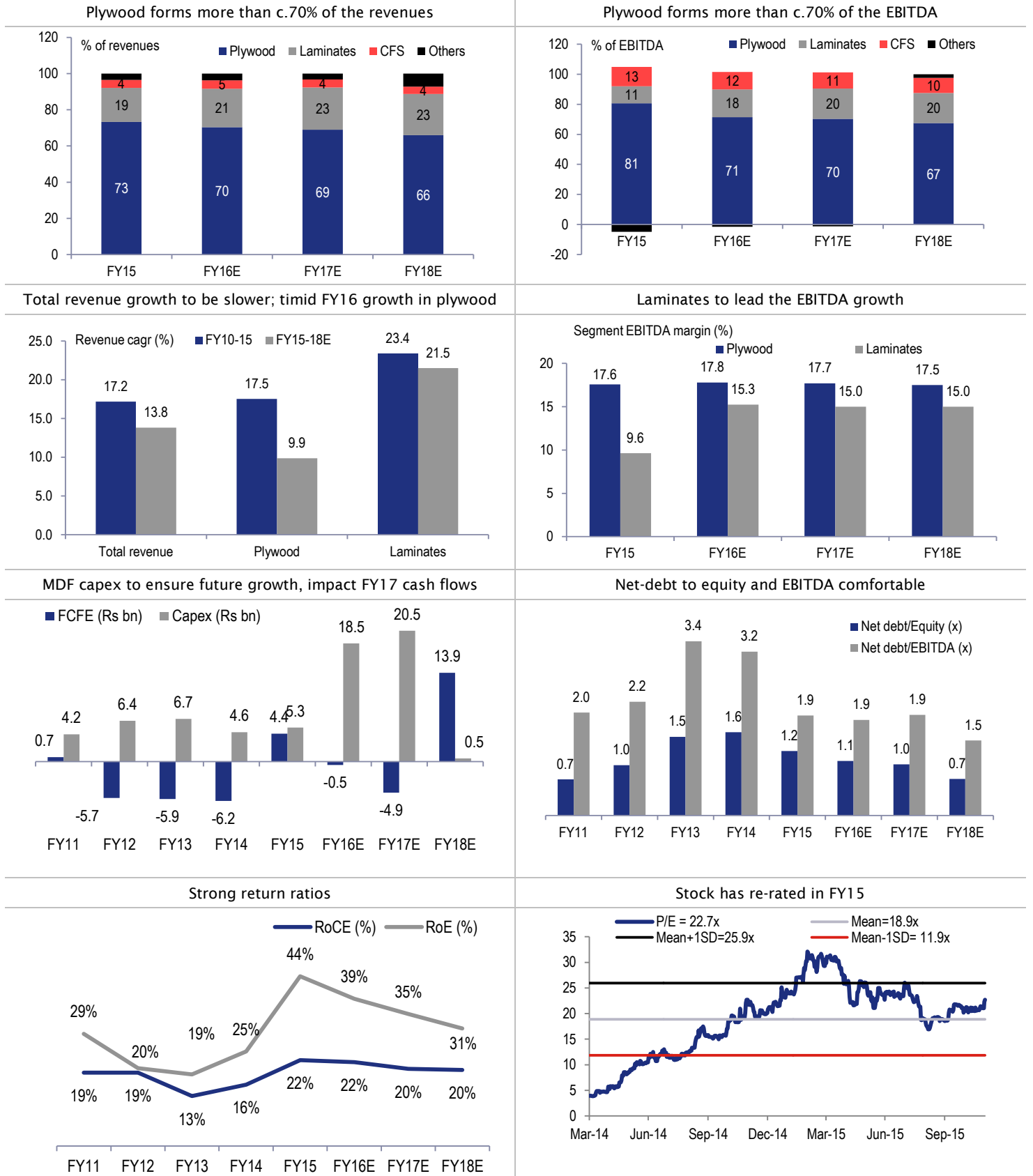
Source: Company data, JM Financial. Note: Valuations as of 30/11/2015.

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ and FactSet

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

# Key Charts

## Exhibit 2. Centuryply - Structural story intact Initiate with HOLD, near term weakness in plywood segment



Source: Company, Bloomberg, JM Financial.

## Investment Debates

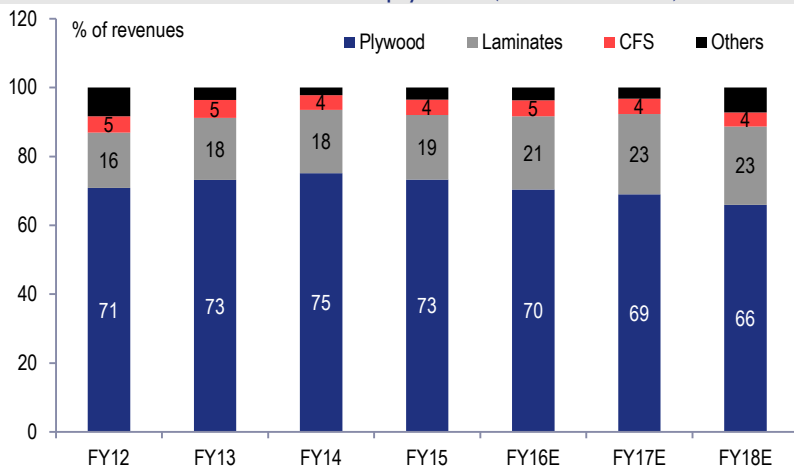
### # Debate 1- Will revenue growth slowdown

Centuryply has expanded plywood capacity by 40% and almost doubled the laminate capacity in FY10-15. Company is a leading player in both the segments, a joint number one with Greenply in plywood (forming c.73% of company's FY15 revenues) and third largest in laminate (forming c.19% of FY15 revenues). With capacity utilization levels at 75-85%, it has sufficient capacity to grow without incurring immediate capex in current segments and decided to enter MDF segment to ensure future growth. We believe FY15-18E revenue growth for the company will be led by laminate segment which has been delivering more than 20% volume growth since last year. Laminates segment revenue is expected to witness 22% CAGR vs. company's CAGR of c.14%. Plywood segment is expected to pick-up post FY16, though Sainik's (the mid-segment affordable outsourced brand) volumes should continue to grow by c.15%. Structurally company is well placed to continue to deliver strong growth with large unorganized market moving to organized, strong distribution network, strong brand and focused capex plans to deliver future growth.

- 73%/19% revenues from plywood/laminate; leader in both:** Centuryply is predominantly a plywood player with 73% of the total revenues coming from plywood, and 19% from laminate in FY15. It is a leading player in the organized market of both plywood and laminate segment. While it is a joint leader with Greenply with c.25% share of the organized plywood market revenues, it is the third largest player in the organized laminate segment with c.10% share. c.4.5% of company's revenues came from container freight station business which is engaged in handling shipments near Kolkata port.
- Current capacity operating at 75-85% utilizations, allowing growth without new capex:** During FY10-15 Centuryply increased plywood capacity by c.40% to 210kcbmand; has doubled laminate capacity (50% in FY13 and 50% in FY15) to 4.8mn sheets. The capacity utilization in FY15 was c.85% in plywood and c.75% in laminate, allowing capacity to grow further without immediate new capex. The strategy in plywood is to grow by outsourcing medium-end plywood and manufacturing higher end products at own plants.

#### Exhibit 3. Centuryply - Revenue break-up

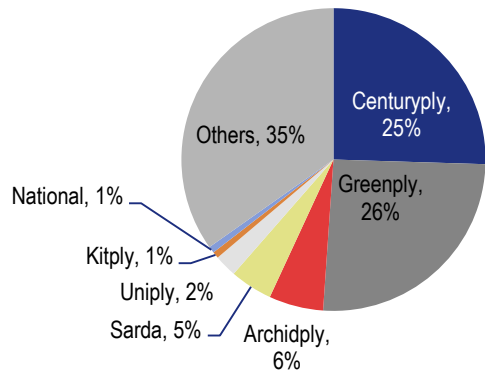
More than 90% of revenues come from plywood (more than 70%) and laminate



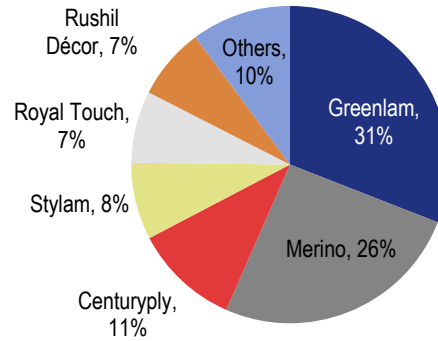
Source: Company, JM Financial.

**Exhibit 4. Centuryply - Revenue market share and capacity**  
 Company is a joint leader in plywood market and third largest in the laminate segment (organized market)

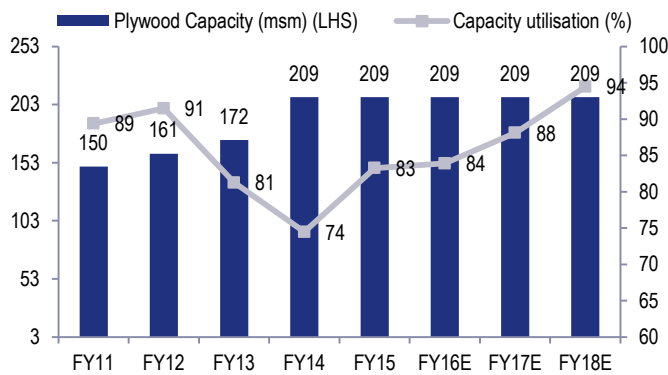
c.25% revenue market share of organized plywood market



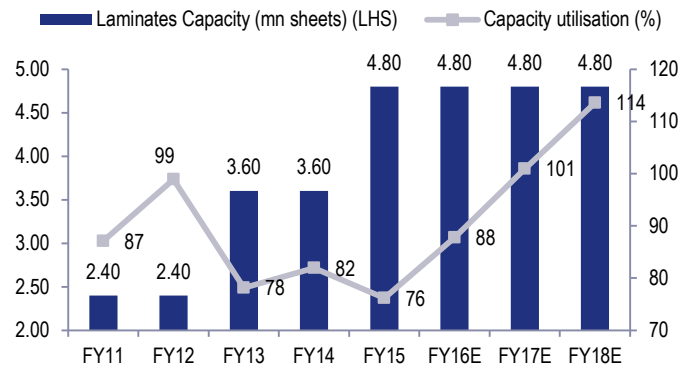
c.10% revenue market share of organized laminate market



209k cbm plywood capacity, operating at c.85% utilization



4.8mn sheets laminate capacity, operating at c.75% utilization

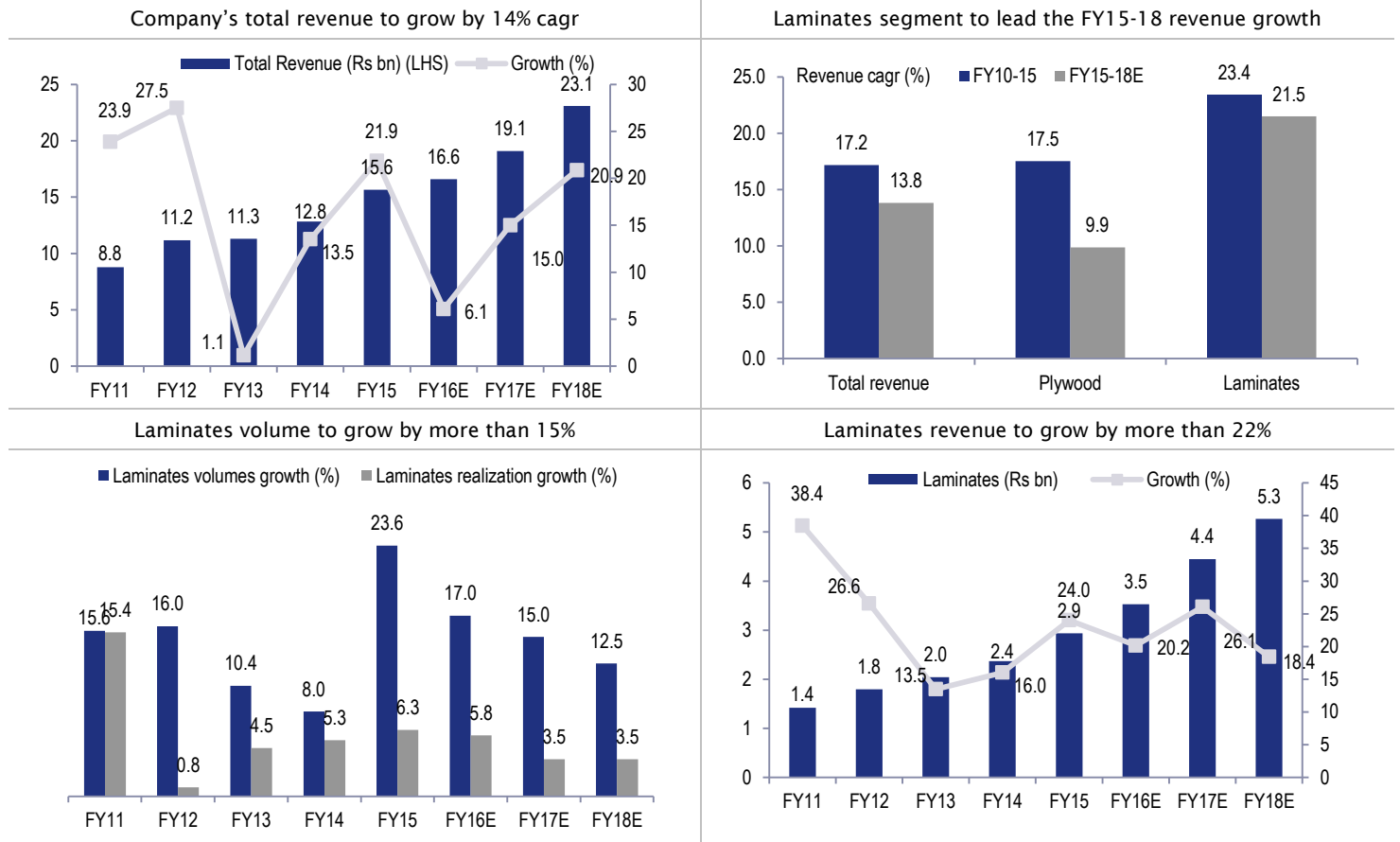


Source: Company, Industry sources, JM Financial.

- Laminates segment to lead FY15-18E growth:** We expect laminate segment revenue to almost double to ₹5.5b in FY18, from ₹2.9bn in FY15. We gain confidence from: (1) the doubling in laminate capacity in last five years (50% in FY13 and 50% in FY15); (2) company's plan to continue to increase SKUs by 100 every year, currently 700 SKUs; (3) volume growth of 23-24% in FY15 and 1QFY16, and (4) new particle board unit becoming operational in FY17. We expect FY15-18E laminate revenue (including particle board revenues) to witness 22% CAGR .

**Exhibit 5. Centuryply - Laminates revenues and volumes**

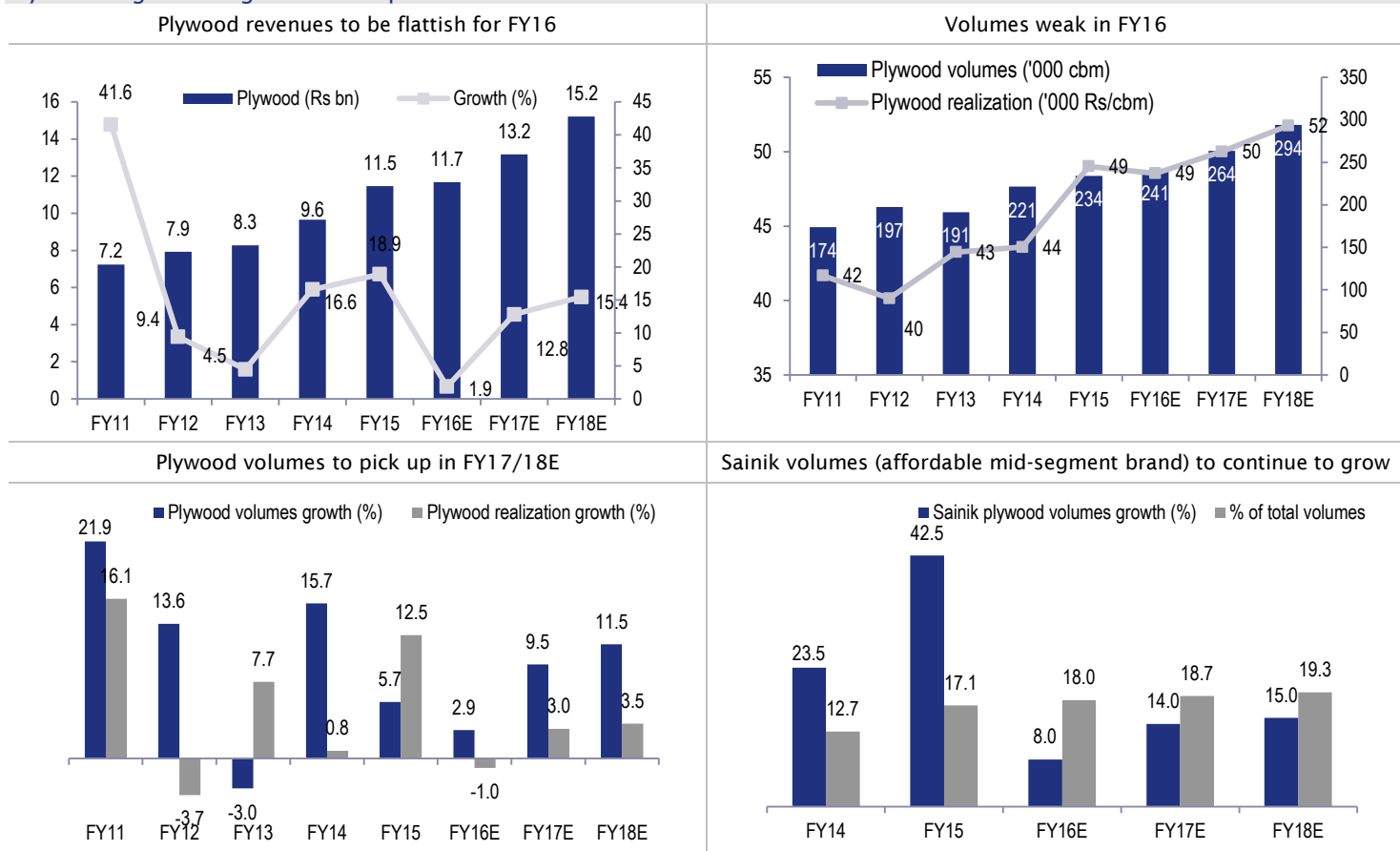
Laminates segment revenues to contribute significantly to company's revenue growth profile



Source: Company, JM Financial.

- FY16 to be weak for plywood; affordable segment to continue to grow:**  
 For plywood we expect FY16 to be muted due to weak demand, and build in recovery in FY17/18E. Within plywood, company's mid-segment affordable Sainik brand (outsourced manufacturing) volumes should continue to grow by c.15%. We expect FY15-18E plywood revenue to see c.10%.

**Exhibit 6. Centuryply - Plywood revenues and volumes**  
 Plywood segment to gain traction post FY16



Source: Company, JM Financial.

- Capex on track to sustain future growth:** Centuryply would be incurring (1) ₹600mn on the particle board unit (revenue to be included in Laminates segment); (2) ₹300mn for the peeling unit in Laos & Myanmar in FY16 which will enable company to sell increased volumes of profitable face veneers; (3) ₹2.6bn capex over FY16/17E to establish a new MDF unit (600cbm/day) and (4) capex of c.₹300mn on new office building in Kolkata (₹200-250mn already done).

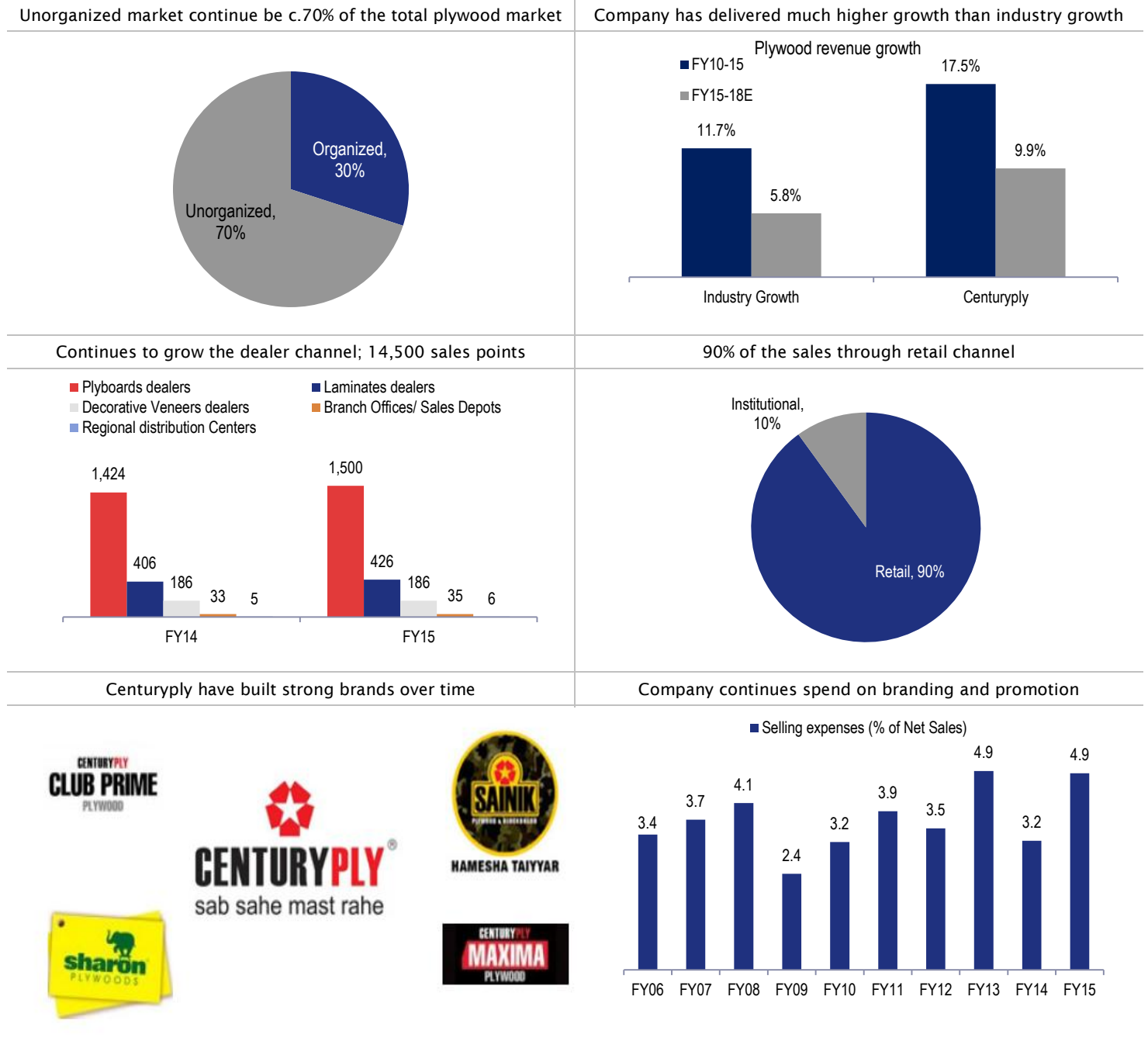
**Structural drivers intact for the company**

**(1) Large unorganized market:** 70% of the plywood market is still unorganized vs. c.10% a decade ago, offering the organized players a huge landscape to grow with favorable Indian demographics and increasing preference for branded products. We note that Centuryply delivered plywood revenue CAGR of c.24% for FY06-15 vs. industry growth of c.10%.

(2) **Strong sales and distribution channel:** Company has strong pan-India distribution network. It has 35 marketing offices/depots, 6 regional distribution centers and over 14,500 channel partners. Centuryply plans to expand distribution network by deeper penetration into smaller towns. Currently c.90% of company's sales is through retail channels.

**Exhibit 7. Centuryply – Structural drivers in place for the company**

Large unorganized market, strong sales and distribution channel, strong brand and largely retail sales



Source: Company, JM Financial.

**(3) Strong brands:** Centuryply has built a strong brand over last 28 years and continues to invest c.3-4% of revenues towards brand building. Strong brands have been built across categories (plywood, laminate, veneers etc.) and across segments (high to mid segment). In the past, company's brand has been endorsed by celebrities like Nawab Pataudi (late cricketer), Sharmila Tagore, Sharukh Khan, Amitabh Bachan and Nana Patekar.

**(4) Largely retail sales:** Company sells c.90% of goods to retailers directly as plywood and laminate are mainly used by the end-users for building furniture, rather than builders.



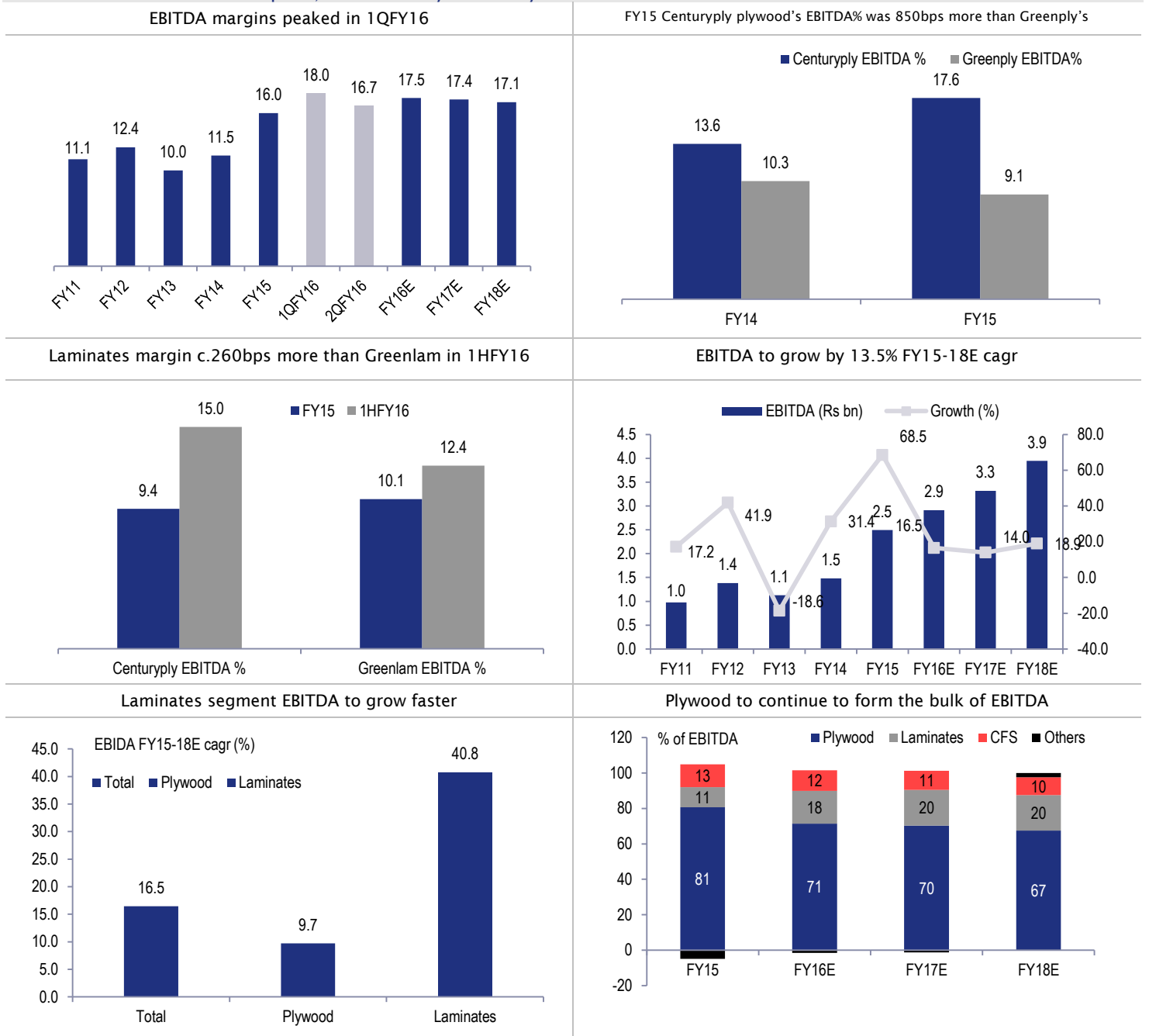
## # Debate 2- Will it sustain industry leading profitability

Company deserves credit for its extremely strong execution on timely establishing timber processing units in Myanmar (in FY15) and continuous expansion of capacity in Myanmar and Laos to build a long term security of raw-material and higher profits from sale of surplus raw-material. Timely execution led to c.400bps EBITDA margin expansion for the plywood segment in FY15. We note EBITDA margin was c.850bps more than that for Greenply. We estimate company to have more than thrice the capacity of raw-material by FY16 end, than required for captive consumption. Plywood EBITDA grew by more than 50% in FY15. EBITDA margin for the segment seems at peak. For FY15-18E we believe EBITDA growth will be driven by Laminates segment with higher revenue growth and margin expansion in sight. Laminates margin expanded by c.550bps in 1HFY16. We expect EBITDA margins to be stable at c.17-17.5%. We note that, though plywood would continue to form c.70% of the company's EBITDA, Laminates is expected to deliver higher EBITDA growth (c.40%). We expect company's EBITDA to witness c.16% FY15-18E CAGR.

- **Myanmar a blessing in disguise:** We note that raw-material is the major cost in plywood industry, forming about 55-60% of revenue. Of the raw-material (1) c.80% is cost of face/core veneer - c.50% is sourced from Myanmar, Africa etc. and c.30% is sourced locally, and (2) balance 20% is adhesives which is easily available. The Myanmar ban led to (1) company's increased focus on raw-material security; (2) reduced logistic costs as processed veneer is exported from Myanmar vs. raw timber logs earlier; (3) enabled higher profitability from sale of surplus face veneer to domestic manufacturers.
- **Company creating a long term raw-material security:** In Apr'14 Myanmar govt. imposed a ban on export of raw timber, which necessitated the Indian manufacturers to establish timber processing units in Myanmar. Centuryply established timber processing unit in Myanmar in 1HFY15 and continues to expand capacity in Myanmar and through new units in Laos and Indonesia, unlike Greenply (capacity sufficient for captive consumption). Company's capacity was 32,000cbm in Myanmar in FY15 and is expected to be 1,04,000cbm capacity by end of FY16 (40,000 at Myanmar and 64,000cbm at Laos). With this company would be having more than thrice the capacity of face veneer required for captive consumption.
- **Not much difference in plywood EBITDA margins with Greenply till FY14; c.850bps more than Green in FY15:** We note that in FY14 Centuryply's plywood segment EBITDA margin was c.200bps more than that for Greenply. FY15 was an inflexion point wherein Centuryply's margin was c.850bps more than Greenply led mainly by efficient sourcing of face veneer (as discussed above) which helped the company's top-line and bottom-line: (1) sale of surplus scarce face veneer to domestic manufacturers at a highly profitable price; (2) lesser raw-material cost. Also, there was forex gain vs. loss in FY14.
- **Expect margins to soften:** Company exited FY15 with EBITDA margins at 19.4% (4QFY15). 1HFY16 margin was 17.3%. We expect margins to soften in FY16 on back of dip in realizations of face veneer due to weakness in plywood demand and with few local manufacturers establishing timber processing plant in Myanmar.

- **Laminates margin to trend upwards with better utilization levels:** With strong volume growth in the Laminate business, we believe margins could expand further with higher capacity utilization. We note that the margins expanded by c.550bps in 1HFY16 on lower raw-material cost which forms c.55-60% of revenues. We have included particle board EBITDA in the Laminates segment for the purpose of our calculation.
- **Laminates EBITDA expected to deliver higher growth:** We note that though plywood would continue to form c.70% of the company's EBITDA, Laminates segment is expected to deliver more than 40% EBITDA growth on back of higher revenue growth and EBITDA margin expansion. We expect company's FY15-18E EBITDA to witness c.16% CAGR.

**Exhibit 8. Centuryply – EBITDA**  
 EBITDA for the businesses at peak; sustainability is the key



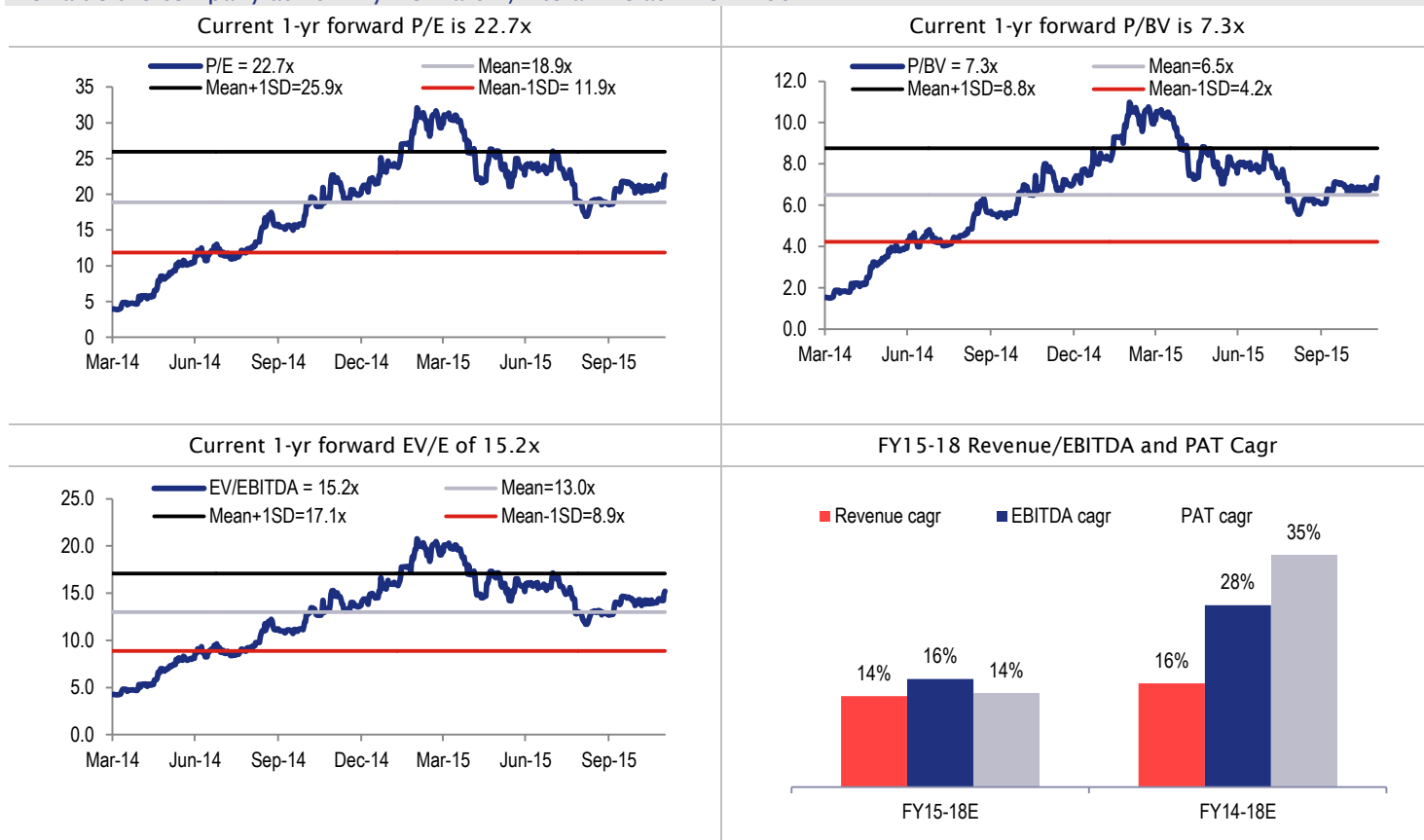
Source: Company, JM Financial.

### # Debate 3- Is valuation peaking

- We note that company's P/E has re-rated in past two years with FY13-15 revenue/EBITDA/EPS CAGR at 18%/49%/69% driven by (a) higher volumes from expanded capacity; (b) price hikes taken by the company; (c) lower price of raw-materials (procured from Mynamar). Currently the stock is trading at FY17/18 P/E of 21.2x/19x.
- We expect company to deliver revenue/EBITDA/EPS CAGR of 14%/16%/14%. The slower growth is mainly driven by the expected slowdown in FY16 in plywood segment and higher interest cost on back of new expansion of MDF unit. We value stock at 20x 1-yr forward to arrive at TP of ₹200 (Mar'17). Initiate with HOLD.

#### Exhibit 9. Centuryply - Valuation Charts

We value the company at 20x 1-yr forward P/E to arrive at TP of ₹200



Source: Company, Bloomberg, JM Financial.

#### Exhibit 10. Centuryply - Valuation Ratios

Trading FY17/18 P/E of 21.2/19x

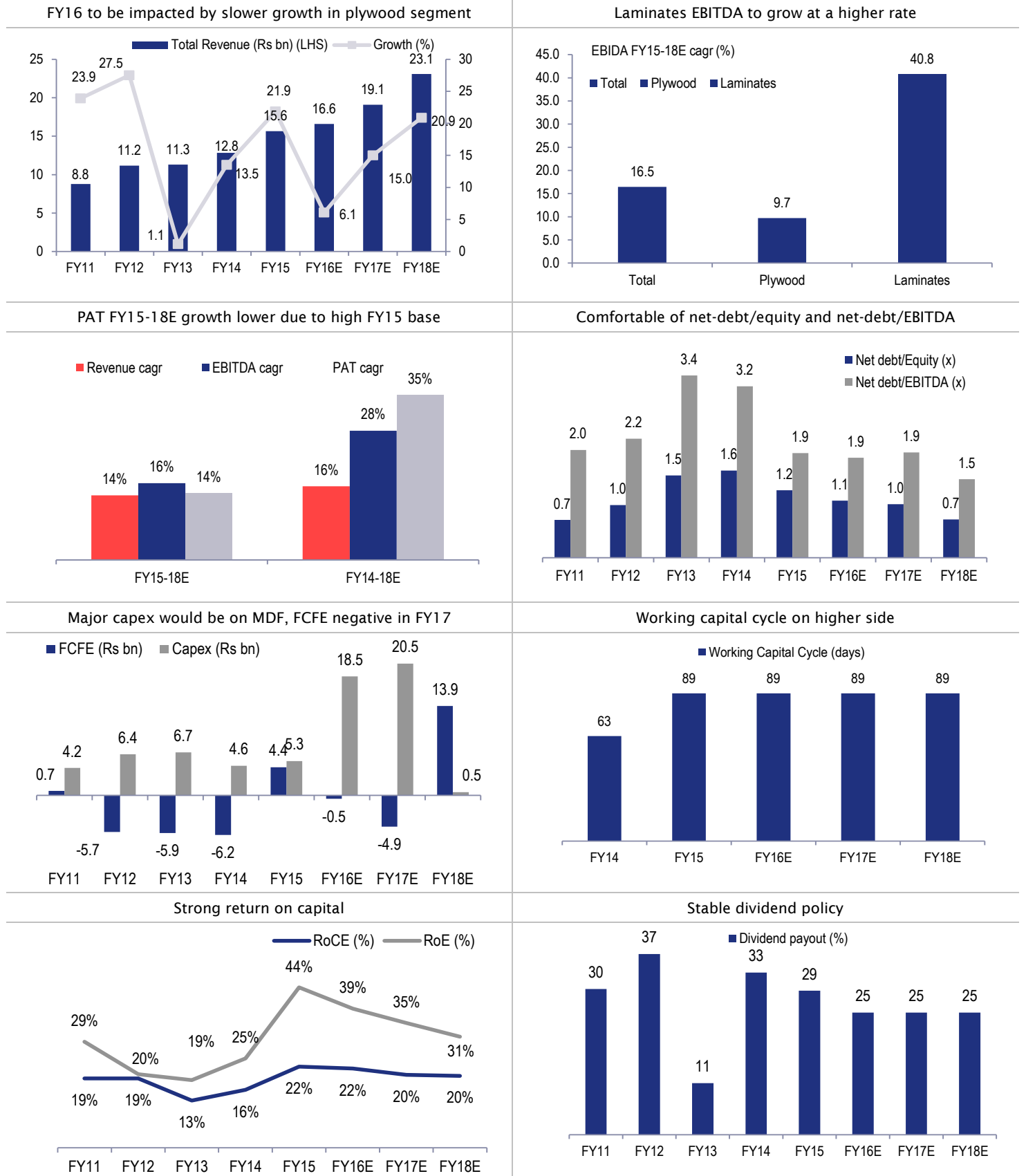
Valuation Ratios	FY14	FY15	FY16E	FY17E	FY18E
PER (x)	63.7	28.3	24.7	21.2	19.0
EV/EBITDA (x)	32.0	19.0	16.5	14.8	12.3
Price to book value (x)	14.6	11.0	8.4	6.5	5.3

Source: Company, Bloomberg, JM Financial.

# Financials in exhibits

## Exhibit 11. Centuryply - Financials

Healthy financials, face veneer the key to higher return ratios



Source: Company, JM Financial.

**Exhibit 12. Centuryply - Key Assumptions**

	FY14	FY15	FY16E	FY17E	FY18E
<b>Plywood</b>					
Capacity (cbm)	209,456	209,456	209,456	209,456	209,456
Capacity Utilisation (%)	74.5	83.3	83.9	88.1	94.5
Sales (cbm)	176,211	196,816	199,054	213,896	234,631
Growth (%)	13.9	11.7	1.1	7.5	9.7
<b>Laminated Sheets</b>					
Capacity (mn sheets)	3.6	4.8	4.8	4.8	4.8
Capacity Utilisation (%)	81.9	76.2	87.8	100.9	113.5
Sales (mn sheets)	2.9	3.6	4.2	4.8	5.5
Growth (%)	8.0	23.6	17.0	15.0	12.5

Source: Company, JM Financial.

*Capacity addition's done in plywood and laminate; current utilization levels give enough space to grow*

**Exhibit 13. Centuryply - Segmental financials**

₹ mn	FY14	FY15	FY16E	FY17E	FY18E
<b>Net Sales</b>					
Plywood	9,648	11,471	11,685	13,181	15,214
Laminates	2,367	2,935	3,527	4,446	5,266
CFS	543	703	773	850	935
Others	282	539	615	615	1,663
<b>Total</b>	<b>12,840</b>	<b>15,648</b>	<b>16,600</b>	<b>19,092</b>	<b>23,078</b>
<b>Net Sales growth (%)</b>					
Plywood		19	2	13	15
Laminates		24	20	26	18
CFS		29	10	10	10
<b>Total</b>		<b>22</b>	<b>6</b>	<b>15</b>	<b>21</b>
<b>EBITDA</b>					
Plywood	1,309	2,017	2,080	2,333	2,663
Laminates	220	283	538	667	790
CFS	232	319	336	361	398
Others	-279	-121	-43	-43	97
<b>Total</b>	<b>1,482</b>	<b>2,498</b>	<b>2,911</b>	<b>3,318</b>	<b>3,947</b>
<b>EBITDA %</b>					
Plywood	13.6	17.6	17.8	17.7	17.5
Laminates	9.3	9.6	15.3	15.0	15.0
CFS	42.7	45.4	43.5	42.5	42.5
<b>Total</b>	<b>11.5</b>	<b>16.0</b>	<b>17.5</b>	<b>17.4</b>	<b>17.1</b>
<b>EBITDA growth (%)</b>					
Plywood		54	3	12	14
Laminates		29	90	24	18
CFS		38	5	7	10
<b>Total</b>		<b>69</b>	<b>17</b>	<b>14</b>	<b>19</b>

Source: Company, JM Financial.

*Growth to be led by Laminates*

**Exhibit 14. Centuryply - Income Statement**

Income Statement	FY14	FY15	FY16E	FY17E	FY18E
<b>₹mn</b>					
Net Sales	12,840	15,648	16,600	19,092	23,078
Other operating income	0	0	0	0	0
<b>Total revenues</b>	<b>12,840</b>	<b>15,648</b>	<b>16,600</b>	<b>19,092</b>	<b>23,078</b>
Total operating costs	11,358	13,150	13,689	15,774	19,132
<b>EBITDA</b>	<b>1,482</b>	<b>2,498</b>	<b>2,911</b>	<b>3,318</b>	<b>3,947</b>
Depreciation	332	448	426	491	688
Other income	95	181	25	29	35
<b>EBIT</b>	<b>1,245</b>	<b>2,231</b>	<b>2,510</b>	<b>2,856</b>	<b>3,293</b>
Interest	551	433	476	479	582
PBT	693	1,798	2,033	2,377	2,711
Tax	24	290	305	368	461
<b>Adjusted PAT</b>	<b>670</b>	<b>1,508</b>	<b>1,728</b>	<b>2,009</b>	<b>2,250</b>
E/O items	0	0	0	0	0
Reported PAT	670	1,508	1,728	2,009	2,250
<b>Adjusted EPS</b>	<b>3.0</b>	<b>6.8</b>	<b>7.8</b>	<b>9.0</b>	<b>10.1</b>
Cash EPS (₹)	4.5	8.8	9.7	11.3	13.2
Shares outstanding (mn)	222	222	222	222	222
<b>Growth rates (%)</b>					
Revenue	13.5	21.9	6.1	15.0	20.9
EBITDA	31.4	68.5	16.5	14.0	18.9
Adjusted EPS	27.2	125.2	14.6	16.2	12.0
2-year forward Revenue CAGR (%)	13.7	10.5	17.9		
2-year forward EBITDA CAGR (%)	40.1	15.2	16.4		
2-year forward EPS CAGR (%)	60.6	15.4	14.1		
<b>Margins (%)</b>					
EBITDA	11.5	16.0	17.5	17.4	17.1
EBIT	9.7	14.3	15.1	15.0	14.3
PAT	5.2	9.6	10.4	10.5	9.7
Effective tax rate (%)	3.4	16.1	15.0	15.5	17.0

Source: Company, JM Financial.

*FY15-18E Revenue/EBITDA/EPS CAGR of 14%/16%/14%*

**Exhibit 15. Centuryply – Balance Sheet**

Balance Sheet	FY14	FY15	FY16E	FY17E	FY18E
<b>₹mn</b>					
Share capital	223	223	223	223	223
Reserves & Surplus	2,692	3,653	4,876	6,297	7,889
<b>Shareholders' funds</b>	<b>2,914</b>	<b>3,876</b>	<b>5,098</b>	<b>6,520</b>	<b>8,111</b>
Secured loans	1,633	1,275	1,275	1,275	1,275
Unsecured loans	3,279	3,744	4,294	5,594	4,794
<b>Total debt</b>	<b>4,912</b>	<b>5,019</b>	<b>5,569</b>	<b>6,869</b>	<b>6,069</b>
Deferred Tax Liab	-5	-70	-60	-60	-60
<b>Total sources of funds</b>	<b>7,821</b>	<b>8,824</b>	<b>10,607</b>	<b>13,328</b>	<b>14,120</b>
<b>Fixed assets</b>	<b>2,307</b>	<b>2,316</b>	<b>3,740</b>	<b>5,299</b>	<b>4,661</b>
Gross block	3,744	4,159	5,109	5,559	8,209
Less: Acc. Depreciation	1,624	2,070	2,496	2,986	3,675
<b>Net block</b>	<b>2,120</b>	<b>2,089</b>	<b>2,613</b>	<b>2,572</b>	<b>4,534</b>
CWIP	188	227	1,127	2,727	127
<b>Investments</b>	<b>379</b>	<b>451</b>	<b>451</b>	<b>451</b>	<b>451</b>
Liquid Investments	22	5	5	5	5
<b>Current assets</b>	<b>6,480</b>	<b>7,662</b>	<b>8,119</b>	<b>9,536</b>	<b>11,375</b>
Stocks + WIP	2,927	3,200	3,395	3,905	4,720
Sundry debtors	2,046	2,719	2,885	3,318	4,010
Cash/bank	180	170	171	396	326
Loans and advances	1,115	1,459	1,548	1,780	2,152
Other current assets	212	113	120	138	167
<b>Current liabilities</b>	<b>1,345</b>	<b>1,605</b>	<b>1,703</b>	<b>1,958</b>	<b>2,367</b>
Creditors	745	652	692	796	962
Other liabilities	282	527	559	643	777
Provisions	318	426	452	519	628
<b>Total Application of funds</b>	<b>7,821</b>	<b>8,824</b>	<b>10,607</b>	<b>13,328</b>	<b>14,120</b>
<b>Gearing and profitability ratios (%)</b>					
Net-debt (₹mn)	4,710	4,843	5,392	6,468	5,737
Net-debt/Equity	1.6	1.2	1.1	1.0	0.7
Net-debt/EBITDA	3.2	1.9	1.9	1.9	1.5
Interest coverage ratio	2.9	6.2	6.2	7.0	6.8
RoAE	24.8	44.4	38.5	34.6	30.8
RoACE	16.0	22.5	22.0	20.2	19.9
Fixed Asset T/O (Sales/Avg. GB)	3.7	4.0	3.6	3.6	3.4
WC Cycle (days)	120	123	123	123	123
Dividend Yield (%)	0.5	1.0	1.0	1.2	1.3
FCF Yield (%)	-1.4	1.0	-0.1	-1.1	3.3

Source: Company, JM Financial.

*Debt to peak out in FY17, with net-debt/equity at 1x***Exhibit 16. Centuryply – Cash flow**

Cashflow	FY14	FY15	FY16E	FY17E	FY18E
<b>₹mn</b>					
Profits before tax	693	1,798	2,033	2,377	2,711
Depr/amort/non-cash items	278	409	401	462	654
Interest income	551	433	476	479	582
Chg in working capital	-1,104	-918	-358	-937	-1,500
Taxes paid	-112	-344	-305	-368	-461
<b>CF from operations</b>	<b>306</b>	<b>1,378</b>	<b>2,248</b>	<b>2,012</b>	<b>1,986</b>
Fixed asset capex (Purchase)/Sale of assets/investments	-460	-533	-1,850	-2,050	-50
Interest/dividend received	2	0	0	0	0
<b>CF from investments</b>	<b>-533</b>	<b>-624</b>	<b>-1,825</b>	<b>-2,021</b>	<b>-15</b>
Equity raised	0	0	0	0	0
Debt raised / (repaid)	224	121	550	1,300	-800
Interest paid	-558	-425	-476	-479	-582
Dividends paid	-57	-460	-505	-588	-658
Others	0	0	0	0	0
<b>CF from financing</b>	<b>-391</b>	<b>-764</b>	<b>-432</b>	<b>234</b>	<b>-2,040</b>
<b>Change in cash for year</b>	<b>-617</b>	<b>-10</b>	<b>-9</b>	<b>224</b>	<b>-69</b>
Beginning cash	797	180	170	161	386
<b>Closing cash</b>	<b>180</b>	<b>170</b>	<b>161</b>	<b>386</b>	<b>316</b>
<b>FCFE</b>	<b>-786</b>	<b>329</b>	<b>-54</b>	<b>-488</b>	<b>1,389</b>

Source: Company, JM Financial.

*FY17 FCFE negative on back of capex on MDF*

## Quarterly Financials

### Exhibit 17. Centuryply – Quarterly financials

2QFY16 revenue was grew 8.5% for the company; EBITDA margins declined 130bps QoQ

₹ mn	2QFY16	2QFY15	%YoY	1QFY16	%QoQ	FY15	FY14	%YoY
<b>Net Sales(excluding excise)</b>	<b>4,391</b>	<b>4,048</b>	<b>8.5</b>	<b>3,680</b>	<b>19.3</b>	<b>15,525</b>	<b>12,760</b>	<b>21.7</b>
Other Operating Income	31	22		29		123	79	
<b>Total Revenues</b>	<b>4,422</b>	<b>4,070</b>	<b>8.6</b>	<b>3,709</b>	<b>19.2</b>	<b>15,648</b>	<b>12,840</b>	<b>21.9</b>
Expenditure	3,684	3,432	7.3	3,042	21.1	13,006	11,415	13.9
<b>EBITDA</b>	<b>738</b>	<b>638</b>	<b>15.7</b>	<b>668</b>	<b>10.6</b>	<b>2,643</b>	<b>1,425</b>	<b>85.4</b>
<b>% margin</b>	<b>16.7</b>	<b>15.7</b>	<b>102 bps</b>	<b>18.0</b>	<b>-130 bps</b>	<b>16.9</b>	<b>11.1</b>	<b>579 bps</b>
Other income	5	15	-66.9	3	47.3	37	151	-75.9
Interest	135	124	8.3	123	9.8	433	551	-21.5
Depreciation	107	109	-1.6	101	6.6	448	332	34.8
<b>PBT</b>	<b>501</b>	<b>420</b>	<b>19.4</b>	<b>448</b>	<b>12.0</b>	<b>1,798</b>	<b>693</b>	<b>159.4</b>
Tax	39	62	-37.7	51	-23.7	290	24	1,125.2
<b>% tax rate</b>	<b>7.7</b>	<b>14.8</b>		<b>11.3</b>		<b>16.1</b>	<b>3.4</b>	
<b>PAT (Adjusted)</b>	<b>463</b>	<b>358</b>	<b>29.3</b>	<b>397</b>	<b>16.5</b>	<b>1,508</b>	<b>669</b>	<b>125.3</b>
Extraordinary items	0	0		0		0	0	
<b>PAT (Reported)</b>	<b>463</b>	<b>358</b>	<b>29.3</b>	<b>397</b>	<b>16.5</b>	<b>1,508</b>	<b>669</b>	<b>125.3</b>
EPS (₹)	2.1	1.6	29.3	1.8	16.5	6.8	3.0	125.3
<b>Key Operational matrix</b>								
<b>Sales Volume</b>								
Plywood (cbm)	54,465	52,553	3.6	43,015	26.6	196,816	176,211	11.7
Laminated Sheets (mn sheets)	1.1	0.9	14.9	0.9	19.3	3.6	2.9	23.6
<b>Average net realisation (₹/cbm)</b>								
Plywood (₹/cbm)	49,912	48,211	3.5	50,690	-1.5	50,525	46,403	8.9
Laminated Sheets (₹/sheet)	723	689	5.0	702	3.0	679	639	6.3

Source: Company, JM Financial.

### Exhibit 18. Centuryply – Quarterly segmental break-up

Plywood revenue/EBITDA grew by 6.9%/25.5% YoY; Laminates revenue/EBITDA grew by over 10%/15% YoY in 2QFY16

₹ mn	2QFY16	2QFY15	%YoY	1QFY16	%QoQ	FY15	FY14	%YoY
<b>Segment Revenue</b>								
Plywood and Allied	3,206	2,997	6.9	2,581	24.2	11,523	9,662	19.3
Laminate and Allied	905	804	12.5	791	14.4	2,996	2,425	23.5
Logistic	206	196	4.9	180	14.5	714	551	29.6
Others	115	73	58.3	165	-30.4	416	202	105.8
<b>Total</b>	<b>4,431</b>	<b>4,070</b>	<b>8.9</b>	<b>3,716</b>	<b>19.2</b>	<b>15,648</b>	<b>12,840</b>	<b>21.9</b>
<b>Segment EBITDA</b>								
Plywood and Allied	566	451	25.5	487	16.1	2,017	1,309	54.0
Laminate and Allied	131	111	18.2	127	3.0	283	220	28.7
Logistic	82	91	-9.2	79	4.7	319	232	37.6
<b>Total</b>	<b>774</b>	<b>646</b>	<b>19.9</b>	<b>668</b>	<b>16.0</b>	<b>2,597</b>	<b>1,739</b>	<b>49.3</b>
<b>Segment EBITDA %</b>								
Plywood and Allied	17.6	15.0	260 bps	18.9	-124 bps	17.5	13.5	395 bps
Laminate and Allied	14.4	13.8	69 bps	16.1	-160 bps	9.4	9.1	38 bps
Logistic	39.9	46.1	-618 bps	43.7	-375 bps	44.8	42.2	260 bps
<b>Total</b>	<b>17.5</b>	<b>15.9</b>	<b>161 bps</b>	<b>18.0</b>	<b>-49 bps</b>	<b>16.6</b>	<b>13.5</b>	<b>305 bps</b>

Source: Company, JM Financial.

## Company Details

### Exhibit 19. Centuryply - Board of Directors

Name	Designation	Qualification	Experience (years)	Age (years)
Sajjan Bhajanka	CMD (Promoter - Executive)	B.Com	35	62
Hari Prasad Agarwal	Vice Chairman & ED	B.Com	42	67
Sanjay Agarwal	MD	B.Com	28	54
Prem Kumar Bhajanka	MD			
Vishnu Khemani	MD	B.Sc	37	63
Ajay Baldawa	ED			62
Mangi Lal Jain	Independent Director			67
Santanu Ray	Independent Director			54
Samarendra Mitra	Independent Director			
Asit Pal	Independent Director			63
Mamta Binani	Independent Director			62

Source: Company, JM Financial

### Exhibit 20. Centuryply - Key Personnel

Name	Designation	Qualification	Experience (years)	Age (years)
Arun Julasaria	CFO	FCA, FCS	25	
Ajay Baldawa	ED, Technical	M Tech (IIT)	30	
Ashutosh Jaiswal	President, CFS	B Sc.	30	
SugataHaldar	HR	PGDM HR	22	
Amit Gope	GM - Branding	MBA (XIMB)	21	
Anoop Hoon	President, Marketing & OD	B.A (Eco);PGDM (XLRI Jamshedpur)	34	59
Navarun Sen	Executive LOB Head-Panel	PGDM	23	47
Shankho Chowdhury	Executive LOB Head-Decoratives	B.A. Honours	25	53

Source: Company, JM Financial

### Exhibit 21. Centuryply - Shareholding Pattern

FII holding increased substantially in last 2-3 years

	Mar-13	Mar-14	Mar-15	Sep-15
Promoters	72.9	72.9	73.3	73.3
FII	1.2	1.2	8.5	10.7
DII	0.0	0.0	3.3	3.4
Others	25.9	25.9	14.8	12.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Holding of more than 1%</b>				
GMO Emerging Domestic			1.77	
Patton International Ltd		1.34	1.34	
Brij Bhushan Agarwal	2.85	1.17		
Subham Agarwal	1.27	1.27		
Eskay Business Pvt Ltd	1.32			
Ponni Trexim Pvt Ltd	1.23			
India Capital Markets Pvt Ltd	1.07	1.88		
Sheetij Agarwal	1.25			
Mittu Agarwal				
East India Securities Ltd		1.43		
Canara/HSBC/OBC/LIC			1.39	1.24
Govt. Pension Fund Global			2.48	2.48

Source: Company, JM Financial.

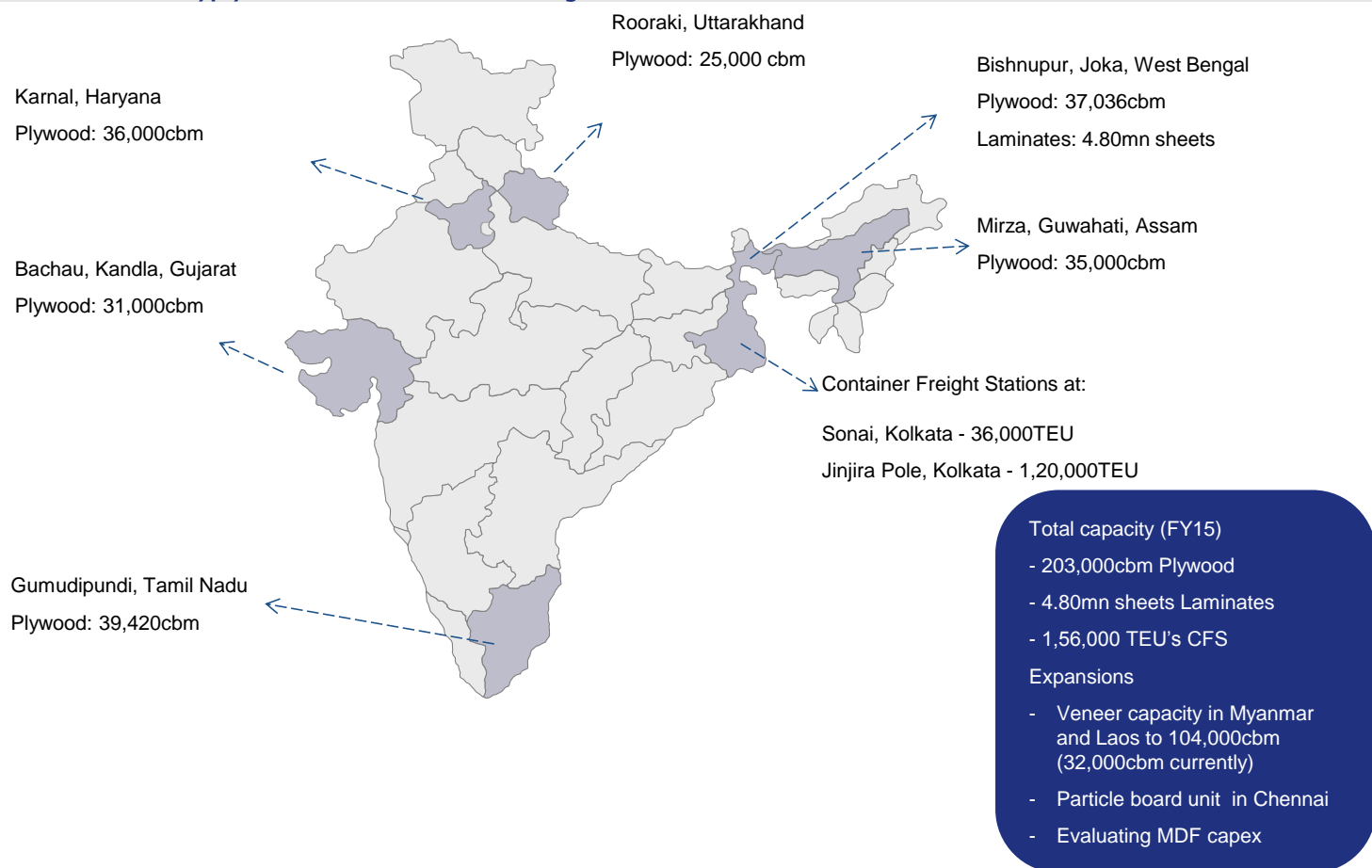


**Exhibit 22. Centuryply - Milestones**

Year	Events
1987	Company was promoted by Mr. Sajjan Bhajanka and Mr. Sanjay Agarwal.
1997	Maiden IPO of CPIL.
1998	CPIL introduced 100% termite and borer proof plywood with 7 years comprehensive warranty.
2000	CPIL entered into Ferro business in a JV with Shyam Ferro.
2001	CPIL entered into cement business through a 70% subsidiary Cement Manufacturing Company Ltd. (CMCL).
2004	Started commercial production of cement.
2004	Entered Laminates business.
2004	Rights issue and bonus issue.
2007	Acquired Star Cement Meghalaya Ltd through CMCL.
2008	Splits face value from ₹10/- to ₹1/-.
2009	CFS business becomes operational
2010	Acquires 51% stake in Aegis business
2010	Sainik was introduced as a economy segment plywood brand.
2011	Entered CFS business.
2013	Ferro and Cement business was demerged to increase focus on the businesses seperately.
2013	Entered into readymade furniture business
2014	Laminates capacity was increased by 1.2mn sheets to 3.6mn sheets.
2014	Plywood capacity was increased by c.40% to 210k cbm during FY10-14.
2014	Demerged Aegis business
2015	Laminates capacity was increased by 1.2mn sheets to 4.8mn sheets.

Source: Company, JM Financial.

**Exhibit 23. Centuryply - Location of manufacturing units**



Source: Company, JM Financial

## Company background

- Centuryply derives c.75-80% of revenues and EBITDA from plywood, remaining is contributed by laminate (c.20% of revenues, c.10% EBITDA) and container freight station business (CFS).
- Company is the joint leader, along with Greenply, in the plywood industry with c.25% market share of the organized plywood industry (c.30% is organized). Company has six plywood manufacturing capacities with a total capacity of c.210k cbm spread across India and a unit in Myanmar to source face veneer (required to manufacture plywood).
- It has laminate capacity of 4.8mn sheets and is the third largest player (after Greenply and Merino) in the laminate market.
- CFS is at two locations near Kolkata Port. It is spread across an area of 1,00,000 square meters with capacity to handle 156,000 TEUs (c.50% of the CFS capacity at Kolkata airport). Company has also entered into business of trading furniture and modular kitchen.

## Key investment arguments

- **Intelligent capex plans; Laminates to lead FY15-18E growth:** With sufficient capacity to grow without incurring immediate capex in current segments, company has decided to enter MDF business and expand face veneer business to ensure future growth. Laminates revenue is expected to witness 22% CAGR (delivered more than 20% volume growth since last year) vs. company's CAGR of c.14% for FY15-18E.
- **Establishment of Myanmar, Laos units noteworthy; Plywood EBITDA margins at peak:** Company's strong execution in timely establishment of timber processing units at Myanmar and Laos has led to c.400bps EBITDA margin expansion for the plywood segment in FY15 (c.850bps more than Greenply's). Plywood EBITDA grew by more than 50% in FY15 - is at a high base with margin peaking. Laminates is expected to deliver more than 40% EBITDA growth vs. company's FY15-18E EBITDA CAGR of c.16%.

## Key Risks

- Lower sales and profitability from face veneer business.
- Faster pick up in MDF market, higher replacement of plywood.
- Any change in regulations of the country from which face veneer is procured.
- Foreign exchange fluctuation risk as company imports raw-material.
- Continued slowdown in real estate construction activities.

## Valuation and View

- Currently stock is trading at FY17/18 P/E of 21.2x/19x. We value stock at 20x 1-yr forward EPS to arrive at TP of ₹200 (Mar'17). HOLD.

### Exhibit 24. Centuryply - Key assumptions

Particulars	FY14	FY15	FY16E	FY17E	FY18E
<b>Sales Volume</b>					
Plywood (cbm)	176,211	196,816	199,054	213,896	234,631
YoY Growth (%)	13.9	11.7	1.1	7.5	9.7
Laminated Sheets (mn sheets)	2.9	3.6	4.2	4.8	5.5
YoY Growth (%)	8.0	23.6	17.0	15.0	12.5
<b>Average net realisation (₹/cbm)</b>					
Plywood (₹/cbm)	46,403	50,501	50,355	52,151	54,248
YoY Growth (%)	1.1	8.8	-0.3	3.6	4.0
Laminated Sheets (₹/ sheet)	639	679	718	744	770
YoY Growth (%)	5.3	6.3	5.8	3.5	3.5
<b>EBITDA %</b>					
Plywood	13.6	17.6	17.8	17.7	17.5
Laminated Sheets	9.3	9.6	15.3	15.0	15.0

Source: Company, JM Financial.

## Financial Tables (Standalone)

Profit & Loss						(₹mn)
Y/E March	FY14A	FY15A	FY16E	FY17E	FY18E	
<b>Net sales (Net of excise)</b>	<b>12,840</b>	<b>15,648</b>	<b>16,600</b>	<b>19,092</b>	<b>23,078</b>	
Growth (%)	13.5	21.9	6.1	15.0	20.9	
Other operational income	0	0	0	0	0	
Raw material (or COGS)	8,143	9,129	9,424	10,868	13,202	
Personnel cost	1,514	1,933	2,051	2,359	2,851	
Other expenses (or SG&A)	1,701	2,088	2,215	2,547	3,079	
<b>EBITDA</b>	<b>1,482</b>	<b>2,498</b>	<b>2,911</b>	<b>3,318</b>	<b>3,947</b>	
EBITDA (%)	11.5	16.0	17.5	17.4	17.1	
Growth (%)	31.4	68.5	16.5	14.0	18.9	
Other non-op. income	95	181	25	29	35	
Depreciation and amort.	332	448	426	491	688	
EBIT	1,245	2,231	2,510	2,856	3,293	
Add: Net interest income	-551	-433	-476	-479	-582	
Pre tax profit	693	1,798	2,033	2,377	2,711	
Taxes	24	290	305	368	461	
Add: Extraordinary items	0	0	0	0	0	
Less: Minority interest	0	0	0	0	0	
Reported net profit	670	1,508	1,728	2,009	2,250	
<b>Adjusted net profit</b>	<b>670</b>	<b>1,508</b>	<b>1,728</b>	<b>2,009</b>	<b>2,250</b>	
Margin (%)	5.2	9.6	10.4	10.5	9.7	
Diluted share cap. (mn)	222	222	222	222	222	
<b>Diluted EPS (₹)</b>	<b>3.0</b>	<b>6.8</b>	<b>7.8</b>	<b>9.0</b>	<b>10.1</b>	
Growth (%)	27.2	125.2	14.6	16.2	12.0	
Total Dividend + Tax	260	534	505	588	658	

Source: Company, JM Financial

Balance Sheet						(₹mn)
Y/E March	FY14A	FY15A	FY16E	FY17E	FY18E	
Share capital	223	223	223	223	223	
Other capital	0	0	0	0	0	
Reserves and surplus	2,692	3,653	4,876	6,297	7,889	
Networth	2,914	3,876	5,098	6,520	8,111	
Total loans	4,912	5,019	5,569	6,869	6,069	
Minority interest	0	0	0	0	0	
<b>Sources of funds</b>	<b>7,826</b>	<b>8,895</b>	<b>10,667</b>	<b>13,388</b>	<b>14,180</b>	
Intangible assets	0	0	0	0	0	
Fixed assets	3,744	4,159	5,109	5,559	8,209	
Less: Deprn. and amort.	1,624	2,070	2,496	2,986	3,675	
Net block	2,120	2,089	2,613	2,572	4,534	
Capital WIP	188	227	1,127	2,727	127	
Investments	379	451	451	451	451	
Def tax assets/- liability	5	70	60	60	60	
Current assets	6,480	7,662	8,119	9,536	11,375	
Inventories	2,927	3,200	3,395	3,905	4,720	
Sundry debtors	2,046	2,719	2,885	3,318	4,010	
Cash & bank balances	180	170	171	396	326	
Other current assets	212	113	120	138	167	
Loans & advances	1,115	1,459	1,548	1,780	2,152	
Current liabilities & prov.	1,345	1,605	1,703	1,958	2,367	
Current liabilities	1,027	1,179	1,251	1,439	1,739	
Provisions and others	318	426	452	519	628	
Net current assets	5,134	6,057	6,416	7,578	9,008	
Others (net)	0	0	0	0	0	
<b>Application of funds</b>	<b>7,826</b>	<b>8,895</b>	<b>10,667</b>	<b>13,389</b>	<b>14,180</b>	

Source: Company, JM Financial

Cash flow statement						(₹mn)
Y/E March	FY14A	FY15A	FY16E	FY17E	FY18E	
Reported net profit	670	1,508	1,728	2,009	2,250	
Depreciation and amort.	282	445	426	491	688	
-Inc/dec in working cap.	-1,048	-1,039	-320	-839	-1,342	
Others	0	0	0	0	0	
<b>Cash from operations (a)</b>	<b>-96</b>	<b>914</b>	<b>1,834</b>	<b>1,661</b>	<b>1,596</b>	
-Inc/dec in investments	-223	-72	0	0	0	
Capex	-372	-454	-1,850	-2,050	-50	
Others	96	107	-38	-99	-158	
<b>Cash flow from inv. (b)</b>	<b>-499</b>	<b>-419</b>	<b>-1,888</b>	<b>-2,149</b>	<b>-208</b>	
Inc/-dec in capital	7	-12	0	0	0	
Dividend+Tax thereon	-260	-534	-505	-588	-658	
Inc/-dec in loans	234	107	550	1,300	-800	
Others	-4	-65	10	0	0	
<b>Financial cash flow (c)</b>	<b>-22</b>	<b>-505</b>	<b>55</b>	<b>712</b>	<b>-1,458</b>	
Inc/-dec in cash (a+b+c)	-617	-10	1	224	-69	
Opening cash balance	797	180	170	171	396	
Closing cash balance	180	170	171	396	326	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY14A	FY15A	FY16E	FY17E	FY18E
BV/Share (₹)	13.1	17.4	22.9	29.3	36.5
ROCE (%)	17.1	22.9	22.2	20.5	20.4
ROE (%)	24.8	44.4	38.5	34.6	30.8
Net Debt/equity ratio (x)	1.5	1.1	1.0	0.9	0.7
<b>Valuation ratios (x)</b>					
PER	63.7	28.3	24.7	21.2	19.0
PBV	14.6	11.0	8.4	6.5	5.3
EV/EBITDA	31.7	18.8	16.4	14.7	12.2
EV/Sales	3.7	3.0	2.9	2.6	2.1
<b>Turnover ratios (no.)</b>					
Debtor days	58	63	63	63	63
Inventory days	83	75	75	75	75
Creditor days	33	26	27	27	27

Source: Company, JM Financial



**Notes**

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