

## Chirag Shah

chirag.shah@clsa.com  
+91 22 6650 5055

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## India Materials

**Reuters** CNTP.NS  
**Bloomberg** CPBI IN

**Priced on 14 March 2018**  
CNX Nifty @ 10,410.9

**12M hi/lo** Rs358.35/239.10

**12M price target** Rs420.00  
**±% potential** +30%

**Shares in issue** 222.5m  
**Free float (est.)** 28.0%

**Market cap** US\$1,107m

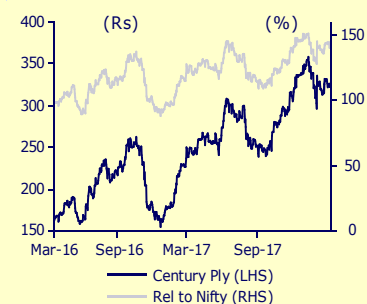
**3M ADV** US\$1.5m

**Foreign s'holding** 13.2%

**Major shareholders**  
Promoters 72.0%  
FPIs 13.2%

## Stock performance (%)

	1M	3M	12M
Absolute	(1.5)	0.5	32.0
Relative	(0.7)	(1.0)	15.2
Abs (US\$)	(2.4)	(0.1)	34.7



Source: Bloomberg

## MDF – the new growth driver

### Faster ramp-up, cash breakeven achieved for new plant

India's furniture market is undergoing a major shift with a move towards readymade furniture and a rising preference for medium density fibre (MDF) over plywood in line with the global trends. MDF (a ~US\$250m market) is growing fast, with an opportunity for import substitution and replacement of low-end plywood. Century's recently commissioned large MDF plant achieved cash breakeven in 3Q, which was earlier than we had expected, and it is likely to be the key growth driver going forward (17% revenue contribution by FY20CL). We reckon, however, that MDF is a B2B product and faces relatively higher risk of imports (vis-à-vis plywood) though the industry is likely to be in a high-growth phase. Retain BUY on Century Plyboards.

### A paradigm shift in the Indian furniture market

MDF penetration in India is very low, at only ~6% of the wood panel market by value as against the global average of 64%. However MDF is now gaining in acceptance driven largely by growing preference for readymade furniture. Import substitution coupled with the opportunity to replace low-end plywood (which has similar price points) should lead to faster growth for MDF in India.

### Century's new MDF plant has achieved quick production ramp-up

Century is a relatively late entrant in the MDF space but is now catching up with peers; it has set up a 198,000 CBM plant in Punjab. Production commenced here in 3QFY18 with 53% capacity utilisation and ramp-up of distribution capability. Management guides for the MDF plant to operate at 80% utilisation in FY19. We expect MDF to contribute 17% of Century's consolidated revenues by FY20.

### Century to follow a regional strategy

Given high inbound and outbound logistics costs, manufacture of MDF is likely to be more localised and near the sourcing base. The logistics cost gap between North India and South India is as high as 12% of revenue. After setting up the first plant in Punjab, Century plans to set up new ones in Uttar Pradesh and Assam.

### MDF cash breakeven faster than expected

Century's MDF unit achieved cash breakeven in 3QFY18; we expect it to generate ~20% ROCE at peak capacity. Margin could improve in the near term with operating leverage benefits but we expect it to moderate post-FY18 as Century expands to markets outside North India. Realisations in North India are better vis-à-vis other regions due to the logistics cost advantage over imports.

## Financials

Year to 31 March	16A	17A	18CL	19CL	20CL
Revenue (Rsm)	16,409	18,187	19,714	24,154	28,523
Net profit (Rsm)	1,698	1,935	1,726	2,411	3,325
EPS (Rs)	7.6	8.7	7.8	10.8	14.9
CL/consensus (10) (EPS%)	-	-	100	95	105
EPS growth (% YoY)	13.8	14.0	(10.8)	39.7	37.9
PE (x)	42.5	37.3	41.8	29.9	21.7
EV/Ebitda (x)	26.1	24.6	24.1	18.1	14.1
PB (x)	13.6	10.1	8.1	6.7	5.4
ROCE (%)	30.3	24.0	19.1	23.8	30.4
ROE (%)	37.0	31.1	21.5	24.4	27.5
Net debt/equity (%)	71.7	69.3	66.3	45.1	21.8

Source: www.clsa.com

## Financials at a glance

Year to 31 March	2016A	2017A	2018CL	(% YoY)	2019CL	2020CL
<b>Profit &amp; Loss (Rsm)</b>						
Revenue	16,409	18,187	19,714	8.4	24,154	28,523
Cogs (ex-D&A)	(8,191)	(8,951)	(9,763)		(12,019)	(14,158)
<b>Gross Profit (ex-D&amp;A)</b>	<b>8,218</b>	<b>9,236</b>	<b>9,951</b>	<b>7.7</b>	<b>12,135</b>	<b>14,365</b>
SG&A and other expenses	(5,323)	(6,117)	(6,731)		(7,903)	(9,064)
<b>Op Ebitda</b>	<b>2,895</b>	<b>3,120</b>	<b>3,220</b>	<b>3.2</b>	<b>4,232</b>	<b>5,300</b>
Depreciation/amortisation	(475)	(593)	(784)		(1,002)	(1,100)
<b>Op Ebit</b>	<b>2,420</b>	<b>2,526</b>	<b>2,436</b>	<b>(3.6)</b>	<b>3,230</b>	<b>4,201</b>
Net interest inc/(exp)	(419)	(77)	(237)		(160)	33
Other non-Op items	0	0	-		-	-
<b>Profit before tax</b>	<b>2,001</b>	<b>2,450</b>	<b>2,200</b>	<b>(10.2)</b>	<b>3,070</b>	<b>4,233</b>
Taxation	(304)	(515)	(462)		(645)	(889)
<b>Profit after tax</b>	<b>1,698</b>	<b>1,935</b>	<b>1,738</b>	<b>(10.2)</b>	<b>2,426</b>	<b>3,344</b>
Minority interest	0	0	(12)		(15)	(19)
<b>Net profit</b>	<b>1,698</b>	<b>1,935</b>	<b>1,726</b>	<b>(10.8)</b>	<b>2,411</b>	<b>3,325</b>
<b>Adjusted profit</b>	<b>1,698</b>	<b>1,935</b>	<b>1,726</b>	<b>(10.8)</b>	<b>2,411</b>	<b>3,325</b>
<b>Cashflow (Rsm)</b>						
<b>Operating profit</b>	<b>2,420</b>	<b>2,526</b>	<b>2,436</b>	<b>(3.6)</b>	<b>3,230</b>	<b>4,201</b>
Depreciation/amortisation	475	593	784	32.1	1,002	1,100
Working capital changes	224	(559)	(659)		(828)	(826)
Other items	(1,019)	(509)	(699)		(804)	(856)
<b>Net operating cashflow</b>	<b>2,100</b>	<b>2,052</b>	<b>1,862</b>	<b>(9.2)</b>	<b>2,600</b>	<b>3,618</b>
Capital expenditure	936	(3,112)	(2,210)		(700)	(600)
<b>Free cashflow</b>	<b>3,036</b>	<b>(1,060)</b>	<b>(348)</b>		<b>1,900</b>	<b>3,018</b>
M&A/Others	262	(69)	(428)		(321)	(218)
<b>Net investing cashflow</b>	<b>1,198</b>	<b>(3,181)</b>	<b>(2,638)</b>		<b>(1,021)</b>	<b>(818)</b>
Increase in loans	(506)	1,469	931	(36.7)	(1,000)	(1,600)
Dividends	(602)	0	(311)		(521)	(798)
Net equity raised/other	(2,177)	(56)	79		-	-
<b>Net financing cashflow</b>	<b>(3,284)</b>	<b>1,413</b>	<b>699</b>	<b>(50.5)</b>	<b>(1,521)</b>	<b>(2,398)</b>
Incr/(decr) in net cash	14	284	(77)		59	402
Exch rate movements	-	-	-		-	-
<b>Balance sheet (Rsm)</b>						
Cash & equivalents	389	672	596	(11.4)	655	1,056
Accounts receivable	2,842	3,422	3,450	0.8	4,227	4,849
Other current assets	4,158	4,813	4,961	3.1	5,551	6,228
Fixed assets	2,891	3,604	5,031	39.6	4,728	4,229
Investments	2	0	-		-	-
Intangible assets	2	2	2	0	2	2
Other non-current assets	1,408	3,274	4,808	46.9	5,306	5,699
<b>Total assets</b>	<b>11,691</b>	<b>15,788</b>	<b>18,848</b>	<b>19.4</b>	<b>20,469</b>	<b>22,064</b>
Short-term debt	3,553	4,196	5,100	21.6	4,100	2,500
Accounts payable	2,099	2,782	3,056	9.9	3,744	4,364
Other current liabs	68	115	126	9.5	155	183
Long-term debt/CBs	647	1,474	1,500	1.8	1,500	1,500
Provisions/other LT liabs	7	14	14	0	14	14
Shareholder funds	5,288	7,149	8,920	24.8	10,810	13,337
Minorities/other equity	29	59	132	124	147	166
<b>Total liabs &amp; equity</b>	<b>11,691</b>	<b>15,788</b>	<b>18,848</b>	<b>19.4</b>	<b>20,469</b>	<b>22,064</b>
<b>Ratio analysis</b>						
Revenue growth (% YoY)	3.3	10.8	8.4		22.5	18.1
Ebitda margin (%)	17.6	17.2	16.3		17.5	18.6
Ebit margin (%)	14.7	13.9	12.4		13.4	14.7
Net profit growth (%)	14.0	14.0	(10.8)		39.7	37.9
Op cashflow growth (% YoY)	92.4	(2.3)	(9.2)		39.6	39.2
Capex/sales (%)	5.7	17.1	11.2		2.9	2.1
Net debt/equity (%)	71.7	69.3	66.3		45.1	21.8
Net debt/Ebitda (x)	1.3	1.6	1.9		1.2	0.6
ROE (%)	37.0	31.1	21.5		24.4	27.5
ROIC (%)	23.6	18.7	14.1		16.5	20.5

Source: www.clsa.com

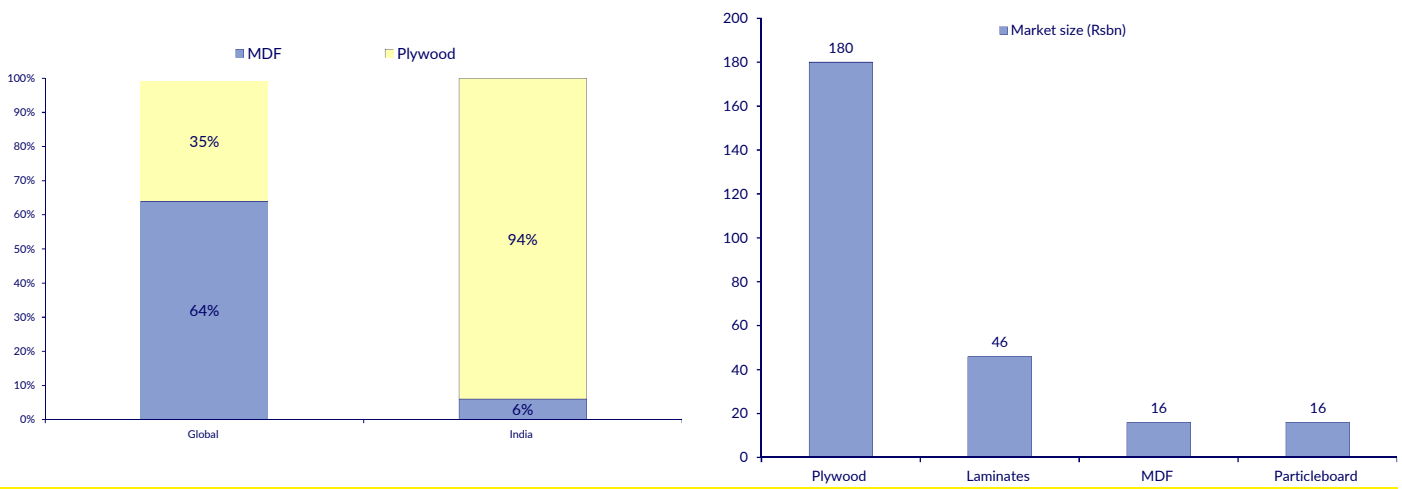
We would like to thank Evalueserve for its help in preparing our research reports. Bhavik Mehta (Autos, IT); Kamal Verma (Banking & Financial Services); Kushal Shah (Midcaps), Mihir Manohar (Capital Goods, Utilities, Power); and Suraj Yadav (Cement, Oil & Gas) provide research support services to CLSA.

## MDF gaining market share in India

The US\$18bn furniture market in India is undergoing a paradigm shift with the market moving towards readymade furniture and increasing usage of MDF vis-à-vis plywood in line with the global trends. Rising demand for readymade furniture is the key growth driver for the MDF industry. India is highly underpenetrated in terms of MDF sales; China’s annual MDF production is ~40 million CBMs. In contrast India’s production is less than 1 million CBMs by FY18. MDF and particleboard occupy ~50% of total furniture panel production in China as against 12% for India.

Figure 1

**India's wood panel market is dominated largely by plywood as against the global market which is dominated by MDF**

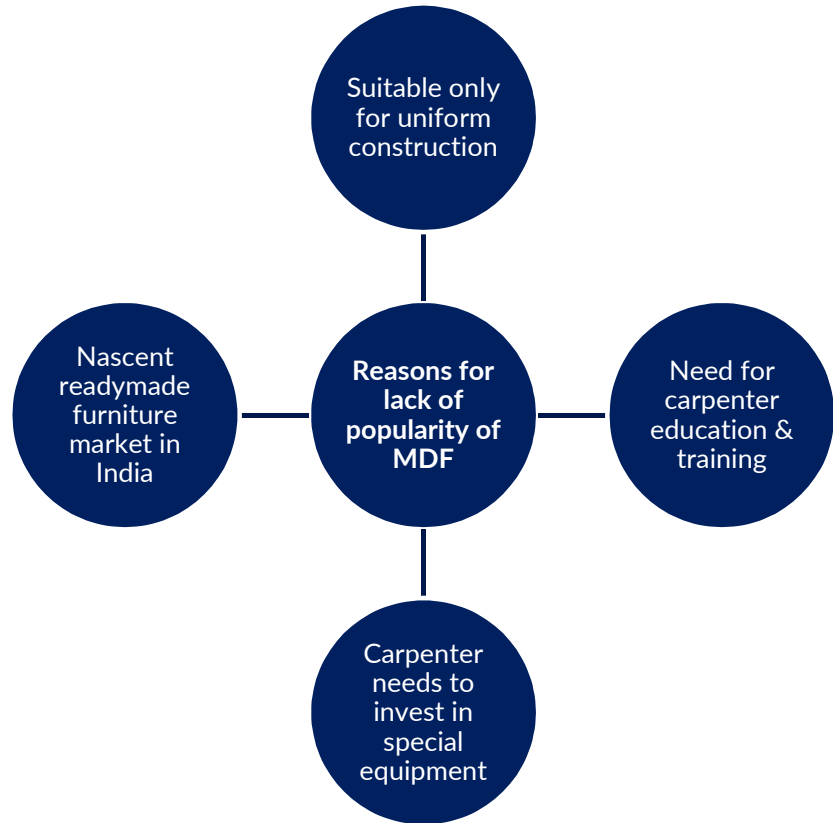


Source: Greenply Industries, Company data, CLSA

India has historically lagged in terms of MDF penetration; however it is now catching up

Figure 2

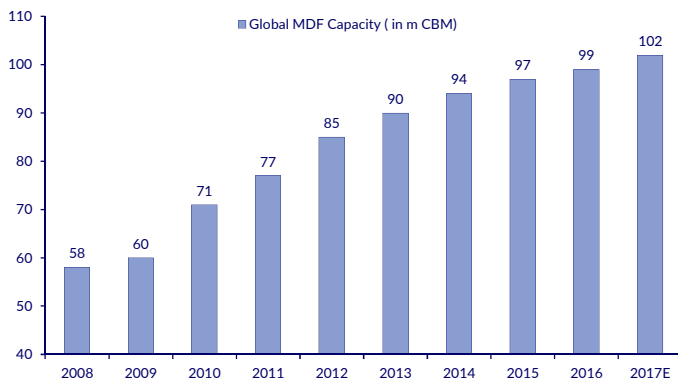
Reasons why MDF has not been popular in India



Source: CLSA

Figure 3

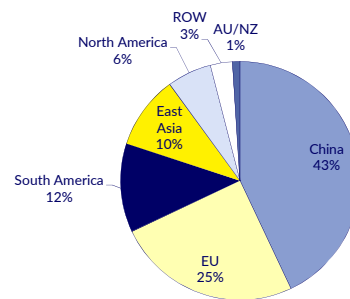
Global MDF capacity has crossed 100m CBM



Source: Greenply Industries, CLSA

Figure 4

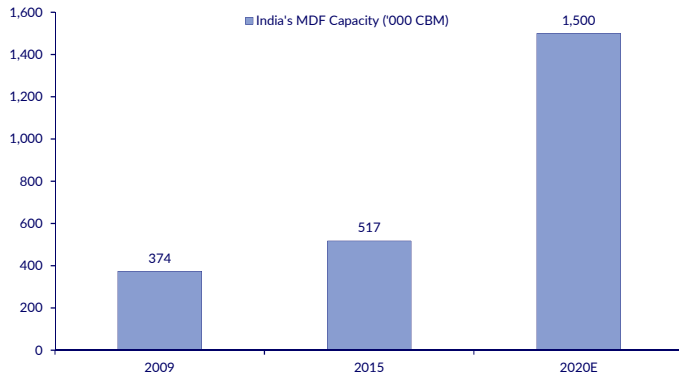
China has ~44% of the world's total MDF capacity



Source: Greenply Industries, CLSA

Figure 5

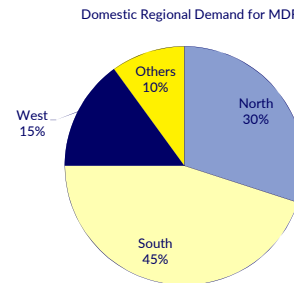
**India is seeing a large increase in MDF capacity**



Source: Greenply Industries, CLSA

Figure 6

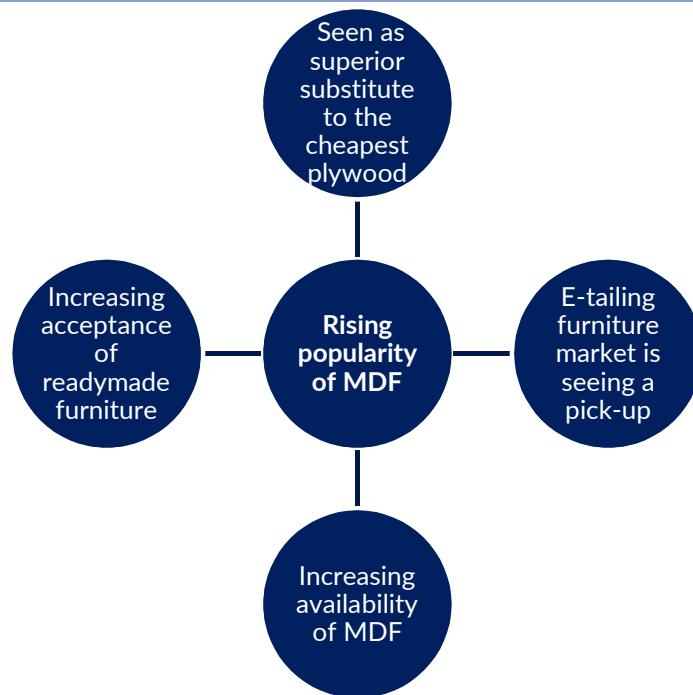
**South India's demand for MDF is highest followed by North India**



Source: Greenply Industries, CLSA

Figure 7

**MDF acceptance in India is improving**



Source: CLSA

Figure 8

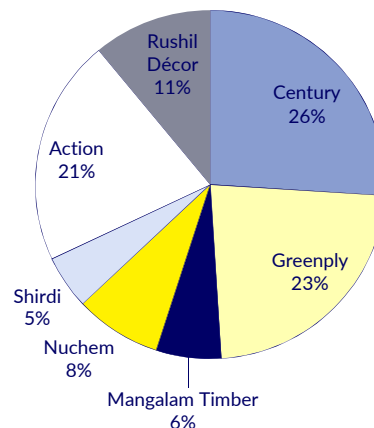
Capacity expansion plans for MDF of major players	
Century Ply	o New MDF plant with a capacity of 198,000 CBMs commenced production in 3QFY18. Management is looking to enhance capacity of the existing plant and also planning to set up new plants in UP and Assam.
Greenply Industries	o Investing Rs7.5bn to set up a new MDF facility in Andhra Pradesh to tap the South India market and also for exports. The facility will have annual production capacity of 360,000 CBM. Currently, the company has capacity of 180,000 CBMs in Uttarakhand.
Action Tesa	o Action Group is one of the pioneers of MDF in India. Action Tesa is in the process of setting up a new MDF plant; with this expansion it would have annual production capacity of 511,000 CBMs.
Rushil Décor	o Has current capacity of ~90,000 CBMs per annum; plans to set up a new unit in Andhra Pradesh with annual capacity of ~240,000 CBMs. FY17 capacity utilisation (of the MDF plant) was 90%.

Source: Company, CLSA

Figure 9

**MDF market in India is largely organised**

Current MDF Capacity share



Source: Industry, CLSA

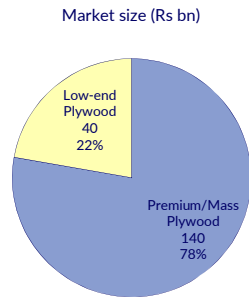
**MDF – a substitute for low-end plywood**

MDF is priced in a similar range as low-end plywood. It is thus superior to cheap unorganised sector plywood. Also, the GST Council cut the GST rate on MDF from 28% to 18% in mid-November. The reduction should increase its competitiveness.

Almost all large players are considering expanding or in the process of expanding their current MDF capacity

Figure 10

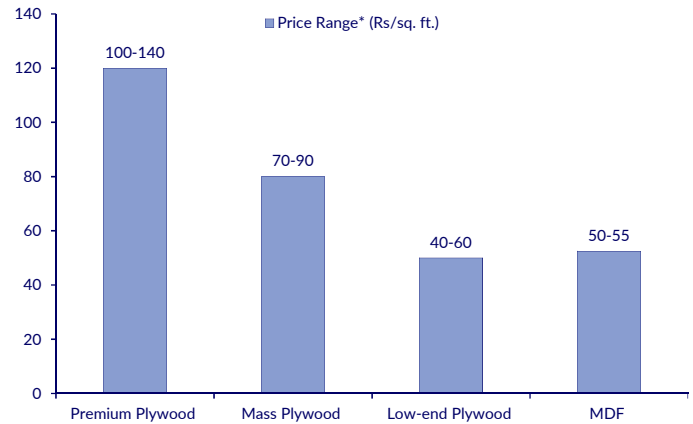
**Low-end plywood is 22% of the plywood market**



Source: Company data, CLSA

Figure 11

**MDF competes in a similar price range as low-end plywood**



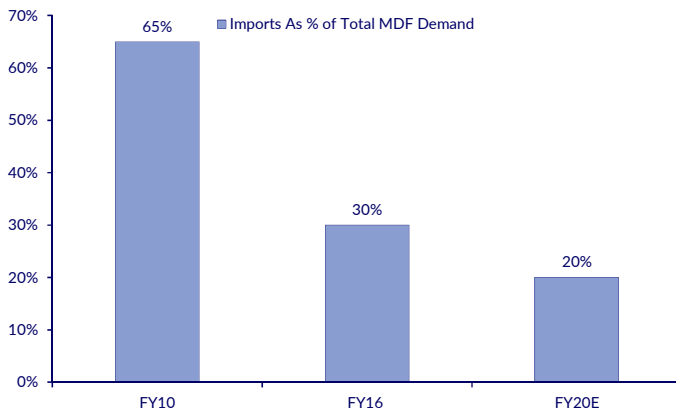
Source: Company data, CLSA \*Note: Thickness of the plywood is 19mm

**Import substitution to be a key driver in the near-term**

A large proportion of the MDF still continues to be imported into India from China and South-east Asian countries. Owing to proximity to ports, the majority of imports arrive in South and West India whereas realisations in North are better due to a logistics cost advantage (over imports).

Figure 12

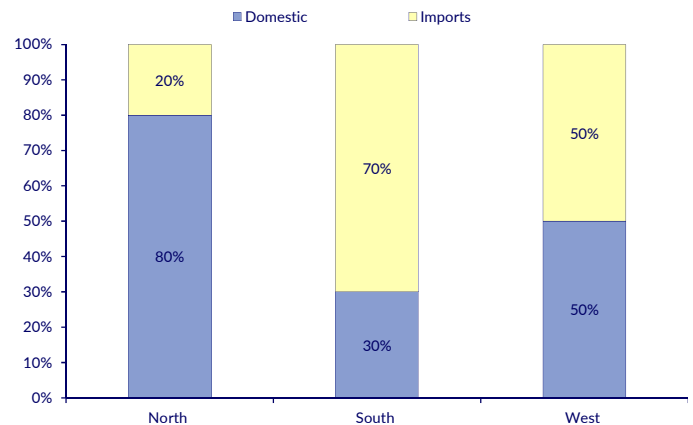
**Imports as % of total MDF demand are likely to reduce**



Source: Greenply Industries, CLSA

Figure 13

**South and West get the highest % of imports due to their proximity to ports**



Source: Greenply Industries, CLSA

Anti-dumping duty of US\$0-US\$64.35/CBM is levied on plain MDF boards imported from Indonesia and Vietnam (valid till July '21) for panel board thickness of 6mm and above. This duty gives a competitive advantage to domestic manufacturers over imported products.

**MDF – new growth driver for Century**

Century is a late entrant in the MDF space but is now catching up; it has set up a 198,000 CBM plant in Punjab. The plant commenced production in 3QFY18 and achieved capacity utilisation of 53% in that quarter. In the very first quarter, the MDF plant achieved cash breakeven with a strong Ebitda margin of ~20%. Management expects the MDF plant to operate at 80% capacity during FY19. After setting up the first capacity in Punjab, Century plans to set up new plants in

UP and Assam. However, our numbers do not factor in any new capacity addition by Century in other regions.

Figure 14

#### Recent management commentary on the MDF business

Company	Remarks
Century Ply	<ul style="list-style-type: none"> <li>○ MDF business commenced production on 3 October; very first quarter we posted a profit in that unit.</li> <li>○ The market has received our products (MDF) very well and the quality is also absolutely acceptable apart from some small, small things here and there.</li> <li>○ Selling 70% of MDF in North [India] and the remaining 30% goes into West, South and East.</li> <li>○ China's MDF production is 40 million tonnes and India's combined production of all manufacturers is 1 million CBMs per annum. Century's management is sure in another five years, India shall sell minimum 5 million CBMs per annum in India which is five times the present production.</li> <li>○ We usually sell plywood for US\$700 to US\$800 equivalent per cubic metre whereas MDF price is less than US\$400 cubic metre and particleboard price is US\$200 cubic metre, so there is a vast gap, and the Indian market is very, very price sensitive. So in future, demand for MDF and particleboard would grow substantially.</li> <li>○ With every 10% increase in capacity utilisation, the Ebitda margin should improve by 2%, so once Century reaches 90% utilisation, Ebitda margin should be 28% to 29%.</li> <li>○ Logistics cost gap of MDF between North and South is as high as 11% to 12%. So in order to take advantage of that logistics cost, it makes more sense to set up low growth plants closer to the source of raw material; thereby you benefit from logistics cost [savings] and you make sure you do not put too much pressure on the raw material within the particular locality.</li> </ul>
Greenply Industries	<ul style="list-style-type: none"> <li>○ Greenply's MDF plant in Andhra Pradesh is progressing on schedule and should be commissioned by July.</li> <li>○ Going forward, we will definitely feel the pressure on the margins with regards to the additional capacity coming in, even with the new line of Action (another major player in MDF) coming into production fairly soon.</li> <li>○ At the new plant (Andhra Pradesh), there will be a substantial mix of exports. At the existing plants, exports are around 10% of the total volumes, whereas at the new plant, exports are expected to be somewhere between 30% and 40% of the volumes. As export realisations are substantially lower, almost about 40% lower, that would have a substantial impact on margins.</li> <li>○ We expect to have full capacity utilisation of the new MDF plant in FY22. And at that time, Greenply should possibly have blended Ebitda margin of 24% to 25%.</li> <li>○ The pricing difference in South India continues to be very high between the domestic producers and imports, primarily because the cost of freight from North India is very, very high. However, of course, when the new plant starts, at that time, Greenply would be able to narrow that price gap substantially.</li> </ul>

Source: Company, CLSA

#### Century's plant is strategically located in North India

Century's plant is strategically located near the sourcing base in North India which gives it an advantage in the second-largest market. Given high inbound and outbound logistics costs, MDF manufacturing is likely to be more localised and near the sourcing base. The logistics cost gap between North and South is as high as 12% of revenues. After setting up the first capacity in Punjab, Century plans to set up new plants in UP and Assam to cater to the Eastern markets.

#### Century moving into value-added products from MDF

Century is moving up the value chain by tapping finished goods product categories like doors/panels, shelves, lockers and other timber-based housing products. Century plans to expand its positioning in the segment through new product introductions. Century is in the planning stage to introduce 'Do it Yourself Furniture' in the MDF segment. The aim is to capture the demand from the affordable housing segment. We see as a large opportunity to boost volumes for the MDF segment.

#### Expect swift ramp up in utilisation; margins to moderate from 3QFY18 levels

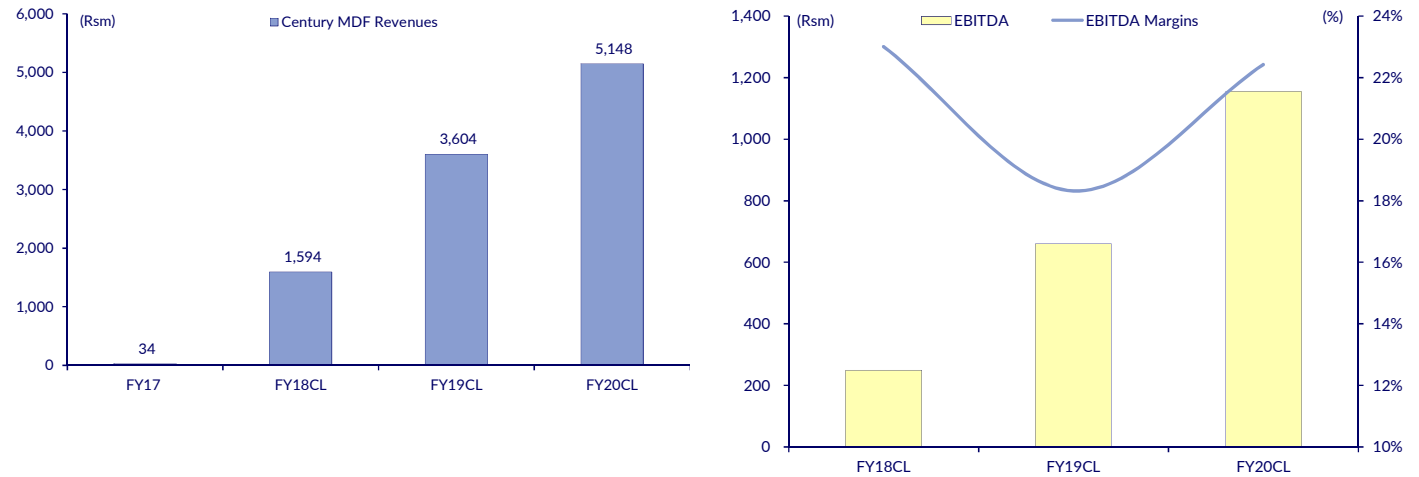
The MDF plant commenced production in 3QFY18 and achieved capacity utilisation of 53% for the quarter. Management expects 80% utilisation during FY19. We expect MDF to contribute 17% of consolidated revenues by FY20. In FY17, Century had small MDF trading related revenues. While Century generated



20% Ebitda margin in 3QFY18 and operating leverage benefits are yet to kick-in, we expect margin to moderate from the 3QFY18 level as large capacities come on-stream and the sales mix shifts away from the most remunerative North.

Figure 9

**Expect Century's MDF revenues to grow 80% Cagr over FY18-20**



Source: Greenply Industries, CLSA

**Expect 39% EPS Cagr over FY18-20; retain BUY**

We build in a revenue Cagr of 20% over FY18-20, on the back of growth in core plywood, increasing contribution from MDF and particle boards business and increase in laminate production capacity. Utilisation increases in new capacities, lower raw material costs and an improving product mix should lead to a margin rebound post FY18. We expect a 39% EPS Cagr over FY18-20.

**Valuation details**

We value Century Ply at 30x Dec-19CL PE. Our valuation factors in Century's strong EPS growth potential, improving return ratios and strong FCF generation.

**Investment risks**

Key risks are: 1) raw material accessibility issue due to much stricter export norms of the governments of Myanmar and Laos; 2) higher than expected competitive intensity from the unorganised sector; 3) a continuing housing-led slowdown in demand; and 4) a sharp rise in raw material costs that leads to margin pressure.

## Appendix

### What is MDF?

MDF is produced by breaking down hardwood and softwood residuals into wood fibres. Wood fibres are then combined using wax, resin and heat press. Key product differentiation between different wood-based product categories is as below.

Figure 15

Wood based product categories			
Factors	Traditional plywood	MDF	Particle board
<b>Manufacturing process</b>	Thin sheets of veneer are glued together	Produced by breaking down hardwood and softwood residuals into wood fibres. Wood fibres are combined using wax and resin and heat press.	Particle board is a waste-wood product made by heat pressing saw dust and resin
<b>Strength</b>	Highest strength	Medium strength. Stronger than particle board	Lowest strength
<b>Pricing</b>	Costlier material	50% cheaper than plywood	20% cheaper than MDF
<b>Weight</b>	Heavier than MDF/particle board	Weighs 10-15% more than particle board	Lighter than MDF and plywood
<b>Moisture resistance</b>	Less susceptible to water damage	Laminated MDF resistant to moisture	Swells in contact with moisture
<b>Piercing</b>	Can handle nails/screws	Can handle only screws	Can handle only screws
<b>Moulding capacity</b>	Difficult to cut. Cannot be moulded easily	Can be moulded easily. Easily machined and painted	Can be moulded easily
<b>Preferred uses</b>	Preferred choice of carpenters. Can be used in all furniture applications	Preferred choice of readymade furniture manufacturers. Suitable for wardrobe doors, shutters of kitchen cabinets.	Used to make readymade furniture

Source: Greenply Industries, CLSA

## Detailed financials

### Profit & Loss (Rsm)

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Revenue	13,477	15,884	16,409	18,187	19,714	24,154	28,523
Cogs (ex-D&A)	(7,828)	(8,427)	(8,191)	(8,951)	(9,763)	(12,019)	(14,158)
Gross Profit (ex-D&A)	5,648	7,457	8,218	9,236	9,951	12,135	14,365
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	(2,454)	(2,890)	(2,961)	(3,387)	(3,872)	(4,449)	(5,071)
Other Op Expenses ex-D&A	(1,612)	(2,009)	(2,362)	(2,730)	(2,858)	(3,454)	(3,993)
Op Ebitda	1,582	2,559	2,895	3,120	3,220	4,232	5,300
Depreciation/amortisation	(387)	(485)	(475)	(593)	(784)	(1,002)	(1,100)
Op Ebit	1,195	2,074	2,420	2,526	2,436	3,230	4,201
Interest income	37	177	60	226	101	298	393
Interest expense	(603)	(456)	(479)	(302)	(337)	(458)	(360)
Net interest inc/(exp)	(566)	(278)	(419)	(77)	(237)	(160)	33
Associates/investments	-	-	-	-	-	-	-
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	629	1,796	2,001	2,450	2,200	3,070	4,233
Taxation	5	(296)	(304)	(515)	(462)	(645)	(889)
Profit after tax	633	1,500	1,698	1,935	1,738	2,426	3,344
Preference dividends	-	-	-	-	-	-	-
Profit for period	633	1,500	1,698	1,935	1,738	2,426	3,344
Minority interest	(31)	(10)	0	0	(12)	(15)	(19)
Net profit	603	1,490	1,698	1,935	1,726	2,411	3,325
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	603	1,490	1,698	1,935	1,726	2,411	3,325
Dividends	(222)	(444)	(500)	0	(259)	(434)	(665)
Retained profit	380	1,045	1,198	1,935	1,467	1,977	2,660
Adjusted profit	603	1,490	1,698	1,935	1,726	2,411	3,325
EPS (Rs)	2.7	6.7	7.6	8.7	7.8	10.8	14.9
Adj EPS [pre excep] (Rs)	2.7	6.7	7.6	8.7	7.8	10.8	14.9
Core EPS (Rs)	2.7	6.7	7.6	8.7	7.8	10.8	14.9
DPS (Rs)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### Profit & loss ratios

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
<b>Growth (%)</b>							
Revenue growth (% YoY)	14.0	17.9	3.3	10.8	8.4	22.5	18.1
Ebitda growth (% YoY)	28.3	61.7	13.1	7.8	3.2	31.4	25.2
Ebit growth (% YoY)	25.3	73.5	16.7	4.4	(3.6)	32.6	30.0
Net profit growth (%)	9.2	147.2	14.0	14.0	(10.8)	39.7	37.9
EPS growth (% YoY)	9.2	147.2	13.8	14.0	(10.8)	39.7	37.9
Adj EPS growth (% YoY)	9.2	147.2	13.8	14.0	(10.8)	39.7	37.9
DPS growth (% YoY)	-	-	-	-	-	-	-
Core EPS growth (% YoY)	9.2	147.2	13.8	14.0	(10.8)	39.7	37.9
<b>Margins (%)</b>							
Ebitda margin (%)	11.7	16.1	17.6	17.2	16.3	17.5	18.6
Ebit margin (%)	8.9	13.1	14.7	13.9	12.4	13.4	14.7
Net profit margin (%)	4.5	9.4	10.3	10.6	8.8	10.0	11.7
Core profit margin	4.5	9.4	10.3	10.6	8.8	10.0	11.7
Op cashflow margin	1.1	6.9	12.8	11.3	9.4	10.8	12.7
<b>Returns (%)</b>							
ROE (%)	22.0	43.7	37.0	31.1	21.5	24.4	27.5
ROA (%)	12.3	16.6	18.4	14.5	11.1	13.0	15.6
ROIC (%)	16.4	21.4	23.6	18.7	14.1	16.5	20.5
ROCE (%)	18.6	30.0	30.3	24.0	19.1	23.8	30.4
<b>Other key ratios (%)</b>							
Effective tax rate (%)	(0.7)	16.5	15.2	21.0	21.0	21.0	21.0
Ebitda/net int exp (x)	2.8	9.2	6.9	40.7	13.6	26.5	-
Exceptional or extraord. inc/PBT (%)	-	-	-	-	-	-	-
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: www.clsa.com

## Balance sheet (Rsm)

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Cash & equivalents	387	374	389	672	596	655	1,056
Accounts receivable	2,089	2,683	2,842	3,422	3,450	4,227	4,849
Inventories	3,029	3,322	2,975	3,006	3,154	3,744	4,421
Other current assets	215	114	1,183	1,807	1,807	1,807	1,807
<b>Current assets</b>	<b>5,720</b>	<b>6,493</b>	<b>7,389</b>	<b>8,907</b>	<b>9,007</b>	<b>10,432</b>	<b>12,133</b>
Fixed assets	3,404	2,785	2,891	3,604	5,031	4,728	4,229
Investments	31	4	2	0	-	-	-
Goodwill	0	0	0	0	0	0	0
Other intangible assets	0	0	2	2	2	2	2
Other non-current assets	1,084	1,394	1,408	3,274	4,808	5,306	5,699
<b>Total assets</b>	<b>10,239</b>	<b>10,675</b>	<b>11,691</b>	<b>15,788</b>	<b>18,848</b>	<b>20,469</b>	<b>22,064</b>
Short term loans/OD	3,499	3,863	3,553	4,196	5,100	4,100	2,500
Accounts payable	1,570	1,585	2,099	2,782	3,056	3,744	4,364
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	0	0	0	0	0	0	0
Other current liabs	326	428	68	115	126	155	183
<b>Current liabilities</b>	<b>5,395</b>	<b>5,876</b>	<b>5,720</b>	<b>7,092</b>	<b>8,282</b>	<b>7,998</b>	<b>7,047</b>
Long-term debt/leases/other	1,795	842	647	1,474	1,500	1,500	1,500
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	4	8	7	14	14	14	14
<b>Total liabilities</b>	<b>7,194</b>	<b>6,726</b>	<b>6,373</b>	<b>8,580</b>	<b>9,796</b>	<b>9,512</b>	<b>8,560</b>
Share capital	222	222	223	223	223	223	223
Retained earnings	2,262	3,229	4,685	6,560	7,975	9,865	12,392
Reserves/others	447	443	381	367	723	723	723
<b>Shareholder funds</b>	<b>2,931</b>	<b>3,894</b>	<b>5,288</b>	<b>7,149</b>	<b>8,920</b>	<b>10,810</b>	<b>13,337</b>
Minorities/other equity	114	55	29	59	132	147	166
<b>Total equity</b>	<b>3,045</b>	<b>3,949</b>	<b>5,318</b>	<b>7,208</b>	<b>9,052</b>	<b>10,957</b>	<b>13,503</b>
<b>Total liabs &amp; equity</b>	<b>10,239</b>	<b>10,675</b>	<b>11,691</b>	<b>15,788</b>	<b>18,848</b>	<b>20,469</b>	<b>22,064</b>
Total debt	5,295	4,706	4,200	5,669	6,600	5,600	4,000
Net debt	4,908	4,331	3,811	4,997	6,004	4,945	2,944
Adjusted EV	76,724	76,027	75,599	76,660	77,679	76,635	74,652
BVPS (Rs)	13.2	17.5	23.8	32.1	40.1	48.6	59.9

## Balance sheet ratios

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
<b>Key ratios</b>							
Current ratio (x)	1.1	1.1	1.3	1.3	1.1	1.3	1.7
Growth in total assets (% YoY)	9.4	4.3	9.5	35.0	19.4	8.6	7.8
Growth in capital employed (% YoY)	15.2	1.1	29.5	33.9	10.9	2.6	1.1
Net debt to operating cashflow (x)	33.5	4.0	1.8	2.4	3.2	1.9	0.8
Gross debt to operating cashflow (x)	36.2	4.3	2.0	2.8	3.5	2.2	1.1
Gross debt to Ebitda (x)	3.3	1.8	1.5	1.8	2.0	1.3	0.8
Net debt/Ebitda (x)	3.1	1.7	1.3	1.6	1.9	1.2	0.6
<b>Gearing</b>							
Net debt/equity (%)	161.2	109.7	71.7	69.3	66.3	45.1	21.8
Gross debt/equity (%)	173.9	119.2	79.0	78.7	72.9	51.1	29.6
Interest cover (x)	2.0	4.9	5.2	9.1	7.5	7.7	12.8
Debt Cover (x)	0.0	0.2	0.5	0.4	0.3	0.5	0.9
<b>Working capital analysis</b>							
Inventory days	124.1	137.5	140.3	122.0	115.2	104.7	105.2
Debtor days	52.6	54.8	61.5	62.9	63.6	58.0	58.1
Creditor days	69.4	68.3	82.1	99.5	109.1	103.2	104.5
Working capital/Sales (%)	25.5	25.9	29.5	29.4	26.5	24.3	22.9
<b>Capital employed analysis</b>							
Sales/Capital employed (%)	195.9	228.3	182.1	150.8	147.3	175.9	205.5
EV/Capital employed (%)	1,115.2	1,092.8	838.8	635.5	580.5	558.2	537.8
Working capital/Capital employed (%)	50.0	59.0	53.6	44.3	39.1	42.8	47.0
Fixed capital/Capital employed (%)	49.5	40.0	32.1	29.9	37.6	34.4	30.5
<b>Other ratios (%)</b>							
EV/OCF (x)	524.4	69.7	36.0	37.4	41.7	29.5	20.6
EV/FCF (x)	(192.9)	58.9	24.9	(72.3)	(223.5)	40.3	24.7
EV/Sales (x)	5.7	4.8	4.6	4.2	3.9	3.2	2.6
Capex/depreciation (%)	140.6	41.0	197.2	524.4	281.9	69.9	54.6

Source: www.clsa.com

## Cashflow (Rsm)

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
<b>Operating profit</b>	1,195	2,074	2,420	2,526	2,436	3,230	4,201
Operating adjustments	38	176	60	226	101	298	393
Depreciation/amortisation	387	485	475	593	784	1,002	1,100
Working capital changes	(846)	(898)	224	(559)	(659)	(828)	(826)
Interest paid / other financial expenses	(603)	(456)	(479)	(302)	(337)	(458)	(360)
Tax paid	(19)	(292)	(305)	(508)	(462)	(645)	(889)
Other non-cash operating items	(6)	3	(295)	75	0	0	0
<b>Net operating cashflow</b>	146	1,091	2,100	2,052	1,862	2,600	3,618
Capital expenditure	(544)	199	936	(3,112)	(2,210)	(700)	(600)
<b>Free cashflow</b>	(398)	1,290	3,036	(1,060)	(348)	1,900	3,018
Acq/inv/disposals	45	27	4	0	0	0	0
Int, invt & associate div	(89)	(75)	258	(69)	(428)	(321)	(218)
<b>Net investing cashflow</b>	(588)	151	1,198	(3,181)	(2,638)	(1,021)	(818)
Increase in loans	115	(589)	(506)	1,469	931	(1,000)	(1,600)
Dividends	(252)	(534)	(602)	0	(311)	(521)	(798)
Net equity raised/(buybacks)	(55)	(132)	(2,177)	(56)	79	-	-
<b>Net financing cashflow</b>	(191)	(1,255)	(3,284)	1,413	699	(1,521)	(2,398)
Incr/(decr) in net cash	(633)	(13)	14	284	(77)	59	402
Exch rate movements	-	-	-	-	-	-	-
<b>Opening cash</b>	1,020	387	374	389	672	596	655
<b>Closing cash</b>	387	374	388	673	595	655	1,056
OCF PS (Rs)	0.7	4.9	9.4	9.2	8.4	11.7	16.3
FCF PS (Rs)	(1.8)	5.8	13.6	(4.8)	(1.6)	8.5	13.6

## Cashflow ratio analysis

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
<b>Growth (%)</b>							
Op cashflow growth (% YoY)	(96.1)	646.0	92.4	(2.3)	(9.2)	39.6	39.2
FCF growth (% YoY)	(102.8)	-	135.3	(134.9)	-	-	58.8
Capex growth (%)	-	(136.5)	-	-	(29.0)	(68.3)	(14.3)
<b>Other key ratios (%)</b>							
Capex/sales (%)	4.0	1.3	5.7	17.1	11.2	2.9	2.1
Capex/op cashflow (%)	371.9	18.2	44.6	151.7	118.7	26.9	16.6
Operating cashflow payout ratio (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cashflow payout ratio (%)	151.9	40.7	23.8	0.0	13.9	16.7	18.4
Free cashflow payout ratio (%)	-	34.4	16.5	-	-	22.8	22.0

## DuPont analysis

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Ebit margin (%)	8.9	13.1	14.7	13.9	12.4	13.4	14.7
Asset turnover (x)	1.4	1.5	1.5	1.3	1.1	1.2	1.3
Interest burden (x)	0.5	0.9	0.8	1.0	0.9	1.0	1.0
Tax burden (x)	1.0	0.8	0.8	0.8	0.8	0.8	0.8
Return on assets (%)	12.3	16.6	18.4	14.5	11.1	13.0	15.6
Leverage (x)	3.4	3.0	2.4	2.2	2.1	2.0	1.7
ROE (%)	22.3	42.9	36.6	30.9	21.4	24.2	27.3

## EVA® analysis

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Ebit adj for tax	1,204	1,732	2,053	1,995	1,925	2,552	3,318
Average invested capital	7,340	8,105	8,709	10,676	13,645	15,493	16,189
ROIC (%)	16.4	21.4	23.6	18.7	14.1	16.5	20.5
Cost of equity (%)	12.5	12.5	12.5	12.5	12.5	12.5	12.5
Cost of debt (adj for tax)	10.1	8.4	8.5	7.9	7.9	7.9	7.9
Weighted average cost of capital (%)	11.8	11.3	11.4	11.2	11.2	11.2	11.2
EVA/IC (%)	4.6	10.1	12.2	7.5	2.9	5.3	9.3
EVA (Rsm)	337	815	1,064	801	398	819	1,508

Source: www.clsa.com



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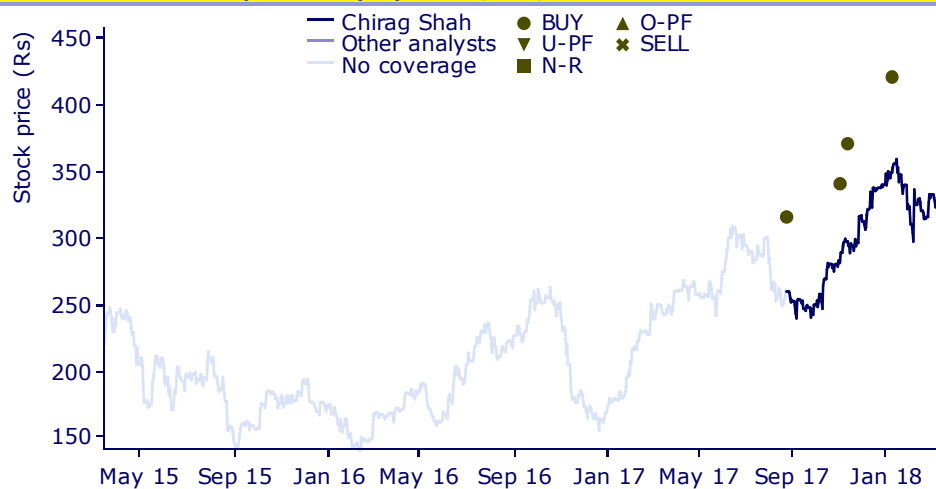
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 Action Tesa (N-R)  
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## Important disclosures

### Recommendation history of Century Plyboards (India) Ltd CPBI IN



Date	Rec	Target	Date	Rec	Target
09 Jan 2018	BUY	420.00	02 Nov 2017	BUY	340.00
12 Nov 2017	BUY	370.00	24 Aug 2017	BUY	315.00

Source: CLSA

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