

Century Plyboard (India) (CENPLY)

Structural shift... new thrust to growth...

We met the management of Century Plyboard (India) (CPIL) to understand CPIL's business model and its plans, going ahead. CPIL is India's leading plywood player with largest plywood capacity and enjoys ~25% share of India's organised plywood market (~30% of total plywood market). In the last five years, CPIL's plywood revenues grew at 17% CAGR in FY09-14 outpacing industry growth of 5-7% during the same period. With the shift toward branded products, GST rollout and raw material security by setting up the manufacturing plant in Myanmar, we believe CPIL will see better than historical growth rate. Also, considering the structural shift in the industry, its strong brand recall and wide distribution network, we expect CPIL earnings to grow at a faster pace, going ahead.

One of the leading players in plywood industry...

CPIL, with seven manufacturing plants having aggregating capacity of 209,420 cubic metre (CBM) in FY14 (grew 2x from 100,820 CBM in FY09), is the leading player in the plywood industry. It enjoys ~25% organised market share with strong distribution network of 1424 dealers/distributors and more than 13,000 retail points. It countered progressive commoditisation with higher average realisations for its premium brands. Hence, where plywood industry grew at 5-7% CAGR in the last five years, CPIL's plywood division grew at 17% CAGR to ₹ 1049 crore led by market share gains from the unorganised segment. Furthermore, CPIL's capacity expansion in laminate division from 2.4 million sheets in FY09 to 4.8 million sheets in FY14 would also provide a fillip to the EBITDA margin to 14-15% from 11.5% in FY14 with the better utilisation.

Myanmar ban – structurally positive for organised players...

On April 1, 2014 Myanmar banned the export of raw timber logs leading to a huge disadvantage for Indian plywood players as they were heavily dependent on Myanmar for raw timber. However, CPIL had proactively set up plants to process raw timber in Myanmar providing security over the face veneer (key component for plywood). This has helped CPIL to gain a first mover advantage over others.

GST development – key trigger for future growth...

With the roll out of GST, the pricing difference between organised and unorganised players due to tax inequalities is likely to significantly narrow down, which will provide a level playing field to organised players. This coupled with a shift towards branded products indicates that the organised plywood market (currently ~₹ 3500-4500 crore) is expected to grow at a healthy pace of 15-25%, going ahead. With strong brand recall, robust distribution network, security over raw material & expansion in margin on account of operating leverage, we expect CPIL's earnings to grow at a faster pace, going ahead.

Exhibit 1: Standalone Financial Performance

(₹ Crore)	FY10	FY11	FY12	FY13	FY14
Net Sales (₹ crore)	707.9	877.1	1,118.4	1,131.2	1,284.0
EBITDA (₹ crore)	83.3	97.7	138.6	112.9	148.2
Net Profit (₹ crore)	80.9	74.5	60.1	52.7	67.0
EPS (₹)	3.6	3.4	2.7	2.4	3.0
P/E (x)	44.5	48.3	59.9	68.3	53.7
Price / Book (x)	15.7	12.9	11.5	14.4	12.3
EV/EBITDA (x)	45.4	38.9	28.2	35.3	27.5
RoCE (%)	15.1	15.0	16.8	12.0	14.7
RoE (%)	35.4	26.8	19.2	21.1	23.0

Source: Company, ICICIdirect.com Research

Rating Matrix		
Rating	:	Unrated
Target	:	NA
Target Period	:	NA
Potential Upside	:	NA

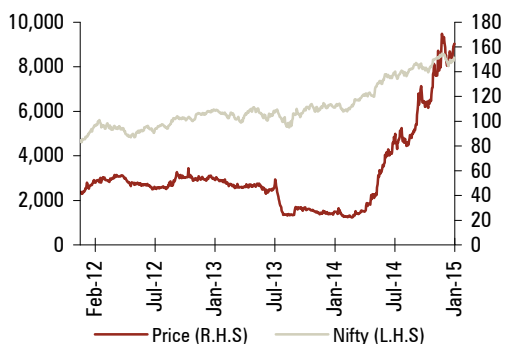
Key Financials (Standalone)				
(₹ Crore)	FY11	FY12	FY13	FY14
Net Sales	877.1	1,118.4	1,131.2	1,284.0
EBITDA	97.7	138.6	112.9	148.2
Net Profit	74.5	60.1	52.7	67.0
EPS (₹)	3.4	2.7	2.4	3.0

Valuation Summary				
(x)	FY11	FY12	FY13	FY14
P/E	48.3	59.9	68.3	53.7
EV / EBITDA	38.9	28.2	35.3	27.5
P/BV	12.9	11.5	14.4	12.3
RoNW (%)	26.8	19.2	21.1	23.0
RoCE (%)	15.0	16.8	12.0	14.7

Stock Data	
Particular	Amount
Market Capitalization	₹ 3597.8 Crore
Total Debt	₹ 491.2 Crore
Cash	₹ 18.1 Crore
EV	₹ 4070.9 Crore
52 week H/L (₹)	176 / 22
Equity capital	₹ 22.3 Crore
Face value	₹ 1
FII Holding (%)	5.9
DII Holding (%)	2.0

Price Performance				
Return (%)	1M	3M	6M	12M
Century Plyboards	(0.8)	42.6	97.8	548.4
Greenply Industries	8.7	(9.9)	5.5	127.8
Archidply Industries	21.5	76.4	176.0	468.2
Sarda Plywood	30.7	40.4	81.3	124.6

Price Movement



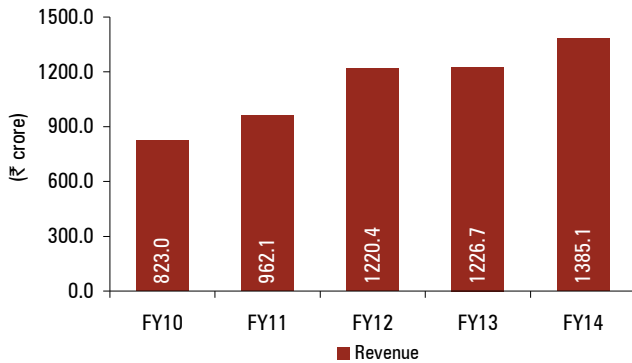
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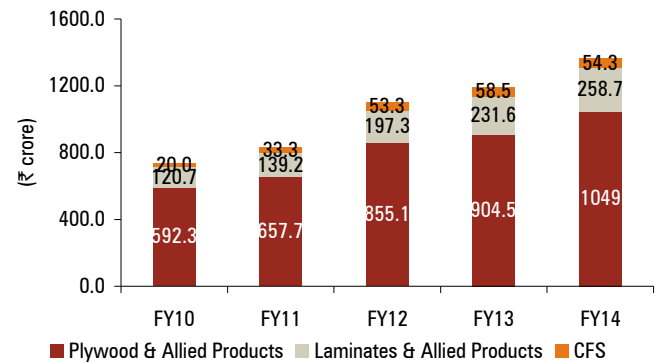
Key standalone financials

Exhibit 2: Gross revenue trend



Source: Company, ICICIdirect.com Research

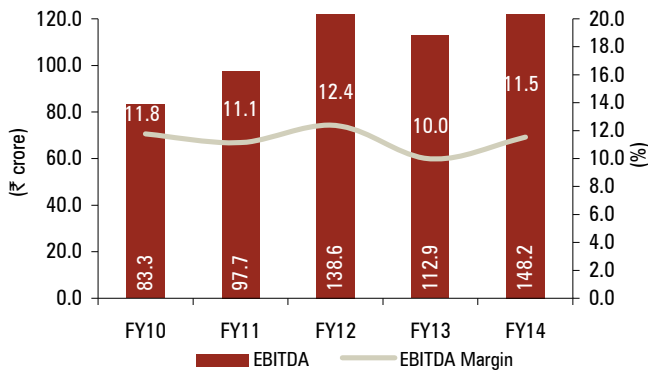
Exhibit 3: Segmental revenue trend



Source: Company, ICICIdirect.com Research

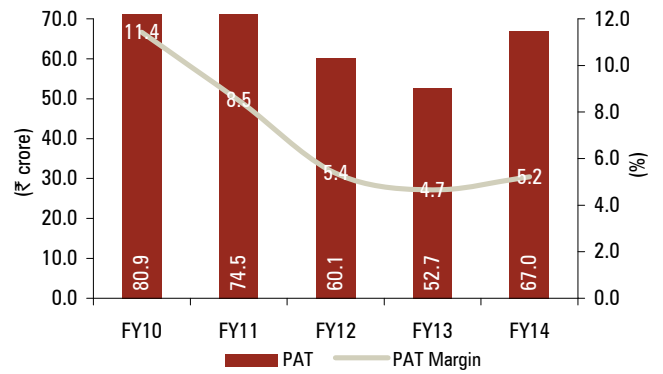
Other revenues not included

Exhibit 4: EBITDA & EBITDA margin trend



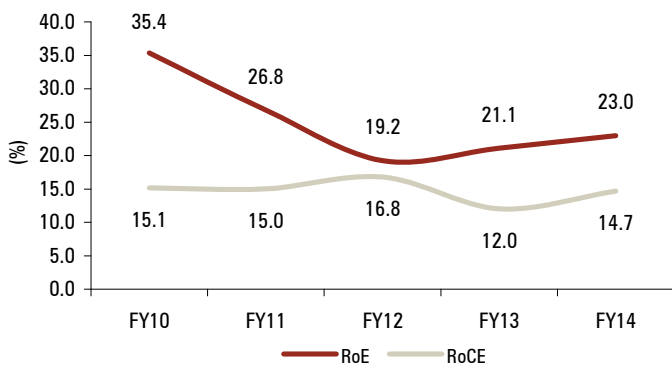
Source: Company, ICICIdirect.com Research

Exhibit 5: PAT & PAT margin trend



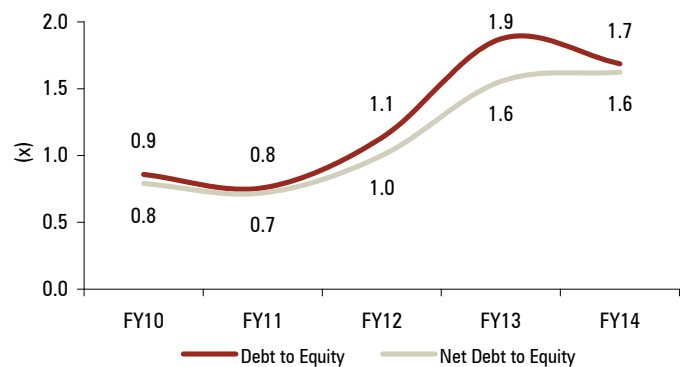
Source: Company, ICICIdirect.com Research

Exhibit 6: Return ratios



Source: Company, ICICIdirect.com Research

Exhibit 7: Leverage



Source: Company, ICICIdirect.com Research

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