Initiating Coverage | 30 June 2015
Sector: Building products

# Century Plyboards


## First choice

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# Contents | Century Plyboards: First Choice

# Century Plyboards

| BSE Sensex | S&P CNX |
|---|---|
| 27,645 | 8,318 |

CENTURYPLY

**Stock Info**

| | |
|---|---|
| Bloomberg | CPBI IN |
| Equity Shares (m) | 222.2 |
| 52-Week Range (INR) | 262 / 62 |
| 1, 6, 12 Rel. Per (%) | 11/21/135 |
| M.Cap. (INR b) | 46.5 |
| M.Cap. (USD b) | 0.7 |
| AvgVal. INRm/Vol'000 | 120/839 |
| Free float (%) | 26.7 |

**Financial Snapshot (INR Million)**

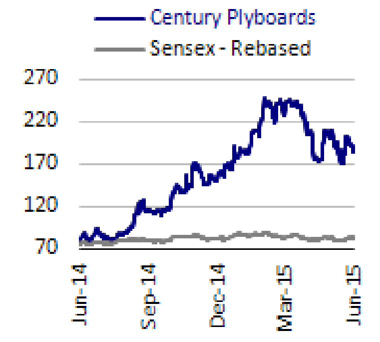
| Y/E March | 2015 | 2016E | 2017E |
|---|---|---|---|
| Net Sales | 15,884 | 18,223 | 21,179 |
| EBITDA (%) | 17.0 | 17.2 | 17.3 |
| Adj PAT | 1,490 | 1,814 | 2,230 |
| EPS (INR) | 6.7 | 8.2 | 10.0 |
| Gr (%) | 147.2 | 21.8 | 23.0 |
| BV/Sh (INR) | 17.5 | 24.0 | 32.0 |
| RoE (%) | 43.7 | 39.3 | 35.8 |
| RoCE (%) | 26.0 | 30.0 | 32.9 |
| P/E (x) | 27.6 | 22.7 | 18.5 |
| P/BV (x) | 10.6 | 7.7 | 5.8 |

**Shareholding pattern (%)**

| As on | Mar-15 | Dec-14 | Mar-14 |
|---|---|---|---|
| Promoter | 73.3 | 74.5 | 72.9 |
| DII | 3.3 | 2.8 | 0.0 |
| FII | 8.6 | 6.2 | 1.3 |
| Others | 14.8 | 16.5 | 25.9 |

FII Includes depository receipts

**Stock Performance (1-year)**




**CMP: INR185 TP: INR250 (+35%) Buy**

## First Choice

### Shift from unorganized to organized to be a secular tailwind

- **India's INR200b plywood market is largely unorganized (77% of the market), with the organized market dominated by Century Plyboards (CPBI) and Greenply Industries (MTLM) - the only two national brands.**
- **With reduction in excise duties (from 16% to 12%), superior product quality, brand pull led by aggressive advertising campaigns, likely implementation of GST, we expect share of organized sector to improve.**
- **We like CPBI for its brand leadership (25% market share), improving return ratios (26% RoCE in FY15; expected to reach 33% by FY17), superior EPS growth outlook (22% CAGR over FY15-17), and strong medium-term growth visibility. Initiate with 'Buy' with PT of INR250.**

### Duopoly market with strong headroom for growth

India's INR200b plywood market is largely unorganized – fragmented players account for 77% of the market. Century Plyboards (CPBI) and Greenply Industries (MTLM) dominate the organized market. They are the only pan-India players and enjoy ~25% share each of the organized plywood market. While the overall plywood market is growing at 5-7%, organized players are growing at 10-15%. There is a shift from the unorganized to the organized segment (estimated at 200bp annually), largely driven by (1) reduction in excise duty from 16% to 8% in 2006 (currently 12%) 2) superior product quality (organized players offer warranties and termite/borer-resistant products), (3) better product aesthetics, and (4) brand pull (aggressive advertising campaigns).

### Predominantly retail revenues; expanding distribution network

Around 87% of CPBI's products are marketed through the price-inelastic retail network and just 10% are marketed through the discount-driven institutional network. To further its reach, CPBI has expanded its plywood dealer network at 13% CAGR over FY12-14 from 1,106 dealers to 1,424 dealers. Further, it has expanded its presence from metros and large cities (Top 100 towns with population over 500,000) to Tier-1 towns (Top 500 towns with population more than 100,000), thus widening its product reach.

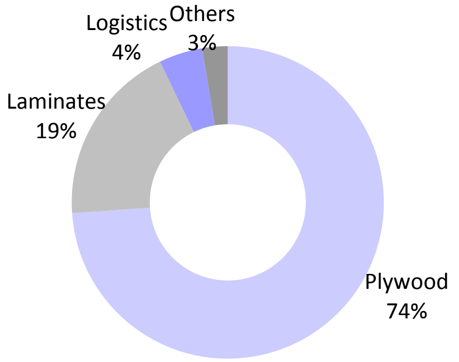
### Valuation and view

With brand leadership in a duopoly market coupled with minimal penetration of organized players, we believe CPBI is well-placed to capture the strong growth potential of India's plywood and laminates market. Brand pull, along with likely implementation of reforms like GST would further accelerate growth, in our view. Given improving return ratios (26% RoCE in FY15; expected to reach 33% by FY17), strong EPS growth (22% CAGR over FY15-17), and strong medium-term growth visibility, we believe CPBI deserves multiples in line with similar building product leaders. We initiate coverage with a **Buy** rating. Our target price is INR250 (25x FY17E EPS).

# Business overview

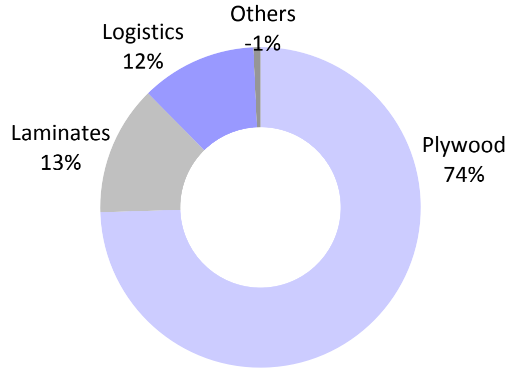
Century Plyboards (CPBI) operates in four key verticals:

**Exhibit 1: Revenue mix**




Source: Company, MOSL

**Exhibit 2: EBITDA mix**




Source: Company, MOSL

## Plywood (74% of revenues)

CPBI is India's leading plywood company, with six manufacturing facilities – near Kolkata in the East, near Kandla in the West, near Chennai in the South, near Delhi in the North, near Guwahati in the North East, and near Roorkee in Central India. Additionally, it has one unit in Myanmar for sourcing face veneer. It commands ~25% of the organized plywood market in India. It has a timber peeling capacity of 210,000 cubic meters and plywood capacity of 210,000 cubic meters. CPBI manufactures and markets plywood in different brands like PF, Sainik, Maxima, etc.

## Laminates (19% of revenues)

CPBI is one of the top-3 laminate producers in India and has a fully integrated plant near Kolkata, with a capacity of 4.8m sheets. It has 700 SKUs in this segment and is adding almost 100 new SKUs every year.

## Logistics – container freight stations (CFS; 4% of revenues)

CPBI has East India's largest and first privately owned CFS, located near Kolkata Port. Spread across ~100,000 square meters, it can handle up to 160,000 TEUs.

## Furniture trading and modular kitchen (3% of revenues)

CPBI entered the furniture trading business in 2012, with two pilot retail showrooms at Kolkata and Bangalore. With all modular kitchens available in India having durability issues, as they are made of MDF, CPBI has entered this market with a differentiation. It uses waterproof plywood, which is more durable than MDF.

## Organized plywood sector to post strong growth

**Impending implementation of GST to give further fillip to organized sector**

- **India's plywood market is pegged at INR200b, with the organized sector accounting for a small share (~23%). Century Plyboards (CPBI) and Greenply Industries (MTLM) dominate the organized market, with each enjoying ~25% share.**
- **We expect a shift from unorganized to the organized sector, led by reduction in excise duty, brand investments, better product quality and likely implementation of GST.**
- **Post ban on exporting raw timber from Myanmar (from April 1, 2014), only processed timber can be exported. CPBI and MTLM have put up veneer plants in Myanmar, ensuring raw material security for them as against the unorganized sector.**
- **With GST implementation, we expect a level playing field for organized players which can avail input tax credits as well as benefit from free flow of goods within states. This should drive further shift towards organized player's products due to reduced prices.**

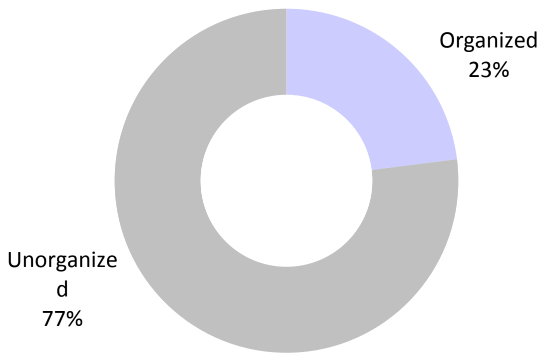
### INR200b Indian plywood market growing at 5-7% annually

India's plywood market is pegged at INR200b, with the branded segment accounting for a small share (~23%) and majority (~77%) of the industry serviced by the unorganized sector. A young population (average age of 25 years), rapid urbanization (urban population to grow from 31% to 40% by 2020), rising proportion of nuclear households (expected decline in average household size from 4.6 to 4.1 individuals), and rising affluence and affordability are growth drivers for the plywood industry which has been posting annual growth in the range of 5-7%.

### Duopoly market with strong headroom for growth

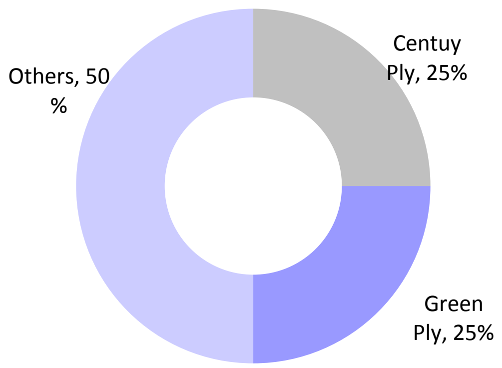
While the overall plywood market is growing at 5-7%, organized players are growing at 10-15%. Century Plyboards (CPBI) and Greenply Industries (MTLM) dominate the organized market. They are the only pan-India players and enjoy ~25% share each of the organized plywood market. There is a shift from the unorganized to the organized segment (estimated at 200bp annually), largely driven by (1) reduction in excise duty from 16% to 8% in 2006 (currently 12%) 2) superior product quality (organized players offer warranties and termite/borer-resistant products), (3) better product aesthetics, and (4) brand pull (aggressive advertising campaigns).

**Exhibit 3: Plywood industry largely unorganized currently**




Source: Company, MOSL

**Exhibit 4: Market share of organized players**

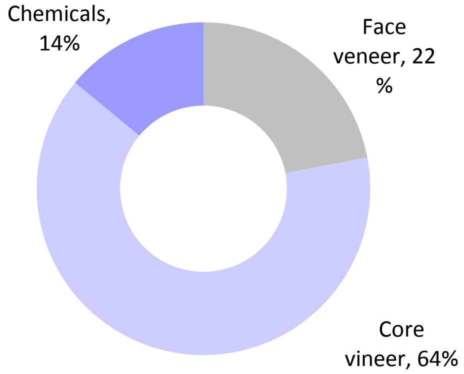



Source: Company, MOSL

### Raw material security – entry barrier favoring large organized players

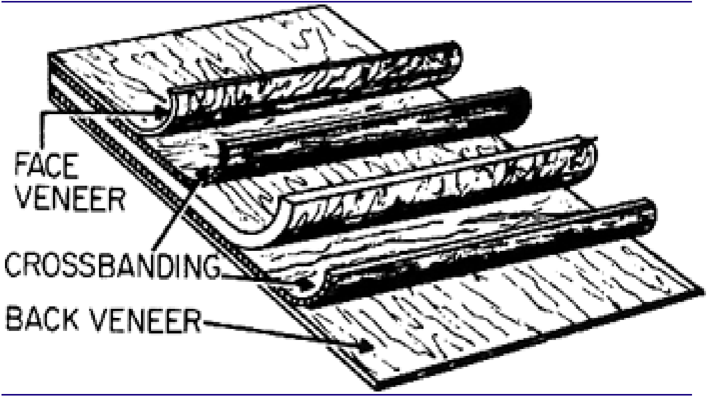
In plywood manufacturing, three raw materials are used: (i) face timber (~22% of total raw material cost) – the outermost layer, (ii) core timber (~64% of total raw material cost) – generally, low quality timber below face timber, and (iii) chemicals/adhesives and other raw material (~14% of overall raw material cost). Face timber is high quality premium timber, usually imported from Myanmar, Europe, Indonesia or Africa. Core timber is plantation timber and is available in abundance in India; it has a life cycle of 6-7 years.

**Exhibit 5: Face timber is most expensive**




Source: Company, MOSL

**Exhibit 6: Parts of plywood**




Source: Company, MOSL

### Ban on export of raw timber by Myanmar has altered supply dynamics

Myanmar, where superior quality timber is available, banned the export of raw timber from April 1, 2014. Earlier, Indian players used to import the raw timber and process it at their factories in India. However with ban on raw timber exports, only processed timber from Myanmar can be imported. This move by Myanmar was aimed at establishing a domestic wood-processing industry, which would enhance value-addition, generate duties/taxes, and increase employment. However, for Indian plywood manufacturers, this restricted critical raw material supplies.

In order to combat this move by the Myanmar government, CPBI and MTLM have put up veneer plants in Myanmar, giving them access to high quality face timber; the unorganized sector has not been able to replicate this. The unorganized players are now largely dependent on CPBI and MTLM for their high quality raw material needs. In this scenario, CPBI and MTLM would be able to dominate the higher growth, quality-conscious segment, improving their brand image and margins.

A positive implication of ban on raw timber exports is in the form of lower logistics costs on transporting processed timber. The cost of transporting raw timber from Myanmar is very high because of its bulky nature. Once converted to veneers, the bulk weight reduces substantially, as 30% of the moisture content in logs is removed, and post-peeling, the weight reduces by another 30%. In veneer form, the total bulk handling weight reduces by 50%, thus reducing logistics costs.

### GST – a potential game changer for organized players

Organized players were at a disadvantage historically due to high excise duty of 16%, which was reduced to 8% in 2006 and is now pegged at 12%. However, despite lower excise duty indirect taxes in India have a cascading effect on interstate transfers, which results in higher taxation for organized players as against unorganized players. With GST implementation, this arbitrage will fade, creating a level playing field for organized players. Apart from reduction in production cost due to availability of tax credit, GST implementation will also benefit organized players in logistics, with free flow of goods within states. We believe GST implementation will result in a huge shift from the unorganized market to the organized market, as consumer preference will shift towards branded products due to reduced price gap.

# Century Plyboards set to outpace industry growth

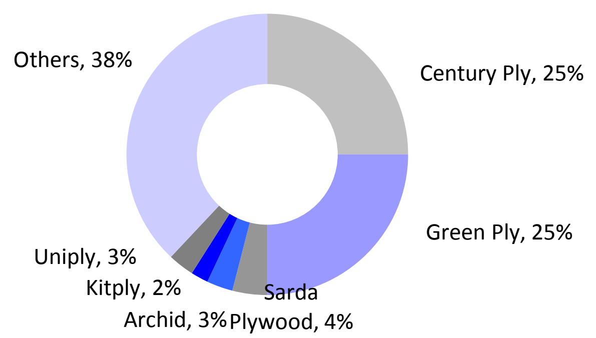
**Key drivers: Strong brand, improving distribution, product expansions**

- ***Century Ply*, along with *Greenply* is the largest brand in the organized Indian plywood industry. Though MTLM enjoys almost equal share, Synovate indicates much higher brand recall for Century Ply. Sarda Ply (3rd largest), is not even 1/5th the size of CPBI.**
- **Around 90% of CPBI's products are marketed through the retail network. Only 10% are marketed through the discount-driven OEM network.**
- **We expect plywood revenues to post 14% CAGR and laminate revenues to post 19% CAGR over FY15-17, with stable margins in both divisions.**

## Century Plyboard – Brand of choice in the Indian plywood industry

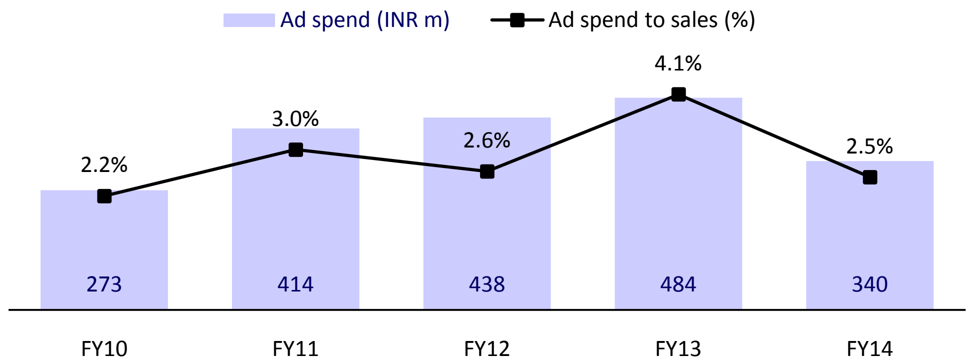
*Century Ply*, along with *Greenply* is the largest brand in the organized Indian plywood industry. It commands 25% share in the organized market. While Greenply Industries (MTLM) is of equal size, the third largest player, Sarda Plywood not even 1/5th its size. Its brand recall is significant, with *Century Ply* commanding top of the mind awareness of 98% according to Synovate. CPBI invests regularly in marketing activities, with annual ad spends at 3% of sales (4% for plywood division). We believe CPBI has built its brand reputation, led by consistent quality, pioneering product features like termite/borer resistance, and warranties. *Century Ply* commands ~5% pricing premium over *Greenply* and 20% pricing premium over unorganized products.

**Exhibit 7: Century Ply and Green Ply dominate the organized market**




Source: Company, MOSL

**Exhibit 8: Advertising investments average 3% annually**




Source: Company, MOSL

## Celebrities part of regular brand advertisements

**Exhibit 9: Aggressive marketing campaigns keep Century Ply ahead of the market**


Source: Company, MOSL

**Exhibit 10: Sub-brands**

CENTURYPLY

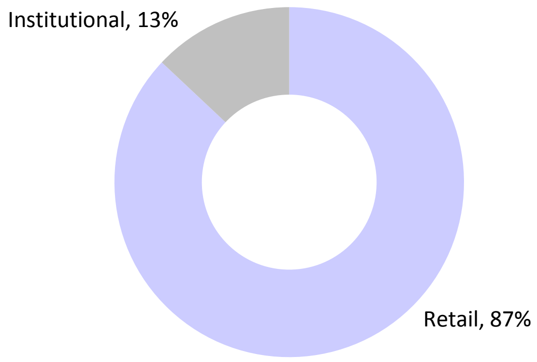
CENTURYPLY
CENTURYLAMINATES
CENTURYVENEERS
CENTURYPRELAM
CENTURYMDF
CENTURYMDF VENEERED
CENTURYTEAK
CENTURYFACEVENEERS
nesta FURNITURE from CenturyPly
nesta MODULAR KITCHEN FROM CENTURYPLY
Exteria Decorative Exterior Laminates

Source: Company, MOSL

## Predominantly retail revenues; expanding distribution network

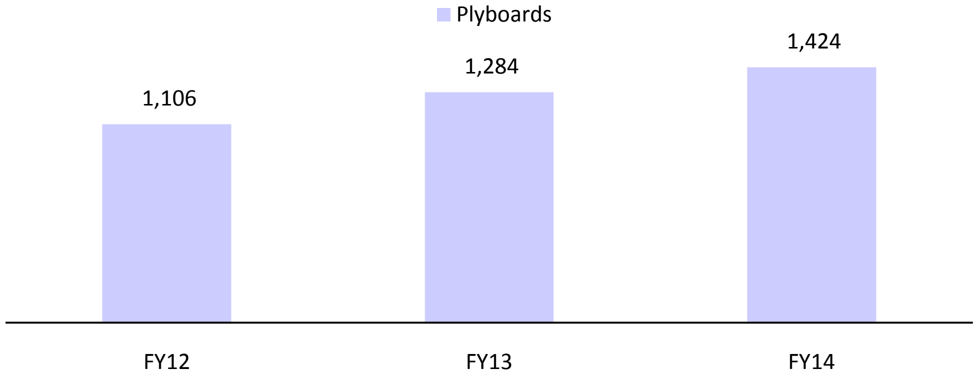
Around 87% of CPBI's products are marketed through the price-inelastic retail network and just 10% are marketed through the discount-driven institutional network. To further its reach, CPBI has expanded its plywood dealer network at 13% CAGR over FY12-14 from 1,106 dealers to 1,424 dealers. Further, it has expanded its presence from metros and large cities (Top 100 towns with population over 500k) to Tier-1 towns (Top 500 towns with population more than 100k), thus widening its product reach. In the smaller towns, it has been penetrating the market with its more affordable range of products like Sainik and Maxima which are driving growth. Currently, CPBI derives 50% if its revenues from Top 50 towns, 70% of revenues from Top 100 towns, and ~92% of revenues from Top 500 towns. It has a total reach of 684 towns, catering to a retail network of 10,400 outlets.

**Exhibit 11: Retail sales account for 90% of Century Plyboard's revenues**



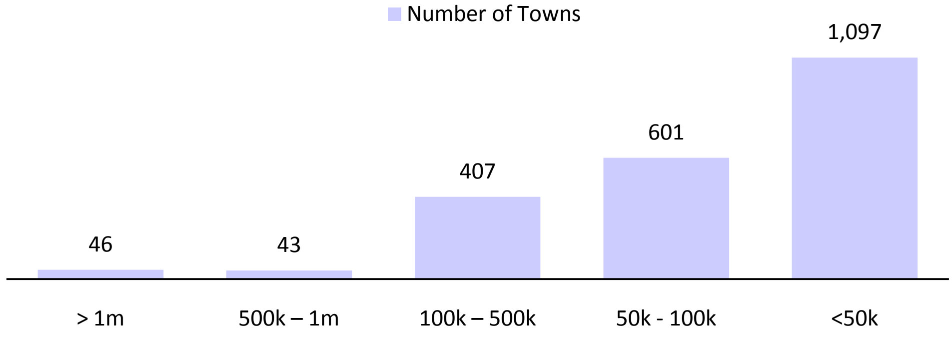

Source: Company, MOSL

**Exhibit 12: Plywood dealer network has grown at 13% over FY12-14**




Source: Company, MOSL

**Exhibit 13: CPBI has expanded its reach to Top 500 towns from Top 100 towns**

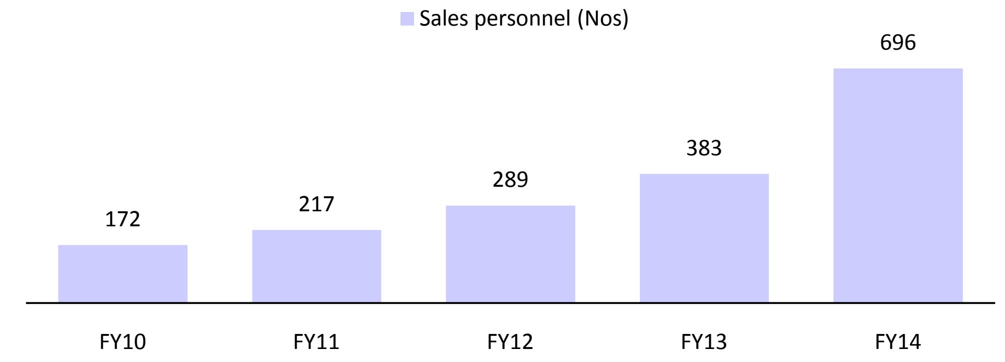



Source: Company, MOSL

## Expanding sales network aggressively; pan-India presence drives efficiency

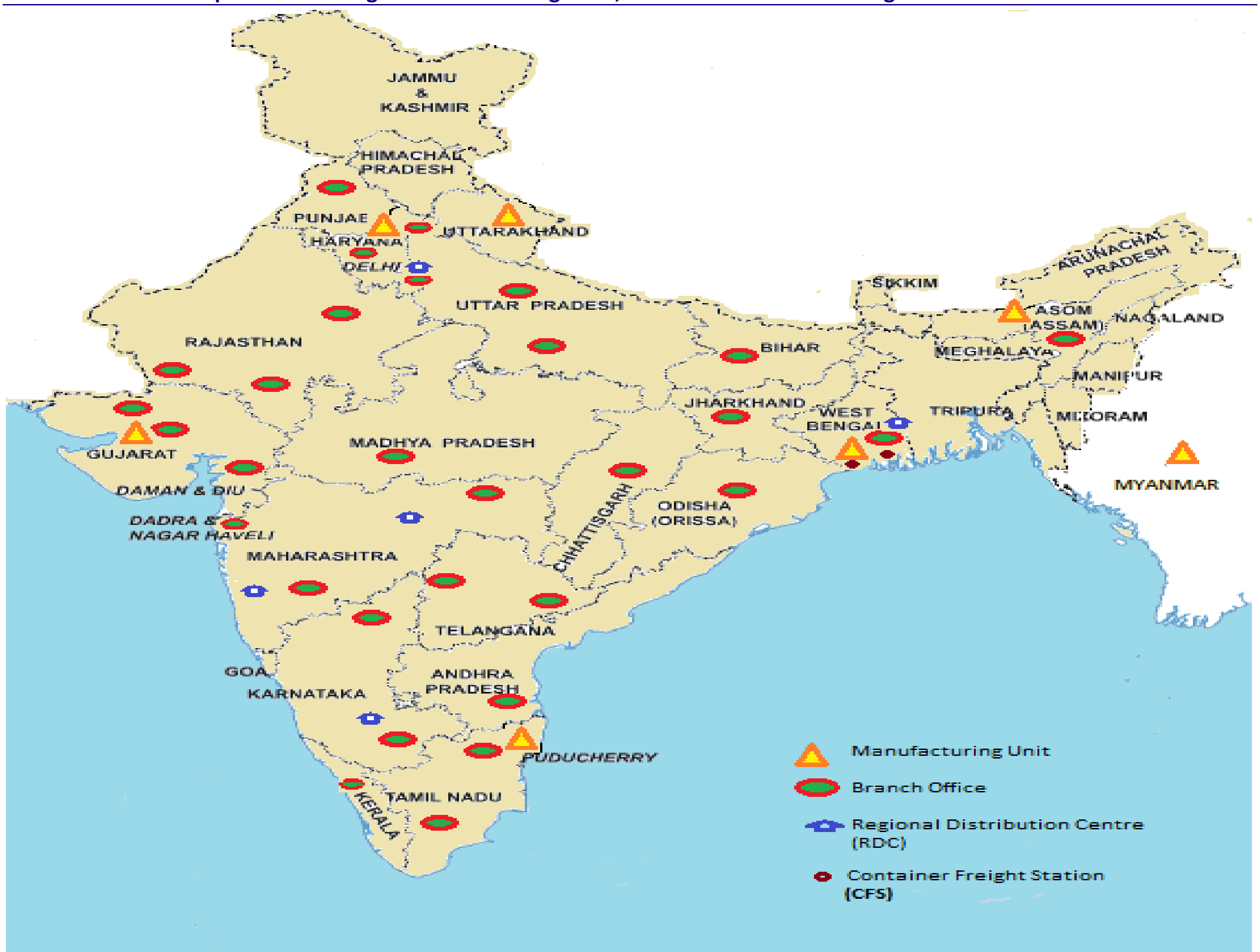
CPBI has expanded its sales team at a CAGR of 39% over FY10-15, driving higher focus on retail sales. Additionally, with its pan-India presence through 7 manufacturing units, 35 branch offices and 6 regional distributor centers, it is able to keep costs down (especially logistics costs, since plywood is a bulky product), and ensure swift and timely delivery to its dealers.

**Exhibit 14: Sales team has been expanded at 39% CAGR over FY10-15**




Source: Company, MOSL

**Exhibit 15: Pan-India presence through 7 manufacturing units, 35 branch offices and 6 regional distributor centers**

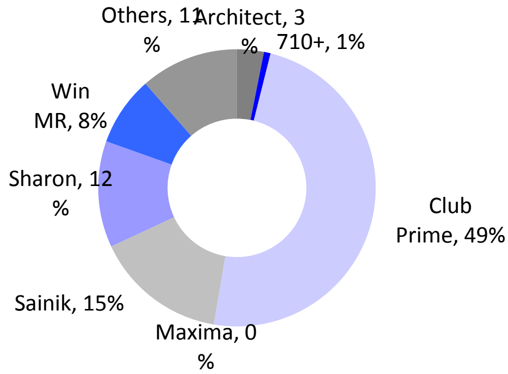



Source: Company, MOSL

## Expansion of affordable product range to drive deeper Tier 1/2 penetration

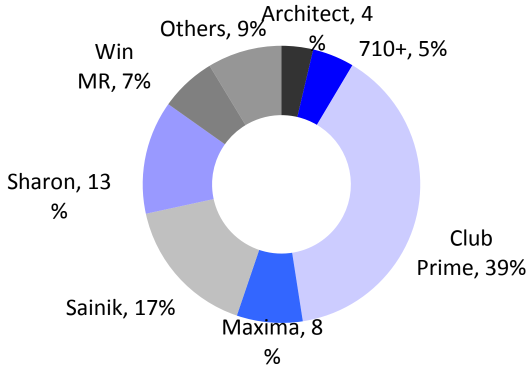
Initially focused on just the premium end of the market, CPBI with a view to enlarge its addressable market, has expanded its product portfolio from premium plywood to affordable plywood through sub-brands like *Sainik* and *Maxima*, which are ~10% and ~16% cheaper than flagship brand – '*Club Prime*'. Revenue contribution from affordable products has increased from 47% in FY13 to 53% in FY15. This has helped tap demand from mid-segment buyers who earlier bought non-branded plywood, and this strategy worked well especially with CPBI's strategy of penetrating smaller Tier 1 / 2 towns. CPBI's *Sainik* brand is completely outsourced, thus providing scale and growth without further capital deployment.

**Exhibit 16: FY13 revenue composition**



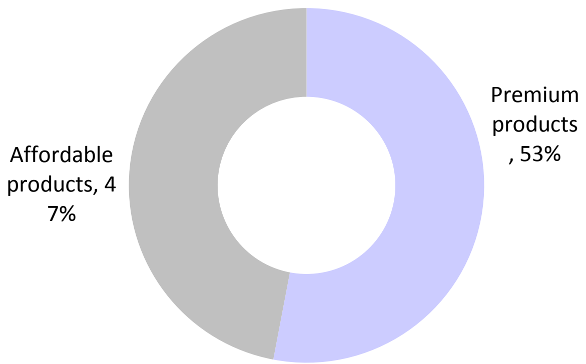

Source: Company, MOSL

**Exhibit 17: FY15 revenue composition**



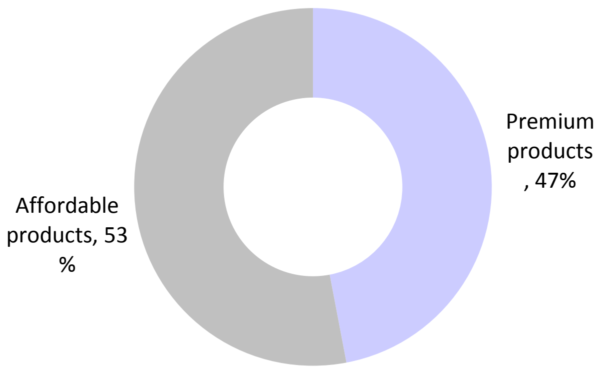

Source: Company, MOSL

**Exhibit 18: FY13 revenue composition**



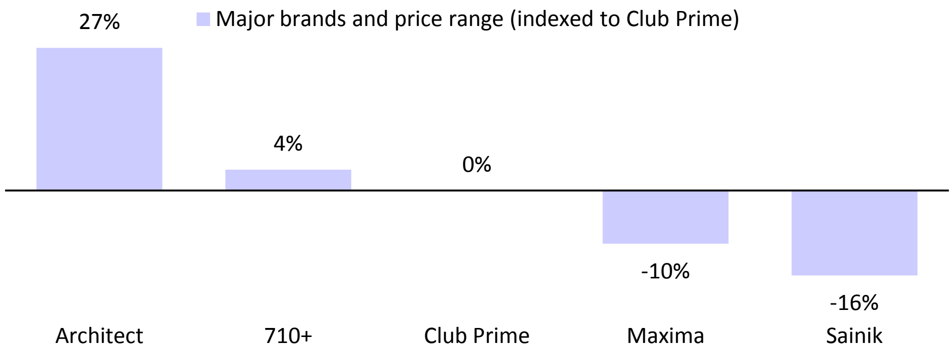

Source: Company, MOSL

**Exhibit 19: FY15 revenue composition**




Source: Company, MOSL

**Exhibit 20: CPBI has a wide product portfolio catering to diverse price points**




Source: Company, MOSL

### Further de-risking raw material supplies through entry into Laos

CPBI is setting up a new unit through a 51%-owned SPV (49% local partner) in the SEZ area in Laos. Currently, it has an arrangement with an existing unit in Laos with which it has shared technical expertise and to which it has given machinery on lease. With its own unit, CPBI would be confident of committed supplies of face veneer for future growth. It has spent ~INR300m in capex for this unit. Over next 12 months, Laos unit will have 8 lines running, similar to 8 lines running at Myanmar. Further, with landed costs of face veneer from Laos being 10-15% cheaper, we believe higher contribution from Laos could be margin accretive in the medium term.

### Setting up greenfield particleboard unit at existing site of Chennai unit

CPBI is setting up a particleboard unit, which will use saw mill dust and timber wastage generated at its Chennai unit as well as timber wastage procured from wood-based units in the vicinity as raw material. The unit will backward integrate with the company's existing pre-lamination board units at Chennai. It will spend ~INR600m as capex for this unit.

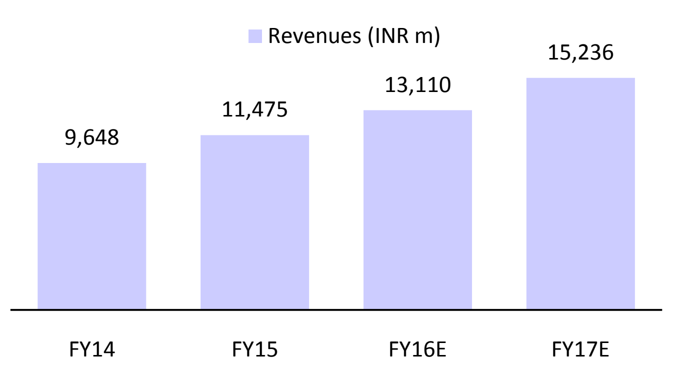
### Lower currency volatility to reduce forex losses

CPBI typically imports ~50% of its raw material requirements such as logs, paper and chemicals. This makes it vulnerable to forex volatility. Over the last three years, CPBI has incurred an estimated forex loss of ~INR1b. However, in the last one year, the management has cut its forex liabilities (from INR3.0b to INR1.8b as on 31st March, 2015), reducing the risk of unfavorable exchange rate movements. We believe this should reduce the risk of forex losses going forward.

### Medium density fiberboard (MDF) – lack of widespread acceptance

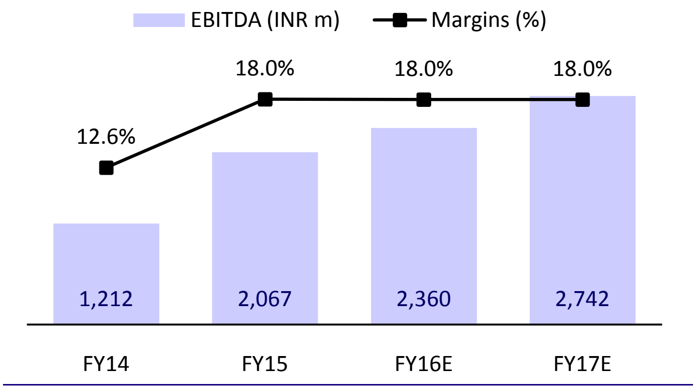
Medium density fiberboard (MDF) is engineered wood, made from fiber obtained by breaking down wood residuals. MDF forms 64% of total panel products globally as against less than 3.5% in India. Plywood currently accounts for ~95% of the panel industry in India, as housing furniture accounts for most of the demand for timber products in India. The MDF market has grown in size (INR35b in FY14 versus INR20b in FY08), but it has been largely been a low RoCE business for Indian manufacturers due to high capital intensity, low margins, B2B nature of operations, as carpenters are not equipped to work on MDF, and competition from Chinese imports. CPBI has chosen to stay away from the MDF business. Going forward, we expect slow transition to MDF, as durability of furniture is important to Indians, who also prefer to employ their own carpenters – this is unlikely to change soon. Hence, we do not see the risk of MDF impacting growth of the plywood industry.

**Exhibit 21: Plywood revenues to post 14% CAGR**




Source: Company, MOSL

**Exhibit 22: Expect stable margins over FY15-17**



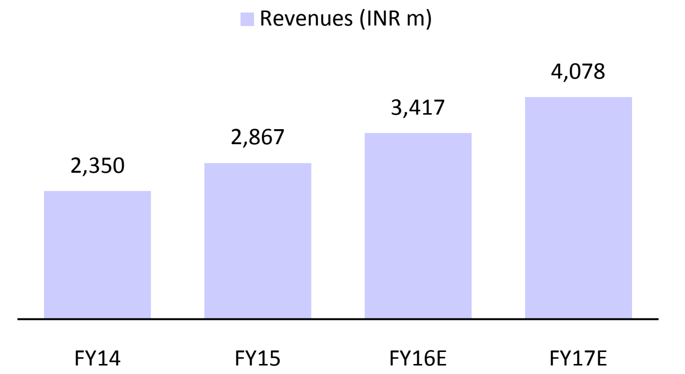

Source: Company, MOSL

## Laminates to post higher growth, but less attractive business than plywood

Laminates are used to provide an aesthetic look to plywood. There is substantial business synergy between plywood and laminates, as they both have the same customer base. Similarly, growth drivers for laminates are the same as plywood. However, one key difference is that while plywood is largely an unorganized market, the laminates market is largely organized. Also, unlike plywood, laminates do not require timber (whose supply is restricted). The key raw materials for laminates are paper and chemicals, which are easily available. Led by higher share of organized players and with surplus capacities in the industry, competitive pressures ensure that margins in the laminates business are lower than in plywood.

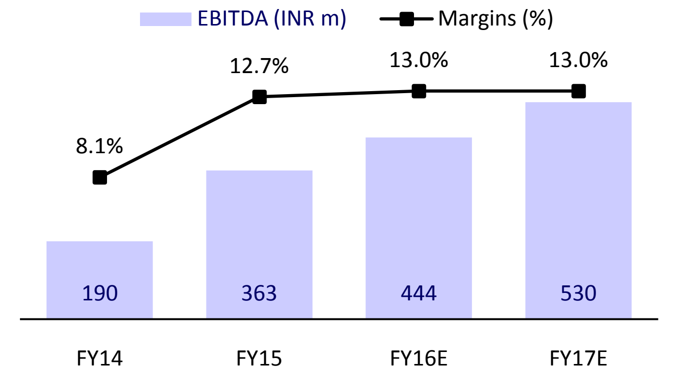
CPBI is the third-largest producer of laminates in India. Greenlam and Merino are the largest players with capacities of 10m sheets each followed by CPBI with a capacity of 4.8m sheets. Exports account for 23% of its laminate revenues. To gain market share, CPBI has been launching niche products (example: new range of textures) and is adding 100 new SKUs every year (700 SKUs currently). We expect CPBI's laminates business to post 19% CAGR over FY15-17.

**Exhibit 23: Laminates revenues to post 19% CAGR**




Source: Company, MOSL

**Exhibit 24: Expect stable margins over FY15-17**




Source: Company, MOSL

## Controls 50% of CFS capacity at Kolkata port

In FY08, CPBI entered the container freight station (CFS) business in Kolkata by winning a bid to acquire 0.1m square meters of Kolkata Port Trust land. Due to heavy congestion at the port, the Port Trust had mandated that cargo be cleared within a day and stored in the CFS. With total capacity of 160k TEUs across its two CFS at Sona (40k TEUs) and Jingira Pool (120k TEUs), CPBI controls ~50% of the CFS capacity at Kolkata Port. We expect modest 10% growth in this division (4% of revenues), with sustenance of current margins of 46%. This business is unlikely to be a growth driver for CPBI, going forward.

## Valuation and view

### Market leadership, strong growth, improving return ratios to drive re-rating

With brand leadership in a duopoly market coupled with minimal penetration of organized players, we believe CPBI is well-placed to capture the strong growth potential of India's plywood and laminates market. Brand pull, along with likely implementation of reforms like GST would further accelerate growth, in our view. Given improving return ratios (26% RoCE in FY15; expected to reach 33% by FY17), strong EPS growth (22% CAGR over FY15-17), and strong medium-term growth visibility, we believe CPBI deserves multiples in line with similar building product leaders. We believe CPBI deserves a significant premium to MTLM given MTLM's strategy to expand MDF business which in our view is a lower sustainable RoCE business (MTLM currently enjoys excise and tax benefits in its MDF unit which result in higher reported RoCE, which may not sustain as the benefits expire in the future). We initiate coverage with a **Buy** rating with a PT of INR250 (25x FY17E EPS).

**Exhibit 25: Revenues to post 15% CAGR over FY15-17**

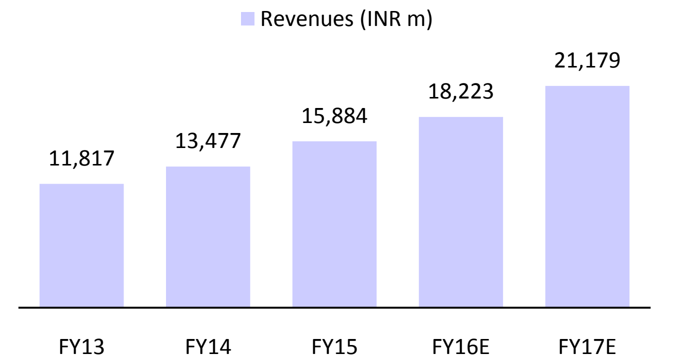



**Exhibit 26: Expect EBITDA margins to be stable**

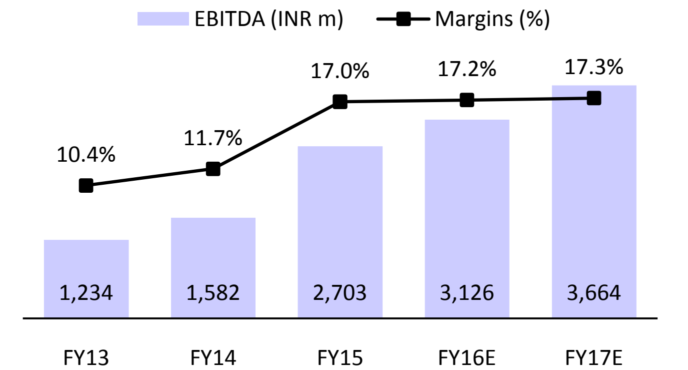
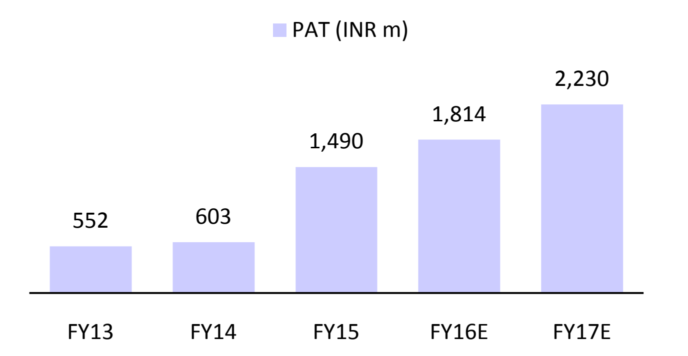
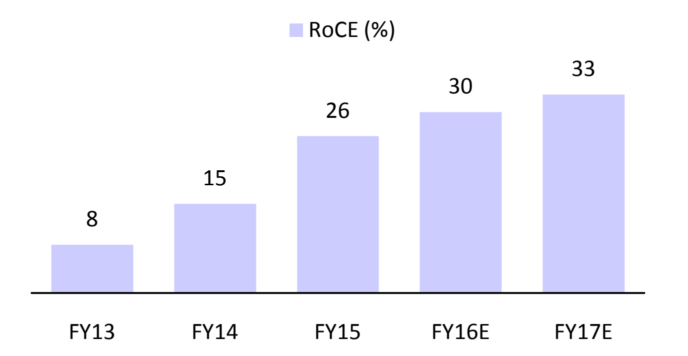



**Exhibit 27: PAT to post 22% CAGR over FY15-17**




Source: Company, MOSL

**Exhibit 28: RoCE to improve to 33% over FY15-17**




Source: Company, MOSL

**Exhibit 29: Peer comparison**

| Company Name | CMP (INR) | Market Cap (INR b) | PE (x) | | | RoE (%) | | |
|---|---|---|---|---|---|---|---|---|
| | | | FY15 | FY16E | FY17E | FY15 | FY16E | FY17E |
| **Century Plyboards India Ltd** | **185** | **41.0** | **27.6** | **22.7** | **18.5** | **43.7** | **39.3** | **35.8** |
| Greenply Industries Ltd | 813 | 19.3 | 15.8 | 16.0 | 13.2 | 23.2 | 22.6 | 22.1 |
| **Other building product companies** | | | | | | | | |
| Kajaria Ceramics Ltd | 730 | 58.2 | 32.1 | 26.9 | 21.2 | 27.6 | 26.2 | 27.0 |
| Astral Polytechnik Ltd | 390 | 46.0 | 58.7 | 32.2 | 22.9 | 16.2 | 22.7 | 24.4 |
| Asian Paints Ltd | 740 | 709.6 | 50.9 | 37.7 | 31.2 | 31.8 | 35.3 | 35.2 |
| **Average** | | | **47.2** | **32.3** | **25.1** | **25.2** | **28.1** | **28.8** |

Source: Company, MOSL

## Key risks

### Slowdown in real estate

CPBI's growth is linked with the growth in both the residential as well as commercial real estate businesses. Any slowdown can impact growth adversely.

### Foreign exchange risk

CPBI is exposed to substantial foreign exchange risk, as it imports ~50% of its raw material requirements. Adverse foreign exchange volatility or INR depreciation can negatively impact the company's profitability.

### Product substitutes

Plywood has been the material of choice when it comes to making furniture. It is cheaper than quality solid wood (say teak) furniture and is also easily available at local dealers. However, alternatives to plywood like MDF (medium density fiberboard) have gained in popularity, especially in the readymade furniture market. Though plywood is a tougher material and lasts longer than particleboard or MDF furniture, its higher cost (than MDF) results in the risk of product substitution.

### Global warming

Increasing global warming poses a threat to the environment, globally. Stringent norms that restrict deforestation can significantly impact raw material sourcing.

# Management overview

### Sajjan Bhajanka, Executive Chairman

Mr Sajjan Bhajanka, Executive Chairman, is a graduate, with 45 years of industry experience. He is responsible for overall strategic direction and handles Production, Finance, and Treasury directly. Mr Bhajanka also presides over the Federation of Indian Plywood and Panel Industry and the All India Veneer Manufacturers Association. He holds 27.5% stake in CPBI.

### Sanjay Agarwal, CEO and Managing Director

Mr Sanjay Agarwal, CEO and Managing Director, is a graduate, with 30 years of industry experience. He is responsible for Sales, Marketing, IT and HR functions. He has created the *Century Ply* brand. He holds 27.2% stake in CPBI.

### Ajay Baldawa, Executive Director (Technical)

Mr Ajay Baldawa, Executive Director (Technical), is MTech from IIT, with 30 years of plywood industry experience. He is responsible for all technical matters. He is a member of BIS Technical Committee for Plywood.

### Arun Julasaria, CFO

Mr Arun Julasaria, CFO, is an FCA and an FCS, with varied experience of over 25 years. He is responsible for Finance, Accounts, Audit, Treasury, Corporate Structuring, and New Projects. He has been instrumental in SAP implementation at CPBI.

### Amit Gope, Head - Branding

Mr Amit Gope, Head of Branding, is an MBA (Marketing) from XIMB, with 21 years of experience with Vodafone, Airtel and Uninor. He is responsible for Branding-related activities.

# Financials and valuation

## Consolidated - Income Statement (INR Million)

| Y/E March | FY12 | FY13 | FY14 | FY15 | FY16E | FY17E |
|---|---|---|---|---|---|---|
| **Total Income from Operations** | **16,674** | **11,817** | **13,477** | **15,884** | **18,223** | **21,179** |
| Change (%) | 22.6 | -29.1 | 14.0 | 17.9 | 14.7 | 16.2 |
| **Total Expenditure** | **13,821** | **10,583** | **11,894** | **13,181** | **15,098** | **17,515** |
| % of Sales | 82.9 | 89.6 | 88.3 | 83.0 | 82.8 | 82.7 |
| **EBITDA** | **2,853** | **1,234** | **1,582** | **2,703** | **3,126** | **3,664** |
| Margin (%) | 17.1 | 10.4 | 11.7 | 17.0 | 17.2 | 17.3 |
| Depreciation | 556 | 280 | 387 | 485 | 519 | 578 |
| **EBIT** | **2,297** | **954** | **1,195** | **2,218** | **2,606** | **3,086** |
| Int. and Finance Charges | 585 | 404 | 603 | 456 | 421 | 331 |
| Other Income | 50 | 72 | 37 | 33 | 40 | 48 |
| **PBT bef. EO Exp.** | **1,762** | **622** | **629** | **1,796** | **2,225** | **2,803** |
| Current Tax | 64 | 17 | 28 | 296 | 401 | 561 |
| Deferred Tax | -6 | 29 | -32 | 0 | 0 | 0 |
| Tax Rate (%) | 3.7 | 7.4 | -0.7 | 16.5 | 18.0 | 20.0 |
| **Adjusted PAT** | **1,426** | **552** | **603** | **1,490** | **1,814** | **2,230** |
| Change (%) | -7.7 | -61.3 | 9.2 | 147.2 | 21.8 | 23.0 |
| Margin (%) | 8.6 | 4.7 | 4.5 | 9.4 | 10.0 | 10.5 |

## Consolidated - Balance Sheet (INR Million)

| Y/E March | FY12 | FY13 | FY14 | FY15 | FY16E | FY17E |
|---|---|---|---|---|---|---|
| Equity Share Capital | 228 | 223 | 223 | 223 | 223 | 223 |
| Total Reserves | 7,038 | 2,336 | 2,708 | 3,671 | 5,124 | 6,890 |
| **Net Worth** | **7,266** | **2,558** | **2,931** | **3,894** | **5,346** | **7,112** |
| Minority Interest | 1,794 | 86 | 115 | 55 | 55 | 55 |
| Deferred Liabilities | 29 | 27 | 4 | 8 | 8 | 8 |
| Total Loans | 10,482 | 5,419 | 5,801 | 4,706 | 3,706 | 2,906 |
| **Capital Employed** | **19,570** | **8,090** | **8,850** | **8,662** | **9,115** | **10,081** |
| | | | | | | |
| Gross Block | 7,220 | 4,123 | 4,895 | 4,997 | 5,597 | 6,197 |
| Less: Accum. Deprn. | 3,091 | 1,396 | 1,731 | 2,216 | 2,735 | 3,313 |
| **Net Fixed Assets** | **4,129** | **2,728** | **3,164** | **2,782** | **2,863** | **2,885** |
| | | | | | | |
| **Curr. Assets, Loans&Adv.** | **10,030** | **6,085** | **6,793** | **7,890** | **8,353** | **9,658** |
| Inventory | 3,105 | 2,293 | 3,029 | 3,322 | 3,712 | 4,314 |
| Account Receivables | 1,951 | 1,793 | 2,089 | 2,683 | 2,646 | 2,901 |
| Cash and Bank Balance | 685 | 1,020 | 387 | 374 | 183 | 268 |
| Loans and Advances | 4,289 | 980 | 1,289 | 1,510 | 1,812 | 2,175 |
| **Curr. Liability & Prov.** | **2,331** | **1,268** | **1,389** | **2,013** | **2,105** | **2,465** |
| Account Payables | 2,303 | 1,166 | 1,063 | 1,585 | 1,591 | 1,849 |
| Provisions | 28 | 102 | 326 | 428 | 514 | 617 |
| **Net Current Assets** | **7,699** | **4,817** | **5,404** | **5,877** | **6,249** | **7,192** |
| Deferred Tax assets | 29 | 2 | 11 | 0 | 0 | 0 |
| **Appl. of Funds** | **19,571** | **8,090** | **8,850** | **8,663** | **9,115** | **10,081** |

# Financials and valuation

## Ratios

| Y/E March | FY12 | FY13 | FY14 | FY15 | FY16E | FY17E |
|---|---|---|---|---|---|---|
| **Basic (INR)** | | | | | | |
| **EPS** | **6.3** | **2.5** | **2.7** | **6.7** | **8.2** | **10.0** |
| Cash EPS | 8.7 | 3.7 | 4.4 | 8.9 | 10.5 | 12.6 |
| BV/Share | 31.9 | 11.5 | 13.2 | 17.5 | 24.0 | 32.0 |
| DPS | 1.0 | 0.3 | 1.0 | 1.3 | 1.4 | 1.8 |
| Payout (%) | 21.1 | 11.8 | 41.8 | 21.7 | 19.9 | 20.8 |
| **Valuation (x)** | | | | | | |
| P/E | | | 68.3 | 27.6 | 22.7 | 18.5 |
| Cash P/E | | | 41.6 | 20.9 | 17.6 | 14.7 |
| P/BV | | | 14.0 | 10.6 | 7.7 | 5.8 |
| EV/Sales | | | 3.4 | 2.9 | 2.4 | 2.1 |
| EV/EBITDA | | | 29.4 | 16.8 | 14.3 | 11.9 |
| Dividend Yield (%) | 0.5 | 0.1 | 0.5 | 0.7 | 0.8 | 1.0 |
| FCF per share | -14.3 | -4.3 | -1.4 | 9.4 | 7.2 | 7.6 |
| **Return Ratios (%)** | | | | | | |
| RoE | 21.0 | 11.2 | 22.0 | 43.7 | 39.3 | 35.8 |
| RoCE | 15.8 | 8.0 | 14.7 | 26.0 | 30.0 | 32.9 |
| **Working Capital Ratios** | | | | | | |
| Asset Turnover (x) | 0.9 | 1.5 | 1.5 | 1.8 | 2.0 | 2.1 |
| Inventory (Days) | 68.0 | 70.8 | 82.0 | 76.3 | 74.3 | 74.3 |
| Debtor (Days) | 40 | 51 | 52 | 57 | 49 | 46 |
| Creditor (Days) | 112 | 58 | 50 | 69 | 60 | 60 |
| Working Cap. Turnover (Days) | 154 | 117 | 136 | 126 | 121 | 119 |
| **Leverage Ratio (x)** | | | | | | |
| Current Ratio | 4.3 | 4.8 | 4.9 | 3.9 | 4.0 | 3.9 |
| Interest Cover Ratio | 4 | 2 | 2 | 5 | 6 | 9 |
| Debt/Equity | 1.4 | 2.1 | 2.0 | 1.2 | 0.7 | 0.4 |

## Consolidated - Cash Flow Statement (INR Million)

| Y/E March | FY12 | FY13 | FY14 | FY15 | FY16E | FY17E |
|---|---|---|---|---|---|---|
| OP/(Loss) before Tax | 1,555 | 623 | 629 | 1,796 | 2,225 | 2,803 |
| Depreciation | 556 | 280 | 387 | 485 | 519 | 578 |
| Interest & Finance Charges | 554 | 395 | 580 | 456 | 421 | 331 |
| Direct Taxes Paid | -365 | -105 | -117 | -296 | -401 | -561 |
| (Inc)/Dec in WC | -1,239 | -600 | -1,168 | -485 | -563 | -859 |
| **CF from Operations** | **1,062** | **592** | **311** | **1,955** | **2,202** | **2,292** |
| (inc)/dec in FA | -4,466 | -1,570 | -643 | 137 | -600 | -600 |
| **Free Cash Flow** | **-3,247** | **-966** | **-305** | **2,092** | **1,591** | **1,680** |
| **CF from Investments** | **-4,233** | **-1,812** | **-690** | **105** | **-600** | **-600** |
| Issue of Shares | 0 | 0 | 0 | 0 | 0 | 0 |
| (Inc)/Dec in Debt | 4,512 | 1,967 | 372 | -1,095 | -1,000 | -800 |
| Interest Paid | -623 | -419 | -594 | -456 | -421 | -331 |
| Dividend Paid | -478 | -1 | -59 | -323 | -361 | -465 |
| **CF from Fin. Activity** | **3,335** | **1,543** | **-281** | **-2,073** | **-1,782** | **-1,595** |
| **Inc/Dec of Cash** | **321** | **335** | **-633** | **-13** | **-191** | **85** |
| Opening Balance | 364 | 685 | 1,020 | 387 | 374 | 183 |
| **Closing Balance** | **685** | **1,020** | **387** | **374** | **183** | **268** |

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