

Century Plyboards India Ltd.

Nifty	8,375.05
Sensex	27,563.43

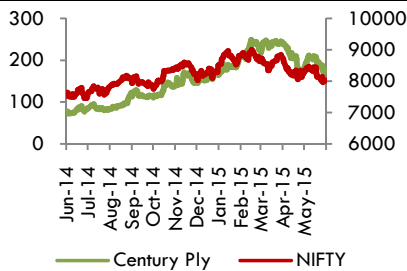
Key Stock Data

Market Cap (₹ Crs.)	₹4,583.4
52W High/Low	₹261.75/71.10
Bloomberg	CPBI IN
Shares o/s (crs.)	22.8
3-m daily average vol	0.86 lakhs

Shareholding Pattern

Promoters	73.34%
FII's & DII's	11.82%
Public & Others	14.84%

Comparison Chart



Year	FY14	FY15	FY16E
Net Sales	1,359.1	1,588.4	1,747.3
% Growth	14.4%	16.9%	10.0%
EBIDTA	169.7	270.3	297.0
EBIDTA Margins	12.5%	17.0%	17.0%
PAT	60.3	149.0	169.9
EPS	2.7	6.7	7.6
P/EPS		30.8	27.1

*Includes Exception Income

^ On reported PAT

Shivani Vivek Vishwanathan

Tel: +9122-66638956
shivani.mehra@tssl.in

Ronak Morjaria

Tel: +9122-66638959
ronakd@way2wealth.com

SUMMARY

Century Ply declared its Q1FY16 results recently. The results were adversely impacted due to sluggish demand. The plywood industry initiated price cuts to offset the sluggish demand and pass through of lower prices of raw material. Century held ground on pricing and hence lost out on sales to competition. Apart from that on the profitability front the company continued to maintain a steady performance on the back of stable pricing and lower raw material costs.

KEY RESULT HIGHLIGHTS

- Revenues for Q1FY16 stood at ₹368 crores v/s ₹360.9 crores in Q1FY15, up 2% y-o-y. Revenues were adversely impacted by sluggish sales in the plywood segment. Plywood & allied products segment, which accounts for 71.4% of sales revenue, witnessed flat growth. On the other hand, laminates & allied products, which accounts for 20% of sales revenue, grew by 23%.
 - Plywood sales were impacted due to sluggish demand from the housing sector. Coupled with this the industry passed through the lower prices of raw material this quarter by taking price cuts of 4-5%. Century ply didn't take any price cut and hence lost sales to the tune of ₹30-40 crs. Plywood sales de-grew by 6% this quarter to ₹258 crs. The company's flagship brand "CenturyPly" (premium category) saw slower growth than its secondary mid segment brands Sainik. "Sanik" witnessed a 12% growth this quarter. Company intends to push its secondary brands "Sainik" & "Maxima" to gain further penetration in the economy segment in smaller cities.
 - Veneer sales were also lower as the base quarter has an excess stock from Myanmar to be carried into the topline during the previous year. Sales of veneer this quarter were at ₹35 crs. Myanmar output was impacted by Chinese New Year & Water festival which lead to a 3 week factory shutdown. Laos units started ramp up this quarter. The flow through will come in the coming quarters.
 - Laminates sales grew at a healthy growth rate of 23% with volumes growing at 25%. While the premium segment saw lower demand the mid and economy segment grew faster.
- Operating performance for the company was strong. EBIDTA grew by 41.5% to ₹66.7 crs. Driven primarily by lower timber prices. EBITDA Margins for Q1FY16 stood at 18% v/s 13% in Q1FY15. EBIT Margins for the plywood segment expanded YOY to 15.9% from 12.6% in the corresponding quarter; while laminate EBIT Margins expanded YOY to 13.1% from 5.9% in the corresponding quarter. Net Profit for Q1FY16 stood at ₹39.7 crores v/s ₹25.7 crores in Q1FY15, up 54.3% y-o-y

OTHER KEY TAKEAWAYS FROM THE CONCALL:

- Topline growth guidance scaled back from 25% to 15% for FY16E.
- Plywood demand was weak as the housing sector saw no growth this quarter. The company remains positive on the housing sector from the affordable housing segment backed by the government intent to invest in this sector. The company is focusing on growing its mid & economy product range and is investing in the brand building of the same.
- Face Veneer's segment enjoys the highest margins at 25-30%. Myanmar which currently has 32,000 cubic mtrs. Capacity will see a new line by the end of year taking the capacity to 40,000 cu. Mtrs. In Laos the company is a JV partner with 51% stake. The current capacity for the unit as a whole is 32000 cu. Mtrs., which will be expanded to 64,000 cu. mtrs. Hence post expansion the company's total Veneer capacity will go up to 40,000+32000 cu. Mtrs. The company uses A-Grade Veneer for its internal purposes and sells B-Grade & C-grade in the market. The company this time had surplus of A-Grade veneer as well and is expected to have some surplus of this continuing post expansion. This will add to the profitability of the segment.

- The company plans to setup an MDF unit in Punjab. The estimated investment for a 400 cu. mtr. MDF project + 12 MW power plant is ₹300 crs. The company intends to fund it in a ratio 30:70 Equity to Debt. The company commented that MDF industry is now gaining traction and hence the company wants to capture this opportunity.
- Market Scenario: Prices have stabilised in Q2 with south & east markets reviving while west and north remain sluggish.
- Company is now importing timber from Papua New Guinea and Somalia.
- The company is expecting a 20-22% GST rate which is beneficial to the branded players in terms of gaining market share.
- **RISKS & CONCERNS:**
 - Delay in infra & housing investment by the government of India.
 - Weaker than expected real estate demand.
 - Weak monsoon to impact rural economy demand. The current rainfall though is privy to a normal onset of monsoon.
 - Rupee weakness to increase import cost of raw material.

➤ **VALUATIONS AND OUTLOOK:**

The macro-economic environment is currently full of skepticism. The real estate slowdown, the looming monsoon failure & the slowdown in consumer demand all translates into a braking of economic growth. ***With this background we believe the next two quarters could be challenging for the company.***

Having said that the government's investments push for urban infrastructure & healthy demand for affordable housing do provide a cushion for growth for the plywood industry. Century ply is the leader in the organized plywood market commanding 25% market share. Over the last 12 to 18 months the company has readied new capacities in the wake of demand arising out of healthy macro trends in building & construction sector; governments 2020 Vision of Housing for All; and the expected rollout of GST which would lead to the sector moving from unorganized to organized. ***We expect the company to clock a healthy topline and bottomline going into FY16. At the CMP of ₹206.3/- the stock trades at ~27.1x its FY16 estimated EPS of ₹7.6/-. We advise investors to ACCUMULATE the stock with medium to long term investment horizon.***

STANDALONE FINANCIALS

(₹ Cr.)

	Q1FY16	Q1FY15	Change %	Q4FY15	Change %
Net Sales	368.0	360.9	2.0	404.9	(9.1)
Other Operating Income	2.9	1.9	55.4	4.3	(31.4)
Other Income	0.3	1.3	(74.8)	0.9	(61.3)
Total Income	371.2	364.1	2.0	410.1	(9.5)
Raw Material Consumed	156.7	176.4	(11.2)	151.7	3.3
Stock Adjustment	(4.1)	(5.2)	(22.1)	(1.1)	257.2
Purchase of Finished Goods	43.0	43.8	(1.7)	59.7	(28.0)
RMC % of Sales	52.7%	59.3%		51.4%	
Employee Expenses	51.7	41.5	24.8	52.4	(1.3)
Employee Exp % of Sales	13.9%	11.4%		12.8%	
Loss on Forex Transaction	(1.2)	(1.8)	(30.6)	(8.3)	(85.0)
Loss on Forex % of Sales	-0.3%	-0.5%		-2.0%	
Other Expenses	58.0	60.9	(4.8)	75.4	(23.1)
Other Exp % of Sales	15.6%	16.8%		18.4%	
TOTAL EXPENDITURE	304.2	315.6	(3.6)	329.9	(7.8)
PBIDT	66.7	47.2	41.5	79.3	(15.9)
PBIDT Margin %	18.0%	13.0%		19.4%	
Interest	12.3	7.4	66.4	9.0	36.0
PBDT	54.8	41.1	33.3	71.2	(23.0)
PBDT Margin %	14.8%	11.3%		17.4%	
Depreciation	10.1	10.4	(3.4)	11.9	(15.0)
PBT	44.7	30.7	45.7	59.3	(24.6)
Total Tax	5.1	5.0	1.4	11.4	(55.4)
Tax Rate %	11.3%	16.3%		19.1%	
Reported Profit After Tax	39.7	25.7	54.3	48.0	(17.3)
PAT Margin %	10.7%	7.1%		11.7%	
Basic EPS	1.8	1.2	54.3	2.2	(17.3)

SEGMENTAL STANDALONE

(₹Cr.)

	Q1FY16	Q1FY15	Change %	Q4FY15	Change %
REVENUES					
Revenue from Operations	386.0	360.9	7.0	404.9	(4.7)
Plywood & Allied Products	275.6	274.9	0.3	291.8	(5.5)
Mix % of Sales	71.4%	76.2%		72.1%	
Laminates & Allied Products	77.2	62.7	23.0	80.5	(4.1)
Mix % of Sales	20.0%	17.4%		19.9%	
Others	16.5	8.4	96.6	16.0	2.7
Mix % of Sales	4.3%	2.3%		4.0%	
Container Freight Station Services (Logistics)	17.4	15.4	13.0	17.4	(0.1)
Mix % of Sales	4.5%	4.3%		4.3%	
Less : Inter Segment Revenues	0.7	0.5	34.1	0.8	(10.2)
Total Segment Revenue	386.0	360.9	7.0	404.9	(4.7)
Add : Other Unallocable Income	-	-		-	
Net Revenue from Operations	386.0	360.9	7.0	404.9	(4.7)
PROFIT					
PBIT	59.2	41.5	42.8	69.3	(14.5)
Margin %	15.3%	11.5%		17.1%	
Plywood & Allied Products	43.8	34.8	26.0	57.6	(24.0)
Margin %	15.9%	12.6%		19.8%	
Laminates & Allied Products	10.1	3.7	175.5	6.5	56.9
Margin %	13.1%	5.9%		8.0%	
Others	(0.1)	(0.3)	(50.5)	(0.8)	(81.6)
Margin %	-0.9%	-3.5%		-5.0%	
Container Freight Station Services (Logistics)	5.4	3.3	62.6	6.0	(9.4)
Margin %	31.0%	21.6%		34.2%	
Less : Interest	12.3	7.4	66.4	9.0	36.0
Other Un-allocable Expenditure	2.2	3.4	(35.4)	0.9	139.5
Net Profit/Loss Before Tax	44.7	30.7	45.7	59.3	(24.6)

Team

Analyst	Designation	Sector	Email	Telephone
Nilesh Doshi	President (Research)		nilesh.doshi@tssl.in	+9122-6633 8950
Mahesh Bendre	AVP	Capital Goods, Auto, Auto Ancillary	maheshbendre@way2wealth.com	+9122-6146 8937
Jaysheel Garg	AVP	Power, Power Equipment, Coal Mining	jaisheelgarg@way2wealth.com	+9122-6146 8921
Shivani V. Vishwanathan	Sr. Research Analyst	FMCG, Auto	shivani.mehra@tssl.in	+9122-6663 8956
Nisha Harchekar	Sr. Research Analyst	Chemicals, Textiles	nishaharchekar@way2wealth.com	+9122-6146 2952
Ronak Morjaria	Research Associate		ronakd@way2wealth.com	+9122-6633 8959
Vijay Gyanchandani	Research Associate		vijaygyanchandani@way2wealth.com	+9122-6633 8272
Institutional Sales	Designation		Email	Telephone
Ramanjaneyulu BV	Institutional Head – Sales		raman@way2wealth.com	+9122-6146 2956
Vinod Vijay Birla	Senior Manager		vinodbirla@way2wealth.com	+9122-4019 2998
Bhavika Ravasia	Senior Manager		bhavikaravasia@way2wealth.com	+9122-4019 2995
Institutional Dealing	Designation		Email	Telephone
Ajay Prabhudesai	Assistant Vice President		ajay.prabhudesai@tssl.in	+9122-4027 8930
Mitul Doshi	Senior Executive		mitul.doshi@tssl.in	+9122-4027 8932
Gautam Vyas	Institutional Sales Trader		gautam.vyas@tssl.in	+9122-4027 8934

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Name of the Security	Century Plyboards India Ltd.
Name of the analyst	Shivani Vishwanathan
Analysts' ownership of any stock related to the information contained	No
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / NO	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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