

Century Plyboards (I) Ltd

BUY



Asian Markets Securities Pvt. Ltd.

MDF, Laminates & Particle board bolster margin profile

Institutional Research

CMP (Rs)	165
Target (Rs)	193
Upside (%)	17%

Nifty: 11,913 Sensex: 40,345

Key Stock Data

Bloomberg	CPBI IN
Shares O/s Mn (FV INR1)	222.2
Mkt Cap(USD Mn/INR Bn)	0.5/37.1
52-week high/low	222/112
6m daily avg vol(INR Mn)	32
Free Float %	27

Price Performance

(%)	3m	1yr	3yr
CENTURYPL	32.9	(4.9)	(6.0)
Nifty	7.6	14.1	14.3
NSE500	7.5	9.8	12.2
BSE Midcap	7.5	9.8	6.9

	2yr	3yr	5yr
Avg.PER (x)	30	30	28

Shareholding Pattern

(%)	Mar19	Jun19	Sep19
Promoter	72.7	72.8	72.9
FII	7.7	7.7	7.3
DII	7.3	6.8	6.8
Others	12.3	12.7	13.0

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CENTURYPLYBOARDS (INDIA) LIMITED (CPBI) reported a single digit topline growth yoy, thanks to MDF & Laminates, while core plywood division continue to remain lackluster. Blended margins improve 260bps due to operating leverage, lower glue/electricity costs, rich sales mix in MDF, Laminates & Particle Board. Particle Board and MDF are operating at healthy utilization levels, hence CPBI is setting up a greenfield plant in UP with capacity of 500/CBM each, incurring total capex of Rs4-4.5bn over FY19-21E. Also, Gabbon plant for face veneer to commission in 2H. Further clarity on capex plans to be announced in subsequent quarter. In 1HFY20, it trimmed off debt by 40% to Rs3.7bn, resulting in lower interest exp during the quarter. WC days improve 5days to 81 led by higher revenue contribution of MDF/Particle Board. Led by encouraging 1H margin profile, we upgrade FY20/21 earnings by 5/4% respectively. However, higher capex spends may deteriorate return ratio profile. Assigning 20x on FY21 EEPS, we arrive at a revised target price of Rs193 vs Rs186 earlier. **Maintain BUY**

MDF/Laminates steal the show

Led by slow real activities, CPBI posted a meagre 4% increase in revenue at Rs5,894mn. Core Plywood segment (54% of revenue) witnessed tad lower sales (-2%), impacted by lower sales (-36%) of the commercial veneer. Lower face veneer cost/chemicals led lo flattish EBITDAM despite tad lower sales. Laminates (contributing 23% to revenues) witnessed strong volume/revenue growth of 22% each and steep dip in phenol prices coupled with benefits of operating leverage led to 640bp EBITDAM expansion to 14.4%. MDF too performed well as utilization levels improved from 54% to 67% yoy and healthy margin expansion (1620bp) led by higher volumes, lower power/glue costs, rich sales mix. Particle Board record topline dip of 9% albeit a higher base yoy, though margins were rock solid at 29.7% vs 18.9% yoy. Blended margins expanded 260 bps to 15.7%, with EBITDA growth of 25%. Other income grew multifold to Rs85mn due to profit from sale of real estate to Star Cement. Reported PAT grew 38% to Rs521 yielding an EPS of Rs2.3

Capex details & update on Laos and Myanmar

CPBI is coming up with a facility for face veneer in Gabon with capex of Rs300mn in FY20E. In UP, CPBI is going ahead with greenfield plant in UP for Particle Board and MDF with capacity of 500/CBM each, incurring capex of Rs4-4.5bn over FY19-21E. In Laos, with the shutdown of many facilities, Govt has allowed FV exports in small quantity against setting up a plywood facility. Century is negotiation terms and will get more clarity on subsequent concalls. However, there will be no fresh capital employed in Laos. Sales from Myanmar are gradually picking, though realizations have tapered by 50% to 600\$ CBM

Upgrade estimates, maintain BUY

Led by encouraging margin profile for 1H we upgrade FY20/21 earnings by 5/4% respectively. We factor revenue CAGR of 1/13/21/12% in Plywood/Laminate/MDF/Particle Board division with margins of 15.9/16.4% and EPS CAGR of 16% over FY19-21E. CPBI has spent Rs7.5bn in over FY16-19 and envisages capex to the tune of Rs4-4.5bn over next two years. Higher capital employed in the business to weigh profitability and return ratios Assigning 20x on FY21 EEPS, we arrive at a revised target price of Rs193 vs Rs186 earlier. **Maintain BUY**

Exhibit 1: Key Financials

Y/E Mar (Rsmn)	FY17	FY18	FY19	FY20E	FY21E
Sales	17,825	19,672	22,638	23,743	25,657
yoy (%)	9.0	10.4	15.1	4.9	8.1
Operating Profit	2,921	3,060	3,004	3,769	4,217
yoy (%)	3.0	4.8	-1.9	25.5	11.9
PAT	1,856	1,566	1,588	2,039	2,144
yoy (%)	9.3	-15.6	1.4	28.4	5.2
OPM (%)	16.4	15.6	13.3	15.9	16.4
NPM (%)	10.4	7.8	7.0	8.6	8.4
EPS (Rs)	8.3	7.0	7.1	9.2	9.6

Exhibit 2: Key Indicators

Y/E Mar	FY17	FY18	FY19	FY20E	FY21E
Equity	223	223	223	223	223
RoNW (%)	30.1	20.3	17.6	19.3	17.3
RoCE (%)	23.0	17.3	17.9	21.7	21.2
ROIC (%)	20.8	16.6	17.4	20.7	20.7
D:E (x)	0.8	0.6	0.5	0.3	0.3
PER (x)	20.0	23.7	23.4	18.2	17.3
P/BV (x)	5.2	4.4	3.8	3.2	2.8
EV/Sales (x)	2.4	2.2	1.9	1.7	1.6
EV/ EBITDA (x)	14.6	13.8	14.0	10.7	9.7

Source: Company, AMSEC Research

Exhibit 3: Key Assumptions

Key Assumptions	FY17	FY18	FY19	FY20E	FY21E	CAGR 19-21E
Revenue Rs mn						
Plywood	12,609	12,633	12,734	12,430	12,927	1%
yoy%	7%	0%	1%	-2%	4%	
Laminates	3,635	3,700	4,322	4,943	5,546	13%
yoy%	8%	2%	17%	14%	12%	
MDF	-	1,128	2,951	3,697	4,294	21%
yoy%	-	-	162%	25%	16%	
Particle Board	165	729	975	1,105	1,217	12%
yoy%		343%	34%	13%	10%	
Others	1,415	1,482	1,656	1,568	1,673	1%
yoy%	-	5%	12%	-5%	7%	
Total Revenues	17,825	19,672	22,638	23,743	25,657	6%

Revenue Breakup (%)						
Plywood		71	64	56	52	50
Laminates		20	19	19	21	22
MDF		0	6	13	16	17
Particle Board		1	4	4	5	5
Others		8	8	7	7	7
Total		100	100	100	100	100
EBITDA Rs mn						
Plywood		2,164	1,812	1,744	1,802	1,900
Laminates		586	596	386	618	721
MDF		-	213	383	813	988
Particle Board		52	139	219	287	324
Others		120	301	271	248	285
Total EBITDA		2,921	3,060	3,004	3,769	4,217
EBITDAM%						
Plywood		17.2	14.3	13.7	14.5	14.7
Laminates		16.1	16.1	8.9	12.5	13.0
MDF		-	18.9	13.0	22.0	23.0
Particle Board		31.3	19.0	22.5	26.0	26.6
EBITDAM%		16.4	15.6	13.3	15.9	16.4

Source: Company, AMSEC Research

Exhibit 4: 2QFY20 Financials (Standalone)

Y/E Mar (Rs.mn)	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	yoy (%)	qoq (%)	1HFY19	1HFY20	yoy%
Net Sales	5,644	5,789	5,832	5,737	5,894	4.4	2.7	11,017	11,631	5.6
Total Expenditure	4,902	5,030	5,196	4,811	4,966	1.3	3.2	9,409	9,777	3.9
(Increase) / Decrease In Stocks	-70	-91	-6	5	1	(101.7)	(76.8)	-7	6	(192.7)
Purchase of Finished Goods	618	644	678	594	915	48.0	53.9	1,133	1,509	33.2
Cost of Services & Raw Materials	2397	2535	2356	2322	2042	(14.8)	(12.1)	4,573	4,363	(4.6)
Operating & Manufacturing Expenses	1117	1132	1330	1045	1124	0.6	7.6	2,080	2,169	4.3
Employee Cost	840	810	837	845	884	5.3	4.6	1,630	1,729	6.1
EBIDTA	742	759	637	926	928	25.0	0.1	1608	1854	15.3
Other Income	10	16	29	11	86	755.0	651.3	16	97	514.3
Operating Profit	752	775	666	938	1013	34.7	8.0	1623	1951	20.2
Interest	155	62	94	90	108	(30.3)	20.7	290	198	(31.7)
PBDT	597	713	572	848	905	51.5	6.7	1334	1753	31.4
Depreciation	113	136	143	169	170	51.2	0.5	221	340	53.8
PBT	485	577	429	679	735	51.6	8.3	1113	1414	27.0
Tax	106	162	87	197	213	100.5	8.1	281	411	46.1
Profit After Tax	378	414	342	481	521	37.9	8.3	832	1003	20.5
Equity Capital	222.5	222.5	222.5	222.5	222.5			222.5	222.5	
EPS (Adjusted)	1.7	1.9	1.5	2.2	2.3			3.7	4.5	
EBIDTA (%)	13.2	13.1	10.9	16.1	15.7	259bp	(41bp)	14.6	15.9	135bp
PATM (%)	6.7	7.2	5.9	8.4	8.8	215bp	46bp	7.6	8.6	107bp
Tax / PBT (%)	22.0	28.2	20.4	29.1	29.0	707bp	(3bp)	25.3	29.1	379bp
Raw material / Net sales (%)	52.2	53.3	51.9	50.9	50.2	(199bp)	(74bp)	51.7	50.5	(118bp)
Other exp/Net sales	19.8	19.6	22.8	18.2	19.1	(72bp)	87bp	18.9	18.6	(23bp)
Employee cost / Net Sales (%)	14.9	14.0	14.3	14.7	15.0	12bp	28bp	14.8	14.9	7bp

Source: Company, AMSEC Research

Concall Highlights**Plywood**

- One more quarter of disappointment. Gabbon plant with 2000CBM capacity per month to start in Feb/March 2020. Bulk will be for captive consumption, while rest to be sold outside. Lot many players have entered Gabbon and realizations are on downtrend. Many incurring losses.
- A lot of peeling capacities in Laos are exiting. Century is in talks with Govt to allow exports. The govt has allowed export of face veneer if and only if a plywood plant is set up there. Negotiations are on. Further clarity in coming quarters. No infusion of any further capital in Laos.
- Myanmar – Sales are picking gradually. SP has tumbled by 50%. (from 1200\$ CBM to 600). Expecting 6-7% growth in 2H, translating into single digit growth for FY20E (3-4%).

MDF

- Operated at record utilization level in Oct. 2Q always a lean quarter. Hence the qoq dip in volumes. Timber availability is suffice for current MDF capacity (In north). Further brownfield capacity expansion not viable. For higher capacities, acquired license in UP. Exploring locations which has proper water, power, glue supply. It took 15-16 months for greenfield capacity in North. New facility in UP won't take more than 12-14 months.
- Improving utilization levels and rich sales mix (Pre lam) led to healthy margin expansion in this quarter. Glue costs down 20% (crude derivative)
- Expecting 20% volume growth and 20%+ EBITDAM.

Particle Board

- Sales dip on a very high base of 2QFY19. Pre lam particle board is 70% of total. Planning to improve Pre lam particle board to 100% compared to 70% now.
- Expecting 10% sales growth with margins of 25%+

CFS

- Continue to be stressed. Volumes are low. GDP growth of Bengal not very impressive. Higher competition too hampered growth. It will take minimum 1-1.5 yrs to revive.

Laminates

- An exceptional quarter. Volumes/sales surge 22% each. Witnessed growth in Exports and domestic market. FY19 was a subdued year as Phenol prices were rocket high and company had expanded capacities. Expecting 15% sales growth and margins of 12% for FY20E.

Exhibit 5: 2QFY20 Segmental Financials (Standalone)

Particulars, Rs mn	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	yoy (%)	qoq (%)	1HFY19	1HFY20	yoy%
Segment Revenue										
Plywood	3,224	3,143	3,235	3,157	3,165	(1.8)	0.2	6,403	6,322	(1.3)
Laminate	1,106	1,138	1,231	1,071	1,352	22.2	26.2	2,021	2,423	19.9
MDF	612	882	760	919	777	26.8	(15.4)	1,311	1,696	29.3
Particle Board	286	265	241	249	262	(8.6)	5.2	469	511	9.0
CFS	264	250	219	225	220	(16.6)	(2.0)	568	445	(21.6)
Others	160	121	154	125	124	(22.5)	(0.8)	260	249	(3.9)
Total segment revenue	5,653	5,799	5,840	5,746	5,900	4.4	2.7	11,032	11,646	5.6
Less: Intersegment Revenue	9	10	8	9	7	-26.0	-28.5	15	16	6.8
Income from operation	5,644	5,789	5,832	5,737	5,893	4.4	2.7	11,017	11,631	5.6
Segment Result										
Plywood	524	385	365	470	450	(14.1)	(4.3)	1,078	920	(14.7)
Laminate	75	89	96	96	178	137.7	85.3	153	274	79.1
MDF	-5	95	63	169	133	(2,937.8)	(21.5)	42	302	619.7
Particle Board	44	45	50	56	66	51.9	19.4	82	122	48.5
CFS	71	54	32	39	32	(54.9)	(18.7)	174	71	(59.1)
Others	7	8	11	8	13	73.7	54.8	8	21	169.5
EBIT	716	675	618	838	872	21.8	4.0	1537	1710	11.3
Less: Finance cost	155	62	94	90	108	(30.3)	20.7	290	198	(31.7)
Other Unallocable Expenditure	76	36	96	70	29	(62.2)	(58.9)	134	99	(26.3)
Total Profit/(Loss) before tax	485	577	429	679	735	51.6	8.3	1113	1414	27.0
Capital Employed										
Plywood and Allied Business	4,642	5,164	5,301	5,237	4,895	5.5	(6.5)	4,642	4,895	5.5
Laminate and allied products	2,054	2,188	2,254	2,135	2,127	3.6	(0.4)	2,054	2,127	3.6
MDF	3,630	3,528	3,380	3,370	3,420	(5.8)	1.5	3,630	3,420	(5.8)
Particle Board	658	651	648	652	644	(2.2)	(1.2)	658	644	(2.2)
Container Freight station services	426	474	453	409	441	3.5	7.8	426	441	3.5
Others	102	37	22	86	115	13.3	33.7	102	115	13.3
Total	11,512	12,042	12,057	11,889	11,642	1.1	(2.1)	11,512	11,642	1.1
EBIT/Sales (%)										
Plywood and Allied Business	16.3	12.3	11.3	14.9	14.2	(204bp)	(68bp)	16.8	14.6	(228bp)
Laminate and allied products	6.8	7.8	7.8	9.0	13.2	640bp	421bp	7.6	11.3	374bp
MDF	-0.8	10.8	8.3	18.4	17.1	1786bp	(131bp)	3.2	17.8	1461bp
Particle Board	15.3	16.8	20.9	22.4	25.4	1011bp	302bp	17.5	23.9	637bp
Container Freight station services	26.8	21.5	14.8	17.4	14.5	(1230bp)	(296bp)	30.6	16.0	(1464bp)
Others	4.5	6.9	7.4	6.5	10.1	559bp	363bp	3.0	8.3	533bp
EBIT	12.7	11.6	10.6	14.6	14.8	211bp	19bp	13.9	14.7	75bp
EBIT/Capital Employed (%)										
Plywood and Allied Business	11.3	7.5	6.9	9.0	9.2	(210bp)	21bp	23.2	18.8	(443bp)
Laminate and allied products	3.6	4.0	4.2	4.5	8.4	473bp	387bp	7.5	12.9	544bp
MDF	-0.1	2.7	1.9	5.0	3.9	401bp	(113bp)	1.2	8.8	767bp
Particle Board	6.7	6.8	7.8	8.5	10.3	367bp	178bp	12.5	19.0	648bp
Container Freight station services	16.6	11.3	7.2	9.6	7.2	(937bp)	(235bp)	40.8	16.1	(2468bp)
Others	7.1	22.8	52.9	9.4	10.9	379bp	149bp	7.5	17.9	1040bp
EBIT	6.2	5.6	5.1	7.1	7.5	127bp	44bp	13.4	14.7	134bp

Source: Company, AMSEC Research

Segment Analysis	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	yoy (%)	qoq (%)	1HFY19	1HFY20	yoy%
Volume										
Plywood (CBM)	64,337	62,217	62,349	62,678	61,650	(4.2)	(1.6)	1,28,071	1,24,328	(2.9)
Laminates (No's)	14,91,204	14,69,058	15,99,771	14,07,387	18,22,347	22.21	29.5	28,10,134	32,29,734	14.9
CFS (TEU's)	17,953	16,384	14,638	15,703	15,772	(12.1)	0.4	37,988	31,475	(17.1)
MDF (CBM)	27,037	40,138	35,395	41,177	33,271	23.1	(19.2)	56,696	74,448	31.3
Particle Board (CBM)	19,436	16,254	14,489	15,277	16,041	(17.5)	5.0	30,793	31,318	1.7
Net sales (Rs.mn)										
Plywood	3,215	3,131	3,225	3,148	3,158	(1.8)	0.3	6,377	6,306	(1.1)
Laminates	1,092	1,120	1,207	1,055	1,329	21.7	25.9	1,996	2,384	19.5
CFS	260	246	217	222	218	(16.2)	(2.0)	528	440	(16.6)
MDF	612	882	760	918	777	27.0	(15.4)	1,310	1,695	29.4
Particle Board	286	265	241	249	262	(8.6)	5.2	469	511	9.0
Others	180	145	182	145	150	(16.5)	4.0	337	295	(12.6)
Total	5,644	5,789	5,832	5,737	5,894	4.4	2.7	11,017	11,631	5.6
Average realization										
Plywood (Rs/CBM)	49,963	50,327	51,731	50,220	51,228	2.5	2.0	49,796	50,720	1.9
Laminates (Rs/No.)	732	762	754	750	729	(0.4)	(2.8)	710	738	3.9
CFS (Rs/TEU)	14,488	15,033	14,838	14,163	13,822	(4.6)	(2.4)	13,904	13,992	0.6
MDF (Rs/CBM)	22,617	21,964	21,469	22,301	23,342	3.2	4.7	23,102	22,766	(1.5)
Particle Board (CBM)	14,736	16,291	16,647	16,292	16,327	10.8	0.2	15,221	16,310	7.2
EBITM										
Plywood	16.3	12.3	11.3	14.9	14.2	(205bp)	(69bp)	16.9	14.6	(231bp)
Laminates	6.9	7.9	7.9	9.1	13.4	655bp	430bp	7.7	11.5	383bp
CFS	27.2	21.8	14.9	17.6	14.6	(1257bp)	(300bp)	32.9	16.1	(1678bp)
MDF	-0.8	10.8	8.3	18.4	17.1	1787bp	(131bp)	3.2	17.8	1461bp
EBIDTAM										
Plywood	15.5	12.1	9.7	14.6	15.5	-	90bp	16.4	15.1	(130bp)
Laminates	8.0	9.0	8.9	10.5	14.4	640bp	390bp	8.6	12.7	410bp
CFS	33.8	29.0	23.9	34.2	31.9	(190bp)	(230bp)	37.3	33.1	(420bp)
MDF	6.0	16.0	15.3	23.5	22.2	1620bp	(130bp)	10.0	23.0	1300bp
Particle Board	18.9	20.8	25.4	27.4	29.7	1080bp	230bp	21.9	28.6	670bp

Source: Company, AMSEC Research

Exhibit 6: Quarterly Net Revenue Trend

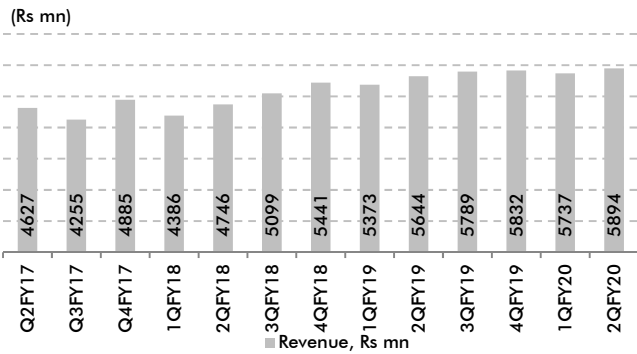


Exhibit 7: Quarterly EBITDA Trend

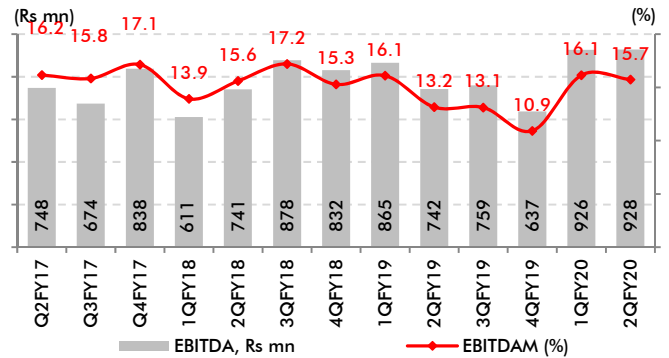


Exhibit 8: Quarterly PAT Trend

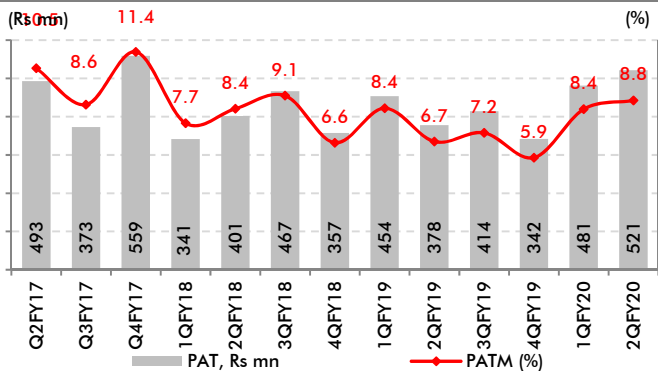
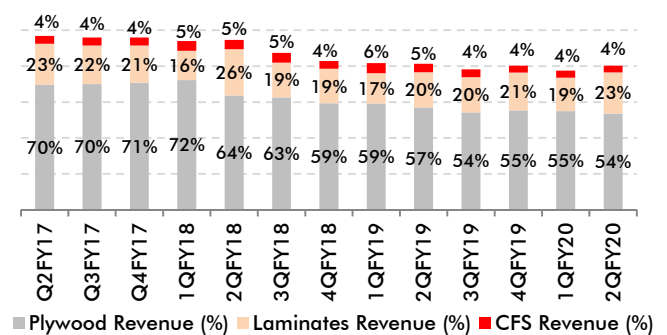


Exhibit 9: Segment Revenue Contribution



Quarterly Segment Performance-Plywood

Exhibit 10: Net Revenue

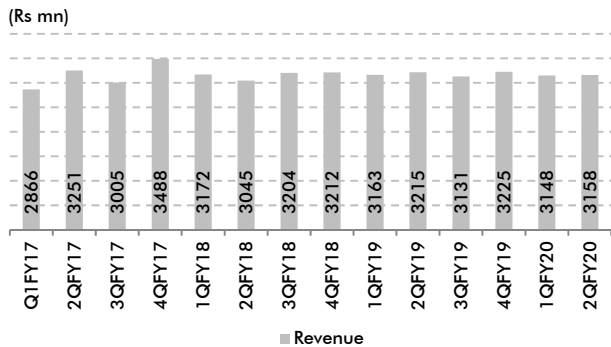


Exhibit 11: EBIT

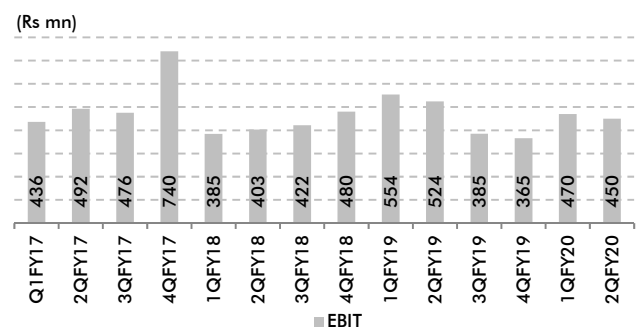


Exhibit 12: EBIT/Sales

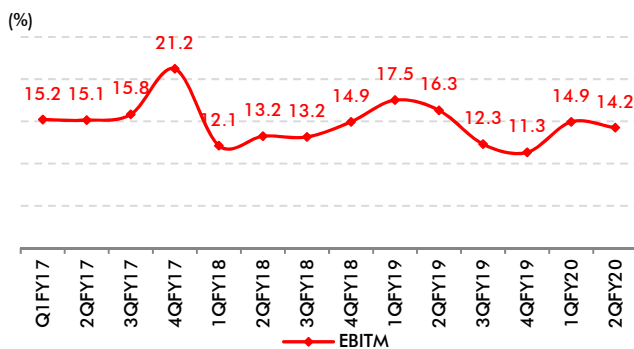
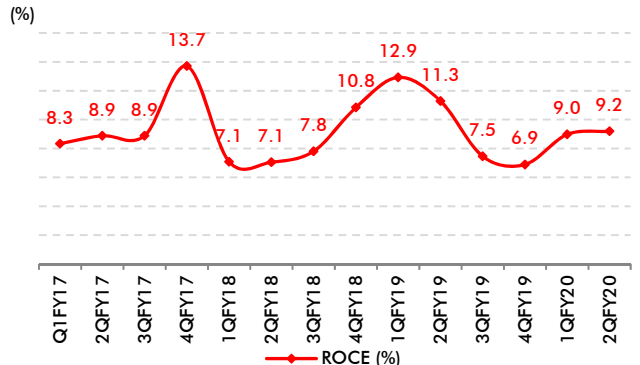


Exhibit 13: ROCE



Source: Company, AMSEC Research

Quarterly Segment performance -Laminates

Exhibit 14: Net Revenue

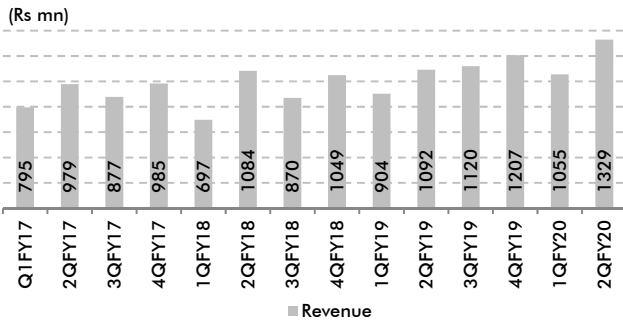


Exhibit 15: EBIT

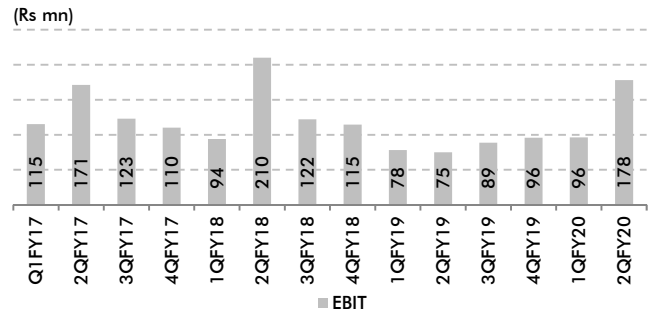


Exhibit 16: EBIT/Sales

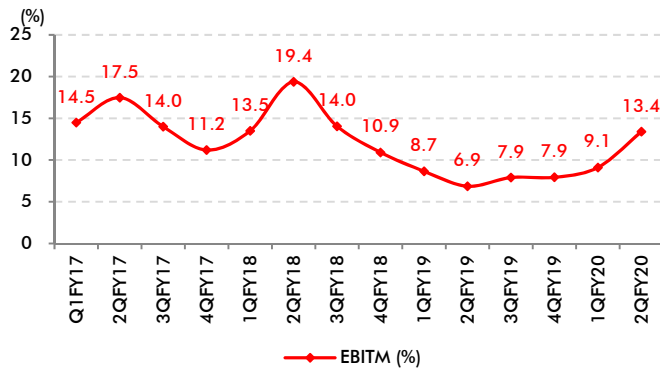
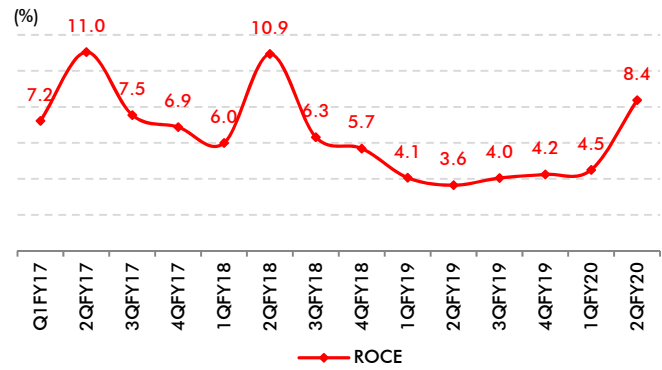


Exhibit 17: ROCE



Source: Company, AMSEC Research

Quarterly Segment performance -CFS

Exhibit 18: Net Revenue

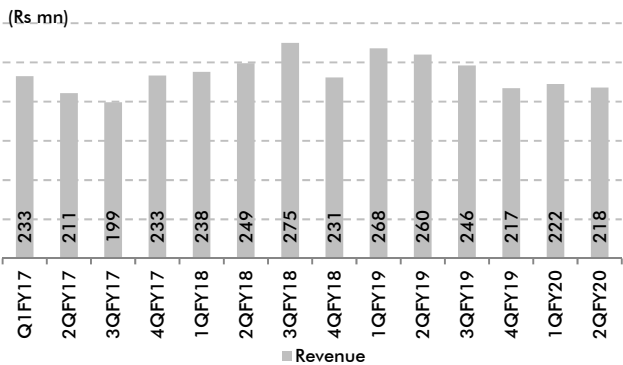


Exhibit 19: EBIT

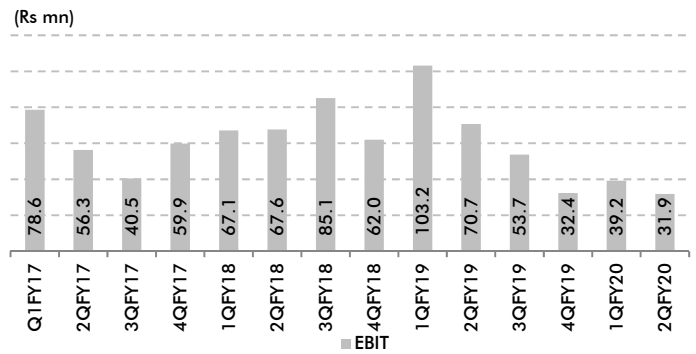


Exhibit 20: EBIT/Sales

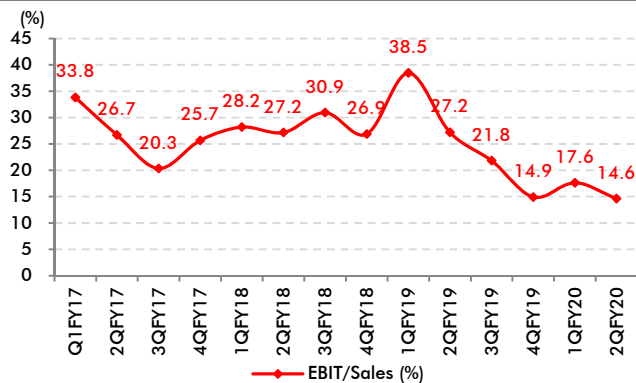
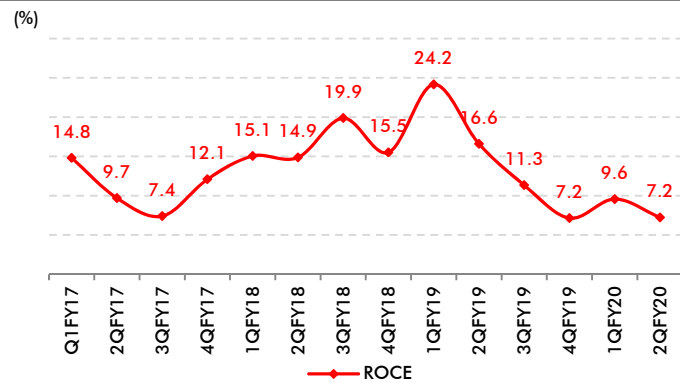


Exhibit 21: ROCE



Source: Company, AMSEC Research

Financial snapshot (Standalone)

Exhibit 22: Revenue

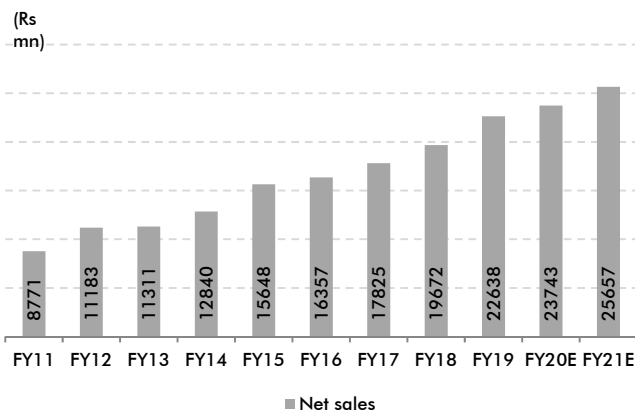


Exhibit 23: EBIDTA & EBIDTAM (%)

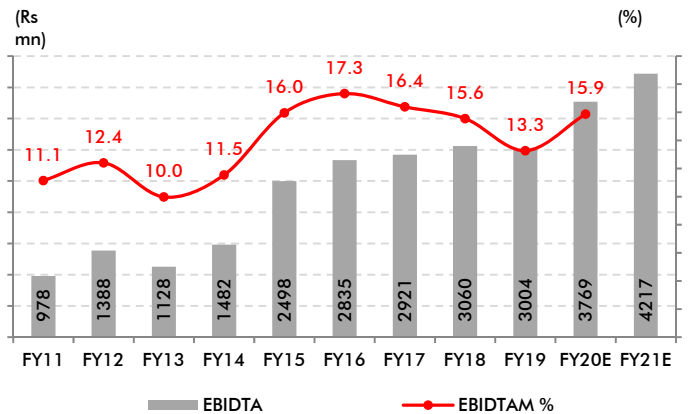


Exhibit 24: PAT & PATM (%)

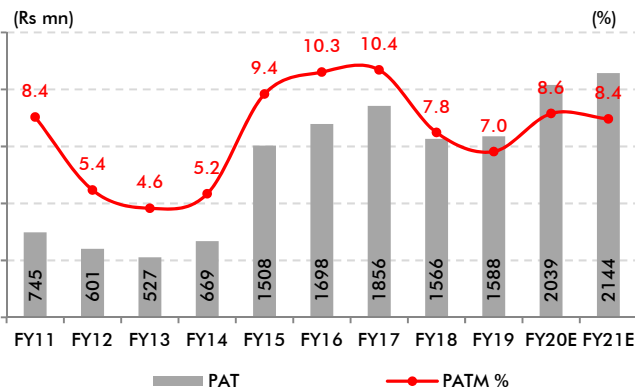


Exhibit 25: Return Ratios

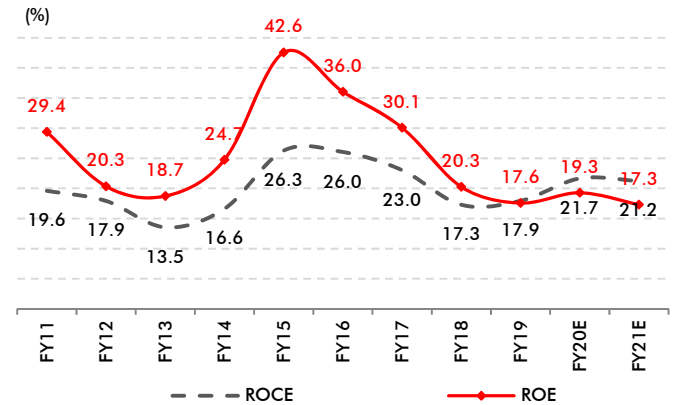


Exhibit 26: Dividend and Dividend payout ratio

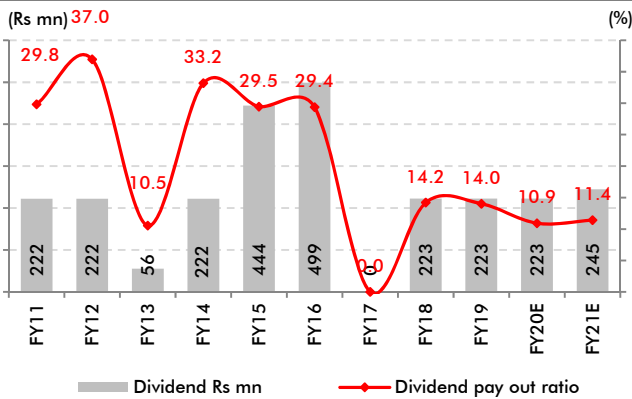
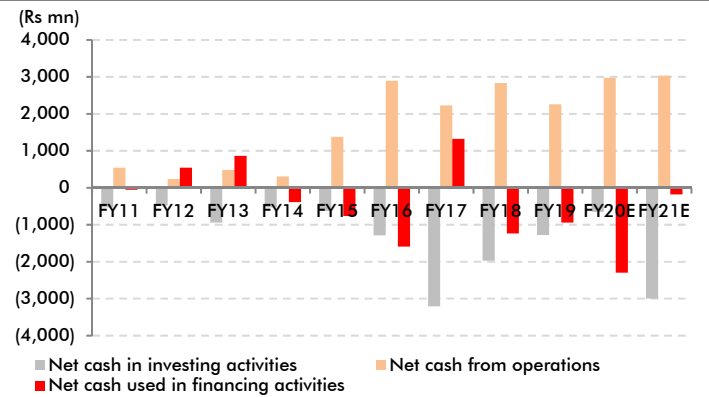


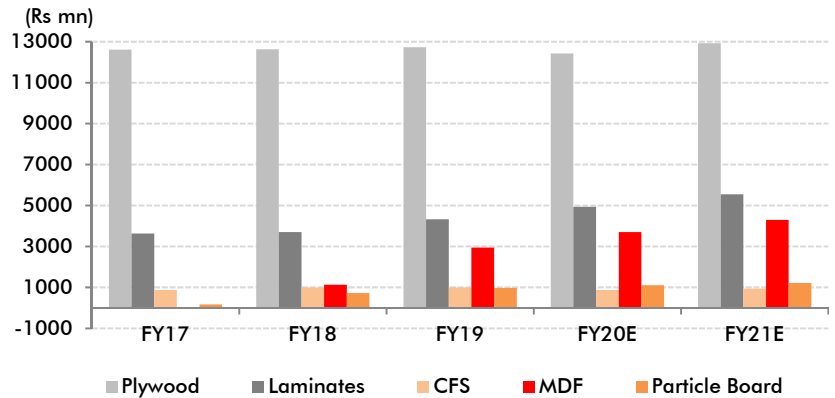
Exhibit 27: Cash Flow



Source: Company, AMSEC Research

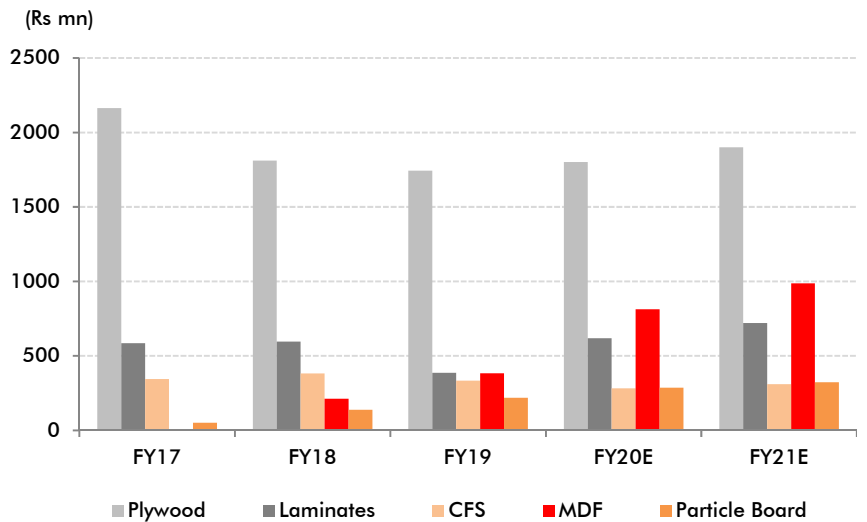
Yearly Segment performance

Exhibit 28: Segment revenue trend



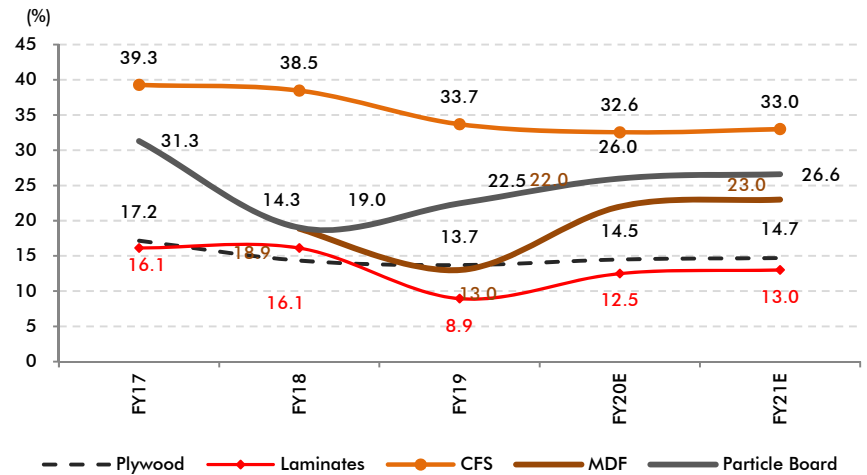
Source: Company, AMSEC Research

Exhibit 29: Segment EBITDA trend



Source: Company, AMSEC Research

Exhibit 30: Segment EBITDAM trend



Source: Company, AMSEC Research

Financials (Standalone)

Profit and Loss Account					
Y/E (Mar)	FY17	FY18	FY19	FY20E	FY21E
Net sales	17,825	19,672	22,638	23,743	25,657
RM cost	9181	10230	11816	11967	12906
Power & Fuel cost	374	638	842	926	1037
Employee cost	2567	2839	3277	3572	4001
Other expenses	2781	2905	3701	3510	3497
Total expenditure	14,903	16,612	19,635	19,974	21,440
Operating profit	2,921	3,060	3,004	3,769	4,217
Other income	226	67	60	127	77
Interest expense	286	327	446	350	400
Gross Profit	2,861	2,800	2,618	3,546	3,894
Depreciation	524	810	500	675	875
PBT	2,337	1,990	2,119	2,871	3,019
Provision for Tax	481	424	531	833	876
Reported Net Profit	1,856	1,566	1,588	2,039	2,144
Share O/s mn	223	223	223	223	223
EPS Rs	8.3	7.0	7.1	9.2	9.6

Balance Sheet

Y/E (Mar)	FY17	FY18	FY19	FY20E	FY21E
SOURCES OF FUNDS :					
Share Capital	223	223	223	223	223
Reserves Total	6,864	8,157	9,469	11,239	13,088
Total Share. Funds	7,086	8,379	9,691	11,462	13,311
Non-Current Liab.					
Long term borrowings	1,467	1,669	1,323	926	1,620
Deferred tax liability	-	-	-	-	-
Other long term liab.	2	7	6	6	7
Long-term provisions	104	53	20	22	24
Long-term trade pay.	-	-	-	-	-
Current Liabilities					
Short term borrowings	4,103	3,353	3,363	2,018	1,816
Trade payables	1,411	1,764	1,625	1,691	1,828
Other current liabilities	1,291	1,303	1,542	1,714	1,884
Short term provisions	82	63	95	105	117
Total Equity & Liab.	15,547	16,593	17,665	17,944	20,607
APPLICATION OF FUNDS :					
Non Current Assets					
Fixed Assets					
Gross Block	3,450	7,187	9,474	10,212	13,212
Less: Accum Dep.	953	1,767	2,188	2,863	3,738
Net Block	2,497	5,420	7,289	7,353	9,478
Capital WIP	2,839	1,198	188	100	100
Noncurrent Investment	960	960	975	975	975
Long term loans & adv.	789	807	754	830	929
Other non-current ass.	343	260	235	259	290
Current Assets					
Current investment	-	-	-	-	-
Inventories	2,638	3,382	4,010	4,030	4,272
Sundry Debtors	3,353	3,145	2,936	2,992	3,163
Cash and Bank	538	165	226	248	104
Short Loans & Adv.	46	191	76	84	94
Others Current Assets	1,543	1,065	976	1,073	1,202
Total Assets	15,547	16,593	17,665	17,944	20,607
Net working capital	4,796	4,651	4,735	4,670	4,903
Total Gross Debt	5,955	5,382	5,137	3,458	3,976
Total Net debt	5,416	5,217	4,911	3,210	3,872
Total capital employed	13,041	13,762	14,828	14,920	17,287

(Rs mn)**Cash Flow Statement**

Y/E (Mar)	FY17	FY18	FY19	FY20E	FY21E
PBT	2337	1,990	2,119	2,871	3,019
Non-cash adjust.	633	1,134	978	1,025	1,275
Chg. in working cap.	-283	254	-294	-94	-386
Tax & Interest Paid	-457	-544	-544	-833	-876
Cashflow from op.	2230	2,834	2,259	2,969	3,033
Capital expenditure	-2880	-1,921	-1,326	-650	-3,000
Change in invest.	-328	-53	47	-	-
Cashflow from inv.	-3208	-1,974	-1,279	-650	-3,000
Issue of equity	0	-	-	-	-
Issue/repay debt	1613	-641	-319	-1,679	518
Interest Paid	-286	-326	-355	-350	-400
Dividends paid	0	-267	-268	-268	-295
Other fin. Cash flow	0	-	-	-	-
Cash flow from fin.	1326	-1,233	-942	-2,297	-176
Chg cash & cash eq	348	-373	39	22	-144
Open. cash eq	190	538	165	196	248
Clsq cash & cash eq	538	165	196	248	104
CashFlow to firm	-650	913	934	2319	33

Key Ratios

Y/E Mar	FY17	FY18	FY19	FY20E	FY21E
PER SHARE					
EPS Rs	8.3	7.0	7.1	9.2	9.6
CEPS Rs	10.7	10.7	9.4	12.2	13.6
Book Value Rs	31.8	37.7	43.6	51.5	59.8
VALUATION					
EV / Net Sales	2.4	2.2	1.9	1.7	1.6
EV / EBITDA	14.6	13.8	14.0	10.7	9.7
P / E Ratio	20.0	23.7	23.4	18.2	17.3
P / BV Ratio	5.2	4.4	3.8	3.2	2.8
GROWTH YOY%					
Sales Growth	9.0	10.4	15.1	4.9	8.1
EBITDA Growth	3.0	4.8	-1.9	25.5	11.9
Net Profit Growth	9.3	-15.6	1.4	28.4	5.2
Gross Fixed Asset Growth	43.9	108.3	31.8	7.8	29.4
PROFITABILITY					
Gross Profit/ Net sales (%)	30.6	23.0	25.4	27.1	26.4
EBITDA / Net Sales (%)	16.4	15.6	13.3	15.9	16.4
NPM / Total income (%)	10.4	7.8	7.0	8.6	8.4
Raw Material/Net Sales (%)	51.5	52.0	52.2	50.4	50.3
Int/PBIT (%)	11.9	14.5	17.8	11.3	12.0
ROE (%)	30.1	20.3	17.6	19.3	17.3
ROCE (%)	23.0	17.3	17.9	21.7	21.2
ROIC (%)	20.8	16.6	17.4	20.7	20.7
Tax / PBT (%)	20.6	21.3	25.1	29.0	29.0
TURNOVER (Days)					
Net Working Cycle	94	88	86	82	80
Debtors Velocity	69	58	47	46	45
Inventory	54	63	65	62	61
Creditors Velocity	29	33	26	26	26
Gross Asset Ratio	6.1	3.7	2.7	2.4	2.2
Total Asset Ratio	1.3	1.2	1.3	1.3	1.3
LIQUIDITY (x)					
Gross Debt-Equity Ratio	0.8	0.6	0.5	0.3	0.3
Net Debt-Equity Ratio	0.8	0.6	0.5	0.3	0.3
Interest Coverage	8.4	6.9	5.6	8.8	8.4
Current Ratio (x)	1.2	1.2	1.2	1.5	1.6
Quick Ratio (x)	0.8	0.7	0.6	0.8	0.8
PAYOUT					
Payout (%)	0.0	14.2	14.0	10.9	11.4
Dividend (%)	100%	100%	100%	110%	120%
Yield (%)	0.6	0.6	0.6	0.7	0.7

Recommendation rationale

Buy: Potential upside of	> +15% (absolute returns)
Accumulate:	> +5 to +15%
Hold/Reduce:	+5 to -5%
Sell:	< -5%
Not Rated (NR):	No investment opinion on the stock

Sector rating

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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