

## Q3FY20 Result Update Century Plyboards Ltd

3<sup>rd</sup> consecutive quarter of stable numbers

Century Ply has reported good numbers inspite of a weak demand environment in real estate for the 3<sup>rd</sup> consecutive quarter now. Standalone sales at INR 595 cr grew by 3% YoY and this in line with our estimates. Standalone EBITDA at INR 93 cr grew 23% YoY and exactly in line with our estimates. Hence standalone EBITDA margins improved 250 bps to 15.6% YoY. Reported standalone PAT of INR 19 Cr degrew 53% YoY which was below estimates solely due to an ~INR 45 Cr impairment on Laos units in absence of revival hopes and an absolute ban on exports of face veneer out of the country. However it is an extraordinary one time loss and can be reversed if the project is revived in the future. These results are again in line with our Q4FY19 Quarterly update wherein we had mentioned that numbers have broadly bottomed out and margins would improve gradually in various segments. We retain BUY and arrive at a TP of INR 253.

### Plywood growth and laminates margin surprises positively

Plywood YoY volume growth has grown by 8% YoY and a 1% realization growth led to 9% YoY growth and above our estimates. EBITDA margins at 12.4% were below our estimates, however the management does expect gradual margins in EBITDA to continue in the subsequent quarters. Currently due to oversupply in Gabon of face veneer, Century will commission its Gabon plant after one quarter. Laminate reported a muted quarter with a 6% volume growth but only a 1% YoY revenue growth due to a high base in both volume and realization. However margins showed robust improvement as they zoomed 540 bps YoY to 14% due to softer raw material prices. The management expects margins to remain around this range with an improvement of revenue growth to 12-15%.

### MDF clocks in strong performance again; Particleboard and CFS muted

MDF utilization improved to 84% (highest ever) and with stable realization, this led to a 9% YoY growth on a high base. However margins surged to 25% (highest ever) and a YoY increase of 900 bps. The margin expansion was driven by lower raw material costs (crude linked) and higher operating leverage. The management expects these margins to sustain over the near term along with further improvement in utilization and as they attempt to de-bottleneck the plant. CFS revenues dropped 11% YoY with flat EBITDA while particleboard revenues dropped 5% YoY albeit margins improved 600 bps YoY to 27%.

### New capex announced

As MDF and particleboard are both seeing good traction, management has planned a greenfield expansion in particleboard and MDF in Uttar Pradesh which should be ready in 15 months from the date of commencement. The management plans to make an announcement on the same shortly subject to approvals from the government. They plan an INR 450-500 Cr capex for a fungible MDF and particleboard capacity. The management is keen on the plant being located at Sitapur due to lowest timber cost and proximity to catchment areas.

### Outlook and valuations: 'BUY'

Inspite of a weak demand environment, Century is showing good tractions in all the major verticals except plywood. In line with our expectations, margins in MDF and laminates are both improving every quarter while plywood margins should also improve on a low base. Hence we retain BUY with a TP of INR 253 valuing the company at 20x FY21E P/E. The company is currently trading at 17x and 14x P/E based on estimated EPS of INR 10 and INR 12.7 for FY20E and FY21E respectively.

Year to March	Q3FY20	Q3FY19	% change	Q2FY20	% change	FY19	FY20E	FY21E
Net sales (INR cr)	595	579	3%	589	1%	2,280	2,504	2,820
Growth (%)						10.7	9.8	12.6
EBITDA (INR cr)	93	76	22%	93	0%	301	376	443
Adj PAT (INR cr)	19	41	-53%	53	-63%	149	224	282
Growth (%)						-11.9	50.6	25.5
Dil. EPS (INR)						6.7	10.1	12.7
Diluted P/E (x)						25.2	16.8	13.4
EV/EBITDA (x)						14.0	10.8	8.8
ROAE (%)						16.3	20.8	21.7

**Kshitij Kaji**  
Research Analyst  
kshitij.kaji@edelweissfin.com

**Praveen Sahay**  
Research Analyst  
Praveen.sahay@edelweissfin.com

**CMP INR: 169**

**Rating: BUY**

**Target INR: 253**

**Upside: 49%**

Bloomberg:	CPBI:IN
52-week range (INR):	222 / 112
Share in issue (cr):	22
M cap (INR cr):	3,659
Avg. Daily Vol. BSE/NSE :('000):	200
Promoter Holding (%)	72.85

Date: 5<sup>th</sup> February, 2020

Standalone

Particulars (INR Cr)	Q3FY20	Q3FY19	% change	Q2FY20	% change	9MFY19	9MFY20	% change
Income from operations	595	579	3%	589	1%	1,681	1,758	5%
Cost of goods sold	304	309	-2%	296	3%	879	891	1%
Employee expenses	85	81	5%	88	-3%	244	258	6%
Other expenses	113	113	0%	112	1%	320	330	3%
Total operating expenses	502	503	0%	496	1%	1,444	1,479	2%
EBITDA	93	76	22%	93	0%	237	279	18%
Depreciation and amortization	18	14	32%	17	6%	35	52	47%
EBIT	75	62	20%	76	-1%	202	227	12%
Interest expenses	9	6	47%	11	-16%	36	29	-18%
Other income	1	2	NA	9	-89%	3	11	247%
PBT	67	58	16%	74	-10%	169	209	23%
Provision for tax	4	16	-73%	21	-79%	45	45	1%
Core profit	62	41	51%	53	18%	125	163	31%
Extraordinary items	46	0	NA	0	NA	0	46	NA
Adjusted net profit	19	41	-53%	53	-63%	125	120	-3%

Previous Outlook

**Q2FY20:** In spite of a weak demand environment, Century is showing good tractions in all the major verticals except plywood. Given strong visibility in MDF and laminates and an improvement in plywood margins due to low base, we retain BUY with a TP of INR 253 valuing the company at 20x FY21E P/E. The company is currently trading at 17x and 14x P/E based on estimated EPS of INR 10 and INR 12.7 for FY20E and FY21E respectively.

**Q1FY20:** Of late, demand environment has been weak, GST has worked reverse to expectations, raw material prices rose sharply across product lines and there was a supply glut in MDF and laminates. However the headwinds are reducing and numbers look to have bottomed out. Steep price correction factors in all the pain and hence we retain BUY with a TP of INR 253 valuing the company at 20x FY21E P/E. The company is currently trading at 12x and 10x P/E based on estimated EPS of INR 10 and INR 12.7 for FY20E and FY21E respectively.

**Q4FY19:** Century is a leader across various wood panel segments. While it was expected that GST and affordable housing would provide tailwinds, there have actually been headwinds which has led to repeated cuts in estimates. Demand environment has been weak, GST has worked reverse to expectations, raw material prices rose sharply across product lines and there was a supply glut in MDF and laminates. However we feel that these headwinds are reducing and numbers could have bottomed out. Steep price correction factors in all the pain and hence we retain BUY with a TP of INR 253 valuing the company at 20x FY21E P/E.

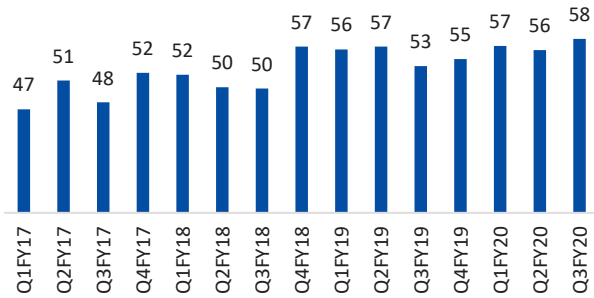


# Century Plyboards Ltd.

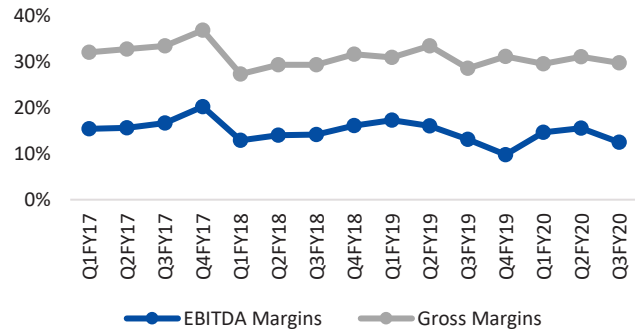
## Charts

### Financial Charts

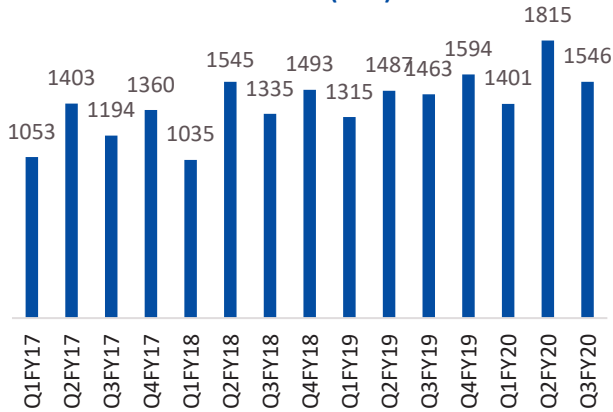
Plywood Volume ('000 CBM)



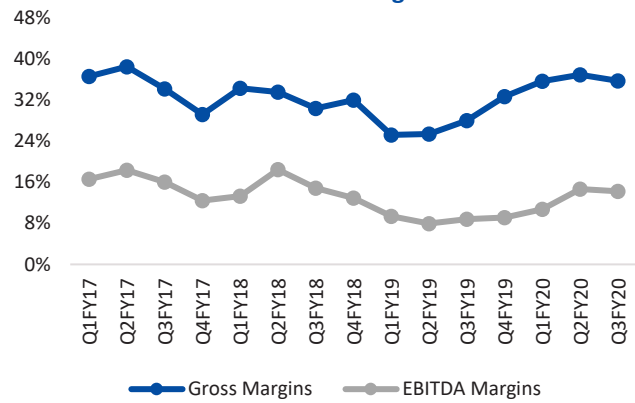
Plywood margins



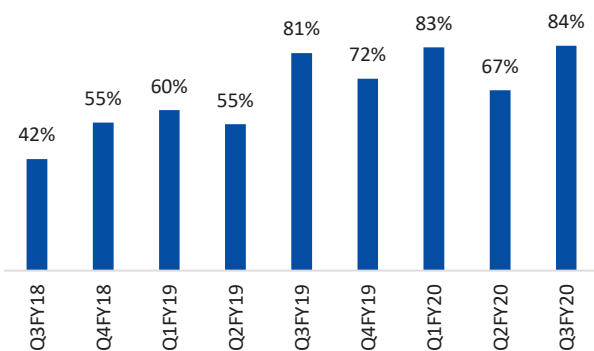
Volumes ('000)



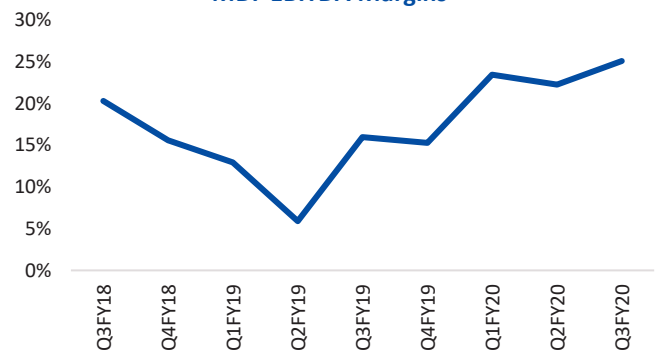
Laminates Margins



MDF Utilization



MDF EBITDA Margins



Source: Edelweiss Professional Investor Research

**Income statement**

(INR crs)

Year to March	FY17	FY18	FY19	FY20E	FY21E
Income from operations	1,819	2,060	2,280	2,504	2,820
Direct costs	938	986	1,151	1,252	1,410
Employee costs	273	312	346	376	423
Other expenses	296	430	482	501	544
Total operating expenses	1,507	1,728	1,979	2,128	2,378
EBITDA	312	332	301	376	443
Depreciation and amortisation	59	90	59	63	67
EBIT	253	242	242	312	375
Interest expenses	30	36	47	31	20
Other income	23	8	7	10	10
Profit before tax	245	214	202	291	366
Provision for tax	52	45	53	67	84
Core profit	193	169	149	224	282
Extraordinary items	(0)	0	0	(50)	0
Profit after tax	193	169	149	174	282
Minority Interest	(3)	(3)	(3)	(3)	(3)
Share from associates	0	0	0	0	0
Adjusted net profit	190	166	146	171	279
Equity shares outstanding (mn)	22	22	22	22	22
EPS (INR) basic	9	7.6	7	10.1	12.7
Diluted shares (Cr)	22	22	22	22	22
EPS (INR) fully diluted	8.6	7.6	6.7	10.1	12.7
Dividend per share	0	1	1	1	1
Dividend payout (%)	0	12	12	12	12

**Common size metrics- as % of net revenues**

Year to March	FY17	FY18	FY19	FY20E	FY21E
Operating expenses	82.8	83.9	86.8	85.0	84.3
Depreciation	3.3	4.4	2.6	2.5	2.4
Interest expenditure	1.7	1.7	2.1	1.2	0.7
EBITDA margins	17.2	16.1	13.2	15.0	15.7
Net profit margins	10.5	8.1	6.4	6.8	9.9

**Growth metrics (%)**

Year to March	FY17	FY18	FY19	FY20E	FY21E
Revenues	10.8	13.3	10.7	9.8	12.6
EBITDA	7.8	6.4	(9.3)	24.8	17.9
PBT	22.4	(12.6)	(5.7)	44.3	25.5
Net profit	14.0	(12.5)	(11.9)	50.6	25.5
EPS	12.6	(11.1)	(11.9)	50.6	25.5

# Century Plyboards Ltd.

## Financials

### Balance sheet

(INR cr)

As on 31st March	FY17	FY18	FY19	FY20E	FY21E
Equity share capital	22	22	22	22	22
Preference Share Capital	0	0	0	0	0
Reserves & surplus	693	830	955	1,153	1,402
Shareholders funds	715	852	977	1,176	1,424
Secured loans	521	544	489	339	189
Unsecured loans	97	0	0	0	0
Borrowings	619	544	489	339	189
Minority interest	12	18	25	25	25
<b>Sources of funds</b>	<b>1,345</b>	<b>1,414</b>	<b>1,491</b>	<b>1,540</b>	<b>1,638</b>
Gross block	412	843	1,090	1,180	1,270
Depreciation	106	196	255	318	385
Net block	306	647	835	862	884
Capital work in progress	299	126	27	0	0
Total fixed assets	605	773	862	862	884
Unrealised profit	0	0	0	0	0
Investments	6	34	38	38	38
Inventories	301	382	461	432	487
Sundry debtors	342	357	296	425	479
Cash and equivalents	67	21	26	26	40
Loans and advances	160	85	79	80	80
Other current assets	0	0	0	0	0
Total current assets	870	845	862	964	1,086
Sundry creditors and others	219	275	292	343	386
Provisions	19	34	42	44	46
Total CL & provisions	238	309	334	387	433
Net current assets	633	536	528	577	653
Net Deferred tax	67	71	63	63	63
Misc expenditure	34	0	0	0	0
<b>Uses of funds</b>	<b>1,345</b>	<b>1,414</b>	<b>1,491</b>	<b>1,540</b>	<b>1,638</b>
Book value per share (INR)	32	38	44	53	64

### Cash flow statement

(INR crs)

Year to March	FY17	FY18	FY19	FY20E	FY21E
Net profit	194	169	149	224	282
Add: Depreciation	59	90	59	63	67
Add: Misc expenses written off/Other Assets	5	34	0	0	0
Add: Deferred tax	(2)	(4)	8	0	0
Add: Others	(3)	(3)	(3)	(3)	(3)
Gross cash flow	252	286	213	285	346
Less: Changes in W. C.	55	(51)	(13)	48	63
Operating cash flow	197	337	226	236	283
Less: Capex	312	258	148	90	90
<b>Free cash flow</b>	<b>(115)</b>	<b>79</b>	<b>78</b>	<b>146</b>	<b>193</b>

## Ratios

Year to March	FY17	FY18	FY19	FY20E	FY21E
ROAE (%)	31	22	16	21	22
ROACE (%)	23	18	17	22	25
Debtors (days)	69	63	47	62	62
Current ratio	4	3	3	2	3
Debt/Equity	0.9	0.6	0.5	0.3	0.1
Inventory (days)	60	68	74	63	63
Payable (days)	44	49	47	50	50
Cash conversion cycle (days)	85	82	74	75	75
Debt/EBITDA	2	2	2	1	0
Adjusted debt/Equity	0.8	0.6	0.5	0.3	0.1

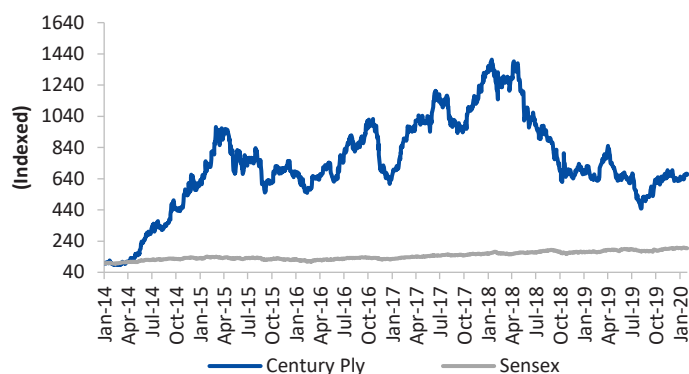
## Valuation parameters

Year to March	FY17	FY18	FY19	FY20E	FY21E
Diluted EPS (INR)	8.6	7.6	6.7	10.1	12.7
Y-o-Y growth (%)	12.6	(11.1)	(11.9)	50.6	25.5
CEPS (INR)	11.2	11.6	9.3	12.9	15.7
Diluted P/E (x)	19.7	22.2	25.2	16.8	13.4
Price/BV(x)	5.3	4.4	3.8	3.2	2.6
EV/Sales (x)	2.4	2.1	1.9	1.6	1.4
EV/EBITDA (x)	13.8	12.9	14.0	10.8	8.8
Diluted shares O/S	22.3	22.3	22.3	22.3	22.3
Basic EPS	8.6	7.6	6.7	10.1	12.7
Basic PE (x)	19.7	22.2	25.2	16.8	13.4
Dividend yield (%)	0.0	0.4	0.4	0.6	0.7

Edelweiss Broking Limited, 1st Floor, Tower 3, Wing B, Kohinoor City Mall, Kohinoor City, Kirool Road, Kurla(W)  
 Board: (91-22) 4272 2200

**Vinay Khattar**  
 Head Research  
 vinay.khattar@edelweissfin.com

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate between 5-15% over a 12-month period
Reduce	Return below 5% over a 12-month period



## Disclaimer

Edelweiss Broking Limited (“EBL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its Associates (list available on [www.edelweissfin.com](http://www.edelweissfin.com)) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

Broking services offered by Edelweiss Broking Limited under SEBI Registration No.: INZ000005231; Name of the Compliance Officer: Mr. Brijmohan Bohra, Email ID: [complianceofficer.ebl@edelweissfin.com](mailto:complianceofficer.ebl@edelweissfin.com) Corporate Office: Edelweiss House, Off CST Road, Kalina, Mumbai - 400098; Tel. 18001023335/022-4272200/022-40094279

This Report has been prepared by Edelweiss Broking Limited in the capacity of a Research Analyst having SEBI Registration No. INH000000172 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject EBL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. EBL reserves the right to make modifications and alterations to this statement as may be required from time to time. EBL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. EBL is committed to providing independent and transparent recommendation to its clients. Neither EBL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of EBL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of EBL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

EBL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the EBL to present the data. In no event shall EBL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the EBL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

EBL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. EBL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with EBL.

EBL or its associates may have received compensation from the subject company in the past 12 months. EBL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. EBL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or EBL’s associates may have financial interest in the subject company. EBL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: ( i) exchange rates can be volatile and are subject to large fluctuations; ( ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No  
EBL has financial interest in the subject companies: No

EBL’s Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

EBL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No  
Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. A graph of daily closing prices of the securities is also available at [www.nseindia.com](http://www.nseindia.com)

### Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.



## Disclaimer

### Additional Disclaimer for U.S. Persons

Edelweiss is not a registered broker – dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition Edelweiss is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Edelweiss, including the products and services described herein are not available to or intended for U.S. persons.

This report does not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. "U.S. Persons" are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed "US Persons" under certain rules.

Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

### Additional Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA"). In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

### Additional Disclaimer for Canadian Persons

Edelweiss is not a registered adviser or dealer under applicable Canadian securities laws nor has it obtained an exemption from the adviser and/or dealer registration requirements under such law. Accordingly, any brokerage and investment services provided by Edelweiss, including the products and services described herein, are not available to or intended for Canadian persons.

This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services.

### Disclosures under the provisions of SEBI (Research Analysts) Regulations 2014 (Regulations)

Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its associates are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance. There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. This research report has been prepared and distributed by Edelweiss Broking Limited ("Edelweiss") in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No.INH000000172.