

Century Plyboards (I) Ltd

Industry Paper & forest product
Bloomberg CPBI IN
BSE CODE 532548

Sales growth led by Plywood & Laminates segment

RATING	NEUTRAL
CMP	171
Price Target	178
Potential Upside	4%

Rating Change	↔
Estimate Change	↔
Target Change	↔

Stock Info

52wk Range H/L	222/112
Mkt Capital (Rs Cr)	3788
Free float (%)	28%
Avg. Vol 1M (,000)	305
No. of Shares (Cr)	22
Promoters Pledged %	NA

Research Analyst
KRITI SAHU
kriti.sahu@narnolia.com

3QFY20 Result update

- ❑ CENTURYPLY reported sales growth of 2.9% YoY Rs 597 crs (vs. Rs 604 crs), in spite of continuing slowdown in the real estate industry.
- ❑ Sales growth was driven by growth in Plywood & Laminates segment; reported growth of 2.8% & 9.4% YoY respectively; the segments contributed 54% and 16% to total sales.
- ❑ EBITDA margin: Laminates, MDF & Particle board segments posted margin expansion of 490 bps, 917 bps & 628 bps to 13.9%, 25.1% & 27.1% respectively. However, Plywood margin declined 13.8% to -1.7% because of impairment loss of foreign subsidiaries.
- ❑ Gross margin expanded by 226 bps to 48.9% YoY. EBITDA margin expanded by 272 bps to 15.8% YoY due to decreased other expenses by 67 bps.
- ❑ PAT stood at Rs 19 crs (vs. expect. Rs 49 crs), reporting PAT margin at 2.9% impacted by exceptional loss.
- ❑ Exceptional Item: Post restrictions by the Laos government on production of semi furnished product, the company's foreign subsidiaries have recognized impairment loss of Rs 63.81 crs. Accordingly, the company has recognized loss of Rs 45.63 crs on investment in foreign subsidiary for Plywood segments.

View and Valuation

Industry remained impacted by subdued demand scenario. However, the company reported moderate sales growth of 2.9% YoY. Going forward, the company's volumes are expected to remain under pressure due to slowdown in demand. Margins are expected to remain at current levels considering favorable input prices. Considering headwinds in the industry we largely kept our SALES/PAT estimates unchanged and value the stock at Rs 178 maintaining previous target price with NEUTRAL rating.

Key Risks to our rating and target

- ❑ Continued slowdown and liquidity crunch impacting demand.
- ❑ Increase in input prices.

Stand./Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	1782	1967	2264	2381	2541
EBITDA	292	306	300	363	397
EBIT	240	225	250	294	327
PAT	186	157	159	202	259
EPS (Rs)	8	7	7	9	12
EPS growth (%)	9%	-16%	1%	27%	28%
ROE (%)	30%	20%	18%	19%	21%
ROCE (%)	22%	17%	18%	20%	21%
BV	32	38	44	52	62
EV/Sales (X)	21.4	25.3	16.9	11.3	9.8
P/E (x)	31.0	46.3	29.2	18.8	14.7

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3QFY20 Results Sales inline with estimates

Financials	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	Stand./Fig in Rs Cr		
								FY18	FY19	YoY %
Net Sales	579	583	574	589	595	2.9%	1.0%	1,967	2,264	15.1%
Other Income	2	3	1	9	1	-18.5%	-85.0%	7	6	-9.5%
COGS	309	303	292	296	304	-1.5%	2.8%	1,023	1,182	15.5%
Gross Margin	47%	48%	49%	50%	49%	2.3%	-0.9%	48%	48%	-0.2%
Empl. Cost	81	84	84	88	85	4.4%	-4.3%	284	328	15.4%
Other Exp.	113	133	104	112	112	-0.7%	0.0%	354	454	28.2%
EBITDA	76	64	93	93	94	24.2%	1.6%	306	300	-1.9%
EBITDA Mar.	13%	11%	16%	16%	16%	2.7%	0.1%	16%	13%	-2.3%
Depreciation	14	14	17	17	17	27.4%	1.8%	81	50	-38.3%
EBIT	62	49	76	76	77	23.5%	1.6%	225	250	11.3%
Interest	6	9	9	11	9	47.5%	-14.7%	33	45	36.4%
PBT	58	43	68	73	69	19.7%	-6.1%	199	212	6.5%
Excep. Item	-	-	-	-	46	-	-	-	-	-
Tax	16	9	20	21	4	-73.6%	-79.9%	42	53	25.3%
PAT	41	34	48	52	19	-53.9%	-63.4%	157	159	1.3%
PAT Margin	7%	6%	8%	9%	3%	-3.9%	-5.6%	8%	7%	-0.9%

Revenue Mix:

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Plywood	63%	59%	59%	57%	54%	55%	55%	54%	54%
Laminates	18%	19%	17%	19%	19%	21%	18%	23%	23%
MDF	9%	12%	13%	11%	15%	13%	16%	13%	13%
Particle Board	3%	3%	3%	5%	5%	4%	4%	4%	4%
Logistics (CFS)	5%	4%	5%	4%	4%	4%	4%	4%	4%
Others	2%	3%	3%	3%	3%	3%	3%	3%	3%

Concall Highlights

- The real estate industry is continuing to remain subdued.
- Its Domestic is 75% and exports are about 25%.
- Particle board revenue was down in 3QFY20 because its plant was shut down for about 15 to 18 days as management is trying to expand capacity.
- Post restrictions by the Laos government on production of semi furnished product, the company's foreign subsidiaries have recognized impairment loss of Rs 63.81cr. Accordingly, the company has recognized loss of Rs 45.63 cr on investment in foreign subsidiary for Plywood segments.
- The company's total debt level, excluding current maturities, is expected to come down to Rs 200 crs by FY20. Any new debt going ahead will come for financing new CapEx only.
- The company is putting up a combined plant for particle board and MDF in UP. The capacity for particle board will be 900 cubic meters/ day and the capacity for MDF ~600 cubic meters/day.
- Above plant (UP) will take another 15 to 16 months post clearance from NGT to start production.
- PLYWOOD: the company expects 3% growth in core plywood and EBIDTA margins at 13% level for FY20.
- LAMINATES: the company expects 13% value growth in the segment and EBIDTA margins at 13% level for FY20.
- MDF: expecting 24% value growth and EBIDTA margins at 24% level for FY20.
- PARTICLE BOARD: the company expects 4% value growth and EBIDTA margins at 28% level for FY20.

Exhibit: Revenue Mix

Its revenue share in MDF increased from 13% (2Q) to 16% (3Q) while Laminates decreased from 22% (2Q) to 19% (3Q).

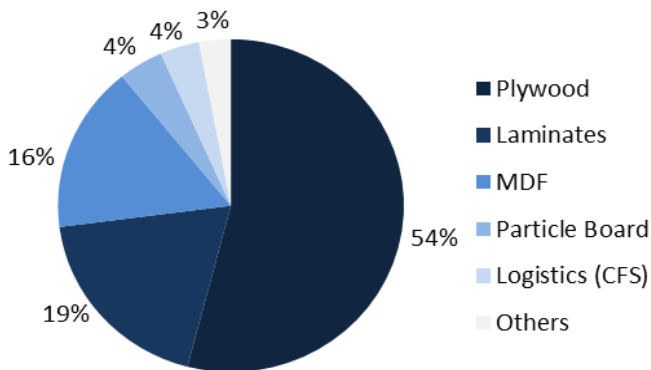


Exhibit: Volume Growth (%) YoY

Plywood & Laminate segment volume declined by 2% & 4% YoY respectively.

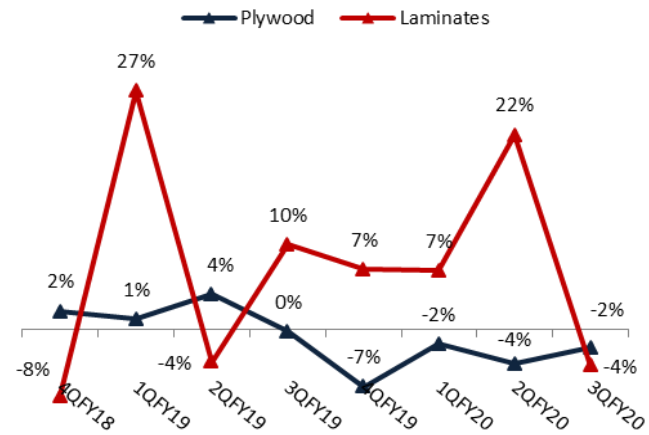


Exhibit: Sales and Sales Growth (%)

Sales growth of 2.9% YoY Rs 597 crs, in spite of continuing slowdown in the real estate industry.

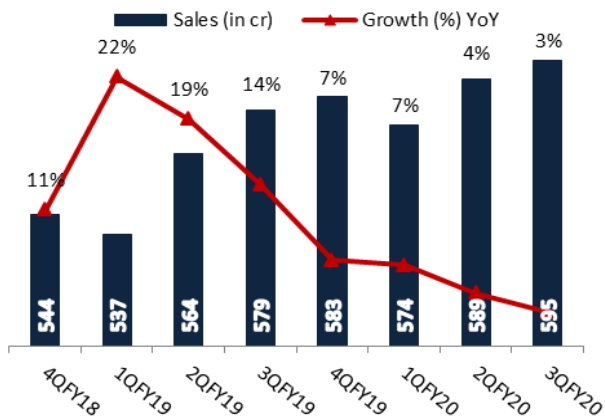


Exhibit: Gross and EBITDA Margin (%)

Gross margin expanded by 226 bps to 48.9% YoY and EBITDA margin expanded by 272 bps to 15.8% YoY in the

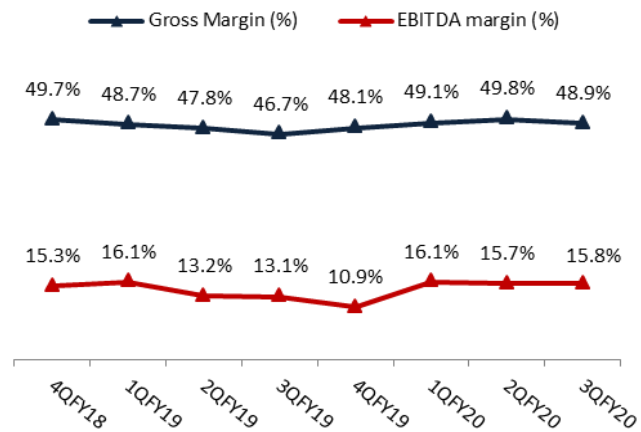


Exhibit: Expenses as % of Sales

Other expense declined by 67 bps and employee expense was up by 26 bps on YoY basis.

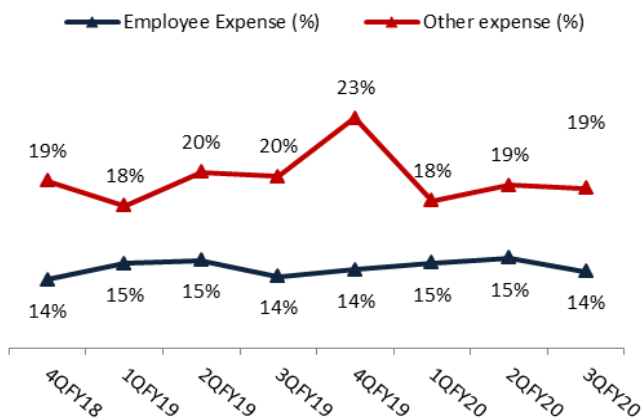
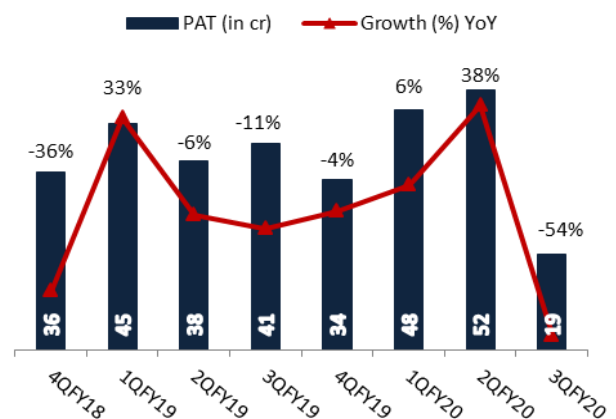


Exhibit: PAT and PAT Growth (%)

PAT stood at Rs 19 crs, reporting PAT margin at 2.9% impacted by exceptional loss.



Financial Details

Balance Sheet

Stand./Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	22	22	22	22	22	22	22	22
Reserves	269	395	503	686	816	947	1,124	1,354
Networth	291	417	525	709	838	969	1,146	1,376
Debt	446	456	405	557	502	469	319	242
Other Non Current Liab	2	0	0	11	11	3	3	3
Total Capital Employed	739	873	930	1,276	1,351	1,440	1,468	1,620
Net Fixed Assets (incl CWIP)	231	224	290	534	662	747	749	762
Non Current Investments	-	45	50	96	96	97	97	97
Other Non Current Assets	109	95	128	113	107	99	99	99
Non Current Assets	339	364	468	743	865	944	946	959
Inventory	293	320	275	264	338	401	411	438
Debtors	205	266	287	335	314	294	309	329
Cash & Bank	18	17	19	54	17	20	39	147
Other Current Assets	62	79	93	159	126	108	102	107
Current Assets	578	682	674	812	795	822	861	1,022
Creditors	59	65	84	141	176	163	167	177
Provisions	32	3	7	1	2	10	10	11
Other Current Liabilities	87	105	121	136	130	154	162	172
Curr Liabilities	178	173	212	278	308	326	339	360
Net Current Assets	400	509	462	533	486	496	522	661
Total Assets	917	1,047	1,142	1,555	1,659	1,767	1,807	1,980

Income Statement

Stand./Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	1,284	1,565	1,636	1,782	1,967	2,264	2,381	2,541
Change (%)	14%	22%	5%	9%	10%	15%	5%	7%
Other Income	9	18	6	23	7	6	12	47
EBITDA	148	250	284	292	306	300	363	397
Change (%)	0	69%	13%	3%	5%	-2%	21%	9%
Margin (%)	0	16%	17%	16%	16%	13%	15%	16%
Depr & Amor.	33	45	44	52	81	50	69	71
EBIT	115	205	240	240	225	250	294	327
Int. & other fin. Cost	55	43	46	29	33	45	36	27
EBT	69	180	200	234	199	212	270	346
Exp Item	-	-	-	-	-	-	-	-
Tax	2	29	30	48	42	53	68	87
Reported PAT	67	151	170	186	157	159	202	259
Adjusted PAT	67	151	170	186	157	159	202	259
Change (%)	0	125%	13%	9%	-16%	1%	27%	28%
Margin(%)	0	10%	10%	10%	8%	7%	8%	10%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Current Ratio	3	3.9	3.2	2.9	2.6	2.5	2.5	2.8
Debt-Equity Ratio	2	1.1	0.8	0.8	0.6	0.5	0.3	0.2
Interest Coverage Ratio	2	5	5.2	8.4	6.9	5.6	8.2	12.0
Capital Turnover Ratio	3.1	3	2.8	2.1	2.0	2.1	1.9	1.7
Fixed Asset Turnover Ratio	5.7	7	6.4	4.3	3.3	3.2	3.2	3.4
Inventory Days outstanding	140.7	137	119	105	121	124	124	124
Accounts Receivable Days outstanding	58.2	62	64	69	58	47	47	47
Accounts Payable Days outstanding	28.4	28	37	56	63	50	50	50
ROCE	0.2	25%	27%	22%	17%	18%	20%	21%
ROE	0.2	43%	36%	30%	20%	18%	19%	21%
FCF per Share	(1)	3	7.2	(4.5)	3.9	4.4	9.6	8.8
Price / EPS	9	35	22.3	31.0	46.3	29.2	18.6	14.5
Price / Book Value	2	12	7.2	8.1	8.7	4.8	3.3	2.8
EV/EBITDA	7	23	14.7	21.4	24.2	15.8	10.7	9.5
EV/Sales	0.6	3.4	2.3	3.3	3.8	2.1	1.6	1.5
Div Yield	0.0	0.9%	0.6%	0.4%	0.3%	0.5%	0.7%	0.9%

Cash Flow Statement

Stand./Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	69.3	180	200	234	199	212	272	350
(inc)/Dec in Working Capital	(110)	(92)	37	(28)	25	(29)	(19)	(41)
Non Cash Op Exp	27.8	41	53	35	81	53	55	20
Int Paid (+)	55	43	46	29	33	45	36	27
Tax Paid	(11.2)	(34)	(46)	(46)	(54)	(54)	(60)	(77)
CF from Op. Activities	30.6	138	289	223	283	226	285	279
(inc)/Dec in FA & CWIP	(62.5)	(68)	(129)	(322)	(197)	(128)	(70)	(84)
Free Cashflow	(31.8)	69	161	(99)	86	98	214	195
(Pur)/Sale of Inv	4.8	0	0	0	2	-	-	-
others	4.4	6	0	1	(2)	-	14	51
CF from Inv. Activities	(53.3)	(62)	(129)	(321)	(197)	(128)	(56)	(33)
inc/(dec) in NW	-	-	-	-	-	-	-	1
inc/(dec) in Debt	22.4	12	(52)	161	(64)	(32)	(149)	(78)
Int. Paid	(55.8)	(42)	(47)	(29)	(33)	(35)	(36)	(27)
Div Paid (inc tax)	(5.7)	(46)	(60)	(0)	(27)	(27)	(27)	(32)
others	-	-	-	-	-	-	-	(1)
CF from Fin. Activities	(39.1)	(76)	(159)	133	(123)	(94)	(212)	(137)
Inc(Dec) in Cash	(61.7)	(1)	2	35	(37)	4	16	109
Add: Opening Balance	79.7	18	17	19	53	16	23	39
Closing Balance	18.0	17	19	54	16	20	39	147

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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AIC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

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