

CENTURY PLYBOARDS

Margin improvement supports profit growth

India Equity Research | Home Decor

Century Plyboards (CPBI) reported Q1FY20 numbers above estimates led by margin expansion in plywood (14.9% against estimate of 12%) and MDF (18.4% versus estimate of 11%) as volume growth remained muted. Margin expansion is driven by a stable INR, lower raw material prices (mainly chemicals) and increasing operating leverage (mainly MDF). Management highlighted the tough industry environment amid lacklustre demand, but maintained the FY20 guidance of 10%-plus revenue growth and 15% EBITDA margin. We cautiously assume EBITDA margin of 13.4% and are keeping FY20/21E EPS unchanged. Maintain 'BUY' with a TP of INR214 based on 20x September 2021E EPS.

Q1FY20: Key highlights

1) The plywood segment surprised with an EBIT margin of 14.9% versus 12% expectation; volume growth came in muted at merely 1% YoY. 2) The MDF segment surprised positively as volumes shot up 39% YoY and 16% QoQ coupled with a spike in EBIT margin to 18.4% versus the expectation of 11%. 3) Laminates' revenue growth at 17% YoY and margins at 9% came in largely in line with our estimates. 4) CFC business continues to be impacted by higher competitive intensity, which dragged revenue and EBIT by 26% YoY and 62% YoY, respectively, largely in line with estimates.

Margin expansion in plywood and MDF segment drives profitability

Margin expansion in the plywood and MDF segments stands out; it was led by a stable INR, lower raw material prices (mainly chemicals), and increasing operating leverage (mainly in MDF). Management expects margins to sustain. Furthermore, to strengthen its position in the MDF and particle board businesses, CPBI is mulling greenfield expansion in UP at capex of INR4-4.5bn over the 15-18 months.

Outlook and valuation: Focus on market share gain; maintain 'BUY'

Though we recognise challenging conditions are weighing on the home decor industry, we maintain 'BUY' on CPBI given the large unorganised market in plywood and potential strong growth in the MDF segment. We estimate CPBI would clock robust EPS CAGR of 35% over FY19-21E and 22% RoCE by FY21E. Maintain 'BUY' with a TP of INR214 based on 20x September 2021E EPS. The stock is trading at an attractive 14.3x FY20E and 10.8x FY21E EPS.

Financials

(INR mn)

Year to March	Q1FY20	Q1FY19	% Chg	Q4FY19	% Chg	FY19	FY20E	FY21E
Net revenues	5,737	5,373	6.8	5,832	(1.6)	22,804	26,066	29,381
EBITDA	926	865	7.0	637	45.5	3,016	3,492	4,269
Adjusted Profit	481	454	6.1	342	40.9	1,485	2,049	2,714
Adjusted Diluted EPS	2.2	2.0	6.1	1.5	40.9	6.7	9.2	12.2
Diluted P/E (x)						19.8	14.3	10.8
EV/EBITDA (x)						11.3	9.7	7.7
ROAE (%)						15.9	18.9	21.1

Edelweiss Research is also available on www.edelresearch.com, Bloomberg EDEL <GO>, Thomson First Call, Reuters and Factset.



Edelweiss
Ideas create, values protect

EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Growth

MARKET DATA (R: CNTP.BO, B: CPBI IN)

CMP	: INR 132
Target Price	: INR 214
52-week range (INR)	: 238 / 112
Share in issue (mn)	: 222.2
M cap (INR bn/USD mn)	: 29 / 422
Avg. Daily Vol. BSE/NSE ('000)	: 238.0

SHARE HOLDING PATTERN (%)

	Current	Q4FY19	Q3FY19
Promoters *	72.7	72.7	72.7
MF's, FI's & BKs	6.8	7.3	6.2
FII's	7.7	7.7	8.7
Others	12.7	12.3	12.4
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	(8.3)	(31.3)	(23.0)
3 months	(7.0)	(29.8)	(22.8)
12 months	(16.7)	(52.7)	(36.0)

Rohan Gupta

+91 22 4040 7416
rohan.gupta@edelweissfin.com

Sneha Talreja

+91 22 4040 7417
sneha.talreja@edelweissfin.com

August 14, 2019

Q1FY20 conference call: Key highlights

Outlook: Management is confident of more than 10% growth in consolidated revenue with an EBITDA margin of ~15% in FY20. The real estate scenario continues to worsen, and the company is hopeful of strong growth once the macroeconomic environment improves. Furthermore, the company remains confident of the shift from unorganised to organised upon strict implementation of GST.

Q1FY20 performance: Net sales grew 7% YoY to INR5.7bn, below our INR5.9bn estimate. The undershoot is attributable to flat sales in the plywood segment (5% growth estimate) and particle board (INR249mn versus INR270mn). On the other hand, MDF (INR919mn versus INR850mn) and CFS (INR225mn versus INR214mn) turned in stronger-than-expected performance. The laminates segment's revenue (INR1.07bn versus INR1.1bn expected) came in line with our estimate.

Furthermore, EBITDA margins largely remained stable YoY and increased 52bps QoQ to 16.1% above our 13.4% estimate. This was led by margin expansion in the plywood (14.9% versus 12% expectation), MDF (18.4% versus 11% expectation) and particle board (22% versus 18% expectation) segments. In other segments, margins came in line with our expectations: laminates 9% and CFS 17.4%. Resulting EBITDA thus increased by 7% YoY at INR926mn above our estimate of INR793mn. Furthermore, despite EBITDA coming in 17% above our estimate, PAT stood 10% higher than expected due to a higher tax rate. The tax rate for the quarter stood 29% above our estimate of 23%.

Plywood: The plywood division reported flat revenue YoY as both volumes and realisations remained largely stable on a YoY basis. Furthermore, EBIT margin at 14.9%, down 270bps YoY and up 360bps QoQ came in above our estimate of 12%. Resulting EBIT at INR470mn came in above our estimate of INR400mn. The sharp increase in margins was led by cost-cutting and lower raw material prices, particularly chemicals' and face veneers'. Going ahead as well, management expects margins to sustain at more than 14% in FY20 and improve in FY21. The share of premium segment stood at 45% of overall plywood division and the share of SAINIK stood at 30% of the overall division.

Laminates: Revenue jumped 17% YoY led by a 7% increase in volume coupled with an increase in realisation. EBIT margin increased 40bps YoY and 120bps QoQ at 9%, largely in line with estimates. Going forward, management expects margins to continue to pick up gradually.

MDF: Revenue came in at INR919mn, higher than our expectation of INR850mn. Furthermore, the company reported an EBIT profit of INR169mn versus our INR94mn estimate. The higher-than-expected revenue and margin was led by 39% YoY and 16% QoQ volume due to optimum utilisation and price hike in the thick MDF segment (75% of total MDF sales). The company expects 90% utilisation for this segment in FY20.

CFS business: Revenue declined 26% YoY to INR225mn impacted by intense competition, but came in higher than our expectation of INR214mn. Volumes for the division were down 22% YoY. Furthermore, EBIT margin fell to 17% from 34% in the corresponding quarter last year. The segment continues to get was impacted by lower traffic growth at the Calcutta port and increased competitive intensity following the entry of two new players.

Greenfield capacity expansion at UP: Given optimum capacity utilisation of its MDF and particle board plant, CPBI is planning a greenfield expansion of 500CBM per day each for MDF and particle board in UP at capex of INR4–4.5bn to be incurred over the next 18 months.

Laos investment may be written-off: The company has invested INR762.5mn in Laos for raw material security. According to a communique dated 10 June, 2019, the Laos government has asked to ensure production of finished goods, i.e. plywood instead of face veneer. Management is studying the viability of the project; if management decides to exit these projects, there will be losses that cannot be ascertained at this point of time.

Investments in Gabon: Management is adding capacity in Gabon and believes the cost of procuring face veneer would be lower than sourcing it from other countries. The facility – being set up at total cost of INR200–250mn – is likely to start production from December 2019.

Table 1: Segmental snapshot

Year to March	Q1FY20	Q1FY19	YoY(%)	Q4FY19	QoQ(%)
Revenues					
Plywood and Allied Products	3,157	3,179	(0.7)	3,235	(2.4)
Laminate and Allied Products	1,071	915	17.1	1,231	(13.0)
MDF	919	699	31.5	760	20.9
Particle Board	249	182	36.5	241	3.2
Container Freight Station Services	225	304	(26.0)	219	2.7
Others	125	99	25.9	154	(18.6)
Total	5,746	5,378	6.8	5,840	(1.6)
EBIT					
Plywood and Allied Products	470	554	(15.1)	365	28.7
Laminate and Allied Products	96	78	23.0	96	0.4
MDF	169	47	262.6	63	168.4
Particle Board	56	38	44.7	50	10.7
Container Freight Station Services	39	103	(62.0)	32	21.0
Others	8	0	n.m.	11	(29.1)
Total	838	821	2.1	618	35.6
Margins					
Plywood and Allied Products	14.9	17.4		11.3	
Laminate and Allied Products	9.0	8.5		7.8	
MDF	18.4	6.7		8.3	
Particle Board	22.4	21.1		20.9	
Container Freight Station Services	17.4	33.9		14.8	
Others	6.5	0.4		7.4	
Total	14.6	15.3		10.6	

n.m. - not meaningful

Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q1FY20	Q1FY19	% change	Q4FY19	% change	FY19	FY20E	FY21E
Net revenues	5,737	5,373	6.8	5,832	(1.6)	22,804	26,066	29,381
Staff costs	845	790	6.9	837	1.0	3,456	3,871	4,451
Other expenses	1,045	963	8.5	1,330	(21.4)	4,822	5,418	6,097
EBITDA	926	865	7.0	637	45.5	3,016	3,492	4,269
Depreciation	169	108	56.4	143	18.4	595	572	667
EBIT	757	757	0.0	494	53.3	2,421	2,920	3,602
Interest	90	134	(33.4)	94	(4.5)	469	335	302
Other income	11	6	96.9	29	(60.8)	71	82	99
Profit before tax	679	628	8.0	429	58.2	2,023	2,667	3,398
Provision for taxes	197	175	12.9	87	126.0	535	613	680
Minority interest	-	-	-	-	-	4	5	5
Reported net profit	481	454	6.1	342	40.9	1,485	2,049	2,714
Adjusted Profit	481	454	6.1	342	40.9	1,485	2,049	2,714
Diluted shares (mn)	223	223	-	223	-	223	223	223
Adjusted Diluted EPS	2.2	2.0	6.1	1.5	40.9	6.7	9.2	12.2
Diluted P/E (x)	-	-	-	-	-	19.8	14.3	10.8
EV/EBITDA (x)	-	-	-	-	-	11.3	9.7	7.7
ROAE (%)	-	-	-	-	-	15.9	18.9	21.1
As % of net revenues	1	1		1		1	1	1
Employee cost	14.7	14.7		14.3		15.2	14.8	15.2
Other expenses	18.2	17.9		22.8		21.1	20.8	20.8
EBITDA	16.1	16.1		10.9		13.2	13.4	14.5
Reported net profit	8.4	8.4		5.9		6.5	7.9	9.2

Company Description

CPBI is the largest plywood manufacturer in India with 25% share in the organised plywood market. The company is also India's third largest laminate producer with 7.2mn units capacity. With entry in MDF and particle boards segments, CPBI has become the only domestic integrated player in the wood and panel industry with presence across plywood, laminates, veneer and particle boards. Further, the company is extending its brand presence to panel products like PVC sheets, cement fibre boards and allied products like wooden flooring & doors by offering complete bouquet of wood panel products.

Investment Theme

Century Plyboards (CPBI) is an integrated player with presence in plywood, laminates, and particle boards. The company has aggressively expanded presence in fast-growing segments like medium-end plywood (via Sainik brand) & laminates and successfully leveraged its strong brand & distribution network to expand product basket to MDF and other associated products. CPBI has also prudently ensured raw material supply by procuring it from diverse geographies. We estimate CPBI, underpinned by strong business model, to post revenue, EBITDA and PAT CAGR of 13%, 9% and 22%, respectively, over FY18-20. Moreover, improvement in RoCE to 23% from 18% and strong cash flow generation entails robust rerating potential, in line with premium valuations enjoyed by peers in the home décor space.

Key Risks

Raw material security: Raw material security acts as a strong entry barrier as procuring face veneer or setting up manufacturing units in Myanmar and Laos is a complex process entailing many regulatory approvals.

Foreign currency risk: CPBI imports 60-65% of its raw material requirement without entering into forward cover or hedging its forex exposure. Hence, volatility in foreign exchange could impact the company's profitability.

Lower level of GST compliance by unorganised players: Historically, the plywood sector has been dominated by unorganised players with slow pace of shift towards the organised segment. Lower level of compliance will not change industry dynamics and organised players may still continue to suffer.

Excessive competition in MDF could lead to slower volume growth and lower realisations: CPBI is adding MDF capacity along with significant expansion plans by Action Tesa, Greenply and Rushil Decor. With all the capacities likely to come on stream over the next 2-3 years, the industry may face some pricing pressure till the market absorbs the new capacity.

Sustained slowdown in realty sector: Over the past 2-3 years, slowdown in real estate activity has taken a toll on company's growth. However, volumes could face further pressure if the real estate market continues to remain weak.

Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	6.7	7.1	7.1	7.3
Inflation (Avg)	3.6	3.7	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.8	5.8
USD/INR (Avg)	64.5	70.0	72.0	72.0
Sector				
Org.Sector growth (%) (Sector)	29.6	29.6	29.6	-
Unorg. Sector growth (%) (Sector)	5.9	4.8	3.3	-
Industry Value wise growth (%)	11.0	11.0	11.0	11.0
Industry Org.Sector growth (%)	15.6	15.6	15.6	15.6
Industry Unorg. Sector growth (%)	5.8	5.3	4.7	4.1
Company				
Plywood revenue growth (YoY)	(3.5)	2.1	6.5	10.2
Laminates revenue growth (YoY)	4.9	13.5	9.2	14.8
Logistics revenue growth (YoY)	13.4	3.7	0.2	5.0
MDF revenue growth (YoY)	-	-	12.5	18.8
Plywood EBITDA Margins (%)	13.5	12.7	13.0	14.0
Laminates EBITDA Margins (%)	14.0	8.0	10.0	11.0
Logistics EBITDA margins (%)	38.5	32.4	30.0	32.0
MDF EBITDA margins (%)	18.9	13.0	15.0	17.0
Raw Material (% net rev)	48.7	50.5	51.0	49.6
Employee (% of net rev)	15.5	15.2	14.8	15.2
Sales Promotion as % of N. Sales	2.7	3.5	4.5	4.5
Transport cost as % of N. Sales	5.4	5.4	5.3	5.3
Admin exp (% of rev)	11.3	12.3	11.0	11.0
Dep (% of Avg GFA)	14.5	6.2	5.0	5.4
Int (% of avg G.debt)	6.0	8.8	7.0	7.0
Capex (INR mn)	(2,501)	(1,475)	(622)	(1,225)
Net borrowings (INR mn)	5,612	4,554	4,336	3,341

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Net revenue	20,239	22,804	26,066	29,381
Materials costs	9,860	11,509	13,286	14,564
Gross profit	10,380	11,295	12,780	14,817
Employee costs	3,129	3,456	3,871	4,451
Other Expenses	3,940	4,822	5,418	6,097
Operating expenses	7,069	8,279	9,289	10,548
Total operating expenses	16,929	19,788	22,575	25,112
EBITDA	3,311	3,016	3,492	4,269
Depreciation	907	595	572	667
EBIT	2,404	2,421	2,920	3,602
Less: Interest Expense	358	469	335	302
Add: Other income	78.39	71.45	82.17	98.61
Profit Before Tax	2,124	2,023	2,667	3,398
Less: Provision for Tax	463	535	613	680
Less: Minority Interest	31	4	5	5
Add: Exceptional items	-	-	-	-
Reported Profit	1,631	1,485	2,049	2,714
Exceptional Items	-	-	-	-
Adjusted Profit	1,630	1,485	2,049	2,714
Shares o/s (mn)	223	223	223	223
Adjusted Basic EPS	7.3	6.7	9.2	12.2
Diluted shares o/s (mn)	223	223	223	223
Adjusted Diluted EPS	7.3	6.7	9.2	12.2
Adjusted Cash EPS	11.4	9.0	11.8	15.2
Dividend per share (DPS)	1.0	1.3	1.3	1.3
Dividend Payout Ratio(%)	16.4	23.4	17.0	12.8

Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Gross margin	51.3	49.5	49.0	50.4
Operating expenses	34.9	36.3	35.6	35.9
Interest Expense	1.8	2.1	1.3	1.0
EBITDA margins	16.4	13.2	13.4	14.5
EBIT margins	11.9	10.6	11.2	12.3
Net Profit margins	8.2	6.5	7.9	9.3

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	11.3	12.7	14.3	12.7
EBITDA	6.1	(8.9)	15.8	22.2
PBT	(13.3)	(4.8)	31.8	27.4
Adjusted Profit	(6.6)	(8.9)	38.0	32.4
EPS	(6.6)	(8.9)	38.0	32.4

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	223	223	223	223	
Reserves & Surplus	8,293	9,527	11,228	13,593	
Shareholders' funds	8,516	9,749	11,450	13,816	
Minority Interest	184	253	253	253	
Long term borrowings	1,669	1,323	1,323	323	
Short term borrowings	4,154	3,493	3,493	3,493	
Total Borrowings	5,824	4,816	4,816	3,816	
Long Term Liabilities	(1)	-	-	-	
Def. Tax Liability (net)	(667)	(615)	(615)	(615)	
Sources of funds	13,855	14,203	15,904	17,270	
Gross Block	8,408	10,876	11,766	12,991	
Net Block	6,475	8,348	8,666	9,225	
Capital work in progress	1,261	268	-	-	
Intangible Assets	15	16	14	14	
Total net fixed assets	7,751	8,633	8,680	9,239	
Non current investments	61	64	64	64	
Cash and Equivalents	211	262	480	475	
Inventories	3,828	4,613	5,096	5,586	
Sundry Debtors	3,572	2,957	3,571	4,186	
Loans & Advances	254	194	194	194	
Other Current Assets	885	780	780	780	
Current Assets (ex cash)	8,538	8,544	9,641	10,746	
Trade payable	1,753	1,595	1,638	1,796	
Other Current Liab	953	1,705	1,322	1,458	
Total Current Liab	2,706	3,300	2,960	3,254	
Net Curr Assets-ex cash	5,832	5,243	6,680	7,492	
Uses of funds	13,855	14,203	15,904	17,270	
BVPS (INR)	38.3	43.8	51.5	62.1	

Free cash flow		(INR mn)			
Year to March	FY18	FY19	FY20E	FY21E	
Reported Profit	1,631	1,485	2,049	2,714	
Add: Depreciation	907	595	572	667	
Interest (Net of Tax)	240	314	225	202	
Others	51	88	33	6	
Less: Changes in WC	(218)	(527)	1,437	812	
Operating cash flow	3,046	3,008	1,441	2,777	
Less: Capex	(2,501)	(1,475)	(622)	(1,225)	
Free Cash Flow	545	1,533	820	1,552	

Cash flow metrics				
Year to March	FY18	FY19	FY20E	FY21E
Operating cash flow	3,046	3,008	1,441	2,777
Financing cash flow	(1,003)	(1,541)	(605)	(1,557)
Investing cash flow	(2,504)	(1,416)	(619)	(1,225)
Net cash Flow	(461)	51	217	(4)
Capex	(2,501)	(1,475)	(622)	(1,225)
Dividend paid	(267)	(348)	(348)	(348)

Profitability and efficiency ratios				
Year to March	FY18	FY19	FY20E	FY21E
ROAE (%)	20.8	15.9	18.9	21.1
ROACE (%)	17.8	17.0	19.2	21.5
Inventory Days	126	134	133	134
ROA	12.3	10.6	13.6	16.4
Debtors Days	63	52	46	48
Payable Days	59	53	44	43
Cash Conversion Cycle	131	133	135	139
Current Ratio	3.2	2.7	3.4	3.4
Debt/EBITDA (x)	1.8	1.6	1.4	0.9
Debt/Equity (x)	0.7	0.5	0.4	0.3
Adjusted Debt/Equity	0.7	0.5	0.4	0.3
Interest Coverage Ratio	6.7	5.2	8.7	11.9
LT debt /Cap empl. (%)	42.0	33.9	30.3	22.1
Debt / Cap employed (%)	56.8	52.8	45.0	37.4

Operating ratios				
Year to March	FY18	FY19	FY20E	FY21E
Total Asset Turnover	1.5	1.6	1.7	1.8
Fixed Asset Turnover	4.2	3.1	3.1	3.3
Equity Turnover	2.6	2.5	2.4	2.3

Valuation parameters				
Year to March	FY18	FY19	FY20E	FY21E
Adj. Diluted EPS (INR)	7.3	6.7	9.2	12.2
Y-o-Y growth (%)	(6.6)	(8.9)	38.0	32.4
Adjusted Cash EPS (INR)	11.4	9.0	11.8	15.2
Diluted P/E (x)	18.0	19.8	14.3	10.8
P/B (x)	3.4	3.0	2.6	2.1
EV / Sales (x)	1.7	1.5	1.3	1.1
EV / EBITDA (x)	10.6	11.3	9.7	7.7
Dividend Yield (%)	0.8	1.0	1.0	1.0

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		P/B (X)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Century Plyboards	422	14.3	10.8	9.7	7.7	2.6	2.1
Asian Granito	96	10.0	9.0	6.2	5.5	1.2	1.1
Greenlam Industries	238	20.9	16.1	10.8	8.8	3.3	2.8
Greenply Industries	245	8.1		4.9		1.4	
Kajaria Ceramics	1,055	28.2	23.9	13.9	11.9	4.3	3.8
Somany Ceramics	184	19.4	13.3	9.7	7.6	1.9	1.7
Median	-	16.9	14.7	9.7	8.2	2.3	2.5
AVERAGE	-	16.8	14.6	9.2	8.3	2.5	2.3

Source: Edelweiss research

Additional Data

Directors Data

Sri Sajjan Bhajanka	Chairman & MD	Sri Hari Prasad Agarwal	Vice Chairman & Executive Director
Sri Sanjay Agarwal	Managing Director	Sri Prem Kumar Bhajanka	Managing Director
Sri Vishnu Khemani	Managing Director	Mr. Keshav Bhajanka	Executive Director
Smt. Nikita Bansal	Executive Director	Sri Ajay Baldawa	Executive Director
Sri Manindra Nath Banerjee	Director	Sri Mangi Lal Jain	Director
Mr. Santanu Roy	Director	Mr. Samrendra Mitra	Director
Mr. Asit Pal	Director	Mrs. Mamta Binani	Director
Sri J. P. Dua	Director	Sri Vijay Chhibber	Director

Auditors - Singhi & Co.

**as per latest annual report*

Holding Top -10

	Perc. Holding		Perc. Holding
Government Pension Fund	2.12	Mirae Asset Global Investment	0.79
Norges Bank	2.12	Kotak Mahindra Asset Management	0.62
Aditya Birla Sunlife Asset Management	1.52	HDFC AMC	0.58
Pictet Funds	1.31	Blackrock	0.46
Dimensional Fund Advisors	1.00	Tata AMC	0.45

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**as per last available data*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
01 Jul 2019	Sajjan Bhajanka	Buy	74225.00
01 Jul 2019	Sanjay Agarwal	Buy	74077.00
28 Sep 2018	Sanjay Agarwal	Buy	405618.00
28 Sep 2018	Sajjan Bhajanka	Buy	500000.00

**as per last available data*

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: research@edelweissfin.com

Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

Coverage group(s) of stocks by primary analyst(s): Home Decor

Asian Granito, Century Plyboards, Greenlam Industries, Kajaria Ceramics, Greenply Industries, Supreme Industries, Somany Ceramics

Recent Research

Date	Company	Title	Price (INR)	Recos
05-Aug-19	Somany Ceramics	Margin expansion key ; <i>Result Update</i>	320	Buy
31-Jul-19	Greenlam Industries	One-off dents performance; <i>Result Update</i>	697	Hold
29-Jul-19	Supreme Industries	Raw material price volatility dents profitability; <i>Result Update</i>	1075	Reduce

Distribution of Ratings / Market Cap

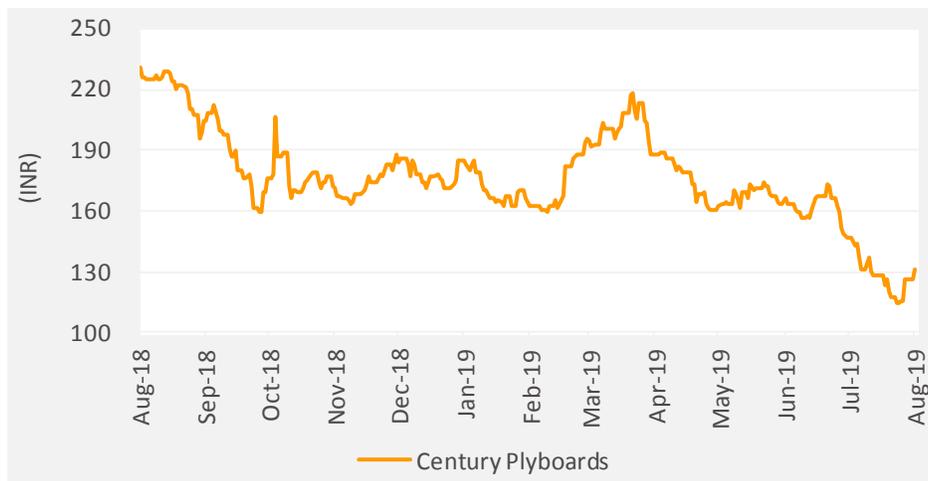
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



DISCLAIMER

Edelweiss Securities Limited (“ESL” 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 ESL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 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. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. 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 Securities 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 ESL 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. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL 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. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL 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 ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL 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.

ESL 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 ESL to present the data. In no event shall ESL 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 ESL 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.

ESL 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, 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. ESL 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 ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL 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. ESL 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. ESL 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 ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, 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

ESL has financial interest in the subject companies: No

ESL'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

ESL 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 ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at 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.

Additional Disclaimers

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

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.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved