

CENTURY PLYBOARDS (I) LTD

Result Update (PARENT BASIS): Q3 FY17
CMP: 215.95
FEB 4th, 2017
Overweight
**ISIN:
INE348B01021**

Index Details

Stock Data

Sector	Forest Products
BSE Code	532548
Face Value	1.00
52wk. High / Low (Rs.)	267.00/135.45
Volume (2wk. Avg.)	60000
Market Cap (Rs. in mn.)	48054.71

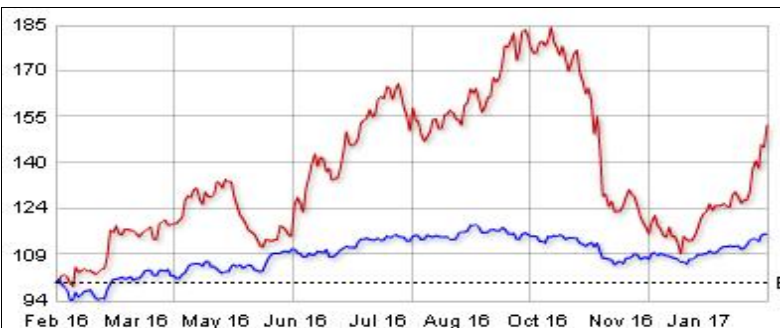
Annual Estimated Results(A*: Actual / E*: Estimated)

Years (Rs. in mn)	FY16A	FY17E	FY18E
Net Sales	16584.56	18559.35	20415.29
EBITDA	2891.21	2951.62	3311.39
Net Profit	1680.69	1715.38	1902.71
EPS	7.55	7.71	8.55
P/E	28.59	28.01	25.26

Shareholding Pattern (%)

	As on Dec 2016	As on Sep 2016
Promoter	72.00	72.21
Public	28.00	27.79
Others	--	--

1 Year Comparative Graph


CENTURY PLYBOARDS (I) LTD
S&P BSE SENSEX

SYNOPSIS

- Century Plyboards (India) Ltd is primarily engaged in manufacturing and sale of plywood, laminates, decorative veneers, pre-laminated boards and flush doors and providing container freight station services
- Revenue for the 3rd quarter stood at Rs. 4587.11 mn from Rs. 4107.81 mn, when compared with the prior year period higher by 11.67%.
- For the quarter ended Q3 FY17, EBITDA stood at Rs. 706.12 mn as against Rs. 703.99 mn in the corresponding period of the previous year.
- During Q3 FY17, Profit before tax stood at Rs. 444.72 mn against Rs. 480.30 mn in Q3 FY16.
- During Q3 FY17, the company's net profit stood at Rs. 373.06 mn as compared to Rs. 411.58 mn in the corresponding quarter ending of previous year
- EPS of the company stood at Rs. 1.68 during the quarter, as against Rs. 1.85 per share over previous year period.
- For the nine months ended December 31, 2016, Net Sales increased to Rs. 13944.91 mn from Rs. 12878.09 mn in the corresponding period of last year, higher by 8.28%.
- During 9M FY17, Net Profit increased by 1.12% to Rs. 1296.51 mn from Rs. 1282.11 mn over the nine months ended December 31, 2015.
- Net sales & PAT of the company are expected to grow at a CAGR of 12% and 30% over 2015 to 2018E, respectively.

PEER GROUPS	CMP	MARKET CAP	EPS	P/E (X)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Century Plyboards (I) Ltd	215.95	48054.71	7.55	28.59	9.11	100.00
Greenply Industries Ltd	271.20	33256.50	10.97	24.72	5.49	60.00
Uniply Industries Ltd	252.50	6036.60	2.18	115.83	12.17	0.00
Oriental Veneer Products Ltd	310.30	1672.60	13.82	22.45	6.40	0.00

QUARTERLY HIGHLIGHTS (PARENT BASIS)

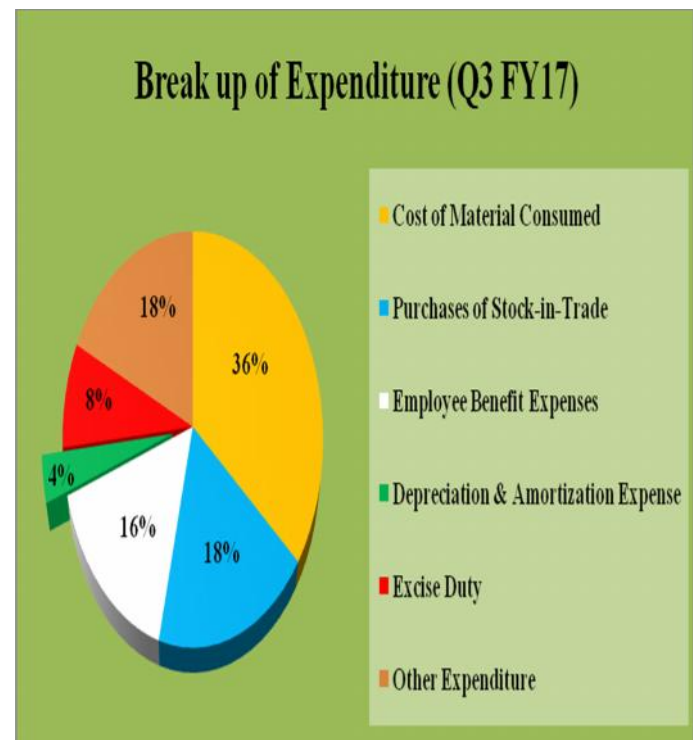
Results updates- Q3 FY17,

(Rs. in million)	Dec-16	Dec-15	% Change
Revenue	4587.11	4107.81	11.67%
Net Profit	373.06	411.58	(9.36)
EPS	1.68	1.85	(9.36)
EBIDTA	706.12	703.99	0.30%

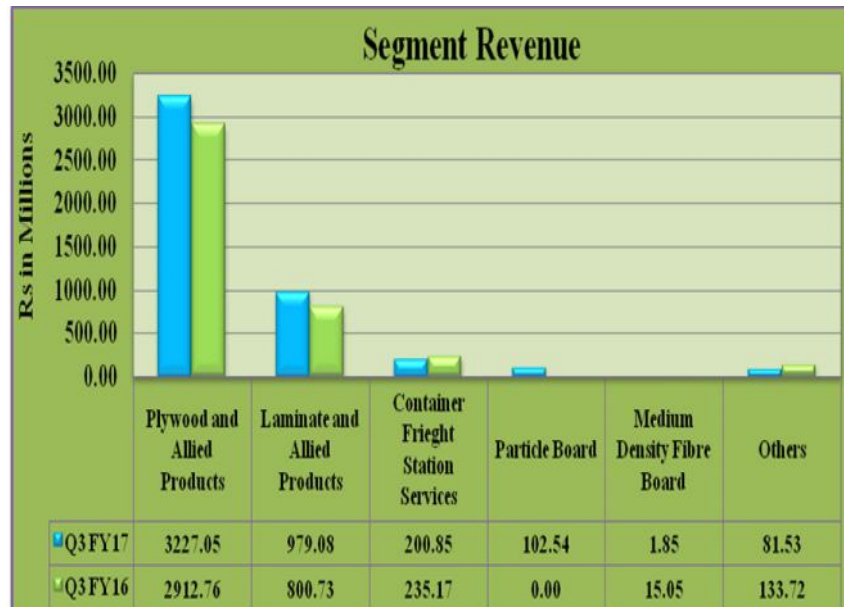
Revenue for the 3rd quarter stood at Rs. 4587.11 million as against Rs. 4107.81 million, when compared with the prior year period, an increase of 11.67%. EBIDTA is Rs. 706.12 million as against Rs. 703.99 million in the corresponding period of the previous year. The company's net profit stood at Rs. 373.06 million from Rs. 411.58 million in the corresponding quarter ending of previous year. Reported earnings per share of the company stood at Rs. 1.68 during the quarter as against Rs. 1.85 per share over previous year period.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q3 FY17	Q3 FY16	% Change
Cost of Material Consumed	1447.78	1533.85	-6%
Purchases of Stock-in-trade	736.58	611.51	20%
Employee Benefit Expenses	637.45	587.47	9%
Depreciation & Amortization Expense	149.48	113.60	32%
Excise duty	332.49	303.36	10%
Other Expenditure	743.81	713.52	4%



Segment Revenue



Latest Updates

- The shareholding of the Company in its Subsidiary, Century Ply (Singapore) Pte. Ltd. has been increased from 51% to 97.26% on January 31, 2017 consequent upon allotment of 5139846 Shares of USD 1 each.

Medium Density Fibre Board:

- Strategically located at hoshiarpur, Punjab, an area with adequate supply of raw material
- Plant has a capacity of 600 cbm per day
- Total capex to be incurred 3800 mn out of which the company has incurred approx. 2070 mn till 31st December 2016.
- All major machineries and equipment are delivered and under installation at plant site.
- Expected to commence from March 2017.

COMPANY PROFILE

Century Plyboards (India) Limited is a plywood manufacturer. The Company's segments include plywood, laminate, CFS services and Others. The Company's geographical segments are demarcated into India and overseas. The plywood segment includes plywood, block-board, veneer and timber. The laminate segment includes decorative laminates and pre-laminated boards. The CFS services segment includes container freight station services. The Others segment includes mainly trading of chemicals, minerals, readymade furniture and equipments. The Company's product portfolio includes doors, decorative veneer, new age products (NAP), fiber cement boards, particle boards, look book, slimline, mono core, magnetic laminates and prelaminated boards. The Company is also engaged in the logistics business through the management of a container freight station. The Company's units are spread across India in Joka (West Bengal), Guwahati (Assam), Kandla (Gujarat), Chennai (Tamil Nadu) and Karnal (Haryana).

FINANCIAL HIGHLIGHT (PARENT BASIS)

(A* - Actual, E* - Estimations & Rs. In Millions)

Balance Sheet as of March 31, 2015 -2018E

	FY15A	FY16A	FY17E	FY18E
SOURCES OF FUNDS				
Shareholder's Funds				
Share Capital	222.53	222.53	222.53	222.53
Reserves and Surplus	3653.28	5066.30	6766.35	8669.06
1. Sub Total - Net worth	3875.81	5288.83	6988.88	8891.59
Non Current Liabilities				
Long term borrowings	814.20	640.79	1050.89	1177.00
Other Long term liabilities	28.62	47.10	32.97	36.60
2. Sub Total - Non Current Liabilities	842.81	687.88	1083.86	1213.59
Current Liabilities				
Short term borrowings	3743.99	3409.65	3593.77	3701.58
Trade Payables	652.24	848.00	1212.65	1406.67
Other Current Liabilities	958.97	1135.09	1271.30	1398.43
Short Term Provisions	425.77	90.39	101.23	110.34
3. Sub Total - Current Liabilities	5780.98	5483.13	6178.95	6617.02
Total Liabilities (1+2+3)	10499.59	11459.84	14251.68	16722.20
APPLICATION OF FUNDS				
Non-Current Assets				
Fixed Assets				
i) Tangible assets	2075.31	2029.30	2577.21	3092.65
ii) Intangible assets	13.74	11.52	12.67	13.69
iii) Capital work in progress	226.83	300.63	868.60	1051.01
iv) Intangible asset under development	0.00	1.55	2.66	3.06
v) Expenditure on new Expansion projects	0.00	631.87	0.00	0.00
a) Sub Total - Fixed Assets	2315.87	2974.88	3461.14	4160.40
b) Non Current Investments	451.18	496.74	541.45	584.77
c) Deferred tax Assets	70.33	135.82	176.56	213.64
d) Long Term loans and advances	788.86	1076.44	1420.90	1662.46
e) Other non-current assets	23.20	0.00	0.00	0.00
1. Sub Total - Non Current Assets	3649.44	4683.88	5600.06	6621.27
Current Assets				
Inventories	3200.45	2751.51	3168.89	3595.29
Trade receivables	2681.41	2897.84	3332.51	3732.42
Cash and Bank Balances	170.26	190.42	215.17	238.84
Short-terms loans & advances	663.36	691.72	940.74	1241.77
Other current assets	134.67	244.49	994.32	1292.62
2. Sub Total - Current Assets	6850.14	6775.96	8651.62	10100.93
Total Assets (1+2)	10499.59	11459.84	14251.68	16722.20

Annual Profit & Loss Statement for the period of 2015 to 2018E

Value(Rs.in.mn)	FY15A	FY16A	FY17E	FY18E
Description	12m	12m	12m	12m
Net Sales	15648.08	16584.56	18559.35	20415.29
Other Income	36.53	16.33	22.50	24.53
Total Income	15684.61	16600.89	18581.85	20439.81
Expenditure	-13005.62	-13709.68	-15630.24	-17128.42
Operating Profit	2678.99	2891.21	2951.62	3311.39
Interest	-432.93	-467.27	-356.00	-398.72
Gross profit	2246.06	2423.94	2595.62	2912.67
Depreciation	-448.03	-446.41	-526.65	-595.11
Profit Before Tax	1798.03	1977.53	2068.97	2317.55
Tax	-289.82	-296.84	-353.59	-414.84
Net Profit	1508.21	1680.69	1715.38	1902.71
Equity capital	222.53	222.53	222.53	222.53
Reserves	3637.68	5050.97	6766.35	8669.06
Face value	1.00	1.00	1.00	1.00
EPS	6.78	7.55	7.71	8.55

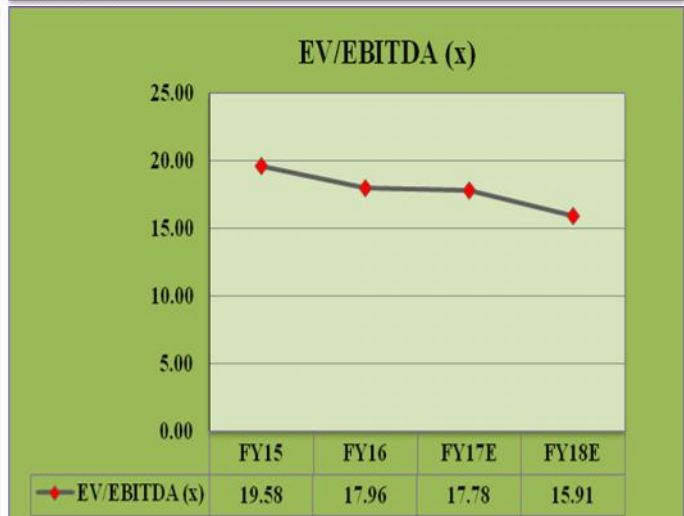
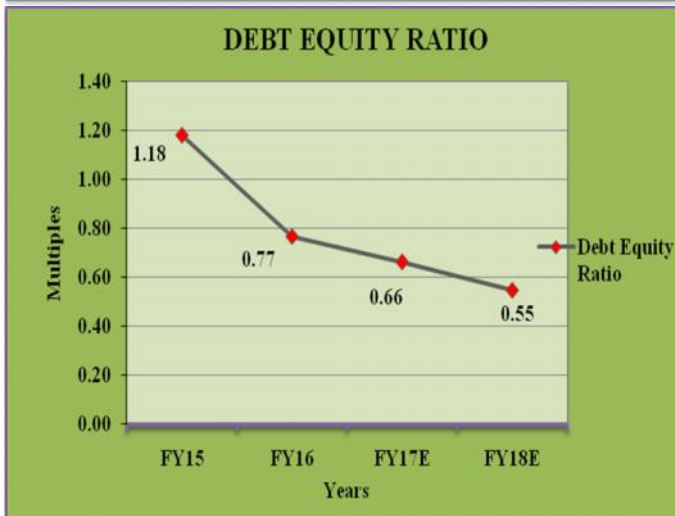
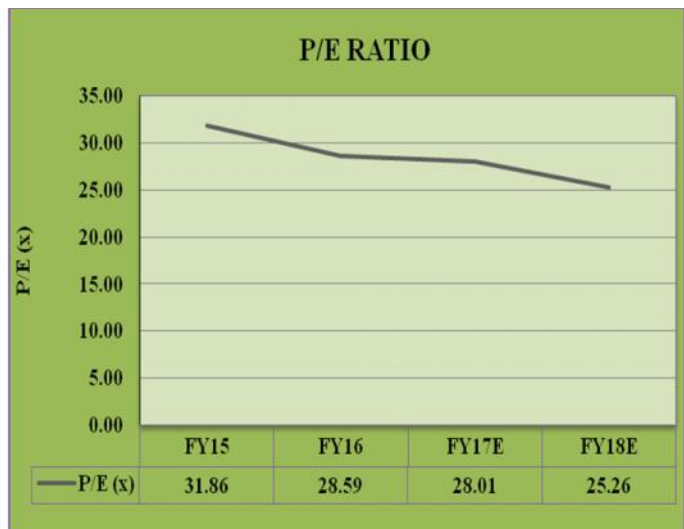
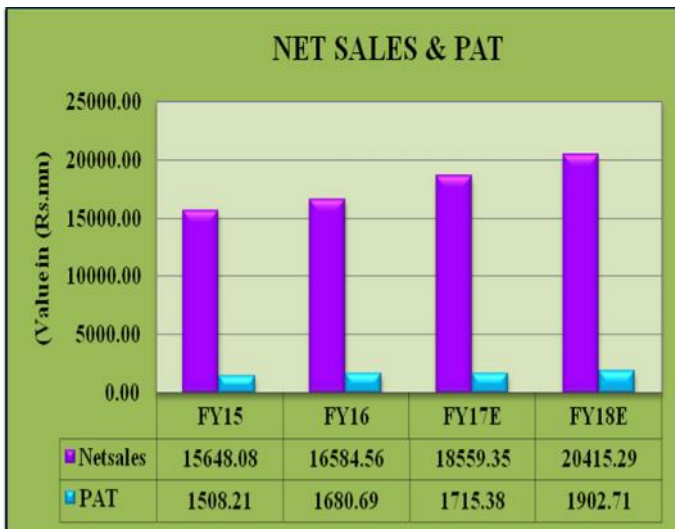
Quarterly Profit & Loss Statement for the period of 30th Jun, 2016 to 31st Mar, 2017E

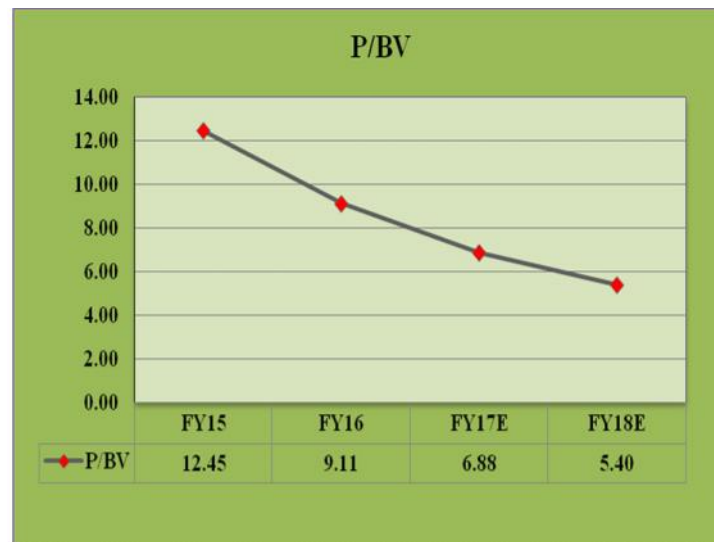
Value(Rs.in.mn)	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17E
Description	3m	3m	3m	3m
Net sales	4057.53	4960.64	4587.11	4954.07
Other income	8.03	13.14	0.29	1.04
Total Income	4065.56	4973.78	4587.39	4955.12
Expenditure	-3374.07	-4203.56	-3881.27	-4171.33
Operating profit	691.49	770.22	706.12	783.79
Interest	-88.69	-60.26	-111.92	-95.13
Gross profit	602.80	709.96	594.20	688.66
Depreciation	-92.53	-126.20	-149.48	-158.45
Profit Before Tax	510.28	583.76	444.72	530.21
Tax	-79.72	-90.86	-71.66	-111.34
Net Profit	430.55	492.90	373.06	418.87
Equity capital	222.53	222.53	222.53	222.53
Face value	1.00	1.00	1.00	1.00
EPS	1.93	2.21	1.68	1.88

Ratio Analysis

Particulars	FY15A	FY16A	FY17E	FY18E
EPS (Rs.)	6.78	7.55	7.71	8.55
EBITDA Margin (%)	17.12%	17.43%	15.90%	16.22%
PBT Margin (%)	11.49%	11.92%	11.15%	11.35%
PAT Margin (%)	9.64%	10.13%	9.24%	9.32%
P/E Ratio (x)	31.86	28.59	28.01	25.26
ROE (%)	39.07%	31.87%	24.54%	21.40%
ROCE (%)	37.15%	35.80%	29.90%	28.37%
Debt Equity Ratio	1.18	0.77	0.66	0.55
EV/EBITDA (x)	19.58	17.96	17.78	15.91
Book Value (Rs.)	17.35	23.70	31.41	39.96
P/BV	12.45	9.11	6.88	5.40

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 215.95**, the stock P/E ratio is at 28.01 x FY17E and 25.26 x FY18E respectively.
- Earning per share (EPS) of the company for the earnings for FY17E and FY18E is seen at Rs. 7.71 and Rs. 8.55 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 12% and 30% over 2015 to 2018E respectively.
- On the basis of EV/EBITDA, the stock trades at 17.78 x for FY17E and 15.91 x for FY18E.
- Price to Book Value of the stock is expected to be at 6.88 x and 5.40 x for FY17E and FY18E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium to Long term investment.

INDUSTRY OVERVIEW

Wood panel products

Wood panel products comprise materials used in making furniture, such as plywood, laminates, medium density fiber boards and decorative veneers. Plywood and medium density fiber boards form the backbone of the Indian furniture space, whereas laminates and decorative veneers are surfacing products which are used for decorative purposes and are being increasingly embraced across socioeconomic milieus. The Indian wood panel market is valued at Rs. 28,500 crore. Plywood has a share of 63% (Rs.18,000 crore).

Plywood

The Indian plywood industry is over 75 years old. From producing tea chests, it has evolved over the years to emerge as a versatile interior decoration solution. A 70% share of the Rs.18,000 crore industry is held by unorganized players and the

rest by organized ones. The organized segment has been growing at a CAGR of 12-15% while the overall plywood industry has grown at a CAGR of 4-6% over the last five years.

Plywood demand is all set to get a boost following a number of decisive initiatives undertaken by the Central Government like 'Smart Cities'. As against a 5-6% growth seen in FY2015-16, a double-digit growth is expected to transpire during the current fiscal. India's plywood industry is likely to reach a market value of Rs. 479.7 billion by 2019. This growth in the plywood market is expected to be led by a surge in the growth of commercial and domestic developments.

Laminates

The past few years have been witness to the growing ubiquity of laminates for furniture and cabinetry. They are preferred over wood and paint for the wide range of choices on offer, their aesthetic appeal, ease of installation and maintenance and their cost-effectiveness. Furthermore, laminates are stain-proof and resistant to light acids, steam, moisture and abrasion. Indian laminates market is pegged at around Rs. 3,500 crore and exports amounts to nearly Rs. 800 crore.

MDF

MDF is a superior substitute for cheap unbranded plywood and demand for it is being driven by a penchant for readymade modular furniture among the young and the aspiring who are eager on aestheticising their interiors. Moreover, with ready-to move in offices and retail outlets mushrooming across the country, the prospects for this sector look brighter than ever.

The MDF, market is estimatedly worth~ Rs 35 bn in India and has grown at a CAGR of ~5-8% over the last five years. The Central Government's decision to with hold fresh licenses for the manufacture of plywood has widened the gap between demand and supply. This is a positive development for the MDF industry and will increase the use of engineered panel products.

Furniture Industry

The Indian furniture industry is estimated to be worth ~Rs 48000 crore and is growing at a rate of 25%annually. ~85% share of the home furnishing industry is held by unorganized players. However, According to a study by World Bank, India's organized furniture industry is expected to grow by 20% per annum over the next few years and is expected to cross US\$32 bn by 2019. Moreover, the anticipated increase in tourism, hospitality retail and medical sectors is also expected to spur furniture demand in the country.

The expected rise in demand in the residential realty vertical is pegged as high as 20%. The home furniture market will witness concurrent levels of growth over the next five years, with office and institutional segments remaining not too far behind.

Out Look

Revival of the real estate segment: Over the years, there has been a steady shift in employment patterns –from agriculture to manufacturing, which in turn has fuelled the rate of urbanization and demand for real estate. The demand for housing will receive a shot in the arm with Central Government's 'Housing for all by 2022' initiative which will also drive investment and spur demand for modern interiors.

Logistics

The Indian ports and shipping industry plays a vital role in sustaining trade and commerce. Around 95% of India's trade by volume and 70% by value takes place through maritime channels. The logistics business is intimately intertwined with growth in economic activity and the industry is estimated to have grown at a rate of ~15% in the last five years. The industry is largely dominated by unorganized players due to complex tax structures and lack of a world-class infrastructure. In 2015-16, the rising freight volumes of coal (10%), fertilisers (19.6%), edible oil (20.6%), other liquids (10.9%), other goods (6.4%), and iron and steel (17.7%) is expected to encourage a corresponding growth of cargo traffic by 4.2% at major ports. In contradiction, the steep fall in iron ore traffic by 31.8% and slow growth of 2.5% in container cargo is likely to adversely affect the growth of overall cargo traffic during the year under review.

The three words that have helped cushion Century ply from demand slowdowns: wide product portfolio. This represents suitable insurance: by not putting all its eggs in one or few baskets, the company seeds demand across a large number of products at varying stages of their evolution. The result is that there is always some product that is doing remarkably well, some product performing reasonably well and some product in the nascent end of its product acceptance cycle that could potentially translate into robust off take across the foreseeable future.

The net effect is robust performance, good markets or weak. Over the years, Century ply widened its portfolio: it now comprises laminates, ready doors, and MDF and particle boards, among others. Within each segment, Century ply created sub-brands across price points. The result is a complete choice: a product for every preference and pocket. The benefits of this wide portfolio were showcased during the year under review: the off take of premium plywood declined owing to the slowdown in the sector; the laminate segment (launched in 2004) reported about 20% growth, emerging as the third largest player in the country's organized sector. Besides, the new doors vertical performed creditably. And in a future facing initiative, Century ply launched a new product like the cement fiber board with attractive prospects. The result of this portfolio widening strategy was reflected in the numbers. A good part of the company's 2015-16 revenues were derived from products or brands launched in the last five years, emphasizing the company's ability to rejuvenate revenues.

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