

**Q1FY18 Result Update**
**Wood products Century Plyboards (I) Ltd.**
**BUY**

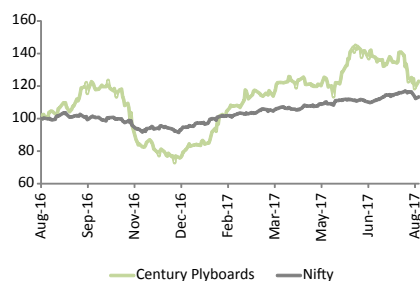
<b>CMP (Rs)</b>	251
<b>Target Price (Rs)</b>	307
<b>Potential Upside</b>	22.3%
<b>Sensex</b>	31,795
<b>Nifty</b>	9,904

**Key Stock data**

<b>BSE Code</b>	532548
<b>NSE Code</b>	CENTURYPLY
<b>Bloomberg</b>	CPBI :IN
<b>Shares o/s, Cr (FV 1)</b>	22.2
<b>Market Cap (Rs Cr)</b>	5,683
<b>3M Avg Volume</b>	3,10,548
<b>52 week H/L</b>	314/154

**Shareholding Pattern**

(%)	Dec-16	Mar-17	Jun-17
<b>Promoter</b>	72.0	72.0	72.0
<b>FII</b>	10.1	12.8	12.8
<b>DII</b>	6.5	4.0	4.0
<b>Others</b>	11.2	11.2	11.2

**1 Year relative price performance**

**Margins miss; outlook intact**

Century Plyboards (I) Ltd.'s (CPIL) Q1FY18 result was a mixed bag. The company reported 8.7% YoY increase in Net sales while EBITDA and PAT were down by 19.7% and 18.5% respectively over Q1FY17. Despite weak Q1FY18 results, the management has guided for healthy volume growth led by capacity expansion and GST implementation will aid higher sales volume as demand will shift from non-branded to branded products. Maintain BUY.

**Q1FY18 Result Update:**

- CPIL reported Net sales of Rs 438.6crs, a growth of 8.7% YoY primarily on account of 10.7% YoY sales increase in plywood division. Laminates division reported 1.3% YoY decline in sales as demand in domestic market was subdued in Q1FY18. On the other hand, export revenue improved by 11.7% YoY. With implementation of GST, we expect demand shift from unorganised players to organised players and CPIL, being the largest organised player, will benefit significantly.
- EBITDA for the quarter came in at Rs 61.1crs, declined by 19.7% YoY. Increase in raw material cost of plywood division weighed on EBITDA margins, which declined 300bps YoY to 13.9%.
- Net profit stood at Rs 34.1crs, down by 18.5% YoY. Higher depreciation and interest cost dented net profitability (7.1%NPM), de-growth of 150bps YoY.
- CPIL's MDF unit at Punjab has started commercial production and the management has guided that new plant will contribute ~ Rs 175cr to sales in FY18E.

**Outlook & Valuation:**

CPIL is a market leader in the organised plywood sector and commands premium pricing over peers. We expect CPIL to report Net sales, EBITDA and PAT growth of 11.5%, 18.6% and 12.3% respectively over FY17-19E. We maintain BUY on the stock with a price target of Rs 307.

**Financial Summary**

Particulars, Rs cr	FY16	FY17	FY18E	FY19E
Net sales	1,635.7	1,782.5	1,966.2	2,215.6
EBITDA	283.5	292.1	353.0	411.1
EBITDAM (%)	17.3	16.4	18.0	18.6
PAT	169.8	185.6	232.2	273.1
PATM (%)	10.4	10.4	11.8	12.3
EPS (Rs)	7.6	8.3	10.4	12.3
PE (x)	32.9	30.1	24.1	20.5
RoE (%)	37.2	30.1	29.3	28.3

Source : Company; RSL Research

Research Analyst

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## P&amp;L Account Quarterly

Particulars, Rs cr	Q1FY18	Q1FY17	Y-o-Y %	Q4FY17	Q-o-Q %
<b>Net sales</b>	<b>473.4</b>	<b>482.4</b>	<b>-1.9</b>	<b>525.81</b>	<b>-10.0</b>
Cost of materials consumed	143.9	161.1	-10.7	159.7	-9.9
Purchase of stock in trade	89.2	69.0	29.3	92.01	-3.0
Changes in Inventories	0.8	-0.6	-217.2	1.35	-44.4
Employee cost	68.9	62.1	10.9	66.73	3.2
Excise duty	34.8	35.3	-1.5	37.3	-6.6
Other expenses	74.7	79.5	-6.0	84.95	-12.0
Total expenditure	412.3	406.3	1.5	442.0	-6.7
<b>EBITDA</b>	<b>61.1</b>	<b>76.1</b>	<b>-19.7</b>	<b>83.8</b>	<b>-27.1</b>
<b>EBITDAM (%)</b>	<b>12.9</b>	<b>15.8</b>	<b>(286bp)</b>	<b>15.9</b>	<b>(303bp)</b>
Other income	0.5	1.4	-60.0	14.1	-96.2
Depreciation and amortisation expenses	13.2	12.0	10.1	15.6	-15.2
EBIT	48.5	65.4	-26.0	82.4	-41.2
Finance cost	6.3	10.2	-38.1	2.6	146.7
PBT	42.2	55.3	-23.7	79.8	-47.2
Tax	8.0	13.7	-41.3	23.9	-66.5
Net profit before adjustments	34.2	41.6	-18.0	55.9	-38.9
Other comprehensive income	-0.5	-0.4	48.6	-0.3	100.0
<b>Net profit</b>	<b>33.6</b>	<b>41.3</b>	<b>-18.5</b>	<b>55.7</b>	<b>-39.6</b>
<b>NPM (%)</b>	<b>7.1</b>	<b>8.6</b>	<b>(145bp)</b>	<b>10.6</b>	<b>(348bp)</b>
EPS, Rs	1.5	1.9		1.7	

Source : Company; RSL Research

## P&amp;L Account

Particulars, Rs cr	FY16	FY17	FY18E	FY19E
<b>Net sales</b>	<b>1,643.8</b>	<b>1,780.9</b>	<b>1,966.2</b>	<b>2,215.6</b>
Expenditure				
Raw material consumed	633.8	601.0	853.4	972.9
Power & fuel cost	0.0	0.0	0.0	0.0
Employee cost	227.8	256.7	333.7	367.0
Other expenses	281.1	315.7	426.1	464.5
Total expenditure	1,360.3	1,488.8	1,613.2	1,804.4
<b>EBITDA</b>	<b>283.5</b>	<b>292.1</b>	<b>353.0</b>	<b>411.1</b>
<b>EBITDAM (%)</b>	<b>17.2</b>	<b>16.4</b>	<b>18.0</b>	<b>18.6</b>
Other income	6.5	22.7	24.9	26.2
Depreciation	43.7	52.4	48.7	50.9
PBIT	246.3	262.4	329.3	386.5
Interest expenses	46.5	28.6	35.4	40.8
PBT	199.8	233.7	293.9	345.6
Tax	30.0	48.1	61.7	72.6
<b>Reported profit</b>	<b>169.8</b>	<b>185.6</b>	<b>232.2</b>	<b>273.1</b>
<b>PATM (%)</b>	<b>10.3</b>	<b>10.4</b>	<b>11.8</b>	<b>12.3</b>

Source : Company; RSL Research

## Balance sheet

Particulars, Rs cr	FY16	FY17	FY18E	FY19E
Share Capital	22.3	22.3	22.3	22.3
Reserves & Surplus	502.8	686.4	851.6	1030.9
<b>Total Shareholder's Fund</b>	<b>525.1</b>	<b>708.6</b>	<b>873.8</b>	<b>1053.1</b>
<b>Non-Current Liabilities</b>				
Long term borrowings	64.0	146.7	246.7	396.7
Other long term liabilities	0.3	0.2	0.3	0.3
Long term provision	0.0	0.0	0.0	0.0
<b>Current Liabilities</b>				
Short term borrowing	341.0	410.3	460.3	510.3
Trade payables	84.3	141.1	70.1	80.0
Short term provisions	6.8	11.5	72.9	103.5
Other current liabilities	118.3	129.1	131.6	134.6
<b>Total liabilities</b>	<b>1,141.9</b>	<b>1,554.7</b>	<b>1,855.9</b>	<b>2,278.6</b>
Fixed Assets	247.3	345.7	533.2	522.3
Current work in process	92.9	284.0	304.0	324.0
Non current investment	0.0	0.0	0.0	0.0
Long term loans & advances	7.4	10.0	10.5	11.1
Other non-current assets	31.6	24.4	3.2	3.7
<b>Current Assets</b>				
Current investments	0.0	0.0	0.0	0.0
Inventories	275.2	263.8	429.6	490.9
Trade receivables	286.8	335.3	339.4	394.6
Cash & Cash equivalents	23.8	58.5	61.5	339.6
Short term loans and advances	48.2	82.5	88.2	96.0
Other current assets	39.6	71.8	86.1	96.5
<b>Total assets</b>	<b>1,141.9</b>	<b>1,554.7</b>	<b>1,855.8</b>	<b>2,278.6</b>

Source : Company; RSL Research

## Cash Flow statement

Particulars, Rs cr	FY16	FY17	FY18E	FY19E
Profit before tax	199.8	233.7	293.9	345.6
Add: Depreciation	43.7	52.4	48.7	50.9
Add: Interest cost	43.7	52.4	48.7	50.9
Others	0.0	0.0	0.0	0.0
Operating profit before working capital changes	79.1	-32.1	-166.9	-80.8
Changes in working capital	369.2	282.6	211.0	356.5
Direct taxes	-36.0	-53.1	-65.7	-76.6
<b>Cash flow from operating activities</b>	<b>333.2</b>	<b>229.5</b>	<b>145.3</b>	<b>279.9</b>
<b>Net cash used in Investing Activities</b>				
Purchase of fixed assets	-280.4	-250.0	-220.0	-60.0
Sale of fixed assets	0.0	0.0	-20.0	-20.0
sale of Investment	45.1	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-235.3</b>	<b>-250.0</b>	<b>-240.0</b>	<b>-80.0</b>
<b>Cash flow from Financing Activities</b>				
Proceeds from issuance of shares	0.0	0.0	0.0	0.0
Net proceeds from borrowings	-48.7	156.7	150.0	200.0
Dividend (Incl dividend tax)	-56.3	-58.9	-67.0	-93.8
Interest cost	-46.5	-28.6	-35.4	-40.8
Others	0.0	0.0	50.2	12.7
<b>Cash flow from Financing Activities</b>	<b>-151.4</b>	<b>69.2</b>	<b>97.9</b>	<b>78.1</b>
<b>Net cash Inflow/Outflow</b>	<b>-53.5</b>	<b>48.6</b>	<b>3.2</b>	<b>278.0</b>
Opening Cash & Cash Equivalents	17.0	-11.7	58.5	61.5
<b>Closing Cash &amp; Cash Equivalents</b>	<b>-11.7</b>	<b>58.5</b>	<b>61.5</b>	<b>339.6</b>

Source : Company; RSL Research

## Key Financial ratios

Particulars, Rs cr	FY16	FY17	FY18E	FY19E
<b>Dividend per share Rs</b>				
Dividend Yield (%)	0.8	0.9	1.0	1.4
Payout (%)	27.5	26.4	24.0	28.5
EPS Rs	7.6	8.3	10.4	12.3
Book value per share Rs	23.6	31.8	39.3	47.3
<b>Profitability Ratios</b>				
EBITDA/Total Income (%)	17.3	16.4	18.0	18.6
PBT/ Total Income (%)	15.0	20.6	21.0	21.0
NPM/ Total Income (%)	10.3	10.4	11.8	12.3
RoCE (%)	26.5	22.9	22.3	21.1
RoE (%)	37.2	30.1	29.3	28.3
<b>Liquidity Ratios</b>				
Debt-Equity Ratio	0.9	0.9	0.9	0.9
Current ratio	1.2	1.2	1.4	1.7
Interest Cover Ratio	5.2	8.4	8.6	8.8
<b>Turnover Ratios</b>				
Total Asset Ratio	1.5	1.3	1.2	1.1
Fixed Asset Ratio	7.2	6.0	4.5	4.2
Debtors Velocity (Days)	64	69	63	65
Inventory (Days)	74	65	97	99
Creditors Velocity (Days)	49	86	30	30

Source : Company; RSL Research

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S. No.	Statement	Answer	
		YES	NO
		Tick appropriate	
		YES	NO
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		NO
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		NO
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		NO
	I/we have received any compensation from the subject company in the past twelve months?		NO
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		NO
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		NO
	I/we have served as an officer, director or employee of the subject company?		NO
	I/we have been engaged in market making activity for the subject company?		NO

Nature of Interest ( if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above, are given below]

SS.No	Name(s) of RA	Signatures of RA	Serial Question of question which the signing RA needs to make separate declaration / answer	YES	NO

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