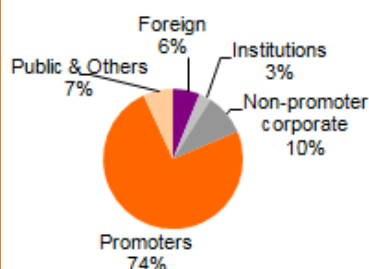
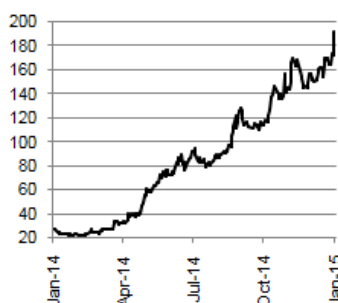


# Century Plyboards (India)

**Reco: Buy**
**Stock Update**
**Strong performance; PT revised to Rs232**
**CMP: Rs186**
**Company details**

Price target:	Rs232
Market cap:	Rs4,125 cr
52-week high/low:	Rs199/22
NSE volume: (No of shares)	5.6 lakh
BSE code:	532548
NSE code:	CENTURYPLY
Sharekhan code:	CENTURYPLY
Free float: (No of shares)	5.7 cr

**Shareholding pattern**

**Price chart**

**Price performance**

(%)	1m	3m	6m	12m
Absolute	23.2	68.9	111.0	554.0
Relative to Sensex	16.8	55.2	87.1	373.9

**Key points**

- Century Plyboards' Q3FY2015 performance was strong on all counts, the top line grew at 26.3% YoY. The top-line growth was robust supported by soft raw material prices (raw material cost to sales fell 900BPS YoY) resulted in strong expansion of 846BPS in the OPM from 9.9% in Q3FY2014 to 18.4% in Q3FY2015. The strong operational performance was reflected in the net earnings which grew at a strong 110% YoY.
- The management remains confident of the growth momentum and continues to guide for a 20-25% top-line growth for the company on the back of a strong volume growth. Further, the benefits of a soft raw material cost and raw material logistic benefit would enable the company to clock margins in the range of 16.0-16.5%. Taking cognisance of these positive developments, we have raised our margin estimates. This has resulted in an upgrade in our earnings. Our revised EPS estimates for FY2015, FY2016 and FY2017 are Rs6.2, Rs8.8 and Rs11.6 respectively.
- We believe that Century Plyboards with its top-of-the-mind brand recall is well positioned to ride the economic revival-driven recovery in demand and increase its market dominance in the plywood and laminate segments. The robust revenue growth coupled with the margin expansion play would enable the company to deliver a strong growth ahead. We expect it to post a 49.6% earnings CAGR over FY2014-17. The implementation of GST would provide a fillip to the revenue and earnings performance. In view of these positives, we maintain our Buy rating on the stock with a revised price target of Rs232 (valued at 20x FY2017E).

**Results**

Particulars	Rs cr				
	Q3FY15	Q3FY14	YoY %	Q2FY15	QoQ %
Income from operations	385.8	305.6	26.3	407.0	(5.2)
COGS	194.7	181.6	7.2	231.1	(15.8)
Gross profit	191.2	123.9	54.2	175.9	8.7
Gross margin (%)	49.5	40.6	899BPS	43.2	632BPS
Employee cost	49.4	39.5	25.1	51.0	(3.0)
Other expenditure	70.7	54.0	30.9	63.5	11.3
Total expenditure	314.9	275.2	14.4	345.6	(8.9)
Operating profit	71.0	30.4	133.7	61.4	15.5
Operating profit margin (%)	18.4	9.9	846BPS	15.1	330BPS
Finance cost	14.5	7.7	86.9	12.4	16.4
Depreciation	11.6	8.8	32.5	10.9	6.4
Non operating income	0.9	1.1	-17.7	1.5	(37.2)
Extraordinary forex loss/gain	(2.0)	(5.7)	-65.3	(2.4)	(16.5)
PBT	47.8	20.7	131.2	42.0	14.0
Tax	6.4	0.9	586.5	6.2	4.1
Reported PAT	41.4	19.7	109.6	35.8	15.7

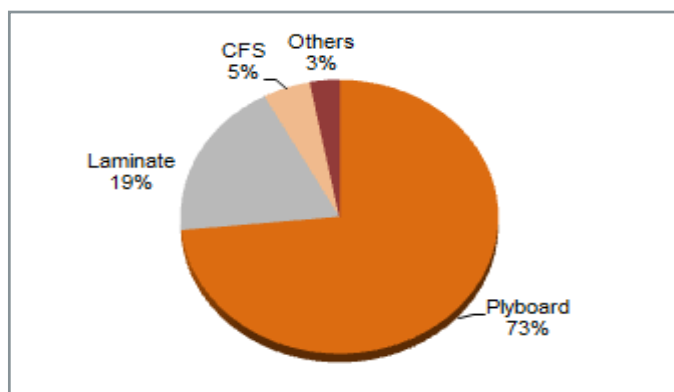
## Valuations

Particulars	FY13	FY14	FY15E	FY16E	FY17E
Net sales (Rs cr)	1,182	1,348	1,681	2,033	2,461
Growth (%)	(29)	14	25	21	21
Adjusted EBITDA (Rs cr)	128	179	256	329	405
EBITDA margin (%)	10.8	13.3	15.2	16.2	16.5
Adjusted PAT (Rs cr)	53	77	139	196	258
Growth (%)	(57)	47	80	42	31
Adjusted EPS (Rs)	2.4	3.5	6.2	8.8	11.6
PER (x)	75	69	29.9	21.1	16.1
RoCE (%)	7.1	15.4	22.0	26.1	26.3
RoE (%)	11.7	23.1	39.1	37.6	34.5

## Result highlights

Robust show on all counts: Century's top line grew at a strong 26.3% year on year (YoY) led by a growth in the plyboard and laminate businesses. The plyboard business grew by 20.4% YoY while the laminate business grew at 36.3% YoY. The introduction of sub-brands in the plyboard business, strong brand communication effort (via TV commercials for both plyboards and laminates) along with improved capacity utilisation in the laminate business contributed to the robust performance.

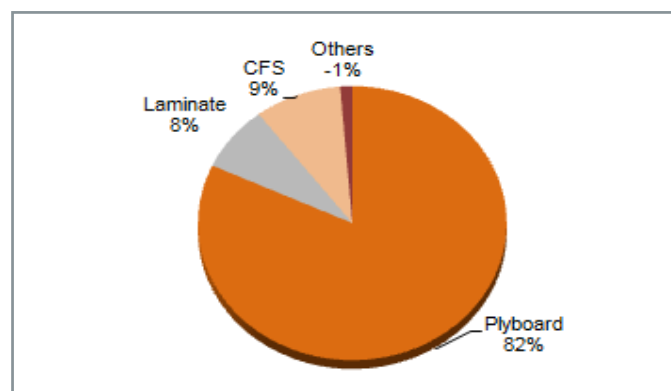
## Q3FY2015 revenue break-up (%)



## Margins expanded led by soft raw materials

The core operating profit margin (OPM; excluding the impact of the foreign exchange [forex] gain) expanded by 846 basis points (BPS) YoY from 9.9% in Q3FY2014 to 18.4% in Q3FY2015. This strong improvement was mainly on account of savings on the raw material front. The raw material to sales ratio was down 900BPS YoY, resulting in an equal expansion in the gross profit margin. Consequently, the combined impact of a strong sales performance and a robust margin expansion resulted in a 134% year-on-year (Y-o-Y) growth in the operating profit of the company.

## Q3FY2015 PBIT break-up



## Segmental performance

Particulars	Q3 FY15	Q3 FY14	YoY %	Q2 FY15	QoQ %
Top line	281.0	233.5	20.4	299.4	(6.2)
EBIT	54.0	25.9	108.4	40.3	34.1
EBIT margin (%)	19.2	11.1	812BPS	13.5	(577)BPS
Capital employed	479.8	388.1	23.6	487.8	(1.7)
Annualised RoCE (%)	45.0	26.7		33.0	

## Laminate

Particulars	Q3 FY15	Q3 FY14	YoY %	Q2 FY15	QoQ %
Top line	71.6	52.5	36.3	78.8	(9.2)
EBIT	5.1	0.8	574.2	7.7	(34.0)
EBIT margin (%)	7.1	1.4	568BPS	9.8	268BPS
Capital employed	181.0	165.4	9.4	180.2	0.5
Annualised RoCE (%)	11.2	1.8		17.1	

## CFS

Particulars	Q3 FY15	Q3 FY14	YoY %	Q2 FY15	QoQ %
Top line	18.6	12.5	48.4	19.4	(4.1)
EBIT	6.0	2.1	185.9	6.5	(7.1)
EBIT margin (%)	32.3	16.8	1,555BPS	33.4	107BPS
Capital employed	60.2	65.5	(8.1)	61.7	(2.5)
Annualised RoCE (%)	40.0	12.8		42.0	

## Earnings up 110% YoY

A strong operating performance aided the earnings growth momentum to sustain at 110% YoY on a reported basis.

## Key management takeaways

- ♦ **Particle board unit to be set up in Chennai:** A particle board plant will be set up at the company's Chennai factory with a capacity of 180 tonne cubic metre per day. The plant will be commissioned within the next year. There will be a minimal capital expenditure (capex; around Rs60 crore) for the same. The proposed plant will use wastage from the other plants to make particle board. The company expects sales of Rs125 crore from the plant going forward. The particle board business will lead to an overall margin increase of half a per cent and the produce would be sold to furniture factories.
- ♦ **On ground demand still muted; Century gaining market share:** There is not much demand at the ground level according to the management but the demand for Century Plyboard's products is very good. The company has gained market share from the unorganised segment. After the announcement of the Union Budget it expects a demand spurt at the end-user front.
- ♦ **EBITDA margin to expand:** Crude oil related raw materials constitute around 12% of the raw material cost and their prices have fallen by 50% which has led to an expansion in the margins. Further, the earnings before interest, tax, depreciation and amortisation margin is likely to expand and the management has guided for at least a 16.0-16.5% margin and the same could even expand up to 19% if the prices are not reduced owing to a fall in the prices of the crude related commodities.
- ♦ **Laminate capacity expansion on anvil:** The company is planning to expand its current laminate capacity and will look at the other locations, such as the western areas. Maybe it will put up one unit in the western region in the next financial year. Gujarat is the hub of the laminate industry.
- ♦ **Volume guidance:** The volume guidance for the plywood and laminate business is 15% each and the realisation growth guidance for both is 10%, taking the total to a 25% revenue growth guidance.
- ♦ **Laos plant to commence operations from March 2015:** One unit of capacity of 150 cubic metre per day in Laos will commence operations in March this year. The company also plans to increase the capacity to four lines in line with the Myanmar plant.

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.