

| Rating matrix | |
|------------------|----------------|
| Rating | : Buy |
| Target | : ₹ 254 |
| Target Period | : 18-24 months |
| Potential Upside | : 24% |

| What's Changed? | |
|-----------------|-----------------------------|
| Target | Unchanged |
| EPS FY16E | Changed from ₹ 8.2 to ₹ 8.1 |
| EPS FY17E | Unchanged |
| Rating | Unchanged |

| Quarterly Performance | | | | | |
|-----------------------|--------|--------|---------|--------|---------|
| (₹ crore) | Q4FY15 | Q4FY14 | YoY (%) | Q3FY15 | QoQ (%) |
| Revenue | 404.9 | 340.4 | 19.0 | 381.9 | 6.0 |
| EBITDA | 79.4 | 59.9 | 32.4 | 73.0 | 8.7 |
| EBITDA (%) | 19.6 | 17.6 | 199 bps | 19.1 | 49 bps |
| PAT | 48.0 | 29.4 | 63.2 | 41.4 | 16.0 |

| Key Financials | | | | |
|----------------|---------|---------|---------|---------|
| (₹ Crore) | FY14 | FY15E | FY16E | FY17E |
| Net Sales | 1,284.0 | 1,564.8 | 1,847.1 | 2,262.2 |
| EBITDA | 148.2 | 264.2 | 305.4 | 373.6 |
| Net Profit | 67.0 | 150.8 | 180.3 | 235.4 |
| EPS | 3.0 | 6.8 | 8.1 | 10.6 |

| Valuation summary | | | | |
|-------------------|------|-------|-------|-------|
| (x) | FY14 | FY15E | FY16E | FY17E |
| P/E | 69.8 | 31.0 | 25.9 | 19.9 |
| Target P/E | 84.4 | 37.5 | 31.3 | 24.0 |
| EV / EBITDA | 34.7 | 19.4 | 16.6 | 13.4 |
| P/BV | 16.0 | 12.0 | 9.2 | 7.1 |
| RoNW (%) | 23.0 | 38.7 | 35.6 | 35.7 |
| RoCE (%) | 14.7 | 25.6 | 26.6 | 28.9 |

| Stock data | |
|-----------------------|----------------|
| Particular | Amount |
| Market Capitalization | ₹ 4672.5 Crore |
| Total Debt | ₹ 469 Crore |
| Cash | ₹ 10.9 Crore |
| EV | ₹ 5130.5 Crore |
| 52 week H/L (₹) | 262 / 35 |
| Equity capital | ₹ 22.3 Crore |
| Face value | ₹ 1 |

| Price performance (%) | | | | |
|-----------------------|--------|--------|-------|-------|
| (%) | 1M | 3M | 6M | 12M |
| Century Plyboard | (8.7) | 10.7 | 65.6 | 427.5 |
| Greenply Industries | 2.4 | 2.6 | (0.2) | 135.2 |
| Archidply Industries | 23.6 | (17.1) | 21.7 | 251.0 |
| Sarda Plywood | (14.0) | (18.1) | 26.7 | 154.8 |

| Research Analyst | |
|----------------------|-------------------------------------|
| Deepak Purswani, CFA | deepak.purswani@icicisecurities.com |
| Nikunj Gala | nikunj.gala@icicisecurities.com |

Century Plyboards (India) (CENPLY)

₹ 204

Stellar performance...

- Century Plyboard's (CPIL) net sales grew 19.0% YoY to ₹ 404.9 crore (vs. our expectation of ₹ 397.8 crore). The plywood & allied products business grew 10.6% YoY to ₹ 291.8 crore (vs. our estimate: ₹ 305.5 crore) while the laminate & allied products business grew 30.5% YoY to ₹ 80.5 crore (vs. our estimate: ₹ 73.6 crore)
- EBITDA margin came in at 19.4% to ₹ 79.4 crore (vs. our expectation: ₹ 74.9 crore), up 32.4% YoY. This was mainly on account of better margins in the plywood business. EBIT margin of the plywood business came in at 19.8% (vs. our expectation: 18.0%) while that of laminate business was at 8.0% (vs. our expectation: 8.0%)
- The company reported a PAT of ₹ 48 crore (vs. our expectation: ₹ 42.3 crore) due to lower-than-expected interest expense
- Also, the company declared a final dividend of ₹ 1.25 per equity share of ₹ 1 (face value) in addition to the interim dividend of ₹ 0.75 already paid during FY15

Leading plywood player with strong brand equity, distribution network...

The Indian plywood industry is worth ~₹ 15,000-16,000 crore where the organised segment accounts for ~25-30% of the overall market. CPIL, with a capacity of 209,420 cubic metres (CBM) in FY14, is the leading player in the plywood industry. The company enjoys ~23-30% share of the organised plywood market with strong brands across product categories and a robust pan-India distribution network comprising 33 marketing offices, 1424 dealers, 6333 employees and 13,000 retail outlets.

Laminate business: healthy support to plywood business...

CPIL has augmented its laminate capacity from 2.4 to 4.8 million sheets, making it the third largest producer of laminates in India. Going ahead, we expect enhanced capacity and branding to lead to an increase in market share and, in turn, robust revenue growth. Operating leverage play out would lead to an increase in margins and, in turn, higher profitability.

Myanmar ban, GST rollout – structurally positive for organised pie...

In April, 2014, Myanmar banned the export of raw timber logs, putting Indian plywood players at a huge disadvantage as they were heavily dependent on Myanmar for raw timber. However, CPIL had proactively set up a plant in Myanmar to process raw timber providing security on face veneer (key component for plywood). This has helped the company to gain a first mover advantage over others. Secondly, with the rollout of GST, the pricing difference between organised and unorganised players due to tax inequalities is likely to narrow down providing a level playing field to organised players. Hence, we believe CPIL will reap the benefits of a structural shift towards organised players.

Set to ride expanding organised pie; maintain BUY...

Like other building materials such as tiles, we envisage the Indian organised plywood player's pie (currently at ~₹ 3500-4500 crore) will expand in coming years on the back of structural changes like rollout of GST, ban on raw material from Myanmar and higher brand aspirations. CPIL is likely to see exponential earnings growth of 52.0% in FY14-17E with a significant improvement in return ratios and leverage making a strong case for a further re-rating. Hence, we maintain BUY recommendation on CPIL with a target price of ₹ 254 (24x FY17E EPS implying a PEG of 1.0x during FY15-FY17E).

Variance analysis

| Particular | Q4FY15 | Q4FY15E | Q4FY14 | YoY (Chg %) | Q3FY15 | QoQ (Chg %) | Comments |
|----------------------------------|--------|---------|--------|-------------|--------|-------------|---|
| Net Sales | 404.9 | 397.8 | 340.4 | 19.0 | 381.9 | 6.0 | Net sales growth of 19.0% YoY to ₹ 404.9 crore was led by growth of 10.6% YoY to ₹ 291.8 crore in plywood & allied products business and growth of 30.5% YoY to ₹ 80.5 crore in laminate & allied products business |
| Other Income | 0.9 | 1.5 | 0.7 | 21.1 | 0.9 | -7.5 | |
| Material Consumed | 151.7 | 167.6 | 144.5 | 5.0 | 168.8 | -10.1 | |
| Purchase of Stock in Trade | 59.7 | 52.5 | 38.3 | 55.8 | 42.0 | 42.2 | |
| Changes in Inventories of WIP | -1.1 | 0.0 | 22.7 | -105.0 | -16.2 | -93.0 | |
| Loss/(Gain) on Forex Fluctuation | -8.3 | 0.0 | -23.1 | -64.1 | -2.0 | 321.3 | |
| Employee Benefit Expenses | 52.4 | 55.9 | 39.4 | 33.0 | 49.4 | 6.0 | |
| Other Expenses | 75.4 | 49.4 | 61.2 | 23.3 | 70.7 | 6.6 | |
| EBITDA | 79.4 | 74.9 | 59.9 | 32.4 | 73.0 | 8.7 | |
| EBITDA Margin (%) | 19.6 | 18.8 | 17.6 | 199 bps | 19.1 | 49 bps | Higher-than-expected EBITDA margin was mainly on account of better margin in the plywood business. The EBIT margin of the plywood business came in at 19.8% while that of laminate business came in at 8.0% |
| Depreciation | 11.9 | 11.6 | 8.9 | 33.7 | 11.6 | 2.2 | |
| Interest | 9.0 | 14.5 | 20.6 | -56.2 | 14.5 | -37.7 | |
| PBT | 59.4 | 50.4 | 31.2 | 90.2 | 47.8 | 4,432.1 | |
| Taxes | 11.4 | 8.1 | 1.8 | 534.1 | 6.4 | 76.2 | |
| PAT | 48.0 | 42.3 | 29.4 | 63.2 | 41.4 | 16.0 | |

Source: Company, ICICIdirect.com Research

Change in estimates

| Particulars | FY16E | | | FY17E | | | Comments |
|-----------------|---------|---------|----------|---------|---------|----------|---|
| | Old | New | % Change | Old | New | % Change | |
| Revenue | 1,865.7 | 1,847.1 | -1.0 | 2,299.9 | 2,262.2 | -1.6 | |
| EBITDA | 297.6 | 305.4 | 2.6 | 363.6 | 373.6 | 2.8 | |
| EBITDA Margin % | 16.0 | 16.5 | 58 bps | 15.8 | 16.5 | 71 bps | |
| PAT | 182.4 | 180.3 | -1.1 | 235.1 | 235.4 | 0.1 | The downward revision in earnings is on account of sales moderation in plywood division & higher tax rate |
| EPS | 8.2 | 8.1 | -1.2 | 10.6 | 10.6 | 0.2 | |

Source: Company, ICICIdirect.com Research

Assumptions

| Volume Assumptions | Current | | | | Earlier | | Comments |
|----------------------------------|---------|---------|---------|---------|---------|---------|---|
| | FY14 | FY15E | FY16E | FY17E | FY16E | FY17E | |
| Plywood (In CBM) | 176,211 | 197,356 | 221,039 | 265,247 | 239,118 | 286,942 | Given the hike in the plywood division, there has been a moderation in plywood division volume |
| Veneer (In CBM) | 45,142 | 46,496 | 51,146 | 58,818 | 65,004 | 74,755 | |
| Laminate Sheets (In Mn) | 2.9 | 3.6 | 4.5 | 5.0 | 4.0 | 4.6 | The company is doing very well in the laminates division and expects FY16 laminates volume to be in the range of 4.5-4.9 million sheets |
| Pre-laminated Boards (In Mn SQM) | 1.2 | 1.2 | 1.3 | 1.5 | 1.7 | 1.9 | |

Source: Company, ICICIdirect.com Research

Company Analysis

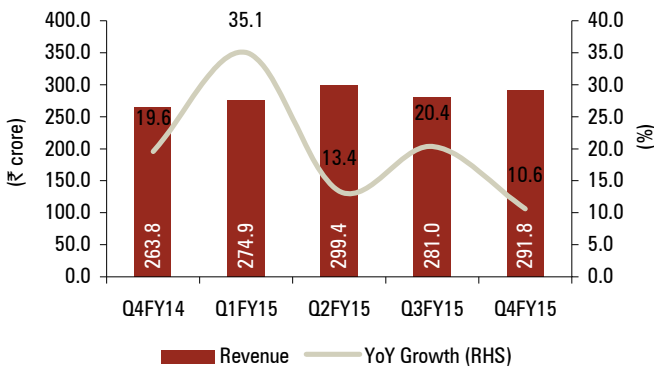
Largest producer of plywood in India...

The company, with seven manufacturing plants and an aggregating capacity of 209,420 CBM, is the largest producer of plywood in India. At CPIL, one of the principal initiatives that was taken was prudent addition to capacity of respective businesses. This decision to increase production capacity in the midst of an economic slowdown was CPIL's conviction in long-term prospects, relatively better equipment value during such periods and quicker delivery. Consequently, the company has recently commissioned two plants i.e. one in Kandla and another in Myanmar.

CPIL reported 10.6% YoY growth in the plywood & allied products division to ₹ 291.8 crore in Q4FY15. The EBIT margin came in at 19.8% to ₹ 57.6 crore in Q4FY15. Consequently, in FY15, the plywood & allied products division grew strongly by 18.9% YoY to ₹ 1147.1 crore with EBIT margin of 16.3%.

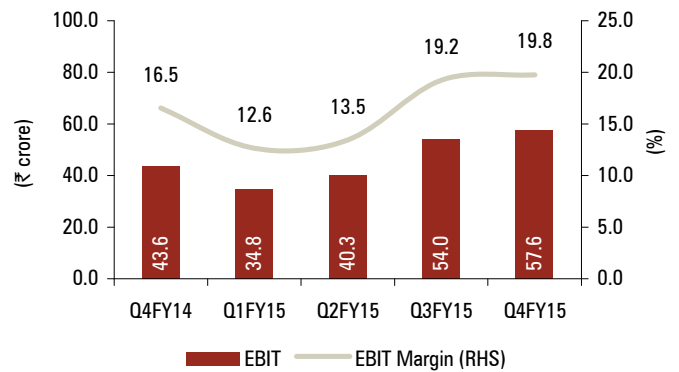
We believe the recent capacity expansion along with high operating leverage will result in strong growth, going ahead

Exhibit 2: Quarterly plywood & allied products revenue



Source: Company, ICICIdirect.com Research

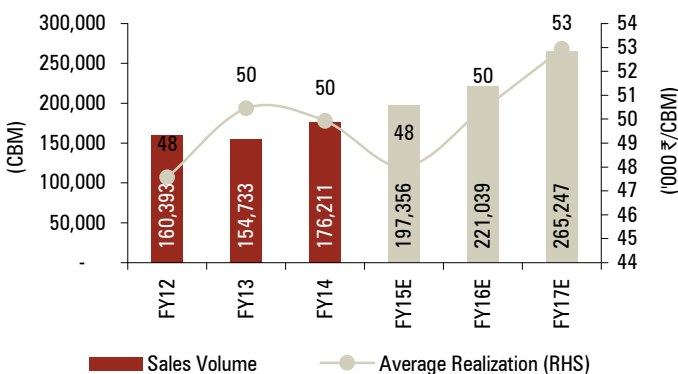
Exhibit 3: Quarterly plywood & allied products EBIT & EBIT margin



Source: Company, ICICIdirect.com Research

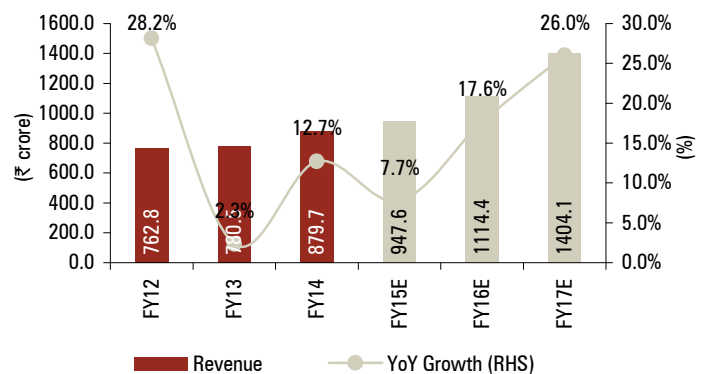
Going ahead, we expect plywood sales volume to be at 265,247CBM in FY17E with average realisation of ₹ 53,000 per CBM. This is expected to lead to revenue CAGR of 16.9% during FY14-17E to ₹ 1404.1 crore.

Exhibit 4: Plywood sales volume and average realisation trend



Source: Company, ICICIdirect.com Research

Exhibit 5: Plywood revenue and growth trend



Source: Company, ICICIdirect.com Research

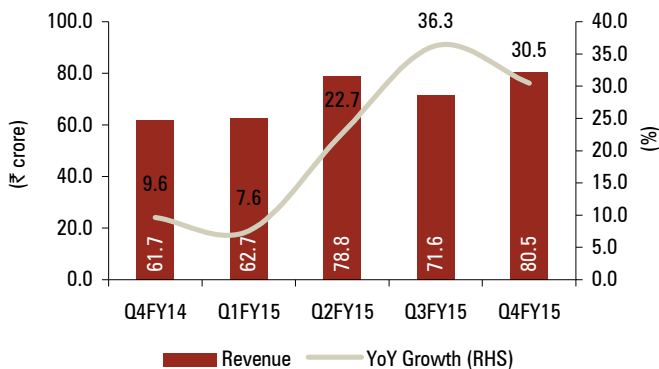
Laminate business: well poised in terms of capacity...

At a very early stage, CPIL recognised the need to cater to customers with a growing supply of varied interior products. Hence, the company extended from a manufacturer of plywood to laminates, decorative veneers etc. facilitating cross sale, superior leverage of existing brand and a better use of a robust dealer network. Recently, CPIL augmented its laminate capacity from 2.4 to 4.8 million sheets, making it the third largest producer of laminates in India. The company is continuously making efforts to widen its product offering in the laminate segment, which can be seen from an increase in stock keeping units (SKU) to 700 in FY14 and expects to add 100 every year. Consequently, a wide product choice has made it possible to address varied consumer preference across different states and locations through regional distribution centres.

After creating a strong brand recall in plywood and leveraging it, going ahead, CPIL would now be focusing on the laminate segment through aggressive brand spending. Going ahead, we expect enhanced capacity and branding to lead to an increase in market share and, in turn, robust revenue growth. Operating leverage may lead to an increase in margins and, in turn, higher profitability.

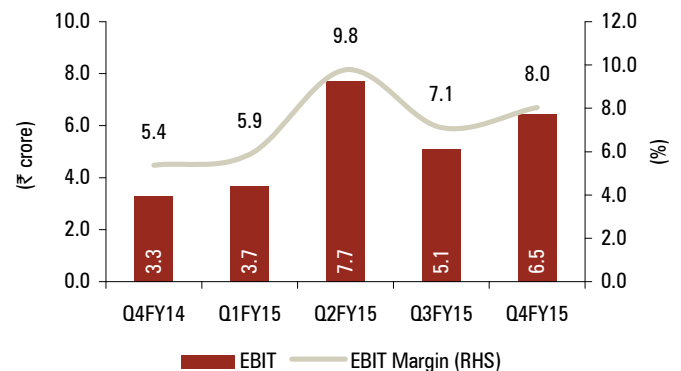
In Q4FY15, CPIL reported strong growth of 30.5% YoY to ₹ 80.5 crore in the laminate & allied products business. The EBIT margin came in at 8.0% in Q4FY15. In FY15, the laminate & allied products business has grown 24.0% YoY to ₹ 293.5 crore with EBIT margin of 7.8%. Going ahead, we expect 25% revenue CAGR to ₹ 395.1 crore during FY14-17E in the laminate business and EBIT margin to inch up to 12% in FY17E.

Exhibit 6: Quarterly laminate & allied products revenue



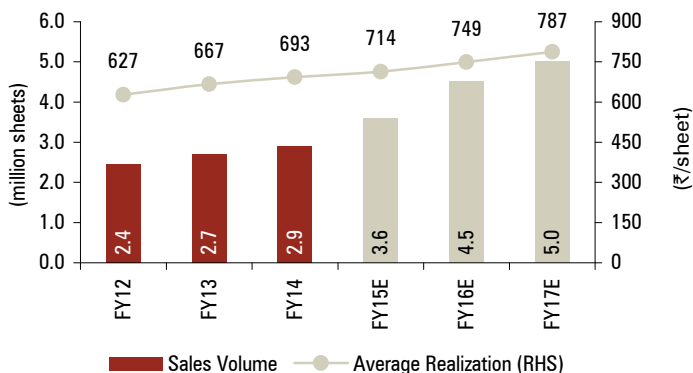
Source: Company, ICICIdirect.com Research

Exhibit 7: Quarterly laminate & allied products EBIT & EBIT margin



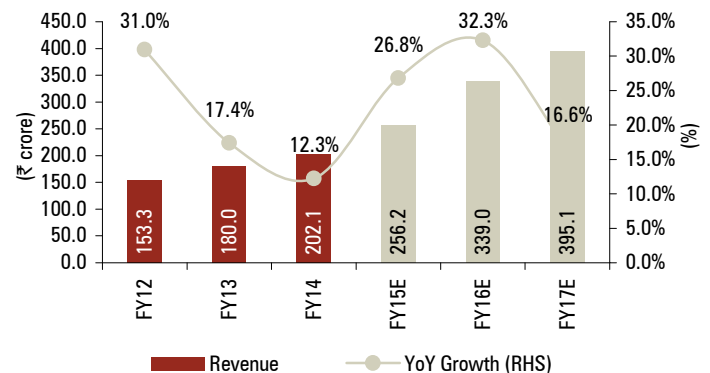
Source: Company, ICICIdirect.com Research

Exhibit 8: Laminate sales volume and average realisation trend



Source: Company, ICICIdirect.com Research

Exhibit 9: Laminate revenue and growth trend



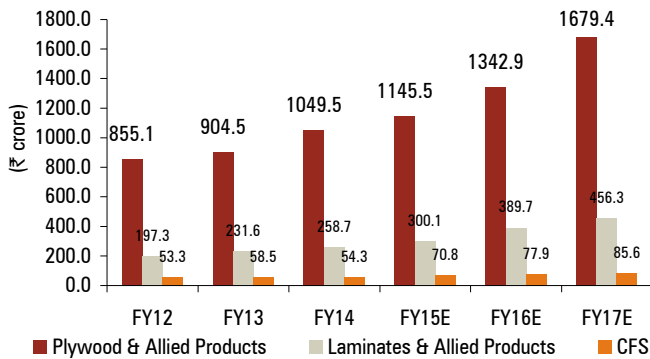
Source: Company, ICICIdirect.com Research

Revenues to grow at 17.6% CAGR during FY14-17E...

We expect revenues to witness robust growth of 17.6% CAGR to ₹ 2262.2 crore during FY14-17E

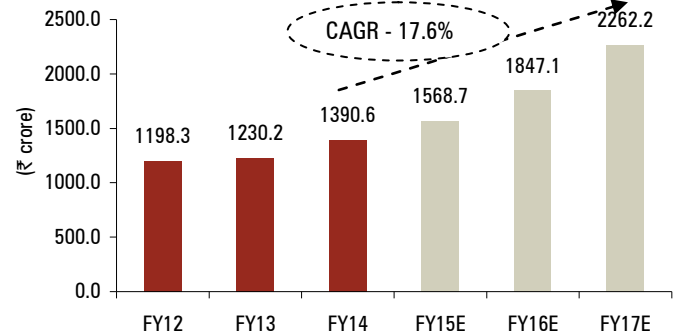
On the basis of our demand drivers, we expect the plywood and panel industry to grow at a decent rate. With the structural shift in the industry, we believe CPIL would be a key beneficiary, going ahead. CPIL's strong brand equity, raw material security and robust distribution network would give a significant boost to its revenues in the coming years. The company has been able to counter a progressive commoditisation of plywood with increased realisation from its well established brands. Hence, CPIL's products command 15-30% premium over other products. Consequently, we estimate CPIL's revenue will grow at 17.6% CAGR to ₹ 2262.2 crore during FY14-17E.

Exhibit 10: Segmental gross revenue trend



Source: Company, ICICIdirect.com Research

Exhibit 11: Total gross revenue trend



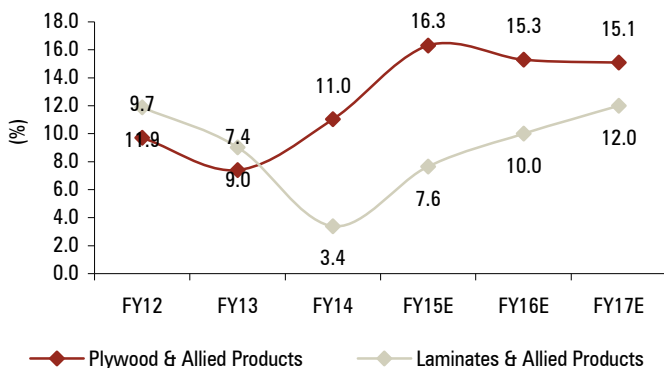
Source: Company, ICICIdirect.com Research

EBIT margin expected to expand on back of operating leverage...

We expect an EBIT margin expansion by 490 bps to 14.6% in FY17E. Consequently, EBIT is expected to grow at 38.6% CAGR to ₹ 331.1 crore during FY14-17E

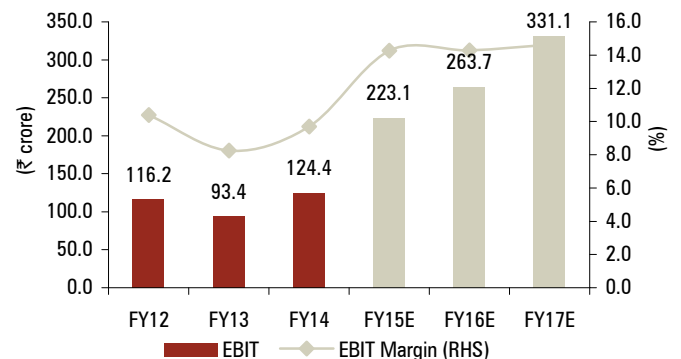
CPIL's prudent strategy to augment capacity in both plywood and laminates in challenging times for the business would benefit in times of a rebound. The plywood division and laminate division were operating at ~72% and 65% of their respective capacities. Hence, going ahead, we expect operating leverage to play out well for CPIL. Consequently, EBIT is expected to grow at 38.6% CAGR to ₹ 331.1 crore during FY14-17E. We expect the EBIT margin to expand to 14.6% in FY17E from 9.7% in FY14.

Exhibit 12: Segmental EBIT trend



Source: Company, ICICIdirect.com Research

Exhibit 13: EBIT margin trend



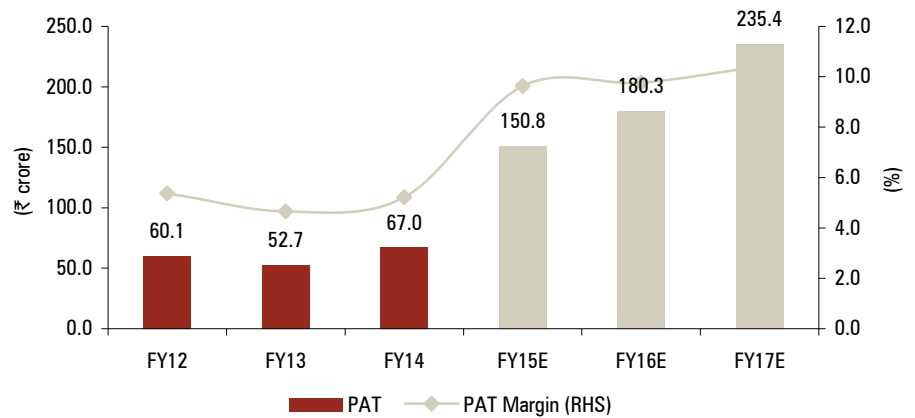
Source: Company, ICICIdirect.com Research

We envisage healthy bottomline growth at 52.0% CAGR during FY14-17E to ₹ 235.4 crore aided mainly by the strong topline performance and margin expansion

PAT to grow at 52.0% CAGR in FY14-17E...

CPIL imports substantially for its raw material requirements. The company reviews foreign currency risk periodically and takes hedging initiatives accordingly. In FY14, due to forex volatility, CPIL had to book losses worth ~₹ 44 crore on its unhedged open positions of buyer's credit, which impacted its bottomline substantially. With a strong brand recall, robust distribution network, structural change in raw material procurement method and expansion in margin on account of operating leverage, we expect earnings to grow at a faster pace, going ahead. Hence, we anticipate bottomline will grow at 52.0% CAGR to ₹ 235.4 crore on the back of strong revenue growth and margin expansion.

Exhibit 14: PAT growth trend

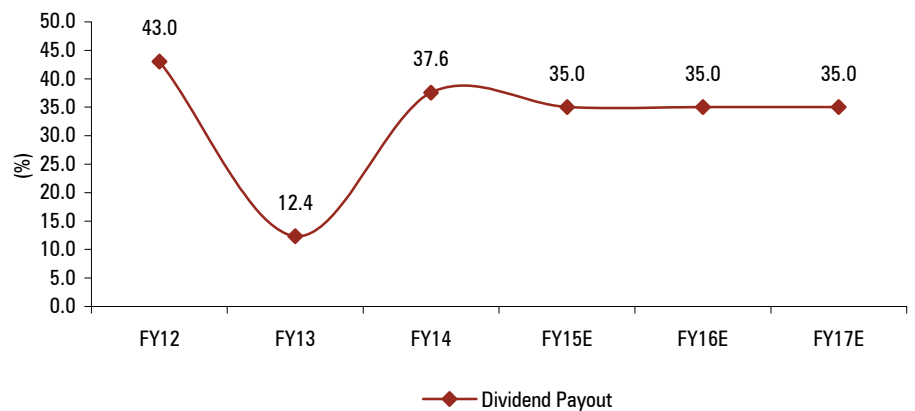


Source: Company, ICICIdirect.com Research

Consistent dividend payer....

In the last six years, CPIL's average dividend payout ratio was 34.0%. Going ahead, we expect it to remain at more or less the same levels. Hence, we have considered a dividend payout ratio of 35% till FY17E.

Exhibit 15: Dividend payout track record...



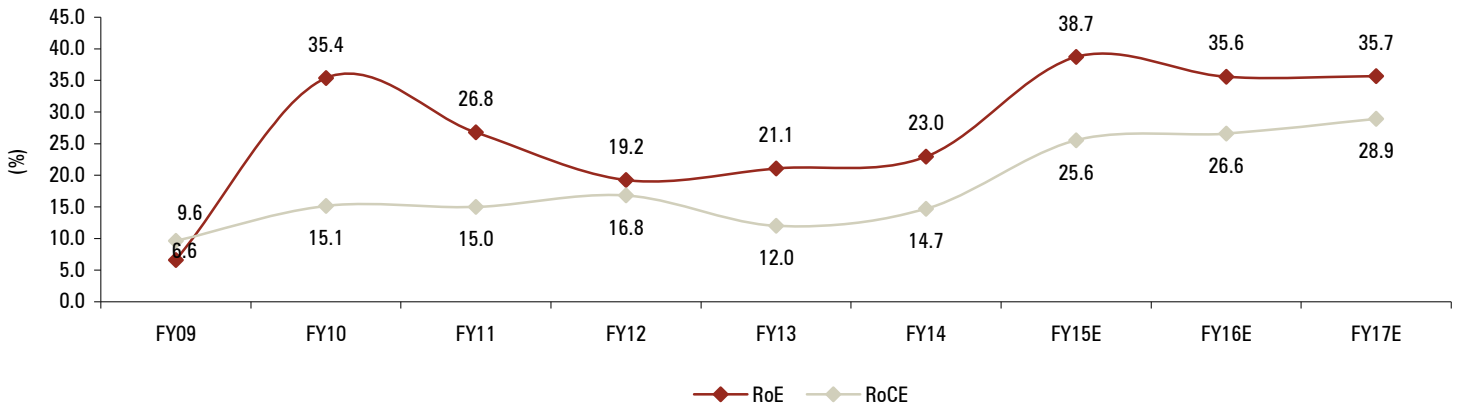
Source: Company, ICICIdirect.com Research

We anticipate an increase of 1300 bps in RoE from FY14 level mainly driven by an increase in PAT margins

Healthy return ratios...

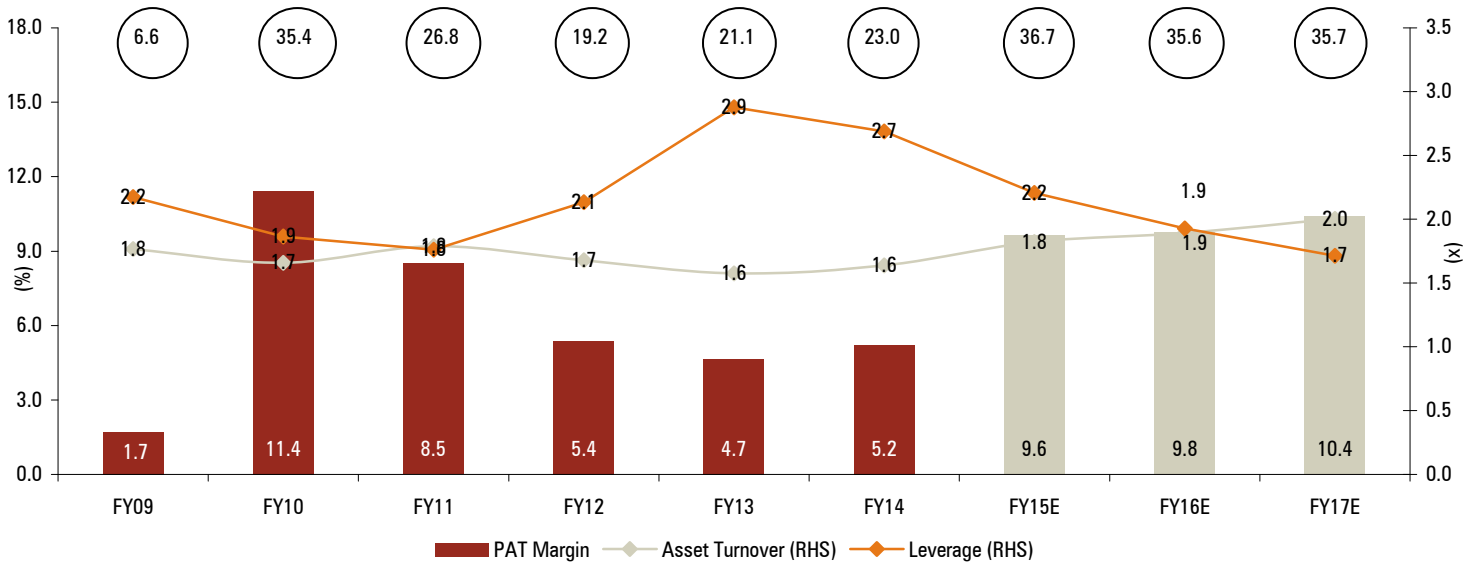
The average RoE and RoCE of CPIL during FY10-14 have remained at the level of 25.1% and 14.7%, respectively. With the strong revenue performance, expansion in margin and consequent increase in PAT, we expect CPIL's return ratio profile to increase significantly, going ahead. Our DuPont analysis concludes that an increase in RoE to 35.7% in FY17E would largely be driven by an increase in PAT margin.

Exhibit 16: RoE and RoCE trend



Source: Company, ICICIdirect.com Research

Exhibit 17: DuPont Analysis



Source: Company, ICICIdirect.com Research

Bubble value represents RoE

We maintain our **BUY** recommendation on CPIL with a target price of ₹ 254/share. Our target price implies 24x FY17 EPS and 0.5x PEG ratio. At the CMP, the stock is trading at 19.3x FY17E P/E and 6.9x FY17E P/BV

Valuation

Why re-rating???...structural play akin to Kajaria Ceramics...

At the CMP, CPIL is trading at 25.2x FY16 EPS and 19.3x FY17 EPS. With its strong brand recall and distribution network, the company is likely to be a key beneficiary in the plywood segment, which is going through a structural shift towards an organised market due to rollout of GST, ban on timber export by Myanmar and brand aspiration. Beside this, CPIL's earnings are now less susceptible to forex volatility due to lower dependence on buyer credit facilities. Consequently, we expect earnings to grow at a healthy 52.0% CAGR during FY14-17E. We also envisage an improvement in return ratios with better utilisation of its capacity. Therefore, on account of the abovementioned factors, CPIL is well placed among its peers. Hence, this is expected to lead to a re-rating of the stock. Hence, we maintain a **BUY** recommendation on the stock with a target price of ₹ 254. We have ascribed a target multiple of 24x FY17 EPS, which is at a PEG of ~1x considering the earnings CAGR of 24.5% during FY15-FY17E.

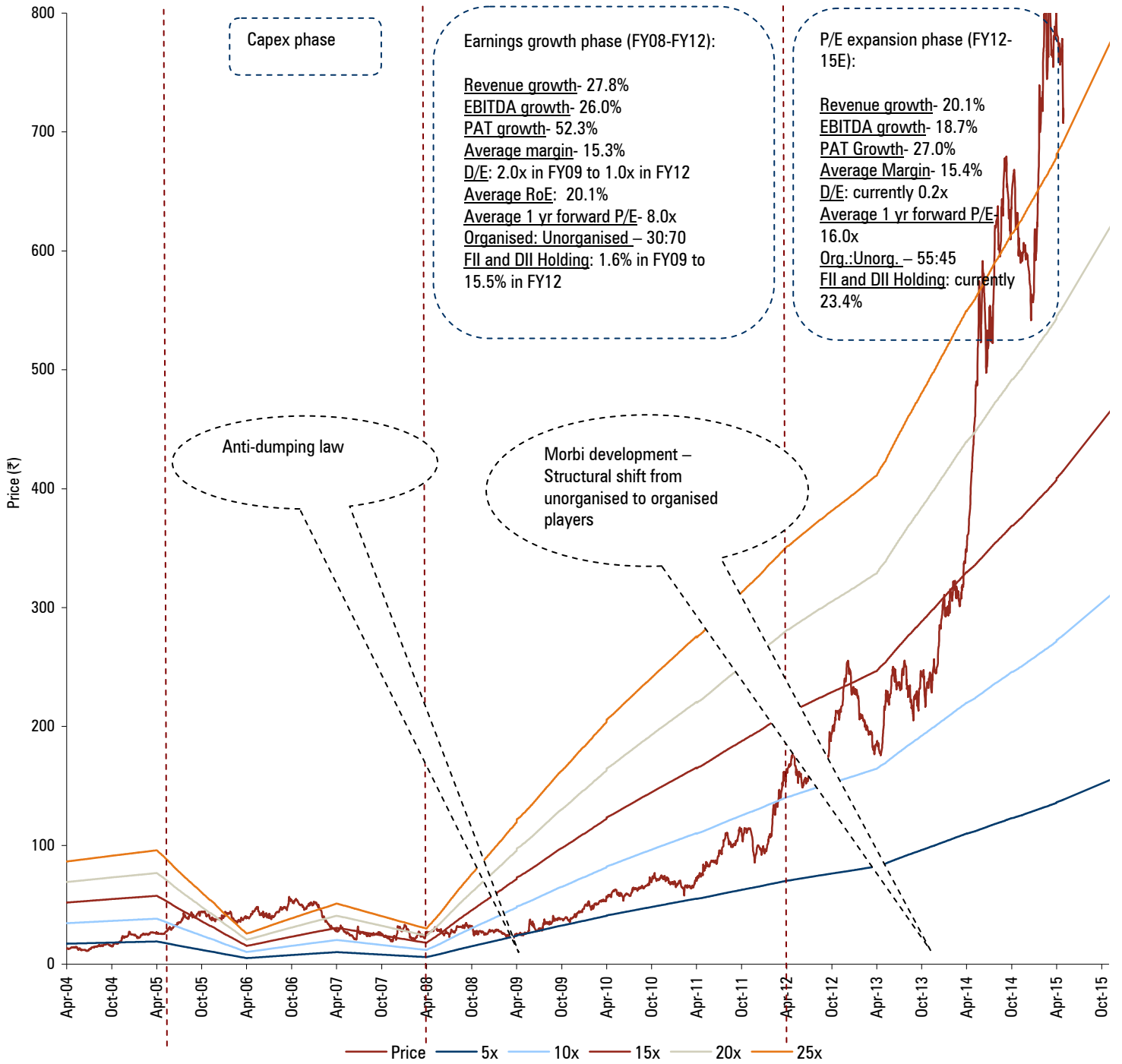
We also derive comfort in re-rating CPIL's multiples in the range of 20-25x over the next few years by comparing it with other building material segments such as tiles where the organised market share increased to 55% currently from ~30% in FY10. During the same period, leading players in tiles such as Kajaria saw a re-rating of multiples from single digit multiples in FY10 to 20-25x in FY15E with a significant improvement in earnings, return ratio and reduction in leverage. We believe as the plywood industry is currently dominated by unorganised players (~70% market share), it is also seeing a structural shift towards organised players given brand aspiration, rollout of GST and ban of timber export by Myanmar. With a strong brand equity and distribution network, CPIL is expected to be a key beneficiary of this transition phase and would see a significant improvement in financials and multiples, going ahead. Hence, we are bullish on CPIL.

Exhibit 18: Valuation Metrics

| | Sales (₹ cr) | Growth (%) | EPS (₹) | Growth (%) | PE (x) | EV/EBITDA (x) | RoNW (%) | RoCE (%) |
|-------|-----------------|---------------|------------|---------------|-----------|------------------|-------------|-------------|
| FY14 | 1284.0 | 13.5 | 3.0 | 27.1 | 67.8 | 33.8 | 23.0 | 14.7 |
| FY15E | 1564.8 | 21.9 | 6.8 | 125.3 | 30.1 | 18.9 | 38.7 | 25.6 |
| FY16E | 1847.1 | 18.0 | 8.1 | 19.6 | 25.2 | 16.2 | 35.6 | 26.6 |
| FY17E | 2262.2 | 22.5 | 10.6 | 30.5 | 19.3 | 13.0 | 35.7 | 28.9 |

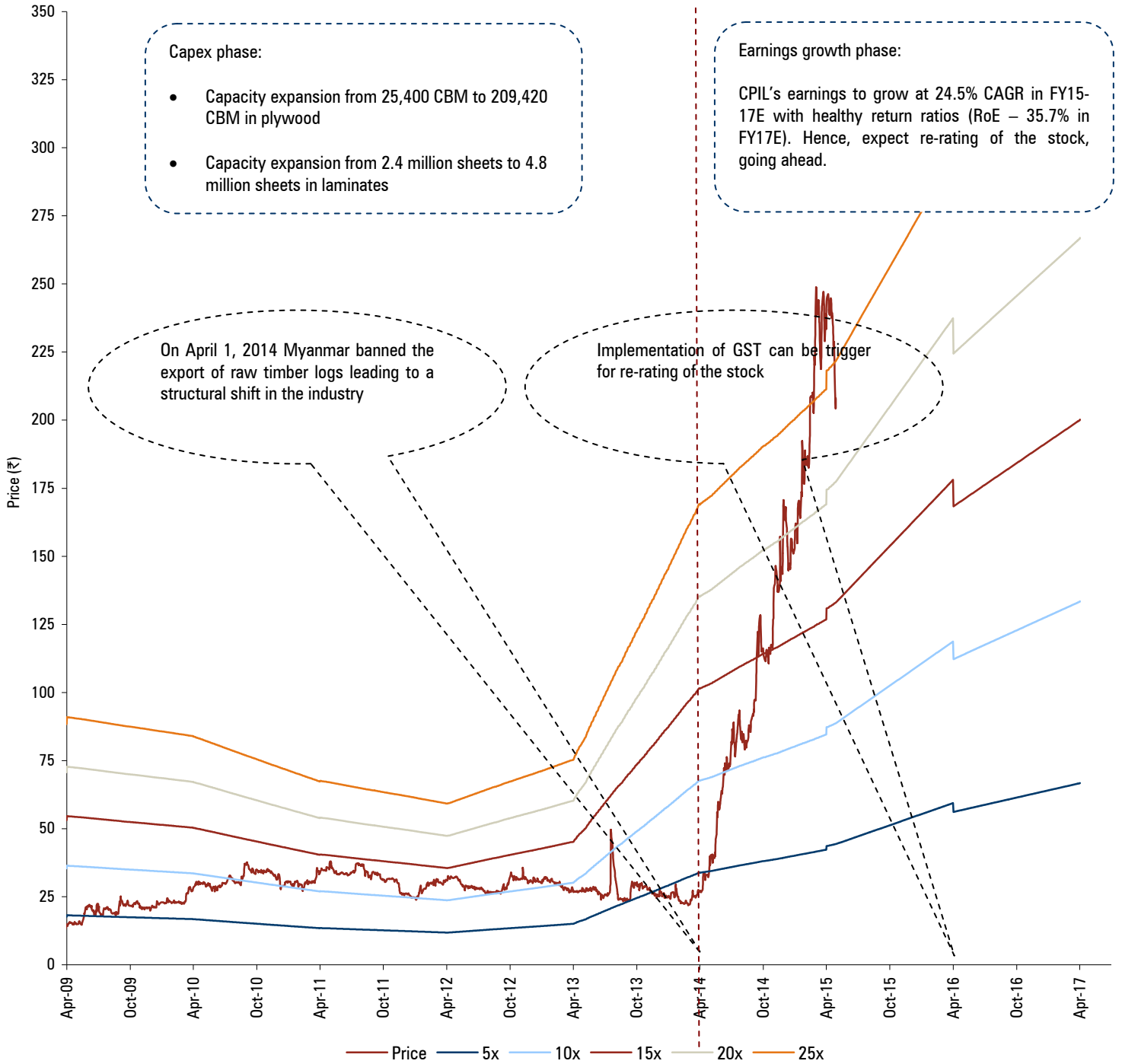
Source: Company, ICICIdirect.com Research

Exhibit 19: Kajaria one year forward P/E



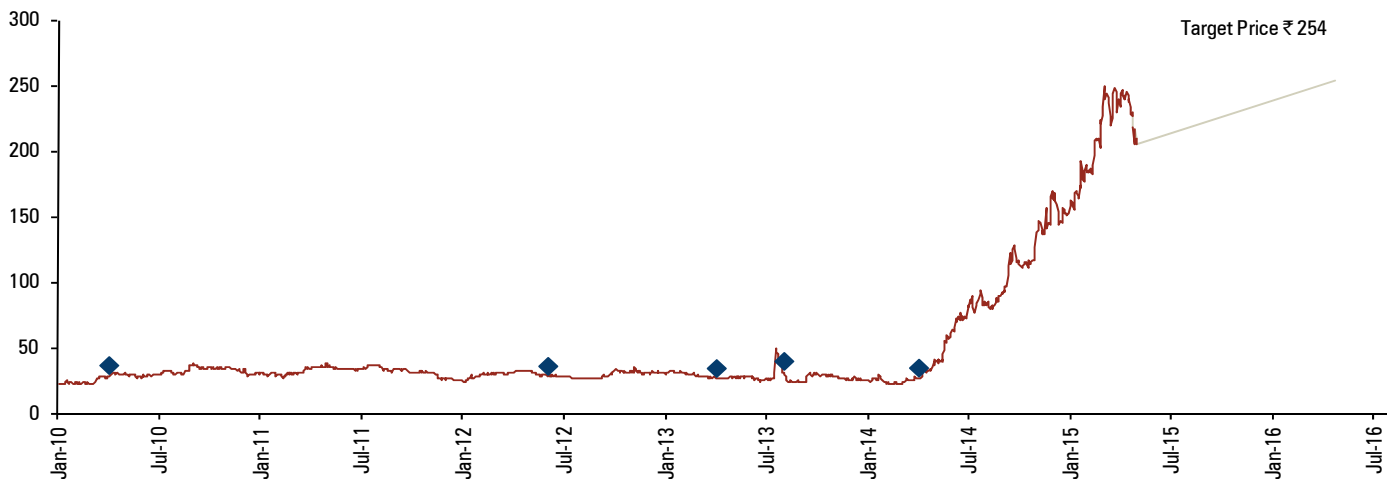
Source: Company, ICICIdirect.com Research

Exhibit 20: Century one year forward P/E



Source: Company, ICICIdirect.com Research

Company snapshot



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

| Date | Event |
|------|--|
| FY97 | IPO of ₹ 20 crore at fixed price of ₹ 20 |
| FY04 | Rights issue 40% at ₹ 30 premium |
| FY04 | Bonus 1:2 ratio |
| FY07 | Acquires 51% stake in Auro Sundaram |
| FY08 | Stock split 1:10 |
| FY08 | Acquisition of Star Ferro & Cement Ltd |
| FY09 | CFS business becomes operational |
| FY10 | Acquires 51% stake in Aegis Business |
| FY13 | Demerger of Star Ferro and Cement Ltd |
| FY13 | Ventures into readymade furniture business |
| FY14 | Acquires 50% stake in Century Infotech |
| FY14 | Demerger of Aegis business |

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

| Rank | Name | Latest Filing Date | % O/S | Position (m) | Change (m) |
|------|----------------------------------|--------------------|-------|--------------|------------|
| 1 | Bhajanka (Sajjan) | 31-Mar-15 | 11.9 | 26.4 | 1.1 |
| 2 | Agarwal (Sanjay Kumar) | 31-Mar-15 | 11.4 | 25.3 | 0.7 |
| 3 | Agarwal (Divya) | 31-Mar-15 | 7.5 | 16.8 | 0.0 |
| 4 | Bhajanka (Santosh) | 31-Mar-15 | 7.0 | 15.7 | 0.0 |
| 5 | Khemani (Vishnuprasad) | 31-Mar-15 | 5.7 | 12.6 | -0.5 |
| 6 | Sriram Vanijya Pvt. Ltd. | 31-Mar-15 | 3.8 | 8.5 | 0.0 |
| 7 | Brijdham Merchants Pvt. Ltd. | 31-Mar-15 | 3.5 | 7.7 | 0.0 |
| 8 | Sumangal International Pvt. Ltd. | 31-Mar-15 | 3.5 | 7.7 | 0.0 |
| 9 | Sumangal Business Pvt. Ltd. | 31-Mar-15 | 3.1 | 6.8 | 0.0 |
| 10 | Sriram Merchants Pvt. Ltd. | 31-Mar-15 | 3.0 | 6.7 | 0.0 |

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

| (in %) | Mar-14 | Jun-14 | Sep-14 | Dec-14 | Mar-15 |
|----------|--------|--------|--------|--------|--------|
| Promoter | 72.88 | 74.46 | 74.46 | 74.46 | 73.34 |
| FII | 1.23 | 2.89 | 5.87 | 6.02 | 8.54 |
| DII | 0.00 | 0.50 | 1.98 | 2.83 | 3.28 |
| Others | 25.89 | 22.15 | 17.69 | 16.69 | 14.84 |

Recent Activity

| Buys | | | Sells | | |
|---|--------|--------|---|---------|--------|
| Investor name | Value | Shares | Investor name | Value | Shares |
| Norges Bank Investment Management (NBIM) | 20.63m | 5.50m | Bhajanka (Prem Kumar) | -15.01m | -4.00m |
| Bhajanka (Sajjan) | 4.03m | 1.08m | GMO LLC | -8.27m | -2.20m |
| Agarwal (Sanjay Kumar) | 2.72m | 0.73m | Agarwal (Subham) | -2.47m | -0.98m |
| Sundaram Asset Management Company Limited | 2.09m | 0.56m | Khemani (Vishnuprasad) | -1.88m | -0.50m |
| L&T Investment Management Limited | 1.56m | 0.42m | IDFC Asset Management Company Private Limited | -0.41m | -0.15m |

Source: Reuters, ICICIdirect.com Research

Financial summary

| Profit and loss statement | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | ₹ Crore | | | |
| (₹ Crore) | FY14 | FY15E | FY16E | FY17E |
| Net Sales | 1,284.0 | 1,564.8 | 1,847.1 | 2,262.2 |
| Other Income | 9.5 | 3.7 | 4.0 | 4.4 |
| Total Revenue | 1,293.4 | 1,568.5 | 1,851.1 | 2,266.6 |
| Raw Material Expense | 638.8 | 701.9 | 803.0 | 1,000.9 |
| Purchase of Traded Goods | 124.4 | 192.7 | 221.7 | 271.5 |
| (Increase)/Decrease in Inventories | (3.9) | (43.5) | - | - |
| Employee Benefit Expenses | 151.4 | 193.3 | 236.4 | 289.6 |
| Other Expenses | 225.1 | 256.2 | 280.7 | 326.6 |
| Total Operating Expenditure | 1,135.8 | 1,300.6 | 1,541.7 | 1,888.6 |
| EBITDA | 148.2 | 264.2 | 305.4 | 373.6 |
| Interest | 55.1 | 43.3 | 47.4 | 47.1 |
| PBDT | 102.6 | 224.6 | 262.0 | 330.9 |
| Depreciation | 33.2 | 44.8 | 45.7 | 46.9 |
| Less: Exceptional Items | - | - | - | - |
| PBT | 69.3 | 179.8 | 216.3 | 284.0 |
| Total Tax | 2.4 | 29.0 | 35.9 | 48.6 |
| PAT | 67.0 | 150.8 | 180.3 | 235.4 |
| EPS | 3.0 | 6.8 | 8.1 | 10.6 |

Source: Company, ICICIdirect.com Research

| Balance sheet | | | | |
|----------------------------------|--------------|--------------|--------------|----------------|
| | ₹ Crore | | | |
| (₹ Crore) | FY14 | FY15E | FY16E | FY17E |
| Equity Capital | 22.3 | 22.3 | 22.3 | 22.3 |
| Reserve and Surplus | 269.2 | 367.2 | 484.4 | 637.4 |
| Total Shareholders funds | 291.4 | 389.5 | 506.7 | 659.7 |
| Secured Loan | 491.2 | 469.0 | 469.0 | 469.0 |
| Unsecured Loan | - | - | - | - |
| Total Debt | 491.2 | 469.0 | 469.0 | 469.0 |
| Other Non Current Liabilities | 1.6 | 1.6 | 1.6 | 1.6 |
| Deferred Tax Liability | (0.5) | (0.5) | (0.5) | (0.5) |
| Source of Funds | 783.7 | 859.5 | 976.7 | 1,129.7 |
| Total Gross Block | 374.4 | 416.4 | 419.2 | 422.8 |
| Less: Accumulated Depreciation | 162.5 | 208.1 | 254.9 | 303.3 |
| Net Block | 211.9 | 208.4 | 164.3 | 119.5 |
| Capital Work In Progress | 18.8 | 18.8 | 43.8 | 68.8 |
| Total Fixed Assets | 230.7 | 227.1 | 208.0 | 188.3 |
| Investments | 37.9 | 36.0 | 36.0 | 36.0 |
| Long term loans and advances | 67.8 | 77.2 | 91.1 | 111.6 |
| Inventory | 292.7 | 300.1 | 344.1 | 402.9 |
| Debtors | 204.6 | 257.2 | 293.5 | 340.9 |
| Loans and Advances | 43.7 | 77.2 | 86.0 | 99.2 |
| Cash | 18.1 | 10.9 | 67.3 | 134.5 |
| Other Current Assets | 18.8 | 12.9 | 15.2 | 18.6 |
| Total Current Assets | 577.8 | 658.3 | 806.2 | 996.0 |
| Creditors | 74.5 | 90.0 | 106.3 | 130.2 |
| Provisions | 31.8 | 12.9 | 15.2 | 18.6 |
| Other Current Liabilities | 26.6 | 38.6 | 45.5 | 55.8 |
| Total Current Liabilities | 132.9 | 141.5 | 167.0 | 204.5 |
| Net Current Assets | 445.0 | 516.8 | 639.2 | 791.5 |
| Other non-current assets | 2.4 | 2.4 | 2.4 | 2.4 |
| Application of Funds | 783.7 | 859.4 | 976.7 | 1,129.7 |

Source: Company, ICICIdirect.com Research

| Cash flow statement | | | | |
|---|---------------|----------------|----------------|----------------|
| | ₹ Crore | | | |
| (₹ Crore) | FY14 | FY15E | FY16E | FY17E |
| Profit after Tax | 67.0 | 150.8 | 180.3 | 235.4 |
| Add: Depreciation | 33.2 | 44.8 | 45.7 | 46.9 |
| Add: Interest Paid | 55.1 | 43.3 | 47.4 | 47.1 |
| Cash Flow before WC changes | 155.3 | 238.9 | 273.5 | 329.4 |
| Net Increase in Current Assets | (99.3) | (87.6) | (91.5) | (122.7) |
| Net Increase in Current Liabilities | 13.3 | 8.6 | 25.5 | 37.5 |
| Net CF from Operating Activities | 69.3 | 159.9 | 207.5 | 244.3 |
| Inc/ (Dec) in Deferred Tax Liability | (0.4) | - | - | - |
| (Purchase)/Sale of Fixed Assets | (42.3) | (41.2) | (26.6) | (27.2) |
| (Inc)/Dec in LT loans and advances | (9.3) | (9.4) | (13.9) | (20.5) |
| (Inc)/Dec in Other Investments | (22.3) | 1.9 | - | - |
| Inc/(Dec) in Other Non Current Liab. | 0.5 | (0.0) | - | - |
| Net CF from Investing Activities | (74.1) | (48.8) | (40.6) | (47.6) |
| Proceeds from issues of Equity | - | - | - | - |
| Dividend and Dividend Tax Paid | 23.4 | (22.2) | - | - |
| Dividend and Dividend Tax Paid | (25.2) | (52.8) | (63.1) | (82.4) |
| Interest Paid | (55.1) | (43.3) | (47.4) | (47.1) |
| Net CF from Financing Activities | (56.9) | (118.3) | (110.6) | (129.5) |
| Net Cash flow | (61.7) | (7.1) | 56.4 | 67.2 |
| Opening Cash / Cash Equivalent | 79.8 | 18.1 | 10.9 | 67.3 |
| Closing Cash / Cash Equivalent | 18.1 | 10.9 | 67.3 | 134.5 |

Source: Company, ICICIdirect.com Research

| Key ratios | | | | |
|-----------------------------|------|-------|-------|-------|
| | FY14 | FY15E | FY16E | FY17E |
| Per Share Data (₹) | | | | |
| EPS | 3.0 | 6.8 | 8.1 | 10.6 |
| Cash EPS | 4.5 | 8.8 | 10.2 | 12.7 |
| BV | 13.1 | 17.5 | 22.8 | 29.6 |
| Operating profit per share | 6.7 | 11.9 | 13.7 | 16.8 |
| Cash per Share | 0.8 | 0.5 | 3.0 | 6.0 |
| Operating Ratios (%) | | | | |
| EBITDA Margin | 11.5 | 16.9 | 16.5 | 16.5 |
| PAT Margin | 5.2 | 9.6 | 9.8 | 10.4 |
| Return Ratios (%) | | | | |
| RoE | 23.0 | 38.7 | 35.6 | 35.7 |
| RoCE | 14.7 | 25.6 | 26.6 | 28.9 |
| Valuation Ratios (x) | | | | |
| P/E | 67.8 | 30.1 | 25.2 | 19.3 |
| EV / EBITDA | 33.8 | 18.9 | 16.2 | 13.0 |
| EV / Net Sales | 3.9 | 3.2 | 2.7 | 2.2 |
| Sales / Equity | 4.4 | 4.0 | 3.6 | 3.4 |
| Market Cap / Sales | 3.5 | 2.9 | 2.5 | 2.0 |
| Price to Book Value | 15.6 | 11.7 | 9.0 | 6.9 |
| Turnover Ratios (%) | | | | |
| Asset turnover | 1.7 | 1.9 | 2.0 | 2.1 |
| Debtors Turnover Ratio | 6.3 | 6.1 | 6.3 | 6.6 |
| Creditors Turnover Ratio | 17.2 | 17.4 | 17.4 | 17.4 |
| Solvency Ratios (x) | | | | |
| Current Ratio | 4.3 | 4.7 | 4.8 | 4.9 |
| Quick Ratio | 2.1 | 2.5 | 2.8 | 2.9 |

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Building Materials)

| Sector / Company | CMP | | Rating | M Cap (₹ Cr) | EPS (₹) | | | | P/E (x) | | | | EV/EBITDA (x) | | | | P/B (x) | | | | RoE (%) | |
|---------------------------|-----|-------|--------|-----------------|---------|-------|-------|-------|---------|-------|-------|-------|---------------|-------|-------|-------|---------|-------|-------|-------|---------|-------|
| | (₹) | TP(₹) | | | FY15E | FY16E | FY17E | FY15E | FY16E | FY17E | FY15E | FY16E | FY17E | FY15E | FY16E | FY17E | FY15E | FY16E | FY17E | FY15E | FY16E | FY17E |
| Kajaria Ceramics (KAJCER) | 770 | 775 | Buy | 5,201 | 22.0 | 27.3 | 33.6 | 29.0 | 23.3 | 18.9 | 14.7 | 11.3 | 9.3 | 7.1 | 5.8 | 4.7 | 24.5 | 24.8 | 24.9 | | | |
| Somany Ceramics (SPLIND) | 419 | 426 | Buy | 1,406 | 11.8 | 16.3 | 22.4 | 30.8 | 22.2 | 16.1 | 15.5 | 11.8 | 9.0 | 5.4 | 4.6 | 3.7 | 17.6 | 20.5 | 23.1 | | | |
| Century Plyboard (CENPLY) | 204 | 254 | Buy | 5,649 | 6.8 | 8.1 | 10.6 | 30.1 | 25.2 | 19.3 | 18.9 | 16.2 | 13.0 | 11.7 | 9.0 | 6.9 | 38.7 | 35.6 | 35.7 | | | |

Source: Company, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICIdirect.com Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No. 7, MIDC,
Andheri (East)
Mumbai – 400 093**

research@icicidirect.com

Disclaimer

ANALYST CERTIFICATION

We, *Deepak Purswani, MBA (Finance), CFA; Nikunj Gala, MBA (Capital Markets)* research analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is full-service, integrated investment banking and is, *inter alia*, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that *Deepak Purswani, MBA (Finance), CFA; Nikunj Gala, MBA (Capital Markets)* research analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that *Deepak Purswani, MBA (Finance), CFA; Nikunj Gala, MBA (Capital Markets)* research analysts do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities. 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 ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.