

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR241
Target Price	: INR267
Potential Return	: 11%

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4QFY17 RESULT REVIEW

# Century Plyboards (I) Limited

## Exciting times ahead!

**Century Plyboards (I) Ltd. (CPBI) reported in-line operating performance. Revenue at INR4.9bn grew ~9% YoY (Antique: INR4.7bn). Both Plywood and Laminate segments registered decent value growth of 9%/7% YoY respectively. However, Plywood volume growth was flattish at 1% YoY while Laminate volume grew 11% YoY. Overall, EBITDA margin was flat YoY at ~17% as improved Plywood margin (+410 bps YoY at 20%) was negated by lower margins in both Laminates (-470 bps YoY at 12%) and CFS (-590 bps YoY at 38%). EBITDA came in at INR840mn (+10% YoY; Antique: INR784mn). High other income at INR140mn (10x YoY; mainly due to forex write backs) and lower interest expense (-75% YoY) supported net profit coming in better than expected at INR559mn (+34% YoY; Antique: INR439mn).**

**We have raised our FY18E/19E revenue/net income estimates by 2%/2% and 3%/4% respectively. Consequently, we have increased our target price to INR267/share (INR255 earlier), valuing CPBI at 20x FY19E EPS. We maintain our BUY recommendation on the stock.**

### Lower RM costs, Product-mix, and Forex gain pushed up Plywood margin

Although volume growth for the Plywood segment was flat at 1% YoY, better product mix (which led to 8% YoY blended realization growth) and usage of relatively lower priced veneer (from Laos/Solomon Islands vs Myanmar) led to segment operating margins improving ~410 bps YoY to ~20% during the quarter. Segment margin was also supported by a segment-specific forex provision writeback which improved margin by ~100 bps. CPBI expects sustainable margins of ~17% for this segment in the years ahead.

### 35% revenue growth expected for FY18E on back on starting of MDF operations from 2Q

CPBI expects FY18E to be far stronger vis-à-vis FY17 due to multiple internal growth factors - (1) MDF plant expected to be commissioned by June/July 2017, (2) forward integration units for MDF plant like prelam MDF, doors, etc., (3) New plywood factory established in Guwahati, (4) Full year operation for Chennai Particle Board plant, and three laminate lines to be commissioned in the same premises over the next 3 months, (5) Laminates capacity to be expanded overall by 50% from current levels (to be concluded by September/October 2017), and (6) general increased demand for Plywood expected due to higher stress on unorganized sector in the post GST era. CPBI expects ~INR3.5bn increment revenue to come out of MDF/Laminate expansion alone. Overall, the company expects top-line growth of ~35% during FY18E and remains positive of meeting its FY21E objective of INR50bn revenue.

### Other Salient Conference Call Highlights

(1) MDF EBITDA margin expected to be 30-35% due to lower RM costs, (2) Not resorting to price cuts to protect/gain market-share in current environment, (3) Expect India's MDF capacity to increase over 100% over the next 3-4 years (mostly in South India), (4) Higher MDF capacity would threaten imported MDF first, then cheap plywood. Domestic MDF players have enough headroom to grow, (5) Myanmar government logging ban has been removed since April. Laos ban on export of veneer is not expected to be removed soon. CPBI has converted its veneer plants there into Plywood plants to circumvent the ban.

### Valuation

We increase our revenue/earnings estimates by 2%/2% and 3%/4% respectively for FY18E/19E. Our revised estimates now build in a revenue/earnings CAGR of ~21%/~25% respectively for the FY17E-19E period. We retain our BUY rating and our FY19E P/E multiple of 20x. Our revised target price stands at INR267 (earlier INR255).

Market data	
Sensex	: 30,302
Sector	: Mid Cap
Market Cap (INRbn)	: 53.6
Market Cap (USDbn)	: 0.827
O/S Shares (m)	: 222.2
52-wk HI/LO (INR)	: 271/154
Avg Daily Vol ('000)	: 282
Bloomberg	: CPBI IN

Source: Bloomberg

Valuation			
	FY17	FY18e	FY19e
EPS (INR)	8.6	10.5	13.4
P/E (x)	28.1	22.8	18.0
P/BV (x)	7.6	5.7	4.4
EV/EBITDA (x)	18.8	14.2	11.2
Dividend yield (%)	0.4	0.4	0.4

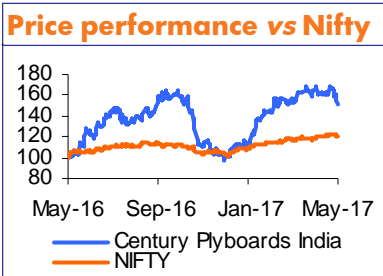
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	(9)	6	36	52
Relative	(11)	1	16	27

Source: Bloomberg

Shareholding pattern	
Promoters	: 72%
Public	: 28%
Others	: 0%

Source: Bloomberg



Source: Bloomberg, Indexed to 100

## Financial Performance

Particulars	4QFY17	4QFY16	YoY (%)	3QFY17	QoQ (%)	FY17	FY16	YoY (%)
<b>Total Op. Income</b>	<b>4,885</b>	<b>4,471</b>	<b>9.3</b>	<b>4,255</b>	<b>14.8</b>	<b>18,187</b>	<b>16,409</b>	<b>10.8</b>
<b>Expenditure</b>	<b>4,048</b>	<b>3,710</b>	<b>9.1</b>	<b>3,582</b>	<b>13.0</b>	<b>15,068</b>	<b>13,515</b>	<b>11.5</b>
Raw Materials	1,611	1,605	0.4	1,464	10.0	6,907	6,751	2.3
Cost of traded goods	920	690	33.4	737	24.9	2,044	1,441	41.9
Staff Cost	667	621	7.5	637	4.7	2,730	2,362	15.6
Other Expenditure	850	795	6.9	744	14.2	3,387	2,961	14.4
<b>Operating Profit</b>	<b>838</b>	<b>760</b>	<b>10.2</b>	<b>673</b>	<b>24.5</b>	<b>3,120</b>	<b>2,895</b>	<b>7.8</b>
OPM (%)	17.1	17.0	14 bps	15.8	133 bps	17.2	17.6	-49 bps
Depreciation	156	120	29.9	149	4.1	593	475	25.0
Other Income	141	14	945.3	33	327.3	226	60	276.0
Interest	26	102	(74.9)	112	(77.2)	302	479	(36.9)
<b>PBT</b>	<b>798</b>	<b>553</b>	<b>44.4</b>	<b>445</b>	<b>79.5</b>	<b>2,450</b>	<b>2,001</b>	<b>22.4</b>
Tax	239	137	75.1	72	233.6	515	304	69.5
<b>PAT</b>	<b>559</b>	<b>416</b>	<b>34.4</b>	<b>373</b>	<b>49.9</b>	<b>1,935</b>	<b>1,698</b>	<b>14.0</b>
<b>Adjusted PAT</b>	<b>559</b>	<b>416</b>	<b>34.4</b>	<b>373</b>	<b>49.9</b>	<b>1,935</b>	<b>1,698</b>	<b>14.0</b>
NPM (%)	11.4	9.3	214 bps	8.8	268 bps	10.6	10.3	29 bps

## Segment Revenue

Plywood & Allied Products	3,485	3,149	10.6	3,013	15.6	12,618	11,585	8.9
Laminates & Allied Products	995	928	7.3	892	11.5	3,707	3,307	12.1
CFS	234	242	(3.1)	200	16.9	880	849	3.7
Others	174	152	14.5	148	18.0	586	545	7.5
Net Sales	4,887	4,470	9.3	4,253	14.9	17,791	16,286	9.2
<b>Total</b>	<b>4,887</b>	<b>4,470</b>	<b>9.3</b>	<b>4,253</b>	<b>14.9</b>	<b>17,791</b>	<b>16,286</b>	<b>9.2</b>

## EBIT

Plywood & Allied Products	740	457	62.1	475	55.7	2,144	1,830	17.1
Laminates & Allied Products	110	136	(18.9)	123	(10.2)	520	442	17.5
CFS	60	84	(28.4)	41	47.7	235	278	(15.4)
Others	(61)	(17)	-	(52)	16.3	(98)	(38)	-
<b>Total</b>	<b>850</b>	<b>660</b>	<b>28.8</b>	<b>587</b>	<b>44.9</b>	<b>2,899</b>	<b>2,551</b>	<b>13.7</b>

## EBIT Margin (%)

Plywood & Allied Products	21.2	14.5	674 bps	15.8	546 bps	17.0	15.8	119 bps
Laminates & Allied Products	11.1	14.7	-358 bps	13.8	-269 bps	14.0	13.4	65 bps
CFS	25.6	34.6	-906 bps	20.2	534 bps	26.7	32.8	-603 bps
Others	(35.0)	(11.0)	-2,402 bps	(35.5)	51 bps	(16.8)	(6.9)	-984 bps
<b>Total</b>	<b>17.4</b>	<b>14.8</b>	<b>263 bps</b>	<b>13.8</b>	<b>359 bps</b>	<b>16.3</b>	<b>15.7</b>	<b>63 bps</b>

Source: Company, Antique

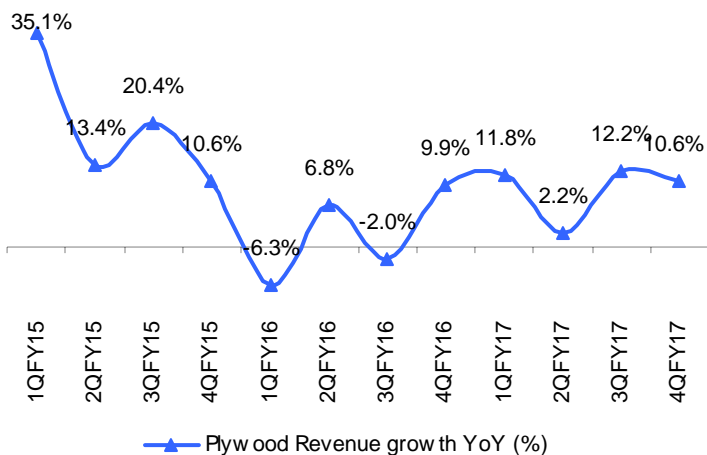
## ROCE

	4QFY17	4QFY16	YoY (bps)	3QFY17	QoQ (bps)
Plywood & Allied Products	54.9	36.4	1,846 bps	35.5	1,933 bps
Laminates & Allied Products	27.5	34.6	-708 bps	30.2	-267 bps
CFS	48.4	56.2	-786 bps	29.6	1,875 bps
Others	(7.5)	(56.6)	4,916 bps	(7.5)	6 bps

Source: Company, Antique

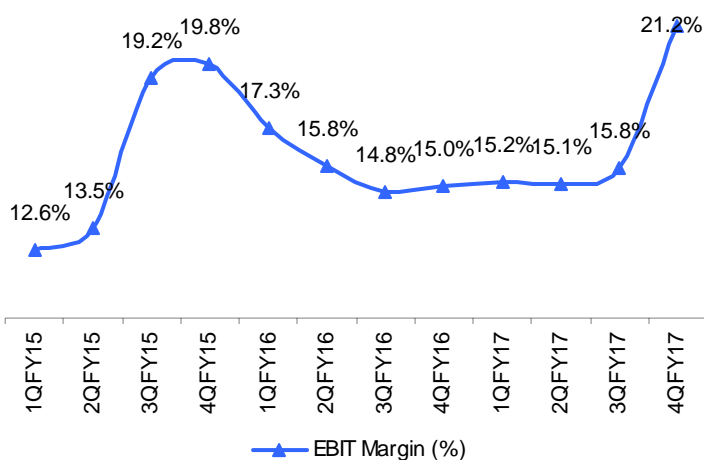
### Plywood division performance

Revenue Growth Trend



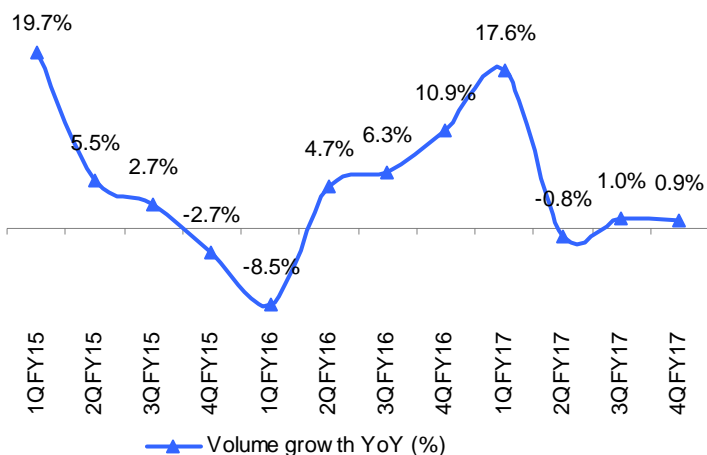
Source: Company, Antique

EBIT Margin Trend



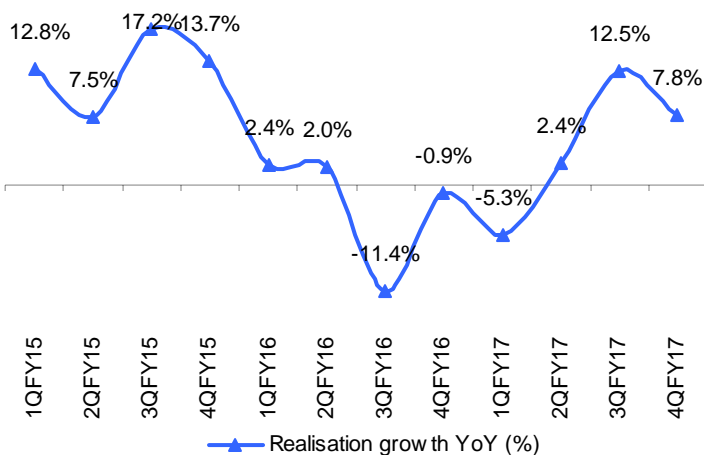
Source: Company, Antique

Total Volume Growth Trend



Source: Company, Antique

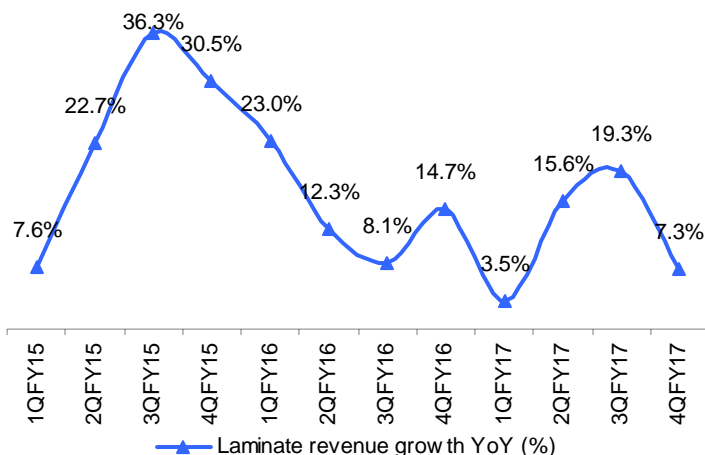
Blended Realisation Growth Trend



Source: Company, Antique

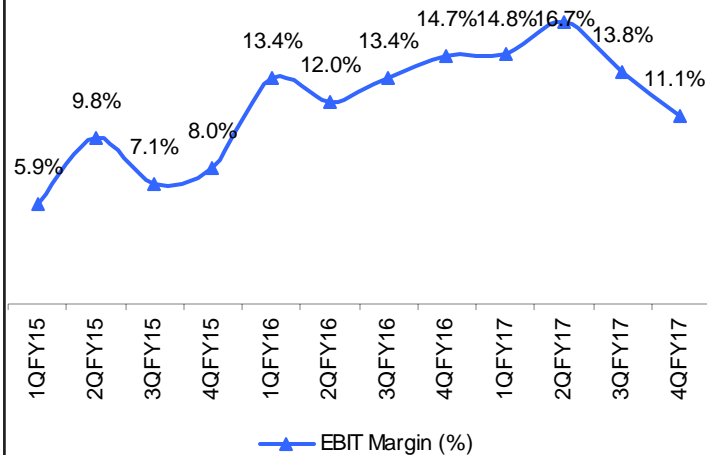
### Laminate division performance

Revenue Growth Trend



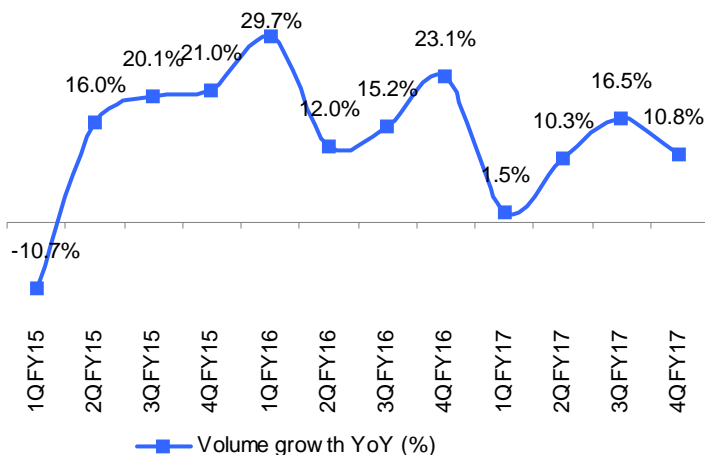
Source: Company, Antique

EBIT Margin Trend



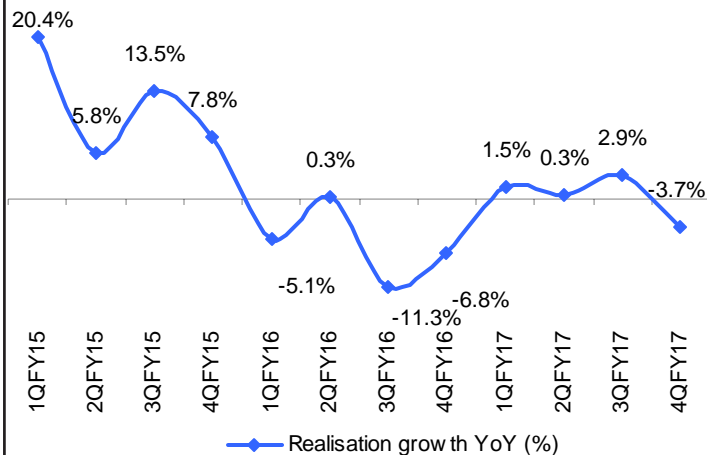
Source: Company, Antique

Total Volume Growth Trend



Source: Company, Antique

Blended Realisation Growth Trend



Source: Company, Antique

## Financials

### Profit and loss account (INRm)

Year ended 31 Mar	FY15	FY16	FY17	FY18e	FY19e
<b>Revenues</b>	<b>15,884</b>	<b>16,409</b>	<b>18,187</b>	<b>23,214</b>	<b>26,842</b>
Expenses	13,181	13,515	15,068	19,059	21,748
<b>Operating Profit</b>	<b>2,703</b>	<b>2,895</b>	<b>3,120</b>	<b>4,156</b>	<b>5,095</b>
Other income	33	60	226	30	30
<b>EBIDT</b>	<b>2,736</b>	<b>2,955</b>	<b>3,345</b>	<b>4,186</b>	<b>5,125</b>
Depreciation	485	475	593	767	1,021
Interest expense	456	479	302	544	466
<b>Profit before tax</b>	<b>1,796</b>	<b>2,001</b>	<b>2,450</b>	<b>2,874</b>	<b>3,638</b>
Taxes incl deferred taxation	296	304	515	517	655
<b>PAT before MI &amp; EO Items</b>	<b>1,500</b>	<b>1,698</b>	<b>1,935</b>	<b>2,357</b>	<b>2,983</b>
Minority Interest	9	8	30	10	12
Share in P/L of associates	(1)	-	-	-	-
<b>Profit after tax</b>	<b>1,490</b>	<b>1,689</b>	<b>1,905</b>	<b>2,347</b>	<b>2,971</b>
<b>Reported EPS (INR)</b>	<b>6.7</b>	<b>7.6</b>	<b>8.6</b>	<b>10.5</b>	<b>13.4</b>

### Balance sheet (INRm)

Year ended 31 Mar	FY15	FY16	FY17	FY18e	FY19e
Share Capital	223	223	223	223	223
Reserves & Surplus	3,671	5,066	6,927	9,013	11,724
Networth	3,894	5,288	7,149	9,235	11,946
Minority Interest	55	90	120	130	142
Debt	5,138	4,193	5,663	5,800	4,000
Deferred Tax Liability	8	7	14	14	14
<b>Capital Employed</b>	<b>9,095</b>	<b>9,578</b>	<b>12,946</b>	<b>15,179</b>	<b>16,102</b>
Gross Fixed Assets	4,607	5,130	6,281	10,770	11,920
Accumulated Depreciation	2,151	2,626	3,219	3,987	5,008
Net Assets	2,456	2,504	3,062	6,783	6,912
Capital work in progress	326	1,020	2,988	800	250
Goodwill	0	0	0	0	0
Investments	4	61	61	61	61
Deferred Tax Assets	70	660	689	689	689
<b>Current Assets</b>					
Inventory	3,322	2,975	3,006	3,880	4,486
Debtors	2,683	2,842	3,422	3,880	4,412
Cash & Bank balance	374	390	672	195	590
Loans & advances and others	1,439	1,299	1,949	2,075	2,260
<b>Current Liabilities &amp; Prov</b>					
Creditors	622	864	1,410	1,590	1,765
Other liabilities & provisions	959	1,310	1,493	1,593	1,793
<b>Net Current Assets</b>	<b>6,239</b>	<b>5,333</b>	<b>6,146</b>	<b>6,846</b>	<b>8,190</b>
<b>Application of Funds</b>	<b>9,095</b>	<b>9,578</b>	<b>12,946</b>	<b>15,179</b>	<b>16,102</b>

### Per share data

Year ended 31 Mar	FY15	FY16	FY17	FY18e	FY19e
No. of shares (m)	223	223	223	223	223
BVPS (INR)	17.5	23.8	32.1	41.5	53.7
CEPS (INR)	8.9	9.7	11.2	14.0	17.9
DPS (INR)	1.8	1.0	1.0	1.0	1.0

Source: Company, Antique

### Cash flow statement (INRm)

Year ended 31 Mar	FY15	FY16	FY17	FY18e	FY19e
<b>EBT</b>	<b>1,796</b>	<b>1,993</b>	<b>2,420</b>	<b>2,864</b>	<b>3,626</b>
Depreciation & amortisation	485	475	593	767	1,021
Interest expense	456	479	302	544	466
Interest / Dividend received	(16)	-	-	-	-
Other Adjustments	(19)	21	-	-	-
(Inc)/Dec in working capital	(877)	331	(552)	(1,177)	(949)
Tax paid	(337)	(304)	(515)	(517)	(655)
<b>CF from operating activities</b>	<b>1,488</b>	<b>2,995</b>	<b>2,248</b>	<b>2,481</b>	<b>3,509</b>
Capital expenditure	(751)	(1,217)	(3,119)	(2,300)	(600)
Net Investments	43	(57)	0	-	-
Income from investments	836	-	-	-	-
<b>CF from investing activities</b>	<b>128</b>	<b>(1,274)</b>	<b>(3,119)</b>	<b>(2,300)</b>	<b>(600)</b>
Inc/(Dec) in share capital	-	-	-	(189)	-
Inc/(Dec) in debt	(649)	(945)	1,470	137	(1,800)
Dividends & Interest paid	(927)	(739)	(563)	(805)	(726)
Other Adjustments	(52)	(21)	246	199	12
<b>CF from financing activities</b>	<b>(1,629)</b>	<b>(1,705)</b>	<b>1,154</b>	<b>(658)</b>	<b>(2,514)</b>
<b>Net cash flow</b>	<b>(13)</b>	<b>16</b>	<b>282</b>	<b>(477)</b>	<b>395</b>
Opening balance	387	374	390	672	195
<b>Closing balance</b>	<b>374</b>	<b>390</b>	<b>672</b>	<b>195</b>	<b>590</b>

### Growth indicators (%)

Year ended 31 Mar	FY15	FY16	FY17	FY18e	FY19e
Revenue	17.7	4.3	10.8	27.6	15.6
EBITDA	70.8	7.1	7.8	33.2	22.6
PAT	147.2	13.4	12.7	23.2	26.6
EPS	147.2	13.4	12.7	23.2	26.6

### Valuation (x)

Year ended 31 Mar	FY15	FY16	FY17	FY18e	FY19e
PE	36.0	31.7	28.1	22.8	18.0
P/BV	14.3	10.3	7.6	5.7	4.4
EV/EBITDA	21.6	19.8	18.8	14.2	11.2
EV/Sales	3.7	3.5	3.2	2.6	2.1
Dividend Yield (%)	0.7	0.4	0.4	0.4	0.4

### Financial ratios

Year ended 31 Mar	FY15	FY16	FY17	FY18e	FY19e
RoE (%)	42.6	36.2	30.1	28.2	27.7
RoCE (%)	25.0	26.5	24.4	24.3	26.2
Debt/Equity (x)	1.3	0.8	0.8	0.6	0.0
EBIT/Interest (x)	4.9	5.2	9.1	6.3	8.8

### Margins (%)

Year ended 31 Mar	FY15	FY16	FY17	FY18e	FY19e
EBITDA	17.2	17.6	17.2	17.9	19.0
EBIT	14.3	15.1	15.1	14.7	15.3
PAT	9.5	10.3	10.5	10.1	11.1

Source: Company Antique