

CMP	Target	Rating
Rs. 205	Rs.230	BUY

Rating: ◀▶

Target price: ◀▶

EPS: ▲

How does our one year outlook change?

- Century Plyboards (India) Limited (CPBI) 4QFY15 revenues grew by 19% driven by 11% growth from plywood products and 30% growth in laminate products. The management is guiding for a revenue guidance of 22-25% in FY16E led by capacity expansion in both its plywood and laminates business. However, given the weak demand commentary as per our dealer checks and low visibility of pick up in real estate in the near term, we estimate a revenue growth of 17% in FY16E.
- CPBI's EBITDA margins rose to 19.4% led by lower raw material costs on declining chemical prices, low cost timber/veneer inventory, lower logistics costs and higher utilizations. Overall FY15 EBITDA margin is ~17% and we estimate margins to remain at 17% over FY16-FY17E.
- We downgrade our revenue growth assumptions, however upgrade our margin assumptions. Overall, we upgrade our FY16E EPS by 1.5%
- CPBI is one of the leading players in the organized plywood market and third largest in the laminates market. We expect organized players to continue gain market share over unorganized players. CPBI trades at 18x FY17E EPS. With a revenue and EPS CAGR of 19% and 29% respectively and improvement in improvement in balance sheet and returns profile, we **maintain BUY rating with a TP of Rs. 230 based on 20x FY17E EPS.**

How does our 3 year Outlook change?

- We see the structural shift to organized players accelerating going ahead led by (1) raw material security; (2) increasing brand awareness; (3) superior distribution setup; and (4) implementation of GST. Further the long term demand for the wood panel products remains robust led by expected increase in urbanisation, per capita income, aspirations, and nuclear families. With the central government's vision of "Housing for all by 2022", we expect this initiative to fuel demand for most building products, with Plywood products being one of them.
- CPBI has expanded its capacity aggressively over the last two years in both plywood and laminates business. With a strong brand image, widespread dealer network, and enhanced capacities, we believe CPBI is well placed to benefit from rising demand for building products and shift to branded products.

4QFY15 Update				4 May, 2015	
Promoters		73.3		Bloomberg	CPBI IN
Institutions		11.8		Shares o/s	222mn
Public		14.9		Market Cap	Rs. 46bn
(%)	1m	3m	12m	52-wk High-Low	Rs. 262-35
CPBI	-12	12	455	3m Avg. Daily Vol	Rs. 152mn
Sensex	-3	-7	21	Index	NIFTY

Key estimate revision

	FY16E			FY17E		
	Old	New	Change	Old	New	Change
Revenues	18,879	18,380	-2.6%	22,697	22,014	-3.0%
EBITDA	3,003	3,132	4.3%	3,712	3,767	1.5%
Margin %	15.9%	17.0%		16.4%	17.1%	
PAT	1,939	1,968	1.5%	2,522	2,522	0.0%
PAT margin %	7.8%	10.7%		11.1%	11.5%	
EPS	8.7	8.8	1.5%	11.3	11.3	0.0%

All figures in Rs. mn, except EPS, which is in Rs.

Financial summary

Year	Revenues (Rs. mn)	EBITDA (Rs. mn)	PAT (Rs. mn)	EPS	P/E (X)	RoE%
FY14	12,840	1,482	669	3.0	68.1	24.7%
FY15E	15,648	2,642	1,508	6.8	30.2	44.4%
FY16E	18,380	3,132	1,968	8.8	23.2	43.5%
FY17E	22,014	3,767	2,522	11.3	18.1	42.0%

Century Plyboards (India) Limited

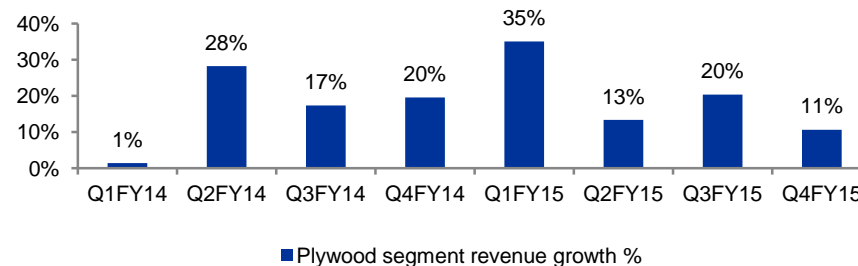
Quarterly Financial Statements

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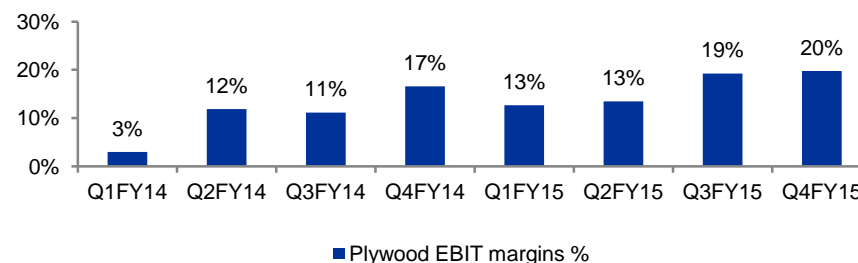
Financial results

Rs. mn \ Period	31-Mar-15	31-Mar-14	yoy	31-Dec-14	qoq
Revenues	4,092	3,429	19.3%	3,858	6.1%
Raw material	1,506	1,672	-9.9%	1,527	-1.4%
Purchased goods	597	383	55.8%	420	42.2%
Forex	-83	-231	-64.0%	-20	321.5%
Employee costs	524	394	33.0%	494	6.0%
Other expenditure	754	612	23.3%	707	6.6%
EBITDA	793	599	32.5%	730	8.8%
Margins%	19.4%	17.5%		18.9%	
Other income	9	7	20.2%	9	-7.6%
Interest	90	206	-56.1%	145	-37.7%
Depreciation	119	89	33.8%	116	2.2%
PBT	593	312	90.2%	478	24.1%
PBT margins %	14.5%	9.1%		12.4%	
Tax	114	18		64	
Effective tax rate	19.1%	5.8%		13.5%	
PAT	480	294	63.2%	414	16.0%
Margins	11.7%	8.6%		10.7%	
EPS (Rs.)	2.2	1.3	63.2%	1.9	16.0%

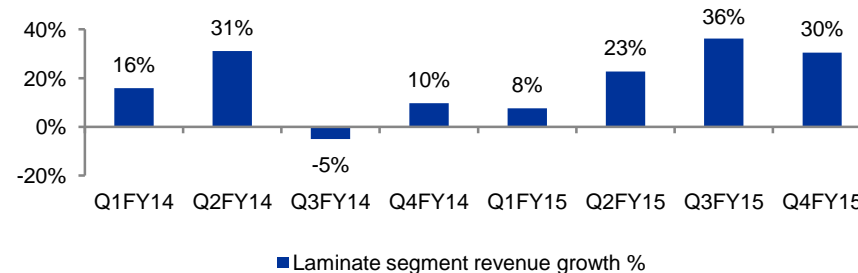
Plywood segment revenue trends



Plywood segment EBIT margin trends



Laminates segment revenue trends



Source: Spark Capital

Abridged Financial Statements (Standalone)

Rs. mn	FY14	FY15	FY16E	FY17E
Profit & Loss				
Revenues	12,840	15,648	18,380	22,014
EBITDA	1,482	2,642	3,132	3,767
Other Income	95	37	43	51
Depreciation	332	448	446	486
EBIT	1,244	2,231	2,728	3,332
Interest	551	433	413	365
PBT	693	1,798	2,315	2,967
Exceptionals loss/(Income)	-	-	-	-
Tax	24	290	347	445
PAT after exceptionals	669	1,508	1,968	2,522
Balance Sheet				
Networth	2,914	3,876	5,174	6,838
Total Debt	4,912	5,011	4,711	4,411
Deferred Tax & MI	(5)	(70)	(70)	(70)
Total Networth & Liabilities	7,821	8,817	9,815	11,179
Gross Block	3,682	4,138	4,788	5,438
Net Block + CWIP	2,307	2,316	2,520	2,684
Investments	378.9	451.2	451.2	451.2
Net working capital (ex cash)	4,954	5,880	6,706	7,790
Cash	180	170	138	254
Net working capital	5,134	6,050	6,844	8,044
Total Assets	7,821	8,817	9,815	11,179
Cash Flows				
Cash flows from operating	306	1,365	2,000	2,290
Cash flows from investing	(533)	(529)	(650)	(650)
Cash flows from financing	(391)	(847)	(1,383)	(1,523)
Free Cash Flows	(777)	403	937	1,275

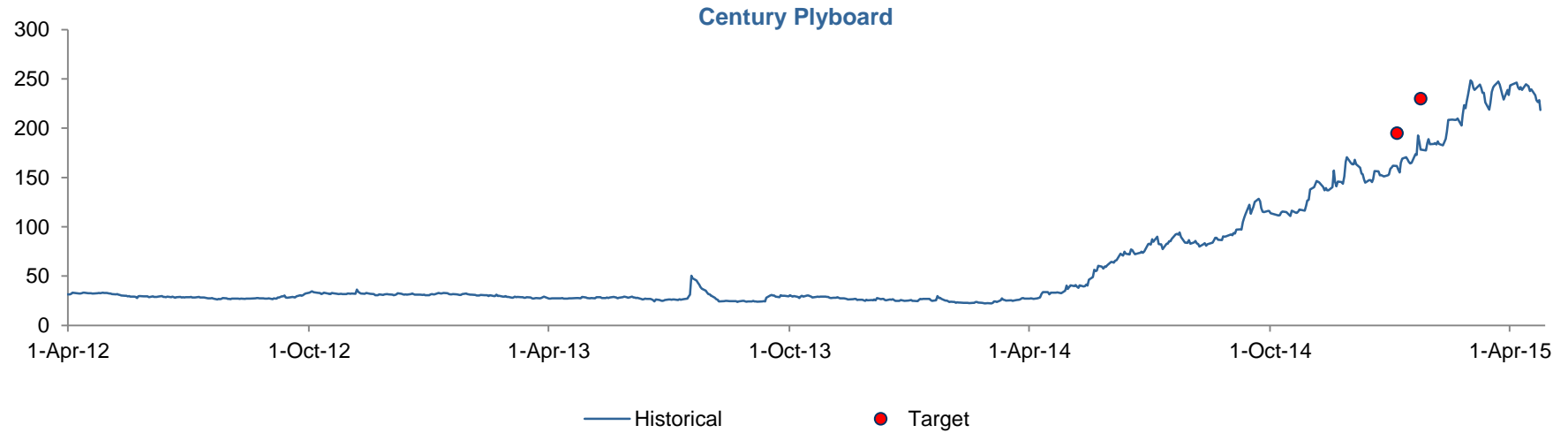
Key metrics

	FY14	FY15	FY16E	FY17E
Segment revenues				
Plywood	9,648	11,471	13,392	16,225
Laminates	2,367	2,935	3,640	4,359
CFS	547	708	815	896
Growth ratios				
Revenues	14%	22%	17%	20%
EBITDA	31%	78%	19%	20%
PBT	27%	159%	29%	28%
PAT	27%	125%	30%	28%
Margins Ratios				
EBITDA	11.5%	16.9%	17.0%	17.1%
PBT	5.4%	11.5%	12.6%	13.5%
PAT	5.2%	9.6%	10.7%	11.5%
Performance Ratios				
Net Debt to Equity (x)	1.6	1.2	0.9	0.6
RoAE (%)	24.7%	44.4%	43.5%	42.0%
RoCE (%)	16.0%	22.4%	24.7%	26.8%
Gross Asset Turnover (x)	3.8	4.0	4.1	4.3
Net Working Capital Days	141	137	133	129
Interest coverage (x)	2.3	5.2	6.6	9.1
Valuation metrics				
Shares Outstanding (mn)	223	223	223	222.5
Market Cap (Rs. mn)	45,618	45,618	45,618	45,618
EPS	3.0	6.8	8.8	11.3
P/E(x)	68.1	30.2	23.2	18.1
Price to Book (x)	15.7	11.8	8.8	6.7
EV/EBITDA (x)	33.8	19.0	16.0	13.2
Dividend yield (%)	0.5%	1.0%	1.3%	1.6%

Century Plyboards (India) Limited

Recommendation History

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Rs. 205	Rs.230	BUY



Report Date	CMP (Rs.)	TP (Rs.)	Recommendation
23/Jan/15	185	230	Buy
05/Jan/15	162	195	Buy

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Disclaimer

Absolute Rating Interpretation	BUY	Stock expected to provide positive returns of >15% over a 1-year horizon	REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
	ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon	SELL	Stock expected to fall >10% over a 1-year horizon

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