

Century Plyboards Ltd

Performance Update

(Rs cr)	4QFY18	4QFY17	% yoy	3QFY17	% qoq
Revenue	544	526	3.5	510	6.7
EBITDA	83	84	(0.7)	88	(5.3)
OPM (%)	15.3%	15.9%		17.2%	
Adjusted PAT	36	56	(36.1)	47	(23.4)

Source: Company, Angel Research

For 4QFY2018, Century Plyboards Ltd. (CPIL) underperformed both on the top line and bottom line front. Total revenue for the quarter remained flat at ₹544cr compared to ₹526cr for the year ago period. Operating margin contracted by 60bps on account of increase in raw material cost. On the bottom line front, CPIL reported a decline of ~36% yoy to ₹35cr.

Top-line remains flatish: Company's top line reported a lower growth of ~3% to ₹544cr on the back of poor performance in company prime segment i.e. Century Plywood and Particle board. Century Plywood segment de-grew by ~13.7% yoy during the quarter, whereas Particle Board segment reported a decline of ~7.2% yoy. Company's other products such as Laminate products and Container Freight Station Services also underperformed.

Higher input costs impacted overall profitability: On the operating front, the company margin contracted by 60bps on account of higher raw material costs. On the bottom line front, company's Profit after Tax declined by ~36% to ₹35cr mainly due to the increase in depreciation cost and interest rates.

Outlook & Valuation: We expect CPIL to report top-line CAGR of ~11% to ₹2,537cr over FY18-20E. On the bottom-line front, we estimate ~18% CAGR to ₹230cr over the same period. Considering the overall poor performance of 4QFY18 results and depreciation of currency by 10% since Jan 2018 which would further impact the overall profitability (as company imports 50% raw material), we maintain Neutral rating on CPIL.

Key Financials

Y/E March (₹cr)	FY2017	FY2018	FY2019E	FY2020E
Net Sales	1,819	2,060	2,307	2,538
% chg	10.8	13.3	12.0	10.0
Net Profit	193	166	199	230
% chg	14.0	(14.1)	19.6	15.9
OPM (%)	17.2	16.1	17.0	17.3
EPS (₹)	8.7	7.5	8.9	10.4
P/E (x)	31.0	36.1	30.2	26.1
P/BV (x)	8.4	7.0	5.9	5.1
RoE (%)	27.1	19.3	19.6	19.4
RoCE (%)	18.9	14.7	16.0	16.5
EV/Sales (x)	3.6	3.3	2.9	2.6

Neutral

CMP	₹269
Target Price	-

Stock Info

Sector	Plywood
Market Cap (` cr)	5,976
Net Debt (` cr)	780
Beta	0.9
52 Week High / Low	364/235
Avg. Daily Volume	36,577
Face Value (`)	10
BSE Sensex	33,812
Nifty	10,442
Reuters Code	CNTP.BO
Bloomberg Code	CPBI.IN

Shareholding Pattern (%)

Promoters	72.0
MF / Banks / Indian FIs	4.7
FII / NRIs / OCBs	11.5
Indian Public / Others	11.8

Abs.(%)	3m	1yr	3yr
Sensex	7.4	27.1	22.9
CPIL	(17.5)	3.5	51.8

3-year price chart



Source: Company, Angel Research

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Exhibit 1: 4QFY2018 Performance

Y/E March (₹cr)	4QFY18	4QFY17	% yoy	3QFY18	% qoq	FY2018	FY2017	% chg
Net Sales	544	526	3	510	6.7	2,002	1,920	4.3
Consumption of RM	274	253	8.2	261	5.0	1,023	918	11.4
(% of Sales)	50.3	48.1		51.1		51.1	47.8	
Staff Costs	75	67	12.7	72	4.0	284	257	10.6
(% of Sales)	13.8	12.7		14.2		14.2	13.4	
Other Expenses	112	122	(8.4)	89	25.5	389.11	454	(14.2)
(% of Sales)	20.6	23.2		17.5		19.4	23.6	
Total Expenditure	461	442	4.3	422	9.2	1,696	1,628	4.2
Operating Profit	83	84	(0.7)	88	(5.3)	306	292	4.8
OPM	15.3	15.9		17.2		15.3	15.2	
Interest	12.2	2.6	377.3	6.3	94.5	33	29	14.1
Depreciation	27.7	15.6	78.2	26.3	5.4	81	52	54.7
Other Income	1	14		4		7	23	
PBT (excl. Ext Items)	45	80	(44.2)	59	(25.1)	199	234	(14.8)
Ext (Income)/Expense								
PBT (incl. Ext Items)	45	80	(44.2)	59	(25.1)	199	234	(14.8)
(% of Sales)	8.2	15.2		11.7		9.9	12.2	
Provision for Taxation	9	24		13		42	48	
(% of PBT)	19.8	30.0		21.5		21.3	20.6	
Reported PAT	35.72	55.91	(36.1)	46.66	(23.4)	156.64	185.56	(15.6)
Other Comprehensive Income	0	(0)	-	(0)	-			
Total Comprehensive Income	36.09	55.64	(35.1)	46.40	(22.2)			

Source: Company, Angel Research

Outlook & Valuation: We expect CPIL to report top-line CAGR of ~11% to ₹2,537cr over FY18-20E. On the bottom-line front, we estimate ~18% CAGR to ₹230cr over the same period. Considering the overall poor performance of 4QFY18 results and depreciation of currency by 10% since Jan 2018 which would further impact the overall profitability (as company imports 50% raw material), **we maintain Neutral rating on CPIL.**

Downside risks to our estimates

- Given that the Company has significant forex exposure on account of majority raw materials being imported from other countries, in addition to ECB loans, any unfavorable change in currency may pose forex risks, which could significantly impact margins.
- Recently, the company has added a new MDF plant with capex of `380cr; any slowdown in MDF market can impact the company's earnings due to higher fixed cost overheads.

Company Background

Century Plyboards (India) Ltd (CPIL) is a plywood manufacturer. The company's segments include plywood, laminate, CFS services and others. The company's geographical segments are India and overseas. The plywood segment includes plywood, block-board, veneer and timber. The laminate segment includes decorative laminates and pre-laminated boards. The CFS services segment includes container freight station services. The others segment includes mainly trading of chemicals, minerals, readymade furniture and equipments. The company's product portfolio includes doors, decorative veneer, new age products (NAP), fiber cement boards, particle boards, look book, slimline, mono core, magnetic laminates and prelaminated boards. CPIL is also engaged in the logistics business through the management of a container freight station. The Company's units are spread across India in Joka (West Bengal), Guwahati (Assam), Kandla (Gujarat), Chennai (Tamil Nadu) and Karnal (Haryana).

Consolidated Profit & Loss Statement

Y/E March (₹cr)	FY2017	FY2018	FY2019E	FY2020E
Total operating income	1,819	2,060	2,307	2,538
% chg	10.8	13.3	12.0	10.0
Total Expenditure	1,507	1,729	1,915	2,099
Raw Material	895	986	1,107	1,231
Personnel	273	313	358	398
Others Expenses	339	430	450	470
EBITDA	312	331	392	439
% chg	7.8	6.1	18.5	11.9
(% of Net Sales)	17.2	16.1	17.0	17.3
Depreciation & Amortisation	59	91	108	115
EBIT	253	240	285	324
% chg	4.4	(4.8)	18.4	13.8
(% of Net Sales)	13.9	11.7	12.3	12.8
Interest & other Charges	30	36	39	39
Other Income	23	8	9	10
(% of PBT)	9.2	3.7	3.5	3.4
Share in profit of Associates	-	-	-	-
Recurring PBT	245	212	255	295
% chg	22.4	(13.3)	20.0	15.9
Tax	52	46	56	65
(% of PBT)	21.0	21.8	22.0	22.0
PAT (reported)	193	166	199	230
Minority Interest (after tax)	-	-	-	-
Profit/Loss of Associate Company	-	-	-	-
ADJ. PAT	193	166	199	230
% chg	14.0	(14.1)	19.6	15.9
(% of Net Sales)	10.6	8.1	8.6	9.1
Basic EPS (₹)	8.7	7.5	8.9	10.4
Fully Diluted EPS (₹)	8.7	7.5	8.9	10.4
% chg	14.0	(14.1)	19.6	15.9

Consolidated Balance Sheet

Y/E March (₹cr)	FY2017	FY2018	FY2019E	FY2020E
SOURCES OF FUNDS				
Equity Share Capital	22	22	22	22
Reserves& Surplus	693	837	991	1,166
Shareholders Funds	715	859	1,013	1,188
Minority Interest	12	12	12	12
Total Loans	619	780	770	770
Deferred Tax Liability	1	1	1	1
Total Liabilities	1,347	1,652	1,796	1,971
APPLICATION OF FUNDS				
Gross Block	412	924	948	973
Less: Acc. Depreciation	106	197	304	420
Net Block	306	727	643	553
Capital Work-in-Progress	299	299	299	299
Investments	6	6	6	6
Current Assets	905	842	1,094	1,352
Inventories	301	339	398	445
Sundry Debtors	342	389	449	501
Cash	67	21	60	127
Loans & Advances	160	60	150	228
Other Assets	35	33	37	51
Current liabilities	238	291	315	308
Net Current Assets	667	551	779	1,044
Deferred Tax Asset	69	69	69	69
Mis. Exp. not written off	-	-	-	-
Total Assets	1,347	1,652	1,796	1,971

Consolidated Cash flow Statement

Y/E March (₹cr)	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	245	212	255	295
Depreciation	59	91	108	115
Change in Working Capital	(54)	70	(189)	(198)
Interest / Dividend (Net)	30	36	39	39
Direct taxes paid	(43)	(46)	(56)	(65)
Others	(17)	0	0	0
Cash Flow from Operations	221	362	156	186
(Inc.)/ Dec. in Fixed Assets	(305)	(512)	(24)	(25)
(Inc.)/ Dec. in Investments	0	0	0	0
Cash Flow from Investing	(304)	(512)	(24)	(25)
Issue of Equity	0	0	0	0
Inc./(Dec.) in loans	142	162	(10)	0
Dividend Paid (Incl. Tax)	(0)	(22)	(45)	(56)
Interest / Dividend (Net)	(30)	(36)	(39)	(39)
Cash Flow from Financing	112	103	(93)	(94)
Inc./(Dec.) in Cash	28	(46)	39	67
Opening Cash balances	39	67	21	60
Closing Cash balances	67	21	60	127

Key Ratios

Y/E March	FY2017	FY2018	FY2019E	FY2020E
Valuation Ratio (x)				
P/E (on FDEPS)	31.0	36.1	30.2	26.1
P/CEPS	23.7	23.4	19.6	17.4
P/BV	8.4	7.0	5.9	5.1
Dividend yield (%)	0.9	0.4	0.7	0.9
EV/Sales	3.6	3.3	2.9	2.6
EV/EBITDA	21.0	20.4	17.1	15.1
EV / Total Assets	4.9	4.1	3.7	3.4
Per Share Data (₹)				
EPS (Basic)	8.7	7.5	8.9	10.4
EPS (fully diluted)	8.7	7.5	8.9	10.4
Cash EPS	11.4	11.5	13.8	15.5
DPS	2.5	1.0	2.0	2.5
Book Value	32.1	38.6	45.5	53.4
Returns (%)				
ROCE	18.9	14.7	16.0	16.5
Angel ROIC (Pre-tax)	20.0	14.9	16.6	17.7
ROE	27.1	19.3	19.6	19.4
Turnover ratios (x)				
Asset Turnover (Gross Block)	4.4	2.2	2.4	2.6
Inventory / Sales (days)	60	60	63	64
Receivables (days)	69	69	71	72
Payables (days)	28	31	31	28
Working capital cycle (ex-cash) (days)	101	98	103	108

Source: Company, Angel Research

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Disclosure of Interest Statement Century Plyboard

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| 1. Analyst ownership of the stock | No |
| 2. Angel and its Group companies ownership of the stock | No |
| 3. Angel and its Group companies' Directors ownership of the stock | No |
| 4. Broking relationship with company covered | No |

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

Ratings (Returns):	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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