

Century Plyboards India

Performance Update

Y/E March (₹ cr)	3QFY18	3QFY17	% yoy	2QFY18	% qoq
Net sales	510	459	11.2	475	7.5
EBITDA	88	67	30.2	74	18.5
EBITDA margin (%)	17.2%	14.7%		15.6%	
Adjusted PAT	47	37	25.1	40	16.2

Source: Company, Angel Research

For 3QFY2018, Century Plyboards India Ltd (CPIL) posted results in-line with our expectations on both top-line as well as bottom-line fronts. Revenues grew by ~11% yoy and operating margins were also higher yoy. On the bottom-line front, CPIL reported growth of ~25% yoy to ₹47cr on the back of strong top-line growth and lower interest cost.

Top-line driven by healthy volume growth: The company's top-line grew by ~11% yoy to ₹510cr on the back of healthy growth in volumes. Considering the segments, the company's plywood, laminate & particle Board segment reported flat growth. During the quarter, the company had started selling MDF, which reported ~₹48cr. The logistics segment reported ~37% growth.

Healthy revenues and lower interest cost aided overall profitability: On the operating front, the company's margin improved by 252bps yoy on the back of MDF contribution in total revenue, which is a higher margin business. The company reported ~25% yoy rise in its net profit to ₹47cr on the back of healthy revenue growth and lower interest cost.

Outlook and Valuation: We expect CPIL to report net revenue CAGR of ~17% to ~₹2,896cr over FY2017-20E owing to healthy growth in plywood and lamination business, foray into MDF and particle boards coupled with strong brand and distribution network. On the bottom-line front, we expect CAGR of ~16% to ₹306cr over the same period on the back of strong revenue and better margins in MDF business. **We maintain our BUY rating on the stock with target price of ₹400.**

Key Financials

Y/E March (₹ cr)	FY2017	FY2018E	FY2019E	FY2020E
Net sales	1,819	2,007	2,510	2,896
% chg	10.8	10.4	25.1	15.4
Adj. Net profit	193	188	248	306
% chg	14.0	(2.9)	31.9	23.4
EBITDA margin (%)	17.2	17.5	17.9	18.1
EPS (₹)	8.7	8.4	11.1	13.7
P/E (x)	34.3	35.3	26.8	21.7
P/BV (x)	9.3	7.5	6.1	5.0
RoE (%)	27.1	21.3	22.9	22.9
RoCE (%)	18.9	17.1	20.2	21.3
EV/Sales (x)	3.9	3.7	2.9	2.5
EV/EBITDA (x)	23.0	21.0	16.4	13.9

Source: Company, Angel Research Note: CMP as of February 06, 2018
 Please refer to important disclosures at the end of this report

BUY

CMP ₹298
 Target Price ₹400

Investment Period 12 month

Sector	Plywood
Market Cap (Rs cr)	6,643
Net Debt	545
Beta	0.9
52 Week High / Low	363/213
Avg. Daily Volume	36,577
Face Value (Rs)	10
BSE Sensex	34,196
Nifty	10,498
Reuters Code	CNTP.BO
Bloomberg Code	CPBI.IN

Shareholding Pattern (%)

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

Abs. (%)	3m	1yr	3yr
Sensex	3.0	22.2	20.5
CPIL	6.8	41.5	60.0

Historical share price chart



Source: Company, Angel Research

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Exhibit 1: 3QFY2018 Performance

Y/E March (₹ cr)	3QFY18	3QFY17	% yoy	2QFY18	% qoq	9MFY18	9MFY17	% chg
Net Sales	510	459	11.2	475	7.5	1,458	1,394	4.5
Consumption of RM	261	220	18.5	254	2.4	749	665	12.6
(% of Sales)	51.1	48.0		53.6		51.4	47.7	
Staff Costs	72	64	13.4	68	6.9	209	190	9.9
(% of Sales)	14.2	13.9		14.2		14.3	13.6	
Other Expenses	89	108	(17.1)	78	13.7	277.18	331	(16.3)
(% of Sales)	17.5	23.4		16.5		19.0	23.7	
Total Expenditure	422	391	7.9	401	5.4	1,235	1,186	4.1
Operating Profit	88	67	30.2	74	18.5	223	208	7.0
OPM	17.2	14.7		15.6		15.3	14.9	
Interest	6.3	11.2	(44.0)	7.9	(20.9)	20	26	(21.5)
Depreciation	26.3	14.9	76.0	13.8	90.3	53	37	44.8
Other Income	4	3		1		5	8	
PBT (excl. Ext Items)	59	44	33.6	53	12.3	154	154	0.4
Ext (Income)/Expense								
PBT (incl. Ext Items)	59	44	33.6	53	12.3	154	154	0.4
(% of Sales)	11.7	9.7		11.2		10.6	11.0	
Provision for Taxation	13	7		13		34	24	
(% of PBT)	21.5	16.1		24.2		21.7	15.7	
Reported PAT	47	37	25.1	40	16.2	121	130	(6.7)

Source: Company, Angel Research

Exhibit 2: 3QFY2018 Segment Revenue Performance

Y/E March (₹ cr)	3QFY18	3QFY17	% yoy	2QFY18	% qoq	9MFY18	9MFY17	% chg
Plywood & allied products	322.7	323.5	(0.2)	306	5.5	971	982	(1.1)
Laminate & allied products	99.9	99.4	0.5	125	(19.9)	314	302	3.7
Medium density Fibre board	47.6	0.4	-	0	-	48	3	-
Particle Board	10.0	10.3	(2.4)	14	(30.8)	36	13	164.2
Container Frieght Station Services	27.6	20.2	36.6	25	10.3	76	65	17.7
Others	7.5	8.2	(8.1)	11	(32.0)	28	34	(18.8)
Total Segment Revenue	515	462	11.6	481.1	7.1	1473	1400	5.2
Less: Inter segment Revenue	5	3		6.6		15	5	
Gross Sales	510	459	11.2	474.6	7.5	1458	1394	4.5

Source: Company, Angel Research

Outlook and Valuation

We expect CPIL to report net revenue CAGR of ~17% to ~₹2,896cr over FY2017-20E owing to healthy growth in plywood and lamination business, foray into MDF and particle boards coupled with strong brand and distribution network. On the bottom-line front, we expect CAGR of ~16% to ₹306cr over the same period on the back of strong revenue and better margins in MDF business. **We maintain our BUY rating on the stock with target price of ₹400.**

Downside risks to our estimates

- Most of the company's raw materials are imported from other countries, and considering that the company has 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 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).

Profit & Loss Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Total operating income	1,641	1,819	2,007	2,510	2,896
% chg	3.3	10.8	10.4	25.1	15.4
Total Expenditure	1,351	1,507	1,656	2,061	2,372
Raw Material	819	895	987	1,235	1,425
Personnel	236	273	307	389	455
Others Expenses	296	339	361	437	492
EBITDA	289	312	351	449	524
% chg	7.1	7.8	12.6	27.9	16.6
(% of Net Sales)	17.6	17.2	17.5	17.9	18.1
Depreciation & Amortisation	47	59	67	75	77
EBIT	242	253	284	374	447
% chg	9.1	4.4	12.6	31.6	19.5
(% of Net Sales)	14.7	13.9	14.2	14.9	15.4
Interest & other Charges	48	30	55	70	70
Other Income	6	23	8	9	10
(% of PBT)	3.0	9.2	3.4	2.9	2.6
Share in profit of Associates	-	-	-	-	-
Recurring PBT	200	245	238	314	387
% chg	11.5	22.4	(2.9)	31.9	23.4
Tax	30	52	50	66	81
(% of PBT)	15.2	21.0	21.0	21.0	21.0
PAT (reported)	170	193	188	248	306
Minority Interest (after tax)	-	-	-	-	-
Profit/Loss of Associate Company	-	-	-	-	-
ADJ. PAT	170	193	188	248	306
% chg	13.9	14.0	(2.9)	31.9	23.4
(% of Net Sales)	10.3	10.6	9.4	9.9	10.6
Basic EPS (₹)	7.6	8.7	8.4	11.1	13.7
Fully Diluted EPS (₹)	7.6	8.7	8.4	11.1	13.7
% chg	13.9	14.0	(2.9)	31.9	23.4

Balance Sheet

Y/E March (₹ cr)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
SOURCES OF FUNDS					
Equity Share Capital	22	22	22	22	22
Reserves & Surplus	507	693	858	1,062	1,312
Shareholders Funds	529	715	881	1,084	1,334
Minority Interest	9	12	12	12	12
Total Loans	474	619	780	770	770
Deferred Tax Liability	1	1	1	1	1
Total Liabilities	1,013	1,347	1,674	1,867	2,118
APPLICATION OF FUNDS					
Gross Block	298	412	924	948	973
Less: Acc. Depreciation	48	106	173	248	325
Net Block	250	306	751	700	648
Capital Work-in-Progress	102	299	299	299	299
Investments	6	6	6	6	6
Current Assets	751	905	836	1,139	1,480
Inventories	298	301	330	426	500
Sundry Debtors	284	342	379	488	571
Cash	39	67	34	46	96
Loans & Advances	90	160	60	138	261
Other Assets	39	35	32	40	52
Current liabilities	162	238	286	345	385
Net Current Assets	588	667	549	793	1,095
Deferred Tax Asset	66	69	69	69	69
Mis. Exp. not written off	-	-	-	-	-
Total Assets	1,013	1,347	1,674	1,867	2,118

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Profit before tax	200	245	238	314	387
Depreciation	47	59	67	75	77
Change in Working Capital	34	(54)	84	(232)	(251)
Interest / Dividend (Net)	47	30	55	70	70
Direct taxes paid	(47)	(43)	(50)	(66)	(81)
Others	10	(17)	0	0	0
Cash Flow from Operations	293	221	394	160	202
(Inc.)/ Dec. in Fixed Assets	(150)	(305)	(512)	(24)	(25)
(Inc.)/ Dec. in Investments	11	0	0	0	0
Cash Flow from Investing	(139)	(304)	(512)	(24)	(25)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	(44)	142	162	(10)	0
Dividend Paid (Incl. Tax)	(50)	(0)	(22)	(45)	(56)
Interest / Dividend (Net)	(59)	(30)	(55)	(70)	(70)
Cash Flow from Financing	(153)	112	85	(124)	(126)
Inc./(Dec.) in Cash	1	28	(33)	12	51
Opening Cash balances	37	39	67	34	46
Closing Cash balances	39	67	34	46	96

Key Ratios

Y/E March	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Valuation Ratio (x)					
P/E (on FDEPS)	39.1	34.3	35.3	26.8	21.7
P/CEPS	30.5	26.2	26.0	20.5	17.3
P/BV	12.5	9.3	7.5	6.1	5.0
Dividend yield (%)	0.8	0.8	0.3	0.7	0.8
EV/Sales	4.3	3.9	3.7	2.9	2.5
EV/EBITDA	24.4	23.0	21.0	16.4	13.9
EV / Total Assets	7.0	5.3	4.4	3.9	3.4
Per Share Data (Rs)					
EPS (Basic)	7.6	8.7	8.4	11.1	13.7
EPS (fully diluted)	7.6	8.7	8.4	11.1	13.7
Cash EPS	9.8	11.4	11.4	14.5	17.2
DPS	2.2	2.5	1.0	2.0	2.5
Book Value	23.8	32.1	39.6	48.7	60.0
Returns (%)					
ROCE	24.1	18.9	17.1	20.2	21.3
Angel ROIC (Pre-tax)	25.3	20.0	17.6	20.8	22.3
ROE	32.1	27.1	21.3	22.9	22.9
Turnover ratios (x)					
Asset Turnover (Gross Block)	5.5	4.4	2.2	2.6	3.0
Inventory / Sales (days)	66	60	60	62	63
Receivables (days)	63	69	69	71	72
Payables (days)	19	28	31	31	31
Working capital cycle (ex-cash) (days)	110	101	98	102	104

Source: Company, Angel Research

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Disclosure of Interest Statement	Century Plyboards India
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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