

Company Details

CMP:	Rs.165.5
Face value:	Rs.1.00
Market cap:	Rs.3703.62 Crs.
TTM EPS	Rs.7.45
52 week high:	Rs.364.10
52 week low:	Rs.150.10
BSE Code:	532548
Sector	Forest Products

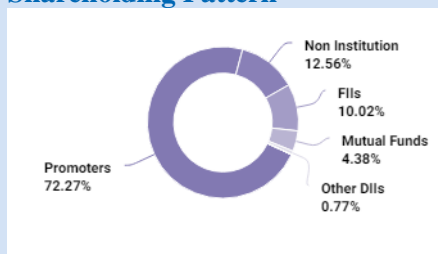
Financial Highlights (YoY)

Rs. in crores			
	FY18	FY17	% Var
Net Sales	2060.00	1961.86	5.00
Total Expendit	1728.95	1649.88	4.79
PBDIT	331.05	311.98	6.11
Op.Profit	338.93	334.53	1.32
OPM (%)	16.5%	17.1%	-3.51
PBT	212.43	244.98	-13.29
PAT	166.14	193.48	-14.13
EPS (Rs.)	7.47	8.70	-14.13
Equity	22.25	22.25	0.00

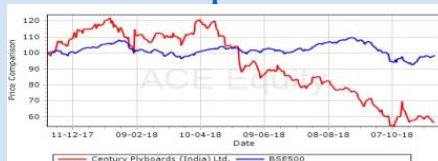
Half Yearly Performance (YoY)

Rs. in crores			
	H1FY19	H1FY18	% Var
Net Sales	1101.70	947.98	16.2%
Total Expe	940.94	812.86	15.8%
PBDIT	160.77	135.12	19.0%
Op.Profit	162.35	136.28	19.1%
OPM (%)	14.70	14.40	2.1%
PBT	111.31	95.06	17.1%
PAT	83.19	74.26	12.0%
EPS (Rs.)	3.74	3.34	12.0%

Shareholding Pattern



Share Price Graph



Research Analyst

Animesh Yadav

animesh.yadav@satco.co.in

Satco Capital Markets Ltd.

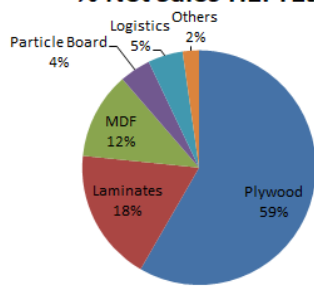
Board Line: +91 022 2645 6666 |

Ext: 288 | Fax: +91 022 2651 6783

Company Background

Century Plyboards (India) Ltd., a Kolkata based company, is the largest domestic player in the plywood and decorative veneers space in organized plywood market, catering to both residential as well as the commercial consumers. The company has diversified product portfolio ranging from plywood, MDF, laminates, particle board and logistics. This has led the company to become one-stop interior product brand which distributes its products pan-India through 30 marketing offices covering 630 cities and towns, addressing 2000 dealers and 22000 retailers across Tier-I,II & III locations, serviced by a network of 40 depots and warehouses. The company has got 7 manufacturing facilities at West Bengal, Haryana, Tamil Naidu, Assam, Gujrat and Punjab. In addition 4 facilities are owned by its subsidiaries.

% Net Sales H1FY19



The Indian wood panel industry is estimated to be worth ~Rs. 285 billion. In H1FY19, the company earned 59% of Net sales from plywood business, 18% from Laminates, 12% from MDF, 4% from Particle board followed by 5% from Logistics.

Financial Performance

The company had reported Net sales of Rs. 2060 crores which were higher by 5% over those during FY17 but PAT at Rs. 166.1 crores has declined by 14% due to uncertainty relating to implementation of GST, trade slow down, rising cost of raw materials and plateauing capacity utilization for

FY18. For H1FY19, the Net sales and PAT of the company at Rs 1101.7 crores and Rs. 83.19 crores, are higher by 16% and 12%, respectively than those for H1FY18. The operating profit margin for H1FY19 was at 14.7% against 14.4% in H1FY18.

Investment Rationale

- **Growing demand for new age premium products;** India has been witnessing consistent rise in private consumption levels, and a greater willingness for purchasing premium products which has given the company an opportunity to introduce innovative designs and influence new buyers.
- The company finds lot of opportunities in mid-segment and has **launched Sainik 710- a low price plywood product to enter in tier-II & III cities.** The management is confident to maintain its margin in range of 15-17% in FY19. The Plywood segment reported strong volume growth of 13% on YoY basis in Q2FY19.
- **Emerging opportunity for MDF;** The Company entered the MDF space in 2017-18 with a 198000 Cubic metric manufacturing facility in Punjab. The plant commenced production in Q3FY18 and achieved a capacity utilization of 60% in Q1FY19. The management aims to increase capacity utilization to 80% + and expect EBITDA margin of 15% in H2FY19E. Nearly 70% of the production is marketed in northern India with the plant located in Hoshiarpur, Punjab which gives significant competitive advantage to the company.
- **GST implementation** has enabled the creation of a level playing field. Backed by strong quality and consistent performance, the company has positioned itself favorably to capitalize on the sectoral upturn.
- Over the year, the company has progressively deleveraged its balance sheet. The total Debt/Equity ratio of the company at the Q2FY19 was 0.6:1 and the interest coverage ratio was 7.09x in FY18 against 6.03x that of the industry.
- As on Sep 30th, 2018, the promoters hold 72.2% equity of the company, whereas FIIs and DIIs own 10.02% and 5.15% respectively, and the balance 12.56% shares are held by the public.

Concerns

Competition from unorganized sector, availability of imported raw material and volatility in raw material prices are the main concerns.

Valuation

The share of the Company which has declined from 52week high of Rs. 364 by about 54% is trading at **TTM P/E of only 22.3x**. Keeping in view of the positive industry outlook, high promoter holding, strong balance sheet, benefit of the shift from Unorganized to organized, superior brand and high free cash flow generation, we expect the company to report **EPS of Rs.8.5 for FY19 and based on PE of 24x**, we estimate the price of the scrip to appreciate to Rs.204 over the next 6 months (price appreciation of about 22%).

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Corporate Office:

Satco Capital Markets Ltd., 402, Silver Pearl Building, Water Field Road, Bandra (w), Mumbai - 400 050
Tel.: +91-22-6170 6700, 2645 6666 | Mob : 98205 70103

Registered Office:

Satco Capital Markets Ltd., 17, Noble Chambers, Ground Floor, Janmabhoomi Marg, Fort, Mumbai - 400 001
Tel.: +91-22-6655 6721/15 / 6655 6777

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SATCO CAPITAL MARKETS LIMITED
402, 4th Floor, Silver Pearl, Waterfield Road, Bandra West, Mumbai, Maharashtra 400050