

November 1, 2011

Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs59	Rs82
EPS change FY12E/13E (%)	-5.4 / -2.9
Target Price change (%)	-2.4
Nifty	5,258
Sensex	17,481

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	(18)	(16)	(15)
Rel. to Nifty	(7)	(14)	(11)	(1)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Diversified
Bloomberg	CPBI@IN
Equity Capital (Rs mn)	222
Face Value(Rs)	1
No of shares o/s (mn)	222
52 Week H/L	77/50
Market Cap (Rs bn/USD mn)	13/264
Daily Avg Volume (No of sh)	26262
Daily Avg Turnover (US\$m)	0.0

Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	72.9	72.9	83.2
FII/NRI	0.6	0.6	0.1
Institutions	0.0	0.0	0.0
Private Corp	12.6	12.4	10.9
Public	13.9	14.1	5.8

Source: Capitaline

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- **EBITDA at Rs595mn, above est led by better profitability of Plywood & Laminates (P&L) division. Net profit at Rs141mn, -66.4%, below est due to MTM forex losses of Rs267mn**
- **Robust topline growth (+33.6% yoy) continues driven by P&L revenue growth of 23.7% while cement segment registered +16.5% revenue growth**
- **Delay in commissioning of Cement Grinding unit project at Kahalgaon by 3 mnths has led to volume downgrades and revision in earnings for FY12E/13E by -5.4%/-2.9%**
- **3X expansion in cement capacity & full scale operations of CFS business to fuel growth in FY13 (44% topline growth). De-merger remains potential value un-locking trigger-BUY with revised price target of Rs82**

Plywood & Laminates (P&L) division performance drive operational performance above estimates

CPIL's EBITDA at Rs595mn, was higher than estimates of Rs453mn, mainly driven by better performance of P&L division. P&L EBIT at Rs272mn, +53 % yoy, was significantly higher than estimates of Rs189mn. The improved profitability in the P&L segment was driven by sharp reduction in dealer discounts & ad spends P&L segment, which had seen major contractions in margins in Q4FY11, registered EBIT margins of 11.4% vs estimated of 7%, an improvement of 240 bps yoy and 50bps qoq. Though cement revenues grew a healthy 16.5% yoy, EBIT margins for the segment declined sharply by 22.6% points yoy and 9.5% points qoq to 12.6% impacted by 4.7% yoy realization decline and sharp increase in Power & Fuel and Freight charges. Overall EBITDA margins though declined 621 bps yoy to 15.2%, came in better than estimates of 11.3%.

Robust volume growth across business drive 22%+ topline growth

Revenues for Q2FY12 at Rs3913mn grew a robust 22% yoy. This revenue growth was primarily fuelled by a robust volume growth in P&L (net revenues at Rs2384mn, +24% yoy). and 9% growth volume in cement business (net revenue of Rs1145 mn, +16.5%). Cement realizations of Rs4658/t registered a decline -4.7% yoy as cement prices in western region (63% share of CPIL's dispatches) were beaten down by 26% qoq. Logistics segment continued to benefit from its CFS at Jingirapole (commissioned in June-2010) and posted revenues of Rs121mn, growth of 114.5%. However it declined 35.3% qoq as imports from China were impacted.

Higher Forex losses drag net profit below estimates

CPIL's Net profit for the quarter at Rs141mn, -66.4% yoy was dragged below estimates of Rs238mn due to heavy forex losses. CPIL has 60 mn of forex exposure across USD, Euro and HKD which over the quarter have appreciated by 9.5%, 3% and 10% respectively and has resulted in mark to market losses of Rs267mn (Rs215mn losses already realized). Interest expenses jumped 56.5% yoy while depreciation increased 8.7% yoy driven by capex in the CFS division (CFS at Jingirapole commissioned in June-2010).

Financial Snapshot (consolidated)

Rs Mn

YE-Mar	Net Sales	EBITDA (Core)	(%) APAT	AEPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV	
FY10	11,625	2,456	21.1	1,462	6.6	59.2	34.5	9.0	6.7	2.7
FY11	14,289	2,492	17.4	1,546	7.0	5.8	27.8	8.5	7.0	2.1
FY12E	16,993	2,694	15.9	1,571	7.1	1.6	22.6	8.4	7.4	1.7
FY13E	24,478	4,783	19.5	2,018	9.1	28.5	23.8	6.6	4.4	1.4

Quarterly Results

Rs mn	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)	YTD FY12	YTD FY11	YoY (%)
Revenue	3,215	3,608	4,158	4,158	3,913	21.7	-5.9	8,072	6,328	27.6
Expenditure	2,527	3,126	3,589	3,415	3,318	31.3	-2.8	6,733	4,923	36.8
<i>as % of sales</i>	78.6	86.6	86.3	82.1	84.8			83.4	77.8	
Consumption of RM	1353	1350	1607	1631	1744	29.0	6.9	3375	2552	32.3
<i>as % of sales</i>	42.1	37.4	38.6	39.2	44.6			41.8	40.3	
Employee Cost	256	252	293	281	323	26.3	14.7	604	491	23.1
<i>as % of sales</i>	7.9	7.0	7.1	6.8	8.2			7.5	7.8	
Other expenditure	919	1524	1689	1502	1252	36.2	-16.7	2754	1881	46.4
<i>as % of sales</i>	28.6	42.2	40.6	36.1	32.0			34.1	29.7	
EBITDA	688	482	569	743	595	-13.6	-20.0	1,338	1,405	-4.7
Depreciation	126	130	140	131	137	8.7	4.4	268	238	12.6
EBIT	563	352	429	612	458	-18.6	-25.2	1,071	1,167	-8.3
Other Income	34	70	(37)	30	23	-31.3	-22.8	54	53	0.6
Interest	45	52	44	65	70	56.5	8.5	135	99	36.3
PBT	552	369	348	578	144	-73.9	-75.1	722	1,121	-35.6
Total Tax	24	29	(167)	41	(22)	-188.8	-152.5	19	79	-75.5
Adjusted PAT	528	340	515	537	166	-68.6	-69.2	703	1,042	-32.6
(Profit)/loss JV's/Ass/MI	108	72	69	101	25			125	210	-40.1
APAT after MI	420	268	446	436	141	-66.4	-67.7	577	832	-30.7
Extra ordinary items					0					
Reported PAT	420	268	446	436	141	-66.4	-67.7	577	832	-30.7
Reported EPS	1.9	1.2	2.0	2.0	0.6	-66.4	-67.7	2.6	3.7	-30.7

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	21.4	13.4	13.7	17.9	15.2	-621	-268	16.6	22.2	-562
EBIT	17.5	9.7	10.3	14.7	11.7	-579	-302	13.3	18.4	-518
EBT	17.2	10.2	8.4	13.9	3.7	-1348	-1022	8.9	17.7	-877
PAT	13.1	7.4	10.7	10.5	3.6	-946	-689	7.1	13.2	-601
Effective Tax rate	4.4	8.0	(48.1)	7.1	(14.9)	-1932	-2201	2.7	7.1	-437

Segmental Results

Segment Revenue (Net)	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)	YTD FY12	YTD FY11	YoY (%)
(a) Plywood and Laminates	1927	1971	2154	2355	2384	23.7	1.2	4740	3733	27.0
(b) Ferro Alloys	204	280	260	227	197	-3.1	-12.9	424	230	84.5
(c) Power	153	232	199	182	152	-0.2	-16.2	334	410	-18.5
(d) Others	105	139	284	209	193	84.7	-7.5	403	169	138.7
(e) Cement	983	1214	1492	1376	1145	16.5	-16.8	2521	2077	21.3
Total Segment Revenue	3371	3836	4390	4348	4073	20.8	-6.3	8421	6619	27.2
Less : Inter Segment Rev	156	228	232	190	159	2.3	-16.1	349	291	20.1
Net revenue	3215	3608	4158	4158	3913	21.7	-5.9	8072	6328	27.6

Segment Results (EBIT)	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)	YTD FY12	YTD FY11	YoY (%)
(a) Plywood and Laminates	177	83	34	256	272	53.1	6.2	528	362	45.9
(b) Ferro Alloys	25	53	44	24	8	-66.8	-64.3	32	15	119.0
(c) Power	12	19	122	20	19	55.5	-5.1	38	85	-55.1
(d) Others	8	32	60	47	49	521.7	3.8	96	16	511.1
(e) Cement	346	188	206	304	145	-58.3	-52.4	448	739	-39.3
Total	569	375	466	650	492	-13.5	-24.3	1142	1216	-6.1

EBIT margin (%)	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY(bps)	QoQ(bps)	YTD FY12	YTD FY11	YoY(bps)
(a) Plywood and Laminates	9.2	4.2	1.6	10.9	11.4	218	53	11.1	9.7	144
(b) Ferro Alloys	12.4	18.9	17.1	10.4	4.3	-817	-615	7.6	6.4	119
(c) Power	7.8	8.1	61.3	10.8	12.2	437	142	11.4	20.7	-932
(d) Others	7.5	22.8	21.0	22.5	25.2	1774	274	23.8	9.3	1451
(e) Cement	35.2	15.5	13.8	22.1	12.6	-2263	-947	17.8	35.6	-1779

Cement capex completion delayed

Cement: CMCL, CPIL's 70.48% cement subsidiary is all set to expand its cement manufacturing capacity by more than 3X. Post the completion of the above capex program, CMCL's clinker capacity would increase from current 0.79 mtpa to 2.55 mtpa while its cement manufacturing capacity will quadruple from current 1.2 mtpa to 4.4 mtpa.

However due to operational delays commissioning of Cement Grinding unit project at Kahalgaon is pushed by 3 months – expected in Jun-12 (Mar-12 earlier)

Plywood: CPIL Plans to expand plywood and veneer capacity by 30,000 CBM at Kandla, Gujarat which will take total plywood installed capacity from current 122,420 CBM to 152,420 CBM.

Laminates & allied products: CPIL is expanding its laminate capacity by 1.2 million sheets from current 2.4 million sheets at existing unit in Joka, Kolkata. This will take the total laminate installed capacity to 3.6 million sheets. The company plans to double its Pre-Laminated Boards capacity at the existing Chennai plant from 800,000 sqm currently to 1,600,000 sqm.

Ferro alloys: Expansion is underway to increase the total capacity to 15,930MT from current 10,620 MT by installing a 9MVA submersible arc furnace.

Project (Figures in Rs mn)	Targeted Completion	Project Cost	Equity	Debt
Cement				
1.75 Mn Ton Clinkerisation Plant at Lumshnong, Meghalaya in the name of Star Cement Meghalaya Ltd. (Wholly Owned Subsidiary of the company)	Dec-11	6030	2030	4000
1.6 Mn Ton Cement Grinding unit along with 10 MW captive power project at Guwahati	Jan-12	2533	783	1750
1.6 Mn Ton Cement Grinding unit along with 10 MW captive power project at Kahalgaon	Jun-12	2451	751	1700
Total Capex by CMCL		11014	3564	7450
Capex by Meghalaya Power, CMCL's 50% associate (63 MW CPP)	Mar-12	2000	670	1330
Plywood and Laminates				
Green field Expansion at Kandla, Gujarat-30,000 CBM	Feb-12	300	300	
Laminates expansion of 1.2 mnsheets at Kolkata	Feb-12	120	120	
Pre-Laminated board expansion of 800,000 SQM at Chennai	Feb-12	120	120	
Total		540	540	
Ferro alloys				
Submersible arc furnace of 9 MVA at Meghalaya plant	Jan-12	200	200	

CPIL to De-merge Cement and Ferro Alloys business

The management plans to demerge its cement and ferrous alloys business into a separate entity, 'Star ferro and cement ltd' (SFCL), which would be a 100% owned subsidiary of Century Plyboards India Ltd (CPIL). The remaining businesses including plywood, laminate, veneer and allied products would continue to belong and managed by CPIL. The management is of the view that this business reorganisation would realign the different verticals, simplify and rationalise the holding structure and result in creation of more focussed entities. The scheme of arrangement between CPIL and SFCL for demerger of cement and ferro alloys business into a separate entity SFCL with effect from 1st April, 2011 has been approved by the board of directors on March 28 and filed with the stock exchanges. The existing shareholder of CPIL will be entitled to 1 equity share of SFCL for their holding of 1 share in CPIL.

Delay in cement capex leads to earnings downgrade- however capacity expansion advantage in structurally deficit NER region remains intact - Maintain BUY

Due to operational delays commissioning of Cement Grinding unit project at Kahalgaon is pushed by 3 months – expected in Jun-12 (Mar-12 earlier) , which has led to downgrade in our volume numbers for CMCL for FY12E/13E . Consequently we revise our earnings downward for FY12E/13E by 5.4%/2.9% and revise price target by -2.4% to Rs82(Rs 84 earlier).

However we believe that advantage CPL was to derive from the cement demand supply gap in the structurally deficit NER region post its cement capacity expansion remains intact. Further its new CFS at Jinjira pole at Kolkata with a capacity of 1,20,000 TEUs is expected to fuel its growth aspirations and lead to significant improvement in its return ratios. At current levels, stock trades at 6.6X PER and 4.4X EV/EBIDTA on FY13 numbers. We continue to maintain BUY rating on the stock with revised target price of Rs82.

Key Financials**Income Statement**

Y/E, Mar (Rs. m)	FY10	FY11	FY12E	FY13E
Net Sales	11625	14289	16993	24478
<i>Growth (%)</i>	11.8	22.9	18.9	44.0
Expenditure	9169	11797	14299	19696
Cost of Materials	4659	5761	7498	9479
Personnel Expenses	826	1036	1118	1403
Other Exp	3684	5000	5683	8814
EBITDA	2456	2492	2694	4783
<i>Growth (%)</i>	31.8	1.5	8.1	77.5
EBITDA margin (%)	21.1	17.4	15.9	19.5
Depreciation	452	508	584	1417
EBIT	2004	1984	2110	3365
EBIT margin (%)	17.2	13.9	12.4	13.7
Other income	296	87	130	221
Interest	252	232	236	1019
PBT	2048	1838	2005	2567
Total Tax	379	372	150	253
<i>Effective tax rate (%)</i>	18.5	20.3	7.5	9.9
Adjusted PAT	1832	1897	1854	2314
<i>Growth (%)</i>	51.8	3.6	-2.3	24.8
Net Margin (%)	15.4	13.2	10.8	9.4
(Profit)/loss from JV's/Ass/MI	370	351	283	296
PAT after MI	1462	1546	1571	2018
E/O items				
Reported PAT	1462	1546	1571	2018
<i>Growth (%)</i>	59.2	5.8	1.6	28.5

Cash Flow

Y/E, Mar (Rs. m)	FY10	FY11	FY12E	FY13E
Pre-tax profit	1752	1752	1875	2346
Depreciation	452	508	584	1417
Interest Provided	252	232	236	1019
Other Prov & W/O	0	-31	0	0
Chg in working cap	-358	-1038	396	-2404
Tax & other	-367	59	-150	-253
Operating cash flows	1730	1481	2940	2126
Capital expenditure	-1588	-3170	-6358	-2091
Free Cash Flow	142	-1689	-3419	35
Other income	296	87	130	221
Investments	-1	-51	-168	-168
Investing Cashflow	-1293	-3135	-6396	-2037
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	138	1643	5230	-287
Interest Paid	-252	-232	-236	-1019
Dividend paid (incl tax)	-103	-269	-222	-298
Income from investments	0	0	0	0
Others				
Financing Cashflow	-216	1486	4772	-1604
Net chg in cash	105	-167	1316	-1516
Opening cash position	390	495	368	1684
Closing cash position	495	368	1684	169

Balance Sheet

Y/E, Mar (Rs. m)	FY10	FY11	FY12E	FY13E
Equity share capital	228	228	228	228
Reserves & surplus	4639	6061	7409	9129
Networth	4867	6289	7637	9356
Minority Interest	1240	1558	1841	2137
Secured Loans	3873	5418	10943	10656
Unsecured Loans	332	429	134	134
Loan Funds	4204	5847	11077	10790
Deferred tax liability	14	7	7	7
Total Liabilities	10325	13700	20562	22290
Gross Block	5455	6756	14899	17960
Less: Depreciation	1960	2494	3077	4495
Net block	3495	4262	11821	13465
Capital WIP	365	181	1512	541
Investment	5	56	224	391
Current Assets	6640	8025	9778	11941
Inventories	2105	2517	2578	3510
Sundry Debtors	1286	1522	2244	3689
Cash and Bank bal	495	368	1684	169
Loans and Advances	1380	2235	1890	3193
Other Current assets	1374	1383	1381	1381
Current lia & Prov	1494	2192	3024	4299
Current liabilities	1403	1877	2710	3985
Provisions	91	314	314	314
Net current assets	5146	5833	6754	7642
Misc. exp	2	2	2	2
Total Assets	10325	13700	20562	22291

Key Ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
Profitability (%)				
EBITDA Margin	21.1	17.4	15.9	19.5
Net Margin	15.4	13.2	10.8	8.2
ROCE	24.2	17.3	13.1	16.8
ROE	34.5	27.8	22.6	23.8
RoIC	26.0	22.2	15.9	17.8
Per Share Data (Rs)				
EPS	6.6	7.0	7.1	9.1
CEPS	8.6	9.2	9.7	15.5
BVPS	21.9	28.3	34.4	42.1
DPS	1.0	1.0	0.9	1.1
Valuations (x)				
PER	9.0	8.5	8.4	6.6
P/CEPS	6.9	6.4	6.1	3.8
P/BV	2.7	2.1	1.7	1.4
EV / Sales	1.2	1.1	1.0	0.8
EV / EBITDA	6.7	7.0	7.4	4.4
Dividend Yield (%)	1.7	1.7	1.4	1.9
Gearing Ratio (x)				
Net debt/ Equity	0.8	0.9	1.2	1.1
Net Debt/EBIDTA	1.5	2.2	3.4	2.2
Working Cap Cycle (days)	59.5	47.2	38.6	43.2

Recommendation History: Century Plyboards (India) – CPBI IN

Date	Reports	Reco	CMP	Target
22/07/2011	Century Plyboards Q1FY12 Result Update	Buy	72	84
26/05/2011	Century Plyboards Q4FY11 Result Update	Buy	65	75
08/02/2011	Century Plyboards Q3FY11 Result Update	Buy	56	80
01/11/2010	Century Plyboards Q2FY11 Result Update	Buy	68	80

Recent Research Reports

Date	Reports	Reco	CMP	Target
24/10/2011	Grasim Industries Q2FY12 Result Update	Accumulate	2,362	2,700
20/10/2011	Ultratech Cement Q2FY12 Result Update	Hold	1,111	1,170
19/10/2011	Cement Sector Update			
30/08/2011	Shree Cement Management Meet Update	Accumulate	1,641	2,050

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