

Century Plyboards (India) Ltd

Forex loss impacts profitability

Fundamental Grade **3/5 (Good fundamentals)**

Valuation Grade **4/5 (CMP has upside)**

Industry **Industrial Conglomerates**

Century Plyboards (India) Ltd's (Century Plyboards') Q3FY12 revenues were marginally above CRISIL Research's expectations. However, higher interest cost and foreign exchange loss impacted profitability. We maintain the fundamental grade of **3/5**.

Q3FY12 result analysis

- Revenues grew by 19.8% y-o-y (up 11.7% q-o-q) to Rs 4,384 mn driven by growth across key segments. Plywood and allied products' revenues were up 26.1% y-o-y (plywood volumes – up 17%, realisations – up 7%), while cement revenues were up by 29.6% y-o-y (sales volumes – up 17%, realisations up 10%). Laminates and allied products' revenues grew by 54.2% y-o-y.
- Lower other expenditure (as a percentage of sales) offset the y-o-y increase in raw material cost, resulting in flat EBIT margins. EBIT margin for the plywood business increased 280 bps y-o-y on account of lower base but that of the cement business dropped by 90 bps due to higher raw material and freight costs. Margins of the laminate and logistics businesses were up 470 bps and 1050 bps y-o-y.
- Increase in interest cost - up by 102.5% y-o-y (up 50% q-o-q) due to higher cost of funds and increase in debt levels impacted profitability.
- The depreciation of the rupee during the quarter resulted in the company booking foreign exchange loss of Rs 316 mn.
- Tax expenses were negative Rs 12 mn on account of the creation of deferred tax assets. The tax for the period Apr-Dec 2011 has been significantly below our estimates. Minority interest declined by 26.2% y-o-y (up 115.8% q-o-q) during the quarter. Adjusted PAT increased by 34.1% y-o-y (down 12.1% q-o-q).

Earnings estimates revised

For FY12, we have marginally raised our revenue estimates on the back of strong sales growth across segments and reduced our EBITDA margin estimate by 60 bps. Also, we have revised our PAT estimates upwards by 8.4% for FY12 on the back of lower tax reported by the company. For FY13, we have lowered our revenue and profitability estimates as now we are not factoring in the commissioning of the grinding unit in Bihar.

Valuations: Current market price has upside

We continue to value Century based on the sum-of-the-parts method. We have rolled forward our estimates and lowered our fair value estimate to Rs 64 per share from Rs 73 per share. Our valuation grade is **4/5**.

KEY FORECAST

(Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
Operating income	12,159	14,316	16,607	22,828	26,401
EBITDA	2,532	2,576	2,554	3,840	4,732
Adj PAT	1,464	1,526	1,311	2,043	2,312
Adj EPS-Rs	6.6	6.8	5.9	9.2	10.4
EPS growth (%)	143.4	3.7	(14.1)	55.9	13.2
Dividend yield (%)	2.1	2.1	1.0	2.8	3.2
RoCE (%)	21.7	17.1	11.0	11.5	11.2
RoE (%)	27.3	21.9	15.9	21.0	19.4
PE (x)	8.6	8.3	9.7	6.2	5.5
P/BV (x)	2.1	1.6	1.5	1.2	1.0
EV/EBITDA (x)	6.9	7.6	9.0	7.8	6.1

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

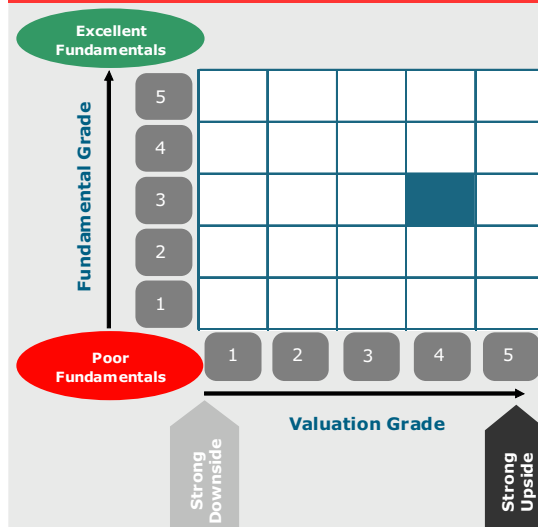


February 20, 2012

Fair Value **Rs 64**

CMP **Rs 57**

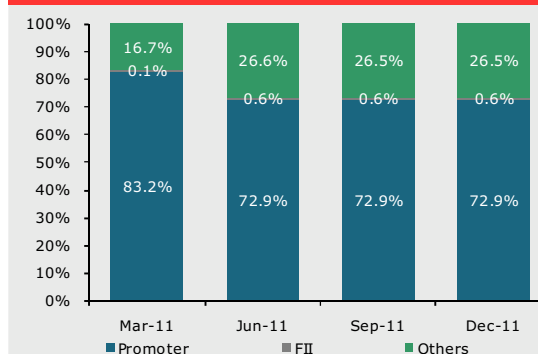
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5564/18289
NSE / BSE ticker	CENTURYPLY/ CENTPLY
Face value (Rs per share)	1
Shares outstanding (mn)	223.2
Market cap (Rs mn)/(US\$ mn)	12,721/253
Enterprise value (Rs mn)/(US\$ mn)	18,027/358
52-week range (Rs) (H/L)	77/45
Beta	0.79
Free float (%)	27.1%
Avg daily volumes (30-days)	36,707
Avg daily value (30-days) (Rs mn)	3.5

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
CENTURY	6%	11%	-12%	-2%
NIFTY	12%	13%	10%	0%

ANALYTICAL CONTACT

Chetan Majithia (Head) chetanmajithia@crisil.com

Prateek S Chauhan pchauhan@crisil.com

Vishal Rampuria vrampuria@crisil.com

Client servicing desk

+91 22 3342 3561

clientservicing@crisil.com