# CHAIRMAN'S OVERVIEW

Dear Shareholders

**OVERVIEW**

In 2019-20, India reported its slowest GDP growth in 11 years.

India's real estate sector remained subdued. Consumer spending was muted. Commercial office activity could have been stronger.

Despite these challenges, Centuryply reported revenue growth of 1% and protected its PAT even as margins declined.

Towards the close of the financial year under review, our performance was affected by the nationwide lockdown on account of the Covid-19 pandemic, the effects of which extended into the current financial year.

The only safeguard employed by our Company in this uncertain environment was a willingness to transform and adapt with agility.

**REVIEWING OUR PERFORMANCE, 2019-20**

A number of years ago, we broad-based our product platform from an excessive dependence on plywood to adjacent product categories.

The result is that during the year under review, we possessed a wide and deep presence across plywood, laminates, medium density fibre and particle boards. This platform reinforced our positioning as an interior infrastructure player providing consumers with choice, room to upgrade and a portfolio to suit every budget.

This positioning stood the Company in good stead during the year under review. Even as demand from new home buyers and real estate projects remained weak translating into a weaker plywood offtake across our premium brands, our affordable Sainik range reported attractive traction. The result is that our price-sensitive market warriors grew attractively.

Century's laminates generated a respected recall in India's organised laminates segment. The Company emerged as a prominent player in the 1 mm laminate segment. In just five years, the Company increased its laminates capacity 60%, a validation of its growing acceptance. Despite the prevailing headwinds during the year under review, the Company's laminates business reported over 5% revenue growth during the year under review.

The last couple of years were challenging for the Indian MDF sector. This was on account of cheaper imports, domestic oversupply and weaker realisations. Despite these challenging realities, our MDF business reported a capacity utilisation of around 82%, among the highest in India's competitive MDF sector. The business leveraged the Century brand to carve out a sizable OEM presence, the principal MDF demand driver. We believe that these OEM relationships should translate into multi-year revenues. Our particle board unit operated at 116% of its capacity and the Company intends to invest in a greenfield unit in Uttar Pradesh.

The Company's CFS business continued to perform creditably despite headwinds in global trade. The Kolkata Port reported another busy year in 2019-20; our business delivered more than 38% capacity utilisation. The CFS business is margins-accretive and profitable. During the year under review, our CFS business reported revenues of ₹86.5 crore and EBITDA of ₹29.22 crore; our 33.8% EBITDA margin compared favourably with 32.4% in 2018-19.

Centuryply ended 2019-20 with a strong Balance Sheet. Despite over ₹835 crore in capital expenditure in five years, long-term debt on the Company's books stood at less than ₹53 crore corresponding to a total debt-equity ratio of 0.18 and long-term debt equity ratio of 0.05. Our inventory optimisation initiatives helped moderate working capital and corresponding limits from bankers. We continued to widen and deepen our pan-India distribution network.

The result is that Centuryply was rightly-sized in the middle of a prevailing slowdown and lockdown to stay viable and liquid through this challenging economic phase.

I must add here that as our Laos plant discontinued operations on account of impaired viability, the management took a conscious decision to make a one-time write-off that impacted our profitability in 2019-20. We have been engaged in discussions with a local Laos partner to commence operations and restore viability.

**CHALLENGES AHEAD**

A lockdown was imposed across India starting the last week of March 2020, which extended into the first quarter of the current financial year. Our operations were discontinued immediately; we resumed operations across all our plants from May 2020 and reported a

35% capacity utilisation for May 2020 and 60% for June 2020.

The year 2020-21 will be challenging on account of the prevailing uncertainty. Apartment sales hit a multi-year low; new commercial office signings could remain subdued; interiors revamp may not be a priority during the current financial year. The declining labour availability is expected to affect interior construction and fit-outs, which largely influence the offtake of our products.

At Centuryply, we expect that the recovery could be faster for segments like MDF and particle boards, which find application in factory-made furniture utilising a lower proportion of manual labour. Besides, we expect that the demand for ready-made furniture will continue to grow, driven by the changing preference of Indian consumers who seek ease of purchase. With online retail growing rapidly, the furniture retail momentum is likely to sustain.

**OUTLOOK**

Despite the prevailing headwinds, India's economic fundamentals remain strong. The relief package announced by the Indian government is expected to revive the economy across the medium-term coupled with the government's focus on affordable housing. We expect that plywood will grow for the affordability, availability and accessibility of customised furniture. At Centuryply, we will deepen our distribution network to restore sales to pre-Covid levels. Besides, our sales force automation is directed to enhance employee productivity. We strengthened our environment sustainability through the installation of rooftop solar panels across our manufacturing units.

**NOTE OF THANKS**

I must assure our stakeholders that we have built our business with the long-term objective to emerge as Sarvada Sarvottam (The best always). This should empower us to remain the last person standing during a business trough and be the first off the blocks during a revival. We believe that this desired positioning will be validated during a challenging 2020-21. As soon as growth returns, we expect to start enhancing value in an attractive way once again.

**Sajjan Bhajanka**
*Chairman*