

November 16, 2024

RESULT REPORT Q2 FY25 | Sector: Building Materials

Century Plyboards (I) Ltd

Commendable growth in plywood, other segments drag!

Result Synopsis

Century Plyboards Ltd (CPBI), reported highest-ever topline of Rs11.84Bn, a growth of 19%YoY. However, operating margins contracted to multi-year low at 9.4% owing to elevated timber cost and higher operating cost of newly commenced laminates and MDF plant. Further, higher depreciation & finance cost weighed on net profit.

Plywood, the core-segment of CPBI displayed stellar performance. Company's plywood biz (57% revenue; 86% EBITDA), reported topline growth of 21%YoY driven by 19% volume growth (2-year volume CAGR stood at 13%) & 1.5% improvement in ASP. EBITDA margins remained resilient at 15.2% Vs 13.5%/14.5% in Q2FY24/Q1FY25 respectively. In Laminates (14% revenue; 7% EBITDA), standalone volumes declined by 10%YoY while ASP improved by 2%YoY which led to revenue degrowth of 8%YoY. Standalone margins contracted to 7.1% Vs 11.7%/13% in Q2FY24/Q1FY25 respectively. On a consolidated basis, volumes degrew by 9%YoY (2-year volume CAGR stood at -2%) and revenue degrew by 6%YoY. EBITDA margins contracted steeply to 4.7% Vs 11.7%/10.8% in Q2FY24/Q1FY25 respectively due to commencement of new plant and higher promotional spends. MDF biz (24% revenue; 6% EBITDA), revenue grew by 36.5%YoY wherein volumes grew massively by 75%YoY (2-year volume CAGR stood at 44%) while ASP contracted by 22%YoY to Rs28,513/cbm. Operating margins came in at 2.5% Vs 26.5%/7.6% in Q2FY24/Q1FY25 respectively due to higher timber cost and elevated competition. On standalone basis, MDF revenue remained flattish YoY at Rs1.91Bn driven by volume growth of 16%YoY and ASP declined to Rs30,493/cbm. For particle boards, revenue increased by 4%YoY wherein volumes grew by 8%YoY & ASP declined by 5% over similar period. Margins came in at 5% as compared to 22.6%/18.8% in Q2FY24/Q1FY25 respectively.

Management Guidance

Management revised their annual guidance owing to tepid H1FY25. Hence, company expects Plywood/Laminates/MDF/Particle boards to grow by 12%/10%/40%+/flattish for H2FY25 and margins should come in at 12-14%/10-12% (standalone)/15% (standalone)/12-14% respectively.

Our View

We have largely maintained our estimates for plywood division however, we have revised our margin estimated downwards for Laminates, MDFs and Particle boards which has led to our FY25E/FY26E EPS cuts of 32.5%/13% respectively. Though topline growth for each segment is likely to be strong wherein Plywood/Laminates/MDF/Particle boards are expected to report 15%/17%/32%/16% respectively, we expect margins to remain under check owing to elevated timber cost & initial operating cost.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	11,836	10,538	10,976	12.3	7.8	Revenue above estimate but miss on profitability front
EBITDA	1,113	1,157	1,312	(3.8)	(15.2)	
EBITDA Margin (%)	9.4	11.0	12.0	(157 bps)	(255 bps)	
Adjusted PAT	400	566	697	(29.4)	(42.6)	

Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 749
Target Price	: Rs 880
Potential Return	: +17.4%

Stock data (as on Nov 14, 2024)

Nifty	23,533
52 Week h/l (Rs)	935 / 622
Market cap (Rs/USD mn)	166,330 / 1,970
Outstanding Shares (mn)	222
6m Avg t/o (Rs mn):	176
Div yield (%):	0.1
Bloomberg code:	CPBI IN
NSE code:	CENTURYPLY

Stock performance



	1M	3M	1Y
Absolute return	-16.9%	4.1%	17.6%

Shareholding pattern (As of Sep'24 end)

Promoter	72.6%
FII+DII	21.4%
Others	6.0%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	NEUTRAL
Target Price	880	701

Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	9.1	17.4	25.1
EPS (Old)	13.5	20.0	-
% change	-32.5%	-13.1%	-

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	43,460	52,676	62,881
YoY Growth	11.8	21.2	19.4
EBITDA	4,547	7,287	9,491
EBITDA (%)	10.5	13.8	15.1
PAT	2,019	3,873	5,592
YoY Growth	(37.9)	91.8	44.4
ROE	8.8	15.0	18.5
EPS	9.1	17.4	25.1
P/E	82.5	43.0	29.8
BV/Share	107.5	123.9	148.0
P/BV	7.0	6.0	5.1

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Hence, we expect overall Revenue/EBITDA to grow by 17%/22% respectively. However, owing to higher depreciation cost due to commencement of new plants, we believe PAT growth should come in at 20% CAGR. Post factoring-in respectable growth over FY24-FY27E, at CMP the stock trades at rich P/E(x) of 43x/30x on FY26E/FY27E EPS of Rs17.4/25.1 respectively. We continue to value the company at P/E(x) of 35x on FY27E EPS, arriving at a target price of Rs880 hence, we upgrade the stock to an ADD rating.

Result Highlights

- Revenue stood at Rs11.84Bn, a growth of 19%YoY (above our est by 12% & consensus est by 8%).
- EBITDA margins came in at 9.4% (Vs our est of 11% & consensus est of 12%) as compared to 14.5%/11.1% in Q2FY24/Q1FY25 respectively. Absolute EBITDA declined by 23%YoY.
- Net profit stood at Rs400Mn, a sharp decline of 59%YoY (steeply below our & consensus est).

Segmental Highlights for Q2FY25

- **Plywood** (56% revenue) reported growth of 21%YoY to Rs6.65Bn. EBIT margins came in at 13.7% Vs 13.1%/15.1% in Q2FY24/Q1FY25 respectively.
- **Laminates** (14% revenue) registered a decline of 6%YoY to Rs1.62Bn. EBIT margins came in at mere 0.8% Vs 10.8%/6.9% in Q2FY24/Q1FY25 respectively.
- **MDF** (23% revenue) reported a growth of 36%YoY to Rs2.68Bn. Company registered EBIT loss of Rs56Mn Vs profit of Rs31Mn in previous quarter & Rs452Mn in Q2FY24.
- **Particle Boards** (3% revenue) reported a growth of 4%YoY. EBIT margins came in at 3% Vs 21.2%/16.8% in Q2FY24/Q1FY25 respectively.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	% yoy	% qoq	H1 FY24	H1 FY25	% yoy
Revenue	8,910	9,968	9,374	10,607	10,054	11,836	18.7	17.7	18,878	21,890	16.0
Expenditure	7,578	8,525	8,313	9,124	8,942	10,723	25.8	19.9	16,103	19,665	22.1
- RM	4,601	5,142	4,953	5,657	5,382	6,508	26.6	20.9	9,743	11,890	22.0
- Staff Cost	1,310	1,343	1,340	1,405	1,596	1,733	29.0	8.6	2,653	3,329	25.5
- Other cost	1,667	2,040	2,020	2,061	1,964	2,482	21.7	26.4	3,707	4,446	19.9
Operating Profit	1,332	1,443	1,061	1,484	1,112	1,113	(22.9)	0.1	2,775	2,225	(19.8)
OPM(%)	14.9	14.5	11.3	14.0	11.1	9.4	(507 bps)	(165 bps)	14.7	10.2	(453 bps)
Other Income	122	146	93	78	84	(25)	(116.9)	(129.3)	267	59	(77.8)
Depreciation	231	234	229	254	336	336	43.8	(0.1)	464	672	44.8
Interest	61	61	83	102	150	172	180.5	15.2	123	322	162.0
Impairment	-	-	-	111	-	-	-	-	-	-	-
Exceptional	-	-	-	-	133	-	-	-	-	133	-
PBT	1,161	1,294	842	1,095	577	580	(55.1)	0.6	2,455	1,157	(52.9)
Tax	290	322	215	311	236	181	(44.0)	(23.4)	612	416	(32.0)
PAT	871	972	627	784	341	400	(58.8)	17.2	1,843	741	(59.8)
OCI	(1)	(27)	(9)	35	(28)	(23)	NM	NM	(28)	(51)	NM
Reported PAT	871	944	618	819	314	376	(60.1)	20.0	1,815	690	(62.0)
Adjusted PAT	871	972	627	784	474	400	(58.8)	(15.7)	1,843	741	(59.8)

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Particulars	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	% yoy	% qoq	H1 FY24	H1 FY25	% yoy
Plywood											
Revenue (Rs mn)	4,886	5,416	5,111	6,057	5,615	6,557	21.1	16.8	10,302	12,172	18.2
EBITDA (Rs mn)	666	730	495	928	815	999	36.7	22.6	1,397	1,814	29.9
EBITDA%	13.6	13.5	9.7	15.3	14.5	15.2	175 bps	72 bps	13.6	14.9	134 bps
Laminates											
Revenue (Rs mn)	1,558	1,717	1,619	1,672	1,540	1,616	(5.9)	4.9	3,276	3,156	(3.7)
EBITDA (Rs mn)	157	201	198	173	166	77	(61.8)	(53.7)	357	242	(32.2)
EBITDA%	10.0	11.7	12.2	10.3	10.8	4.7	(694 bps)	(601 bps)	10.9	7.7	(323 bps)
MDF											
Revenue (Rs mn)	1,669	1,967	1,876	1,972	2,095	2,684	36.5	28.1	3,636	4,779	31.4
EBITDA (Rs mn)	437	521	360	326	159	68	(87.0)	(57.4)	957	227	(76.3)
EBITDA%	26.2	26.5	19.2	16.5	7.6	2.5	(2395 bps)	(508 bps)	26.3	4.8	(2158 bps)
Particle Boards											
Revenue (Rs mn)	395	384	368	425	367	401	4.4	9.2	778	767	(1.4)
EBITDA (Rs mn)	90	87	58	84	69	20	(77.5)	(71.8)	176	89	(49.7)
EBITDA%	22.7	22.6	15.8	19.8	18.8	4.9	(1771 bps)	(1397 bps)	22.6	11.5	(1110 bps)
Others											
Revenue (Rs mn)	109	134	124	131	135	152	14.1	13.3	242	287	18.6
EBITDA (Rs mn)	11	20	18	13	12	(5)	(124.5)	(139.5)	31	8	(76.0)
EBITDA%	10.3	15.0	14.1	10.1	9.2	(3.2)	(1818 bps)	(1243 bps)	12.9	2.6	(1027 bps)

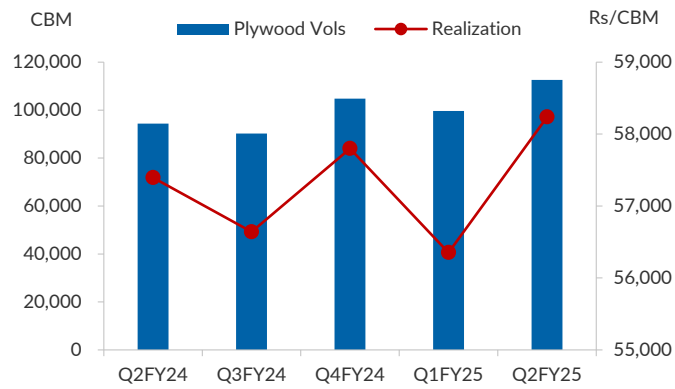
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Management has guided for YoY growth in consolidated volumes of 12%/10%/40%+/flattish for Plywood/Laminates/MDF/PB respectively for H2FY25 and standalone margins are expected to be 12-14%/10-12%/15%/12-14% respectively. On a consol basis, MDF margin would be ~10% by Q4FY25.
- Plywood saw increased growth owing to better product mix. Company also took a price hike of 2% on 1st Aug'24 and may take a further price hike contingent on market conditions.
- Company's plywood market share has increased from 4-4.5% a few years ago to ~8.5% presently and company has a target to increase it further to 13-14%. Company has been able to increase market share as it imports RM for plywood in an environment of low RM availability that posed a challenge for unorganized players.
- Company has lost market share in the domestic laminates industry owing to higher competitive intensity. Margins declined due to higher marketing spend as company released new product catalog.
- Laminates AP plant is expected to operate at ~50% utilization in H2FY25 with an EBITDA margin of ~10%. In FY26, company expects the plant to operate at 66%+ utilization and mainly cater to exports.
- MDF AP plant is expected to be EBITDA positive by Q3FY25 and a double digit margin in Q4FY25. Currently, the plant of 20,000cbm/month is operating at a utilization of 55-60%. Company is undertaking capacity extension at the plant that would be completed in the next 2 quarters and post this company will have a production of 20,000-24,000cbm/month that will mainly cater to domestic demand.
- Company took a price increase in MDF of 3% on a blended pan India basis.
- Company is not expecting any incremental capacity additions in MDF post FY25 and expects industry demand to grow at 15-20%.
- MDF imports run rate earlier was 25,000-30,000cbm/month that declined to 15,000-20,000cbm/month in Q1FY25. Q2FY25 was slightly lower and Oct'24 was higher but company does not see imports going back to 30,000cbm/month levels. Currently, landed cost of imports of lowest end MDF is \$205-208/CBM of which port handling charges is ~5-7% & freight is ~30-40%.
- New PB plant with capacity of 800cbm/day will commence in Q4FY25 and result in shutdown of current plant of 250cbm/day. Capacity utilization is expected to be 50-55% within 1 year of operation. PB margins are expected to improve post this as new plant will be more cost efficient. Additionally, RM cost would reduce as company is backwardly integrating to manufacture 100% of RM required in-house.
- Company is planning to set up plant for resins and formaldehyde mainly to ensure consistent quality of RM which would also result in some cost savings.
- PVC board plant is expected to contribute Rs1Bn to topline at peak utilization.
- Timber prices are expected to continue in an upward trend at least for the next 12-18 months after which it may reduce. South currently has an acute shortage while prices in North may stabilize sooner.
- Company expects BIS implementation for all its products in Feb'25.
- Total forex loss for the quarter was Rs10Mn on a standalone basis and Rs130Mn on a consol basis.
- China has a total annual plywood/MDF/PB capacity of 170Mn/50-60Mn/45-50Mn cbm respectively. India's current annual plywood capacity stands at ~10Mn cbm.
- Company's capex cycle will be completed by Q4FY25 and expects to pay off the debt in 12-18 months starting FY26.

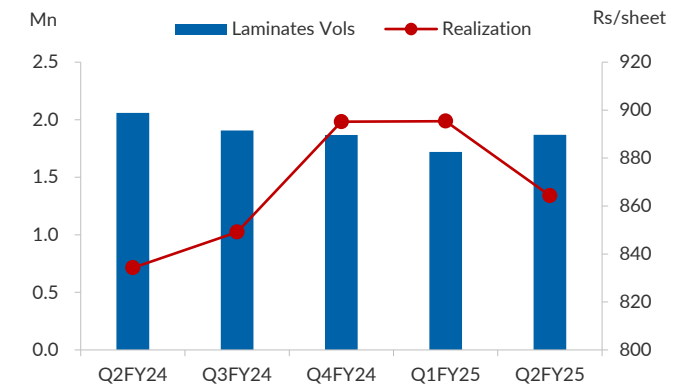
QUARTERLY TRENDS

Exhibit 4: Plywood volume increased by 19%YoY...



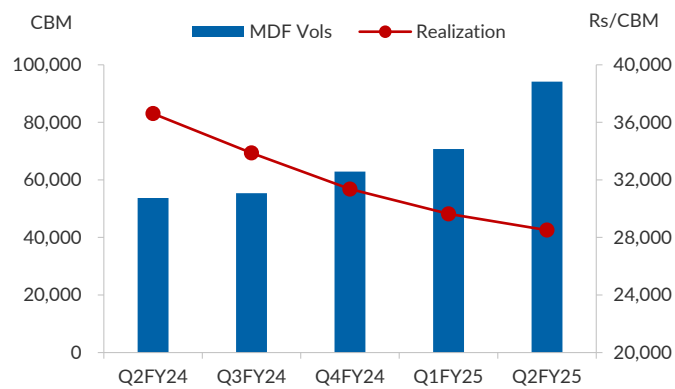
Source: Company, YES Sec

Exhibit 5: Laminates volume degrew by 9%YoY...



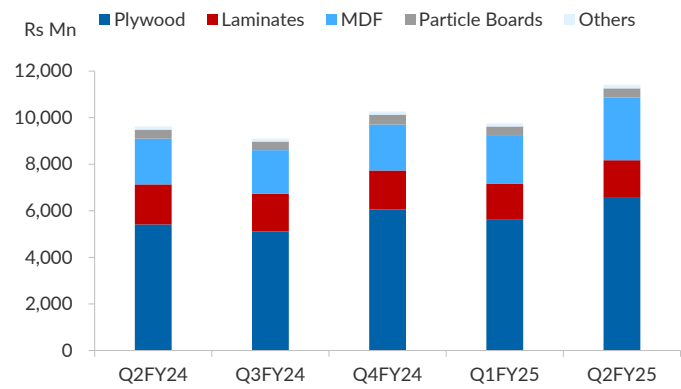
Source: Company, YES Sec

Exhibit 6: MDF volume grew by 75%YoY...



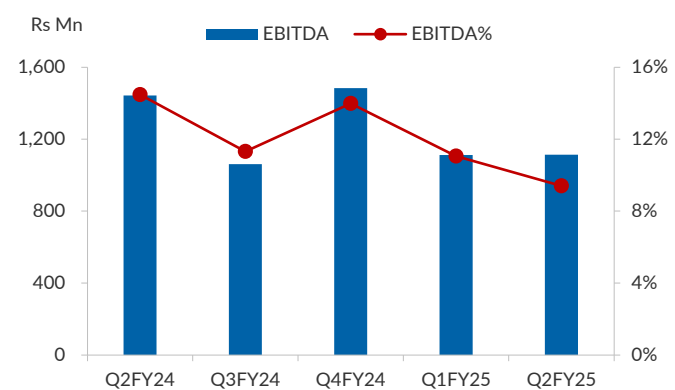
Source: Company, YES Sec

Exhibit 7: Overall revenue was up by 19%YoY...



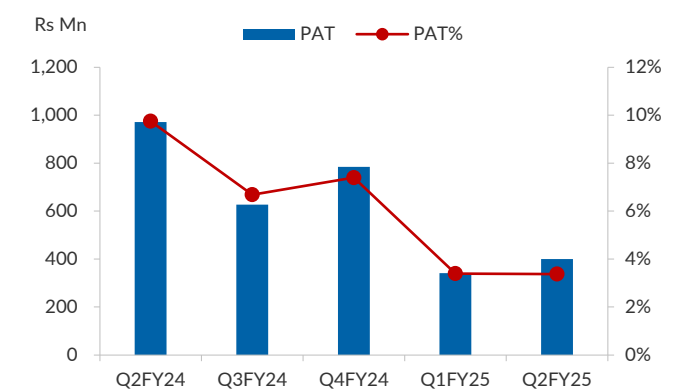
Source: Company, YES Sec

Exhibit 8: Blended margin came in at 9.4%...



Source: Company, YES Sec

Exhibit 9: Net profit stood at Rs400Mn...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	36,465	38,859	43,460	52,676	62,881
Growth (%)	20.5%	6.6%	11.8%	21.2%	19.4%
EBITDA	5,587	5,209	4,547	7,287	9,491
EBITDA margin (%)	15.3%	13.4%	10.5%	13.8%	15.1%
Growth (%)	5.2%	(6.8%)	(12.7%)	60.3%	30.2%
Depreciation & Amortization	775	947	1,449	1,753	1,835
Other income	477	439	203	259	300
EBIT	5,289	4,700	3,301	5,794	7,955
EBIT margin (%)	14.5%	12.1%	7.6%	11.0%	12.7%
Interest	170	308	608	630	500
PBT	5,119	4,392	2,693	5,164	7,456
Tax	1,349	1,138	673	1,291	1,864
Net profit	3,770	3,254	2,019	3,873	5,592
Net profit margin (%)	10.3%	8.4%	4.6%	7.4%	8.9%
EPS	17.3	14.6	9.1	17.4	25.1
Growth (%)	21.9%	(15.4%)	(37.9%)	91.8%	44.4%

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
Equity Share Capital	223	223	223	223	223	223
Reserves	18,850	21,894	22,342	23,692	27,343	32,713
Total Shareholders' Funds	19,072	22,117	22,565	23,914	27,565	32,935
Non-current liabilities						
Long term borrowings	19	1,570	2,326	2,054	2,054	2,054
Other Non-current Liabilities	428	520	567	520	520	520
Current liabilities						
Short term borrowings	3,137	5,615	9,207	8,131	7,333	4,938
Trade payables	2,749	2,856	3,338	3,602	4,293	5,178
Other financial liabilities	1,683	2,427	2,091	2,427	2,427	2,427
Total equity and liabilities	27,162	35,577	41,251	41,623	45,167	49,027
Non-current assets						
PPE	10,610	19,056	19,380	23,607	23,854	23,019
CWIP	2,362	2,666	5,695	2,666	2,666	2,666
Current assets						
Inventories	5,290	6,456	7,607	7,204	8,586	10,357
Trade receivables	3,903	4,168	4,924	4,661	5,650	6,744
Cash	2,782	671	369	925	1,850	3,681
Loans and advances	25	25	25	25	25	25
Other current assets	944	1,448	1,900	1,448	1,448	1,448
Total assets	27,162	35,577	41,251	41,623	45,167	49,027

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
PBT	5,119	4,392	1,157	2,693	5,164	7,456
Depreciation & Amortization	775	947	672	1,449	1,753	1,835
Finance cost	170	308	322	608	630	500
(Incr)/Decr in Working Capital	(467)	(1,958)	(2,150)	(495)	(1,680)	(1,980)
Taxes	(1,131)	(1,177)	(404)	(673)	(1,291)	(1,864)
Cash from ops.	4,379	2,517	(234)	3,581	4,576	5,947
(Incr)/ Decr in PP&E	(4,830)	(8,446)	(4,457)	(6,000)	(2,000)	(1,000)
Cash Flow from Investing	(4,796)	(5,781)	(4,355)	(6,000)	(2,000)	(1,000)
(Decr)/Incr in Borrowings	915	4,049	4,318	3,000	(798)	(2,395)
Finance cost	(129)	(254)	(296)	(608)	(630)	(500)
Dividend	(333)	(222)	(222)	(222)	(222)	(222)
Cash Flow from Financing	389	3,530	4,301	2,672	(1,650)	(3,117)
Incr/(Decr) in cash	(29)	266	(288)	253	926	1,830
Cash and cash equivalents at beg of year	170	141	407	671	925	1,850
Cash and cash equivalents at end of year	141	407	119	925	1,850	3,681

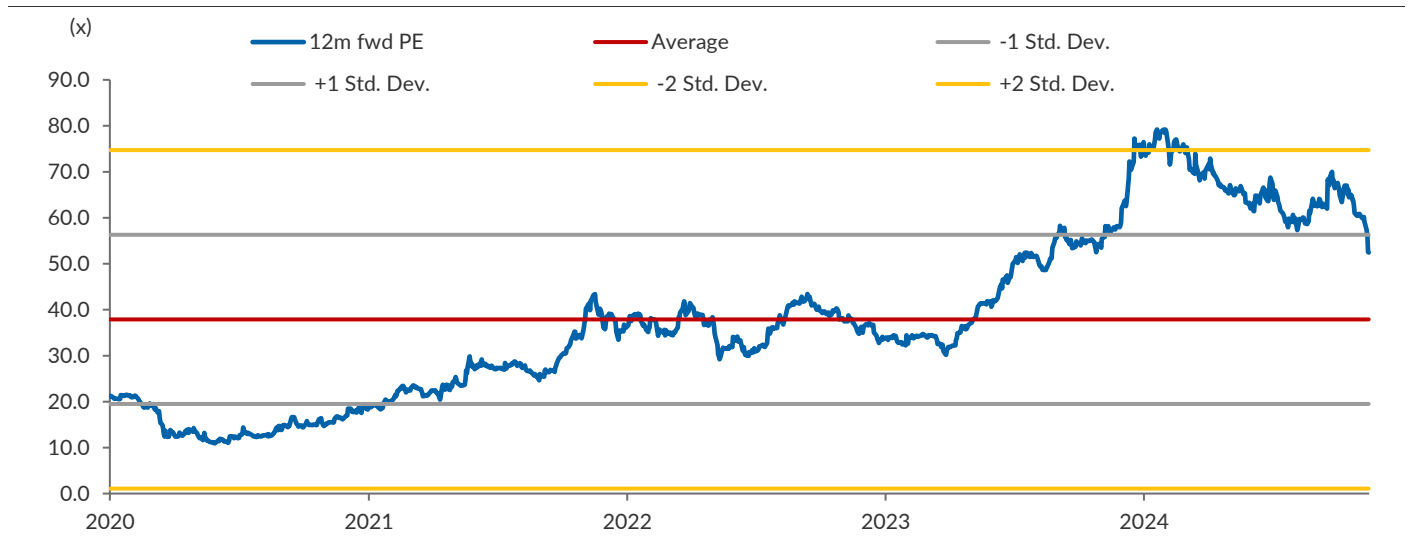
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue growth	20.5%	6.6%	11.8%	21.2%	19.4%
EBITDA growth	5.2%	(6.8%)	(12.7%)	60.3%	30.2%
EBIT growth	14.5%	12.1%	7.6%	11.0%	12.7%
PAT growth	19.2%	(13.7%)	(37.9%)	91.8%	44.4%
Profitability ratios (%)					
EBITDA margin	15.3%	13.4%	10.5%	13.8%	15.1%
EBIT margin	14.5%	12.1%	7.6%	11.0%	12.7%
PAT margin	10.5%	8.4%	4.6%	7.4%	8.9%
RoCE	29.7%	21.2%	12.6%	19.7%	23.5%
RoE	21.8%	15.8%	8.8%	15.0%	18.5%
Per share values					
EPS	17.3	14.6	9.1	17.4	25.1
CEPS	20.4	18.9	15.6	25.3	33.4
BVPS	85.7	99.4	107.5	123.9	148.0
Valuation ratios (x)					
P/E	29.7	43.8	82.5	43.0	29.8
P/CEPS	25.1	33.9	48.0	29.6	22.4
P/B	6.0	6.4	7.0	6.0	5.1
EV/EBITDA	21.0	28.6	38.7	23.9	17.8
Leverage ratios (x)					
Debt/ Equity	0.2	0.3	0.4	0.3	0.2
Net debt/Equity	0.2	0.3	0.4	0.3	0.1
Net debt/EBITDA	0.5	1.3	2.0	1.0	0.3
Int coverage	31.2	15.3	5.4	9.2	15.9
NWC days					
Receivables	39	39	39	39	39
Inventory	101	116	110	110	110
Payables	52	51	55	55	55

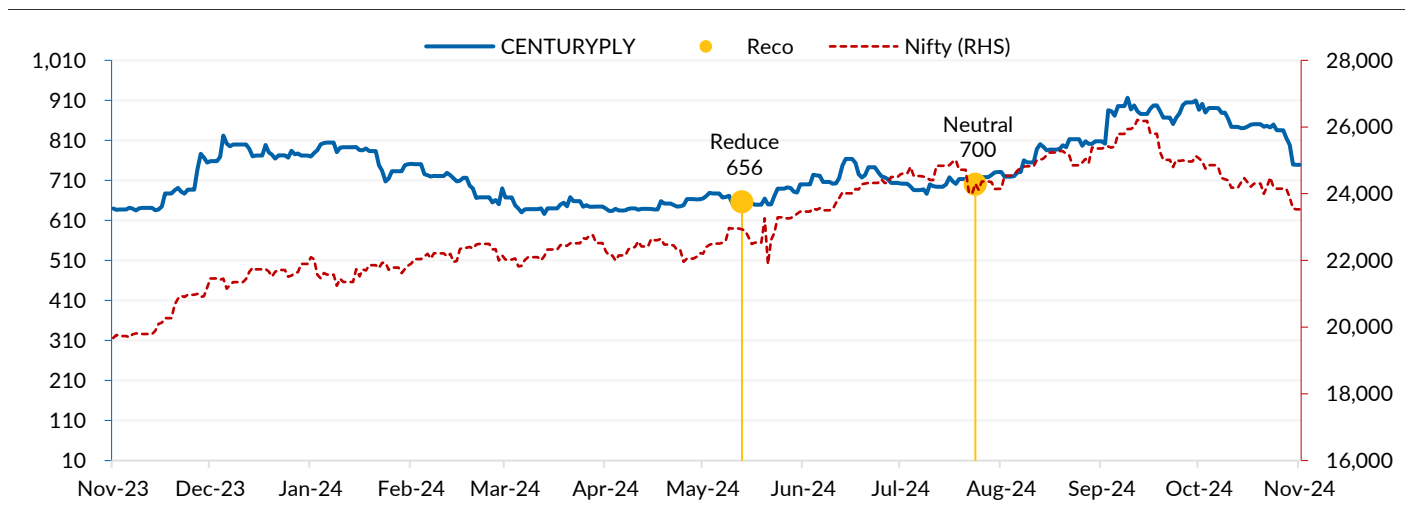
Source: Company, YES Sec

Exhibit 14: 1-year forward P/E (x) chart



Source: Company, YES Sec

Recommendation Tracker



STANDARD DISCLAIMER:

YES Securities (India) Limited, Registered Address: 2nd Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400055. Maharashtra, India | **Correspondence Add:** 7th Floor, Urmi Estate Tower A, Ganpatrao Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West), Mumbai - 400 013, Maharashtra, India. | Website: www.yesinvest.in | Email: customer.service@ysil.in

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