

# Century Plyboards | BUY

## Growth driven by Plywood & MDF; strong demand outlook ahead



In Q1FY25, Century Plyboards (CPBI) posted a Rev of INR 10bn, up 13% YoY (5 year CAGR of +12%) which was in-line JMFe mainly driven by strong growth in Ply boards and MDF. EBITDA was at INR 1bn down 17% YoY (5 year CAGR at +5%) while OPM at 11.1% vs. 14.9% YoY and 12.9% QoQ and was below JMFe mainly due to margins under pressure for MDF followed by laminates. Net profit was at INR 341mn down 61% YoY and Includes loss of INR 133mn relating to disposal of investment in foreign subsidiaries.

- Strong growth in Ply boards:** Revenue was up 14% YoY to INR 5.6bn (5 years CAGR of +12%, Greenply +8%) mainly driven by strong volume growth of c.13% YoY and improved mix + aggressive channel strategies along with better RM sourcing led to EBIT margin of 15.1% up 199bps YoY (Greenply EBITM +6.3%). CPBI has taken price hike of c.2% in August and c.2% in May'24 in order to pass on the RM prices. Currently Plywood utilisation is c.75%; management expects Revenue/Margins of c.10%/12-14% respectively in FY25.
- Strong volumes in MDF but with a drag on profitability:** MDF revenue was up 26% YoY to INR 2.1bn (5 years +18%, Greenpanel +18%) on the back of strong volume growth of c.47% however EBITDA margins (incl. AP plant) were at 7.6% vs. 26.2% YoY and 16.5% QoQ mainly due to intense competition, lower utilisation at AP and higher timber cost. However on Standalone basis OPM was at 14.1% vs 26.2% YoY. Timber prices in North was 6.5-7/kg while in South was c.5.5-6/kg. Management expects with Andhra MDF to ramp up from Q2 (Q1 at <20% utilisation); margins to come back to 15%. Also; the AP plant will focus more on Pre-lam MDF which will result in better margins going ahead. Guided for revenue/margins of 40%/15% respectively for FY25. (JMFe OPM of c.14%)
- Muted demand impacted laminate performance:** Revenue was down 1% YoY to INR 1.5bn (5 years CAGR of +8) and volumes were down c.6% mainly due to soft demand. However OPM (inc AP plant) was at 10.8% vs 10% YoY, margins improved due to value added laminate been produced at AP however due to lower utilisation the overall margins capped (SA OPM at 13.0%). Guided revenue/margins of c.20%/10-12% in FY25.
- Outlook & Valuation: Overall** we expect CPBI to deliver a revenue CAGR of c.15% over FY24-26 backed by: (1) Growth in real estate projects and pickup in private capex,, (2) CPBI's focus on increasing the share of value-added products across categories, (3) shift in demand to branded players from unbranded ones, (4) CPBI's core focus on increasing dealer/distributor throughput and (5) expanding the Sainik brand in tier-2 and below cities. In MDF we expect revenue CAGR of c.26% along with margins of 14%/18% over next 2 years mainly driven by (1) improving share of value –added, (2) not much capacity addition in the industry, (3) increasing use of readymade furniture and (4) ramp in AP MDF plant. Overall, we expect an earning CAGR of 26% over FY24-FY26. At CMP stock is trading at a PE of 48x/31x on FY25/FY26E earnings. We value CPBI at 35x on FY26 earning, to arrive at our target price of INR 810 upside of 15% and hence maintain BUY.

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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	810
Upside/(Downside)	14.5%
Previous Price Target	770
Change	5.2%

### Key Data – CPBI IN

Current Market Price	INR707
Market cap (bn)	INR157.1/US\$1.9
Free Float	27%
Shares in issue (mn)	222.5
Diluted share (mn)	222.5
3-mon avg daily val (mn)	INR147.3/US\$1.8
52-week range	850/594
Sensex/Nifty	79,468/24,298
INR/US\$	84.0

### Price Performance

%	1M	6M	12M
Absolute	-4.8	0.0	12.4
Relative*	-4.2	-10.1	-6.9

\* To the BSE Sensex

### Financial Summary

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	30,270	36,466	38,860	43,799	51,193
Sales Growth (%)	42.1	20.5	6.6	12.7	16.9
EBITDA	5,308	5,587	5,208	5,995	8,078
EBITDA Margin (%)	17.5	15.3	13.4	13.7	15.8
Adjusted Net Profit	3,132	3,841	3,253	3,268	5,144
Diluted EPS (INR)	14.1	17.3	14.6	14.7	23.1
Diluted EPS Growth (%)	63.8	22.6	-15.3	0.5	57.4
ROIC (%)	22.8	21.0	13.2	11.5	15.4
ROE (%)	22.2	22.1	15.8	13.8	18.8
P/E (x)	50.2	41.0	48.4	48.1	30.6
P/B (x)	10.1	8.2	7.1	6.3	5.3
EV/EBITDA (x)	29.6	28.3	31.5	27.5	20.0
Dividend Yield (%)	0.1	0.2	0.0	0.1	0.4

Source: Company data, JM Financial. Note: Valuations as of 07/Aug/2024

JM Financial Institutional Securities Limited

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
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## Concall key takeaways continued

- Taken a price hike of c.3% in Laminates in Aug'24 due increase in chemical prices and Kraft papers.
- PVC board to be started from May-25 and expect fast ramp up. Expect revenue of INR 1bn in FY26.
- Imported MDF does not match with the quality of domestic and to meet that quality, importers will have to increase 20% of their cost. Market in MDF is moving towards and hence over the course of 5 years; MDF margins will be c.25%.
- East and south region moving towards premium while West and North still consumes lower grade woodpanel.

## Exhibit 1. Change in estimates

Particulars (INR Mn)	Old Estimates		New Estimates		Change in Estimates	
	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	42,648	52,897	43,799	51,193	3%	-3%
EBITDA	5,822	8,068	5,995	8,078	3%	0%
Margins	13.7%	15.3%	13.7%	15.8%	-	-
PAT	3,592	5,388	3,268	5,144	-9%	-5%
EPS	16	24	14.7	23.1	-9%	-5%

Source: JM Financial, Company

## Exhibit 2. Quarterly Performance

Consolidated (INR mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ(%)	vs Expectation
Revenue	10,054	8,910	12.8	10,607	(5.2)	4%
EBITDA	1,112	1,332	(16.5)	1,373	(19.0)	-12%
EBITDA margin (%)	11.1	14.9	-389bps	12.9	-188bps	(205)
Depreciation	336	231	45.7	254	32.5	
Other income	84	122	(30.9)	78	7.1	
PBIT	859	1,223	(29.7)	1,197	(28.2)	
Interest	150	61	143.2	102	46.4	
PBT	710	1,161	(38.9)	1,095	(35.2)	
Exceptional item	(133)	-		-		
<b>PBT</b>	<b>577</b>	<b>1,161</b>	<b>(50.3)</b>	<b>1,095</b>	<b>(47.4)</b>	
Tax	235	290	(18.7)	311	(24.3)	
Tax rate (%)	40.84	24.96	1588bps	28.40	1244bps	
<b>Net Profit</b>	<b>341</b>	<b>871</b>	<b>(60.9)</b>	<b>784</b>	<b>(56.5)</b>	<b>-53%</b>

Source: JM Financial, Company

**Exhibit 3. Segmental Consolidated Performance**

Segment-wise results	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ(%)
Revenues:					
Plywood	5,679	4,972	14%	6,120	-7%
Laminates	1,540	1,558	-1%	1,682	-8%
MDF	2,095	1,669	26%	1,974	6%
Particle Board	367	395	-7%	425	-14%
Logistics	246	214	15%	261	-6%
Others	140	121	16%	149	-6%
<b>Segment Revenue</b>	<b>10,066</b>	<b>8,928</b>	<b>13%</b>	<b>10,611</b>	<b>-5%</b>
Less: Inter segment revenue	12	18		4	
<b>Total Revenue</b>	<b>10,054</b>	<b>8,910</b>	<b>13%</b>	<b>10,607</b>	<b>-5%</b>
Plywood	860	653	32%	774	11%
Laminates	106	140	-24%	220	-52%
MDF	31	403	-92%	200	-84%
Particle Board	61	84	-27%	62	-1%
Logistics	33	19	73%	38	-13%
Others	9	11	-20%	53	-83%
Less:Interest	(150)	(61)	143%	(102)	46%
Less:Unallocated Expenses	(374)	(89)	320%	(150)	150%
<b>Total PBIT</b>	<b>577</b>	<b>1,161</b>	<b>-50%</b>	<b>1,095</b>	<b>-47%</b>
Plywood	15.1%	13.1%	199bps	12.7%	249bps
Laminates	6.9%	9.0%	-212bps	13.1%	-621bps
MDF	1.5%	24.2%	-2269bps	10.1%	-864bps
Particle Board	16.8%	21.4%	-463bps	15%	221bps
Logistics	13.3%	9%	450bps	14%	-115bps
Others	6.3%	9%	-281bps	36%	-2925bps
<b>Total PBIT Margin</b>	<b>5.7%</b>	<b>13%</b>	<b>-728bps</b>	<b>10%</b>	<b>-459bps</b>

Source: JM Financial, Company

**Exhibit 4. Volume & Realisations**

Volumes & Realisations	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ(%)
<b>Volumes</b>					
Plywood - (In CBM)	99,632	87,869	13%	1,04,787	-5%
Laminates - (In Sheets)	17,20,007	18,38,602	-6%	18,67,627	-8%
MDF - (In CBM)	70,696	47,988	47%	62,885	12%
Particle Board	18,505	19,040	-3%	20,902	-11%
<b>Realisations</b>					
Plywood - (INR/ CBM)	55,880	55,476	1%	57,613	-3%
Laminates - (INR/Sheet)	873	841	4%	883	-1%
MDF - (INR/CBM)	29,567	34,752	-15%	31,348	-6%
Particle Board - (INR/CBM)	19,784	20,725	-5%	20,299	-3%
<b>EBITDA Realisations</b>					
Plywood - (Rs CBM)	8,179	7,581	8%	6,988	17%
Laminates - (Rs/Sheet)	96	85	13%	92	4%
MDF - (Rs/CBM)	2,253	9,096	-75%	5,184	-57%
Particle Board - Rs/CBM)	3,729	4,706	-21%	4,024	-7%

Source: JM Financial, Company

## Financial Tables (Consolidated)

Income Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	30,270	36,466	38,860	43,799	51,193
Sales Growth	42.1%	20.5%	6.6%	12.7%	16.9%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>30,270</b>	<b>36,466</b>	<b>38,860</b>	<b>43,799</b>	<b>51,193</b>
Cost of Goods Sold/Op. Exp	15,021	19,162	20,354	22,722	26,506
Personnel Cost	4,176	4,749	5,398	5,938	6,532
Other Expenses	5,765	6,968	7,900	9,144	10,077
<b>EBITDA</b>	<b>5,308</b>	<b>5,587</b>	<b>5,208</b>	<b>5,995</b>	<b>8,078</b>
EBITDA Margin	17.5%	15.3%	13.4%	13.7%	15.8%
EBITDA Growth	58.2%	5.2%	-6.8%	15.1%	34.7%
Depn. & Amort.	743	775	947	1,329	1,340
EBIT	4,566	4,812	4,261	4,666	6,738
Other Income	231	477	439	370	450
Finance Cost	114	170	308	545	329
PBT before Excep. & Forex	4,682	5,119	4,392	4,491	6,859
Excep. & Forex Inc./Loss(-)	0	0	0	-133	0
PBT	4,682	5,119	4,392	4,358	6,859
Taxes	1,550	1,278	1,138	1,089	1,715
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	3,132	3,841	3,253	3,268	5,144
<b>Adjusted Net Profit</b>	<b>3,132</b>	<b>3,841</b>	<b>3,253</b>	<b>3,268</b>	<b>5,144</b>
Net Margin	10.3%	10.5%	8.4%	7.5%	10.0%
Diluted Share Cap. (mn)	222.5	222.5	222.5	222.5	222.5
<b>Diluted EPS (INR)</b>	<b>14.1</b>	<b>17.3</b>	<b>14.6</b>	<b>14.7</b>	<b>23.1</b>
Diluted EPS Growth	63.8%	22.6%	-15.3%	0.5%	57.4%
Total Dividend + Tax	223	333	0	223	668
Dividend Per Share (INR)	1.0	1.5	0.0	1.0	3.0

Source: Company, JM Financial

Balance Sheet		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Shareholders' Fund	15,568	19,143	22,117	25,163	29,639
Share Capital	223	223	223	223	223
Reserves & Surplus	15,346	18,921	21,894	24,940	29,417
Preference Share Capital	0	0	0	0	0
Minority Interest	-26	-37	-51	-51	-51
Total Loans	2,182	3,134	7,184	7,784	5,984
Def. Tax Liab. / Assets (-)	167	277	402	402	402
<b>Total - Equity &amp; Liab.</b>	<b>17,891</b>	<b>22,517</b>	<b>29,652</b>	<b>33,298</b>	<b>35,974</b>
Net Fixed Assets	9,470	12,989	21,739	25,110	24,770
Gross Fixed Assets	12,120	15,819	25,212	30,912	31,912
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	4,416	5,192	6,139	7,468	8,808
Capital WIP	1,766	2,362	2,666	1,666	1,666
Investments	64	62	89	89	89
Current Assets	12,770	14,109	13,697	14,367	17,841
Inventories	5,264	5,290	6,456	6,826	7,665
Sundry Debtors	3,524	3,903	4,168	4,867	5,546
Cash & Bank Balances	2,610	2,782	671	272	2,228
Loans & Advances	573	148	25	25	25
Other Current Assets	799	1,986	2,377	2,377	2,377
Current Liab. & Prov.	4,413	4,643	5,874	6,268	6,725
Current Liabilities	2,528	2,749	2,861	3,255	3,713
Provisions & Others	1,885	1,895	3,013	3,013	3,013
Net Current Assets	8,358	9,466	7,823	8,098	11,115
<b>Total - Assets</b>	<b>17,891</b>	<b>22,517</b>	<b>29,652</b>	<b>33,298</b>	<b>35,974</b>

Source: Company, JM Financial

Cash Flow Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profit before Tax	4,682	5,119	4,392	4,358	6,859
Depn. & Amort.	743	775	947	1,329	1,340
Net Interest Exp. / Inc. (-)	114	170	308	545	329
Inc (-) / Dec in WCcap.	-1,632	-467	-1,958	-674	-1,061
Others	-62	-86	5	-370	-450
Taxes Paid	-1,084	-1,131	-1,177	-1,089	-1,715
<b>Operating Cash Flow</b>	<b>2,762</b>	<b>4,379</b>	<b>2,517</b>	<b>4,098</b>	<b>5,303</b>
Capex	-2,576	-4,830	-8,446	-4,700	-1,000
Free Cash Flow	186	-451	-5,929	-602	4,303
Inc (-) / Dec in Investments	-658	-178	2,349	0	0
Others	35	212	315	370	450
<b>Investing Cash Flow</b>	<b>-3,199</b>	<b>-4,796</b>	<b>-5,781</b>	<b>-4,330</b>	<b>-550</b>
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-223	-333	-222	-223	-668
Inc / Dec (-) in Loans	737	900	4,049	600	-1,800
Others	-166	-178	-297	-545	-329
<b>Financing Cash Flow</b>	<b>349</b>	<b>388</b>	<b>3,530</b>	<b>-167</b>	<b>-2,797</b>
<b>Inc / Dec (-) in Cash</b>	<b>-88</b>	<b>-29</b>	<b>266</b>	<b>-399</b>	<b>1,956</b>
Opening Cash Balance	2,698	2,811	406	671	272
Closing Cash Balance	2,610	2,782	671	272	2,228

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24A	FY25E	FY26E
Y/E March						
Net Margin		10.3%	10.5%	8.4%	7.5%	10.0%
Asset Turnover (x)		1.9	1.8	1.5	1.4	1.5
Leverage Factor (x)		1.1	1.2	1.3	1.3	1.3
RoE		22.2%	22.1%	15.8%	13.8%	18.8%

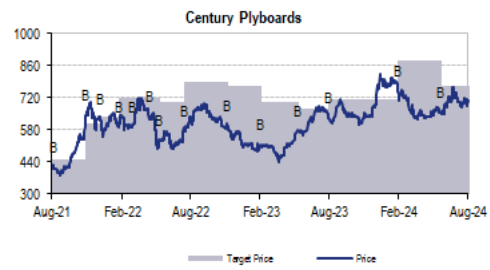
Key Ratios		FY22A	FY23A	FY24A	FY25E	FY26E
Y/E March						
BV/Share (INR)		70.0	86.0	99.4	113.1	133.2
ROIC		22.8%	21.0%	13.2%	11.5%	15.4%
ROE		22.2%	22.1%	15.8%	13.8%	18.8%
Net Debt/Equity (x)		0.0	0.0	0.3	0.3	0.1
P/E (x)		50.2	41.0	48.4	48.1	30.6
P/B (x)		10.1	8.2	7.1	6.3	5.3
EV/EBITDA (x)		29.6	28.3	31.5	27.5	20.0
EV/Sales (x)		5.2	4.3	4.2	3.8	3.2
Debtor days		42	39	39	41	40
Inventory days		63	53	61	57	55
Creditor days		37	32	31	31	31

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
11-Nov-20	Buy	220	
15-Jan-21	Buy	320	45.5
10-Feb-21	Buy	350	9.4
4-Mar-21	Buy	370	5.7
10-Jun-21	Buy	470	27.0
30-Jun-21	Buy	450	-4.3
11-Aug-21	Buy	450	0.0
4-Nov-21	Buy	610	35.6
13-Dec-21	Buy	635	4.1
31-Jan-22	Buy	720	13.4
7-Mar-22	Buy	720	0.0
22-Apr-22	Buy	720	0.0
18-May-22	Buy	700	-2.8
22-Jul-22	Buy	790	12.9
12-Nov-22	Buy	770	-2.5
9-Feb-23	Buy	700	-9.1
16-May-23	Buy	670	-4.3
7-Aug-23	Buy	710	6.0
5-Feb-24	Buy	880	23.9
28-May-24	Buy	770	-12.5

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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