

# Century Plyboards (I) Ltd.

**Sluggish demand & premium valuations compel rating downgrade, assign REDUCE!**

## Result Synopsis

Century Plyboards Ltd (CPBI) reported a moderate growth of 10%YoY & 13%QoQ to Rs10.6Bn. Operating margins came in at 12.9% Vs 17%/11.3% in Q4FY23/Q3FY24, respectively. Margins improved on sequential basis largely due to expansion in plywood segment which stood at 15.3% in Q4FY24 Vs 9.5% in Q3FY24. Overall EBITDA stood at Rs1.37Bn, a decline of 16%YoY & a growth of 29.4%QoQ. Plywood volume grew by 6.6%YoY & 16%QoQ (2-year CAGR stood at 9.5%), ASP improved marginally on sequential basis & remained flattish on YoY basis. Hence plywood revenue (57% of total sales), increased by 7%YoY & 18.5%QoQ. EBITDA margins came in at 15.3% Vs 15.9%/9.7% in Q4FY23/Q3FY24, respectively. Laminates volumes increased marginally by 5%YoY & declined by 2%QoQ (2-year CAGR stood at -2.5%). Laminates sales (16% of revenue) grew by 4%YoY & 3%QoQ. EBITDA margins stood at 10.3% Vs 14.1%/12.2% in Q4FY23/Q3FY24, respectively. MDF volumes reported stellar growth of 34.4%YoY & 13.6%QoQ while ASP contracted by 8.6%YoY & 7.4%QoQ. Consequently, EBITDA margins declined from 27%/19.2% in Q4FY23/Q3FY24, respectively to 16.5%. Particle boards volumes grew by 25%YoY & 14%QoQ, ASP contracted by 9%YoY & improved marginally by 2%QoQ. Margins came in at 19.8% as compared to 18.1%/15.8% in Q4FY23/Q3FY24, respectively.

In Q4FY24, overall demand remained sluggish & timber prices continued to remain at elevated levels. Going ahead, CPBI expects the demand to remain subdued & hence management has guided for 10%/20%/40%/25% growth in Plywood/Laminates/MDFs/ParticleBoards with EBITDA margins of 12-14%/10-12%/15%/15%, respectively. CPBI believes that demand for woodpanels should improve post FY25E as the new projects launched post covid are scheduled to get delivered by FY25E.

We concur with management's view & believe that demand will be sluggish in FY25E wherein plywoods and laminates growth is expected to be sluggish while MDFs & Particle Boards will grow on volume front, but realization & margins will be under-pressure. However, with expected resurgence of demand for woodpanels from FY26E, we reckon CPBI will be a key beneficiary owing to company's strong presence across all product segments. Hence, we expect Revenue/EBITDA/PAT growth of 18.5%/18%/16%, respectively over FY24-FY26E. At CMP, the stock trades at demanding valuations of 33x on FY26E EPS of Rs19.6 & hence we have assigned a REDUCE rating.

## Result Highlights

- Revenue for Q4FY24 stood at Rs10.6Bn, a growth of 10%YoY & 13%QoQ. FY24 revenue grew by 6.6%YoY to Rs38.9Bn.

### Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	10,607	9,770	10,345	8.6	2.5	Overall beat on estimates
EBITDA	1,373	1,141	1,364	20.3	0.7	
EBITDA Margin (%)	12.9	11.7	13.2	126 bps	-24 bps	
Adjusted PAT	784	691	829	13.5	(5.3)	

Source: Company, YES Sec

Reco	: <b>REDUCE</b>
CMP	: Rs 656
Target Price	: Rs 603
Potential Return	: -8.2%

### Stock data (as on May 27, 2024)

Nifty	22,932
52 Week h/l (Rs)	850 / 552
Market cap (Rs/USD mn)	145,046 / 1,745
Outstanding Shares (mn)	222
6m Avg t/o (Rs mn):	161
Div yield (%):	0.2
Bloomberg code:	CPBI IN
NSE code:	CENTURYPLY

### Stock performance



	1M	3M	1Y
Absolute return	2.6%	-9.3%	14.0%

### Shareholding pattern (As of Mar'24 end)

Promoter	72.6%
FII+DII	20.8%
Others	6.6%

### Δ in stance

(1-Yr)	New	Old
Rating	REDUCE	NEUTRAL
Target Price	603	657

### Δ in earnings estimates

	FY25E	FY26E
EPS (New)	15.1	20.1
EPS (Old)	16.5	20.7
% change	-8.4%	-3.0%

### Financial Summary

(Rs Mn)	FY24	FY25E	FY26E
Net Revenue	38,859	44,192	54,525
YoY Growth	6.6	13.7	23.4
EBIDTA	5,209	5,749	7,393
EBIDTA (%)	13.4	13.0	13.6
PAT	3,254	3,363	4,469
YoY Growth	(13.7)	3.3	32.9
ROE	15.8	14.1	16.1
EPS	14.6	15.1	20.1
P/E	43.8	43.4	32.7
BV/Share	99.4	114.5	134.6
P/BV	6.4	5.7	4.9

### UDIT GAJIWALA

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- EBITDA margins for the quarter came in at 12.9% Vs 17%/11.3% in Q4FY23/Q3FY24, respectively. Absolute EBITDA for the quarter degrew by 16%YoY & grew by 29.4%QoQ to Rs1.4Bn. FY24 EBITDA came in at Rs5.2Bn, a decline of 7%YoY with an EBITDA margin of 13.4% Vs 15.3% in FY23.
- Net profit declined by 31.6%YoY & improved by 25%QoQ to Rs784Mn in Q4FY24. FY24 net profit decreased by 14%YoY to Rs3.25Bn.

## Segmental Highlights for Q4FY24:

- **Plywood (57% of revenue):** reported revenue growth of 7% YoY & 18.5%QoQ to Rs6.1Bn. EBIT margin came in at 12.7% Vs 15.6%/8.6% in Q4FY23/Q3FY24, respectively. Absolute EBIT came in at Rs774Mn, a decline of 13%YoY and an improvement of 75.4%QoQ.
- **Laminates (16% of revenue):** revenue stood at Rs1.7Bn, a growth of 4%YoY & 3%QoQ. Absolute EBIT grew by 12%YoY & 20%QoQ to Rs220Mn with a margin of 13.1% Vs 12.3%/11.3% in Q4FY23/Q3FY24, respectively.
- **MDF (19% of revenue):** reported a steep revenue growth of 22.4%YoY & 5% QoQ to Rs1.9Bn. However, EBIT declined sharply by 48%YoY & 32%QoQ to Rs200Mn. Consequently, EBIT margins decreased from 23.8%/15.8% in Q4FY23/Q3FY24, respectively to 10.1% in Q4FY24.
- **Particle boards (4% of revenue):** Revenue stood at Rs425Mn, a growth of 14%YoY & 15.6%QoQ. EBIT also improved by 5%YoY & 16.4%QoQ to Rs62Mn. EBIT margin stayed flat sequentially at 14.5%.
- **Logistics (2% of revenue):** The revenue from the logistics business of the company grew by 11%YoY & 3.5%QoQ to Rs261Mn and EBIT came in at Rs38Mn as compared to Rs41Mn in Q4FY23 & Rs14Mn in Q3FY24.

## Exhibit 2: Quarterly Snapshot:

Rs Mn	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	% yoy	% qoq	FY23	FY24	% yoy
Revenue	8,837	9,654	8,910	9,968	9,374	10,607	9.9	13.2	36,465	38,859	6.6
Expenditure	7,551	8,016	7,578	8,525	8,313	9,234	15.2	11.1	30,879	33,651	9.0
- RM	4,703	5,002	4,601	5,142	4,953	5,657	13.1	14.2	19,162	20,353	6.2
- Staff Cost	1,127	1,239	1,310	1,343	1,340	1,405	13.4	4.9	4,749	5,398	13.7
- Other cost	1,721	1,775	1,667	2,040	2,020	2,172	22.3	7.5	6,968	7,899	13.4
Operating Profit	1,287	1,638	1,332	1,443	1,061	1,373	(16.2)	29.4	5,587	5,209	(6.8)
OPM(%)	14.6	17.0	14.9	14.5	11.3	12.9	-403 bps	163 bps	15.3	13.4	-192 bps
Other Income	53	160	122	146	93	78	(51.2)	(15.9)	477	439	(8.0)
Depreciation	193	200	231	234	229	254	26.8	10.7	775	947	22.2
Interest	44	45	61	61	83	102	128.4	22.7	170	308	81.6
PBT	1,102	1,554	1,161	1,294	842	1,095	(29.5)	30.2	5,119	4,392	(14.2)
Tax	279	408	290	322	215	311	(23.7)	44.7	1,349	1,138	(15.6)
PAT	823	1,147	871	972	627	784	(31.6)	25.2	3,770	3,254	(13.7)

Source: Company, YES Sec

## Exhibit 3: Operational Numbers:

Particulars	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	% yoy	% qoq	FY23	FY24	% yoy
<b>Plywood</b>											
Revenue (Rs Mn)	4,827	5,674	4,886	5,416	5,111	6,057	6.7	18.5	20,119	21,469	6.7
EBITDA (Rs Mn)	588	902	666	730	495	928	2.9	87.4	2,667	2,820	5.7
EBITDA%	12.2	15.9	13.6	13.5	9.7	15.3	-58 bps	563 bps	13.3	13.1	-12 bps
<b>Laminates</b>											
Revenue (Rs Mn)	1,577	1,602	1,558	1,717	1,619	1,672	4.4	3.3	6,576	6,566	(0.1)
EBITDA (Rs Mn)	225	226	157	201	198	173	(23.7)	(13.0)	976	728	(25.4)
EBITDA%	14.3	14.1	10.0	11.7	12.2	10.3	-380 bps	-192 bps	14.8	11.1	-375 bps
<b>MDF</b>											
Revenue (Rs Mn)	1,668	1,611	1,669	1,967	1,876	1,972	22.4	5.1	6,401	7,483	16.9
EBITDA (Rs Mn)	373	435	437	521	360	326	(25.1)	(9.4)	1,747	1,643	(5.9)
EBITDA%	22.4	27.0	26.2	26.5	19.2	16.5	-1048 bps	-266 bps	27.3	22.0	-533 bps
<b>Particle Boards</b>											
Revenue (Rs Mn)	385	373	395	384	368	425	14.0	15.6	1,741	1,571	(9.8)
EBITDA (Rs Mn)	79	67	90	87	58	84	24.8	45.0	465	318	(31.5)
EBITDA%	20.4	18.1	22.7	22.6	15.8	19.8	170 bps	402 bps	26.7	20.3	-644 bps

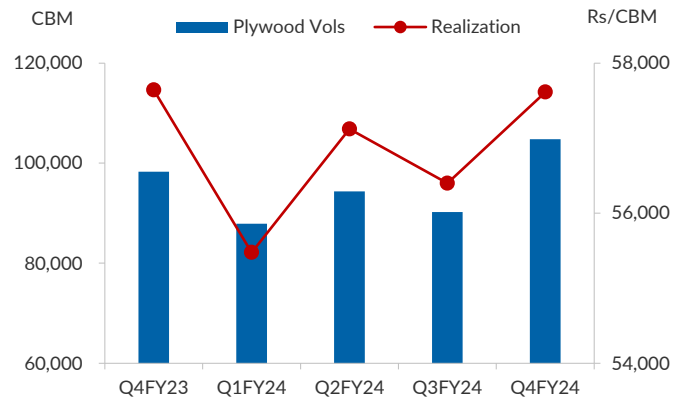
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- Management has guided for Plywood/Laminates/MDFs/ParticleBoards growth of 10%+/20%/40%/25%, respectively with an EBITDA margin of 12-14%/10-12%/15%/15%, respectively for FY25E. However, Particle board will be a flattish growth if the plant commences from FY26E onwards.
- Company stated that currently demand scenario is sluggish for all woodpanel products. Management expects that projects launched post COVID are nearing completion & demand for woodpanels will improve post FY25E onwards, when these projects will be delivered to occupants.
- During the quarter the company entered into a binding sale agreement for sale of its investment in subsidiary company Century Singapore Pvt Ltd holding overseas plywood related assets. This resulted in a loss of Rs 196Mn which is shown as impairment loss in Plywood segment. Apart from this an impairment loss of Rs 44.6Mn is also taken for another subsidiary Century Infotech Ltd and is taken into unallocable common expenses. Going ahead, there are no such charges pending.
- Timber cost continues to remain elevated. However, price hikes are difficult due to lower demand hence, profitability will be under-pressure.
- Management expects timber prices to ease only after 12-18months. There is a lag between prices in North & South with timber price increasing first in the North.
- MDF margins were impacted more with increase in RM cost as compared to plywood since company's plywood is a branded product and thus, it can pass on some cost to the consumer.
- Company took a 2% price hike in July'23 for plywood and overall price hike for FY24 was also 2%. Company has taken another price hike effective from 1<sup>st</sup> May 2024.
- Overall MDF capacity utilization in FY25E expected to be 70%.
- Company enjoys a higher realization in the domestic market as compared to exports.

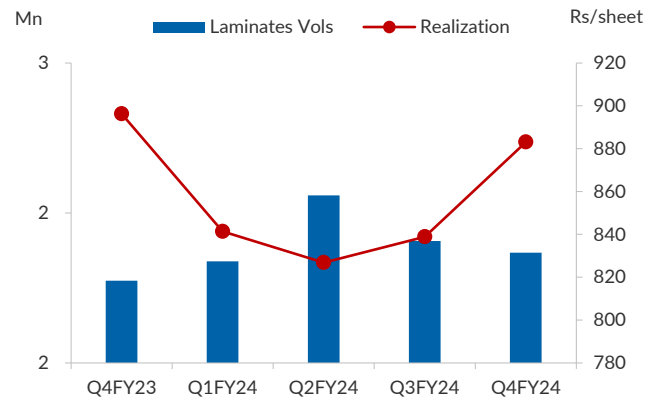
## QUARTERLY TRENDS

**Exhibit 4: Plywood volume increased by 6.6%YoY...**



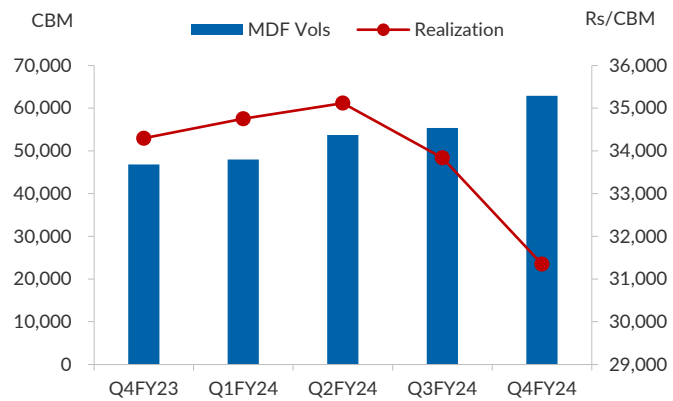
Source: Company, YES Sec

**Exhibit 5: Laminates volume grew by 5%YoY...**



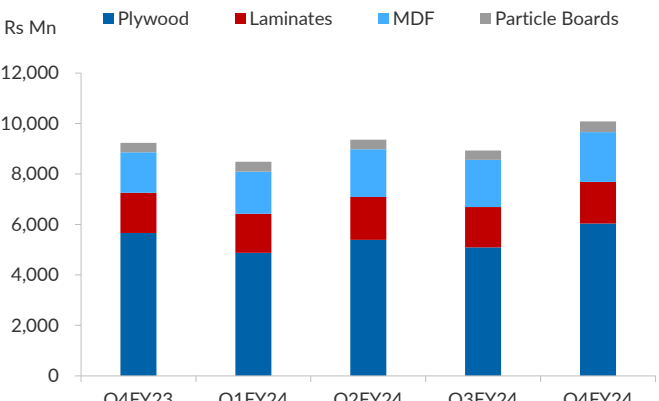
Source: Company, YES Sec

**Exhibit 6: MDF volume increased by 34.4%YoY...**



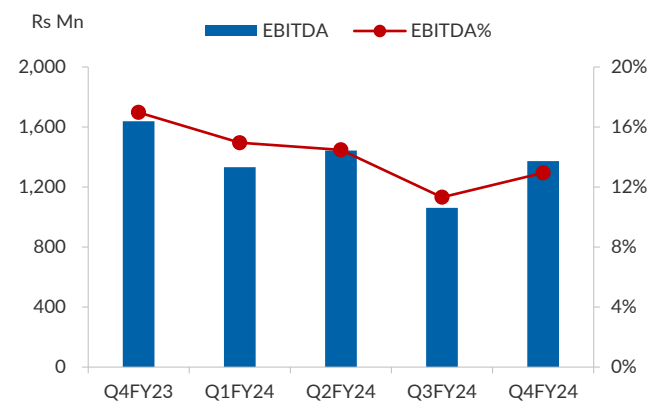
Source: Company, YES Sec

**Exhibit 7: Overall revenue grew by 10%YoY...**



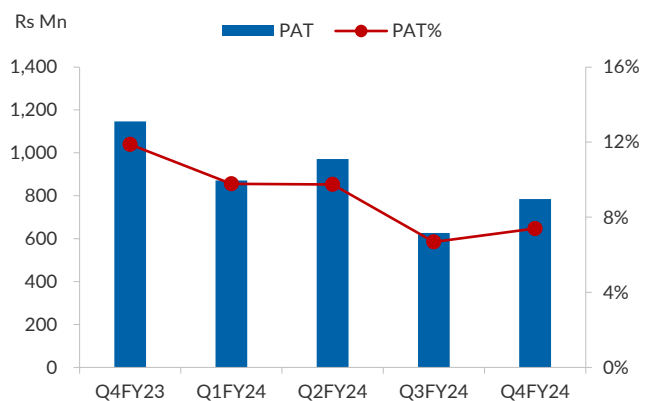
Source: Company, YES Sec

**Exhibit 8: Blended margin came in at 12.9%...**



Source: Company, YES Sec

**Exhibit 9: Net profit stood at Rs784Mn...**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 10: Income Statement

Y/e 31 Mar (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenues	30,270	36,465	38,859	44,192	54,525
Growth (%)	42.1%	20.5%	6.6%	13.7%	23.4%
EBITDA	5,309	5,587	5,209	5,749	7,393
EBITDA margin (%)	17.5%	15.3%	13.4%	13.0%	13.6%
Growth (%)	58.2%	5.2%	-6.8%	10.4%	28.6%
Depreciation & Amortization	743	775	947	1,279	1,459
Other income	231	477	439	447	456
EBIT	4,797	5,289	4,700	4,917	6,391
EBIT margin (%)	15.8%	14.5%	12.1%	11.1%	11.7%
Interest	114	170	308	433	433
PBT	4,682	5,119	4,392	4,484	5,958
Tax	1,520	1,349	1,138	1,121	1,490
Net profit	3,163	3,770	3,254	3,363	4,469
Net profit margin (%)	10.4%	10.3%	8.4%	7.6%	8.2%
EPS	14.2	17.3	14.6	15.1	20.1
Growth (%)	70.1%	21.9%	-15.4%	3.4%	32.9%

Source: Company, YES Sec

### Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	223	223	223	223	223
Reserves	15,346	18,850	21,894	25,257	29,726
Total Shareholders' Funds	15,568	19,072	22,117	25,480	29,948
Non-current liabilities					
Long term borrowings	153	131	2,094	1,928	1,928
Other Non-current Liabilities	302	428	519	519	519
Current liabilities					
Short term borrowings	2,211	3,137	5,616	5,783	5,783
Trade payables	2,528	2,749	2,861	3,521	4,525
Other financial liabilities	1,568	1,683	2,369	2,369	2,369
<b>Total equity and liabilities</b>	<b>22,304</b>	<b>27,162</b>	<b>35,525</b>	<b>39,547</b>	<b>45,020</b>
Non-current assets					
PPE	7,684	10,610	19,056	22,276	23,817
CWIP	1,766	2,362	2,666	2,666	2,666
Current assets					
Inventories	5,264	5,290	6,456	7,041	9,050
Trade receivables	3,524	3,903	4,168	4,740	5,848
Cash	2,610	2,782	671	316	1,131
Loans and advances	33	25	25	25	25
Other current assets	722	944	1,529	1,529	1,529
<b>Total assets</b>	<b>22,304</b>	<b>27,162</b>	<b>35,525</b>	<b>39,547</b>	<b>45,020</b>

Source: Company, YES Sec

## Exhibit 12: Cash Flow

Y/e 31 Mar (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	4,682	5,119	4,392	4,484	5,958
Depreciation & Amortization	743	775	947	1,279	1,459
Finance cost	114	170	308	433	433
(Incr)/Decr in Working Capital	(1,632)	(467)	(1,958)	(498)	(2,113)
Taxes	(1,084)	(1,131)	(1,177)	(1,121)	(1,490)
Cash from ops.	2,762	4,379	2,517	4,577	4,248
(Incr)/ Decr in PP&E	(2,576)	(4,830)	(8,446)	(4,500)	(3,000)
Cash Flow from Investing	(3,199)	(4,796)	(5,781)	(4,500)	(3,000)
(Decr)/Incr in Borrowings	737	915	4,049	0	0
Finance cost	(103)	(129)	(254)	(433)	(433)
Dividend	(223)	(333)	(222)	0	0
Cash Flow from Financing	349	389	3,530	(433)	(433)
Incr/(Decr) in cash	(88)	(29)	266	(355)	815
Cash and cash equivalents at beginning of year	258	170	141	671	316
Cash and cash equivalents at end of year	170	141	407	316	1,131

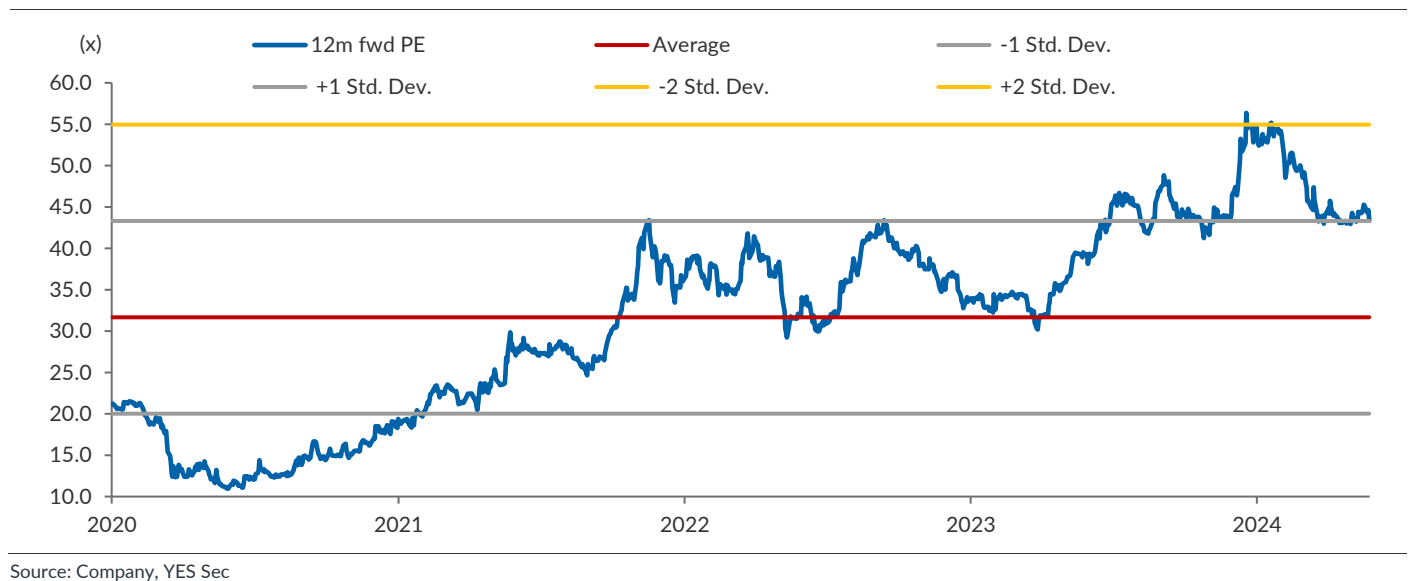
Source: Company, YES Sec

## Exhibit 13: Ratios

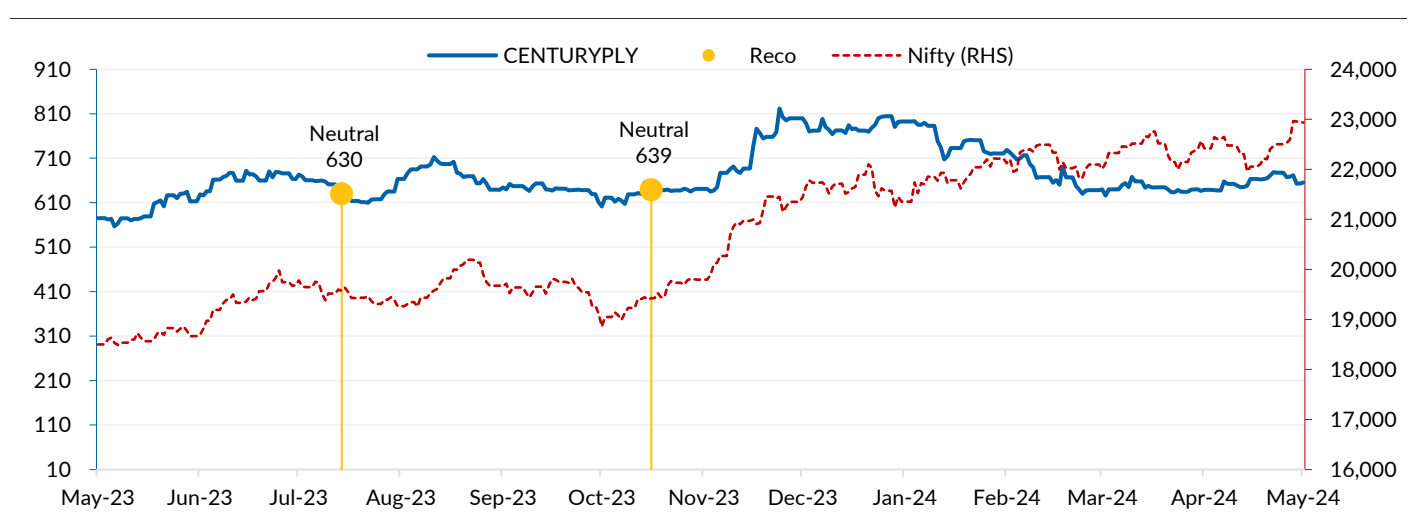
Key Ratios	FY22	FY23	FY24	FY25E	FY26E
<b>Growth Matrix (%)</b>					
Revenue growth	42.1%	20.5%	6.6%	13.7%	23.4%
EBITDA growth	58.2%	5.2%	-6.8%	10.4%	28.6%
EBIT growth	15.8%	14.5%	12.1%	11.1%	11.7%
PAT growth	65.4%	19.2%	-13.7%	3.3%	32.9%
<b>Profitability ratios (%)</b>					
EBITDA margin	17.5%	15.3%	13.4%	13.0%	13.6%
EBIT margin	15.8%	14.5%	12.1%	11.1%	11.7%
PAT margin	10.4%	10.5%	8.4%	7.6%	8.2%
RoCE	32.8%	29.7%	21.2%	18.7%	21.2%
RoE	22.4%	21.8%	15.8%	14.1%	16.1%
<b>Per share values</b>					
EPS	14.2	17.3	14.6	15.1	20.1
CEPS	17.6	20.4	18.9	20.9	26.6
BVPS	70.0	85.7	99.4	114.5	134.6
<b>Valuation ratios (x)</b>					
P/E	37.9	29.7	43.8	43.4	32.7
P/CEPS	30.7	25.1	33.9	31.4	24.6
P/B	7.7	6.0	6.4	5.7	4.9
EV/EBITDA	23.0	21.0	28.7	26.7	20.6
<b>Leverage ratios (x)</b>					
Debt/ Equity	0.2	0.2	0.3	0.3	0.3
Net debt/Equity	0.1	0.2	0.3	0.3	0.2
Net debt/EBITDA	0.4	0.6	1.4	1.3	0.9
Int coverage	42.0	31.2	15.3	11.4	14.8
<b>NWC days</b>					
Receivables	42	39	39	39	39
Inventory	128	101	116	110	110
Payables	61	52	51	55	55

Source: Company, YES Sec

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



## Recommendation Tracker





## DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

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