

India

HOLD (previously ADD)

Consensus ratings*: Buy 19 Hold 4 Sell 3

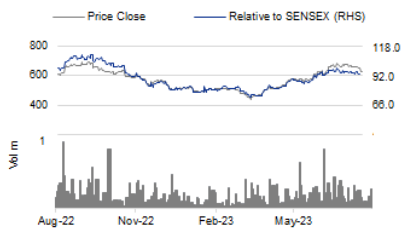
Current price: Rs626
 Target price: ▼ Rs662
 Previous target: Rs734
 Up/downside: 5.8%
 InCred Research / Consensus: -3.9%

Reuters:
 Bloomberg: CPBI IN
 Market cap: US\$1,914m
 Rs138,980m
 Average daily turnover: US\$1.2m
 Rs85.2m
 Current shares o/s: 222.2m
 Free float: 27.0%

*Source: Bloomberg

Key changes in this note

- FY24F/25F revenue cut by 5.2%/4.3%.
- FY24F/25F EBITDA cut by 11%/10.8%
- FY24F/25F PAT cut by 11%/9.7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(5.2)	16.7	2.3
Relative (%)	(6.0)	9.5	(8.5)

Major shareholders	% held
Promoters	73.0
Dsp Dynamic Asset Allocation Fund	4.9
Kotak Debt Hybrid	4.5

Analyst(s)



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Century Plyboards

Near-term issues shadow long-run potential

- Weak demand and higher timber prices led 1QFY24 gross/EBITDA margins to decline across segments qoq. EBITDA/PAT missed our estimates by 8-14%.
- Management expects lower plywood/laminate sales growth of 8-10% (vs. 15%) & 12-15% (vs. 25%) yoy in FY24F. Retains margin guidance for FY24F.
- Stock price up 40%+ since Mar 2023 lows. Near-term issues make risk-reward unfavourable. Limited upside seen. Downgrade to HOLD. Lower TP to Rs662.

Sudden weakness in wood panel demand; timber prices shoot up

Century Plyboards India or CPIL's 1QFY24 revenue/EBITDA/PAT stood at Rs8.8bn/Rs1.3bn/Rs841m, respectively. Revenue was flat while EBITDA/PAT fell 10%/13% yoy, respectively. Revenue was lower by 4-7% while EBITDA/PAT missed estimates by 8-14% vs. our/Bloomberg consensus estimates. Wood panels saw a sudden weakness in demand from early Apr 2023, with a relatively better May/Jun 2023. Consolidated gross/EBITDA margins stood at 47.4%/14.8%, up 18bp and down 173bp yoy, respectively. Ex-laminates, gross margin declined across segments yoy. Timber prices, accounting for 50% of plywood input cost, rose sharply and increased further by 5% in Jul 2023 that brands were not able to pass through to the customers due to soft demand. Excluding particle boards, the EBITDA margin declined across segments yoy due to higher marketing expenses and negative operating leverage. Plywood & laminate revenue, which accounts for 70%+ of total sales, was flat yoy, albeit on a very high base. MDF pricing was intact qoq while particle board revenue/gross margin fell yoy.

Short-term issues and capex delay to impact near-term growth

Management believes 2HFY24F demand recovery is certain on the back of healthy real estate project launches across top cities in India. However, 1HFY24F will be slower vs. expectations, and hence the company cut its revenue growth guidance for the plywood segment to 8-10% yoy vs. 15% and for laminates to 12-15% yoy vs. 25% for FY24F, as guided in the 4QFY23 earnings call. MDF sales volume is expected to grow at 20% yoy while it expects particle board sales and margins to recover over the rest of FY24F. Expansion and greenfield projects are delayed by three-to-four months, impacting revenue growth in FY24F. We believe the full benefits of capex will flow through from FY25F.

Change in our estimates, valuation and risk

We cut our revenue estimates by 4-5% and lower the EBITDA margin to 14.5-15%, implying an EBITDA/PAT cut of 10-11% over FY24-25F. We account for cost escalation and capex delay. We expect revenue/EBITDA/PAT CAGR of 14%/12%/7%, respectively, over FY23-25F. The stock price is up 40%+ since Mar 2023 lows. Near-term issues make the risk-reward ratio unfavourable, in our view. We see more downside than upside and hence, downgrade the rating to HOLD (from ADD). We cut our target price to Rs662 (from Rs734) based on FY25F EPS, retaining our exit P/E of 35x (five-year mean +1SD). Upside risks: Cheap timber prices. Downside risks: Capex hiccup.

Financial Summary

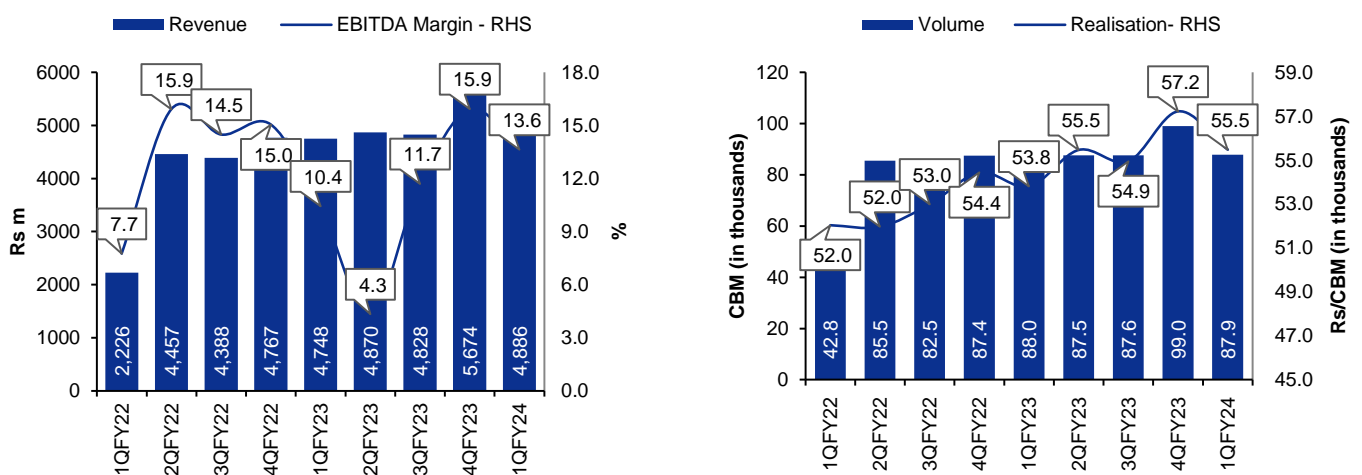
	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue (Rsm)	21,136	30,009	36,207	39,798	46,721
Operating EBITDA (Rsm)	3,354	5,346	5,367	5,870	6,775
Net Profit (Rsm)	1,921	3,253	3,669	3,762	4,204
Core EPS (Rs)	9.0	14.6	16.5	16.9	18.9
Core EPS Growth	4.3%	62.0%	12.8%	2.5%	11.8%
FD Core P/E (x)	72.33	42.73	37.88	36.94	33.06
DPS (Rs)	1.0	1.5	1.0	1.0	1.0
Dividend Yield	0.16%	0.24%	0.16%	0.16%	0.16%
EV/EBITDA (x)	41.16	25.90	25.90	24.35	21.09
P/FCFE (x)	1,763.33	195.30	287.28	172.23	218.24
Net Gearing	(7.1%)	(3.4%)	0.3%	17.5%	14.8%
P/BV (x)	10.99	8.88	7.32	6.17	5.24
ROE	17.2%	23.0%	21.2%	18.1%	17.2%
% Change In Core EPS Estimates				(10.99%)	(9.73%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1QFY24 earnings-call highlights

- Growth and margin guidance:** Management reduced its sales volume growth guidance to 6-7% yoy (vs.13% earlier) for the plywood segment, on laminates to 15% yoy (vs.25% earlier) and to 20% yoy (vs. 30% earlier) for MDF in FY24F. The EBITDA margin guidance was retained at 12-14% for plywood, 13%-15% for laminates, 20-25% for MDF, and 20% for particle boards for FY24F.
- Price hikes:** The soft demand environment led to inability of brands to take appropriate price hikes. Half of the 2.5% price hike for plywood products was taken in Jul 2023 and the remaining would be effective mid-Aug 2023. Chemical prices have softened qoq, partially offsetting timber price pressure.
- MDF update:** The current MDF capacity in India is approximately 2.1m cbm and is expected to touch 3m cbm over the next 12 months, as per CPIL's management. Supply may exceed demand for a brief span, which could impact MDF pricing in the short term. To combat this, CPIL intends to increase the share of pre-laminated premium MDF revenue to 40% from 25% of overall MDF revenue over next two years, which will help retain market share/margins. The second line at Hoshiarpur has stabilized while the Andhra Pradesh greenfield plant is expected to start commercial production by Jan 2024F. CPIL plans to launch fire resistant MDF, which anyway will have all other features like borer proof, termite proof, etc. in the premium MDF product portfolio.
- Laminates business update:** The company has partnered with celebrity designer Mr. Manish Malhotra for the launch of a new range of luxury laminates designed by him. This, combined with the recent launch of Sainik laminates, led to additional launch-related expenses of Rs30-40m in 1QFY24, significantly impacting the segment's margins. Management expects higher opex to continue for the rest of the current financial year. The export mix was at 30% of total laminate sales, which led to a drop in realization.
- Capex update:** The 60k cbm plywood expansion project at Hoshiarpur has been delayed and is expected to be completed in 1QFY25F (vs. 4QFY24F earlier). The greenfield capacities for MDF and laminates in Andhra Pradesh are likely to be operational in 2HFY24F. The new particle board plant is expected to be completed by Mar 2025F, at a total project cost of Rs5.5bn (vs. Rs5bn earlier).
- Cash flow:** Net working capital stood at 69 days of TTM sales at the end of Jun 2023 (vs. 57 days qoq). Net debt, including buyers' credit balances, stood at Rs1.8bn at the end of Jun 2023 (vs. Rs50m at the end of Mar 2023).

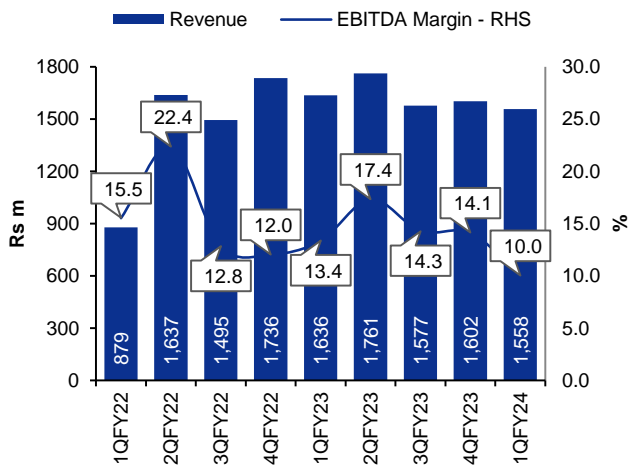
Figure 1: Quarterly trend: Plywood & allied products



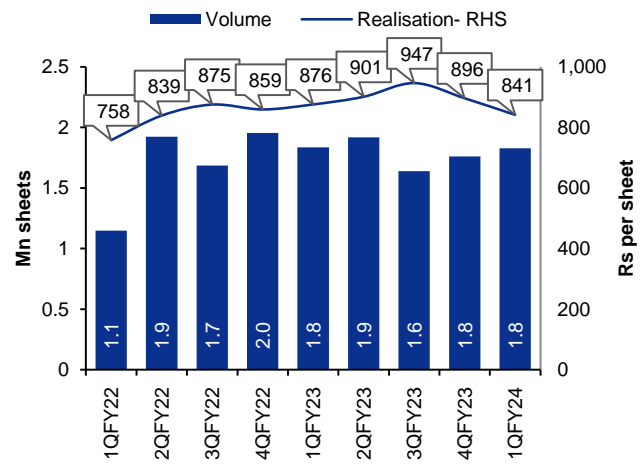
SOURCE: INCRED RESEARCH, COMPANY REPORTS

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Quarterly trend: Laminates & allied products

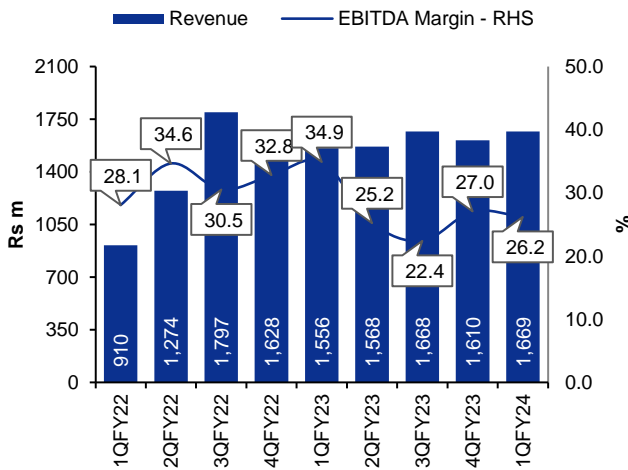


SOURCE: INCRED RESEARCH, COMPANY REPORTS

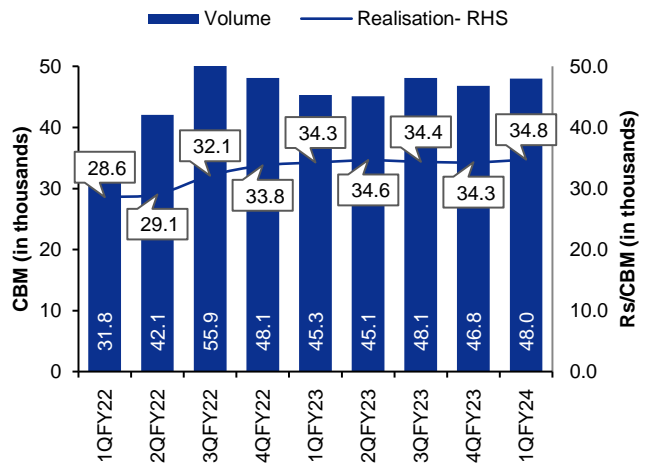


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Quarterly trend: Medium-density fibreboard (MDF)

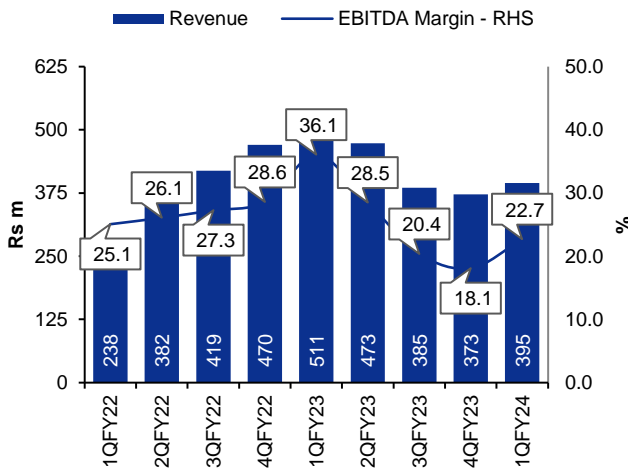


SOURCE: INCRED RESEARCH, COMPANY REPORTS

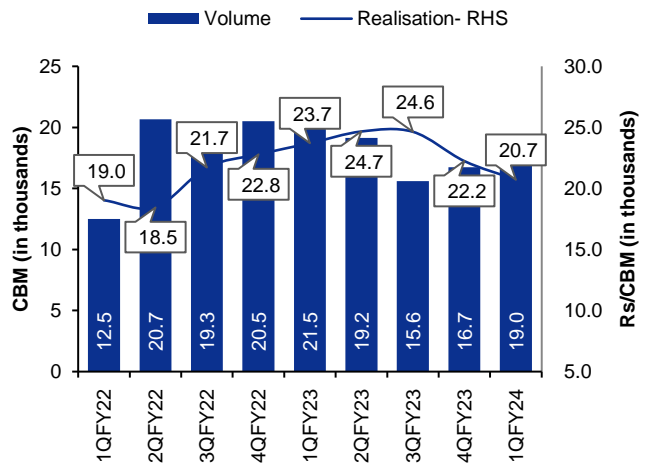


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Quarterly trend: Particle board



SOURCE: INCRED RESEARCH, COMPANY REPORTS



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: 1QFY24 results snapshot

YE Mar (Rs m)	1QFY24	1QFY23	yoy (%)	4QFY23	qoq (%)
Revenue	8,824	8,815	0.1	9,618	(8.3)
EBITDA	1,302	1,453	(10.4)	1,626	(19.9)
EBITDA margin (%)	14.8	16.5	-173 bp	16.9	-215 bp
Adj. PAT	841	965	(12.8)	1,127	(25.3)
Diluted EPS (Rs)	3.8	4.3		5.1	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Segmental performance

Y/E Mar	1QFY24	1QFY23	yoy (%)	4QFY23	qoq (%)
Revenue (Rs m)					
Plywood & allied products	4,886	4,748	2.9	5,674	(13.9)
Laminates & allied products	1,558	1,636	(4.7)	1,602	(2.7)
Medium density fibreboard (MDF)	1,669	1,556	7.2	1,610	3.6
Particle board	395	511	(22.7)	373	5.9
Container freight station services	208	207	0.6	232	(10.1)
Others	108	158	(31.3)	128	(15.0)
Total	8,824	8,800	0.3	9,618	(8.3)
EBIT (Rs m)					
Plywood & allied products	635	501	26.9	873	(27.2)
Laminates & allied products	140	219	(36.0)	197	(28.8)
Medium density fibreboard (MDF)	381	528	(27.8)	383	(0.4)
Particle board	84	179	(52.7)	59	43.1
Container freight station services	19	32	(40.8)	42	(54.3)
Others	11	15	(23.1)	9	27.0
Total	1,271	1,473	(13.7)	1,562	(18.6)
EBIT margin (%)					
Plywood & allied products	13.0	10.5	246 bp	15.4	-238 bp
Laminates & allied products	9.0	13.4	-440 bp	12.3	-329 bp
Medium density fibreboard (MDF)	22.8	33.9	-1,108 bp	23.8	-92 bp
Particle board	21.4	35.0	-1,358 bp	15.8	555 bp
Container freight station services	9.1	15.5	-638 bp	18.0	-884 bp
Others	10.4	9.3	111 bp	7.0	345 bp
Total	14.4	16.7	-230 bp	16.2	-183 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Actuals vs. our estimates

Rs m	1QFY24	1QFY24F	Var (%)
Revenue	8,824	9,495	(7.1)
EBITDA	1,302	1,519	(14.3)
EBITDA margin (%)	14.8	16.0	-125 bp
Adj. PAT	841	967	(13.0)

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Actuals vs. Bloomberg consensus

Rs m	1QFY24	1QFY24C	Var (%)
Revenue	8,824	9,192	(4.0)
EBITDA	1,302	1,449	(10.2)
EBITDA margin (%)	14.8	15.8	-101 bp
Adj. PAT	841	915	(8.0)

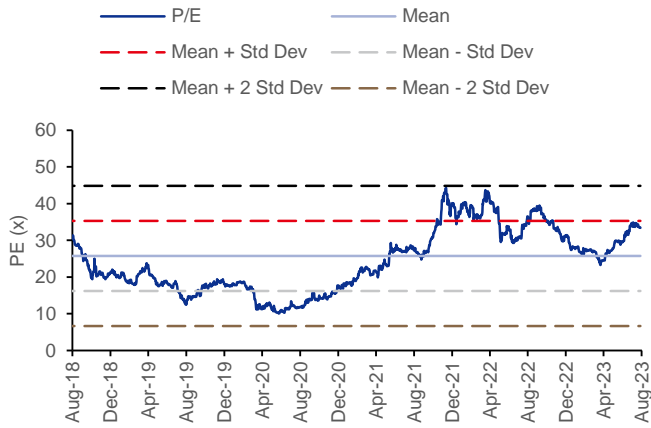
SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 9: Our revised earnings estimates

	New estimates		Old estimates		Change (%)	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Revenue	39,798	46,721	41,990	48,796	-5.2	-4.3
EBITDA	5,870	6,775	6,598	7,594	-11.0	-10.8
Adjusted consol. PAT	3,762	4,204	4,227	4,657	-11.0	-9.7
EPS	16.9	18.9	19.0	21.0	-11.0	-9.7
EBITDA margin (%)	14.8	14.5	15.7	15.6	-96 bp	-106 bp

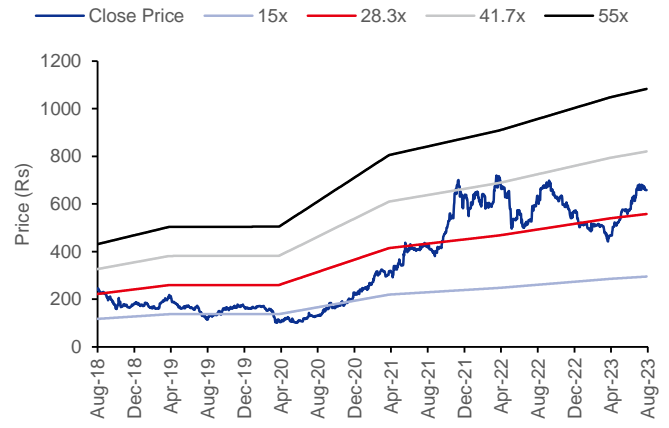
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: P/E standard deviation (five-year mean)



SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 11: P/E band (one-year forward EPS)



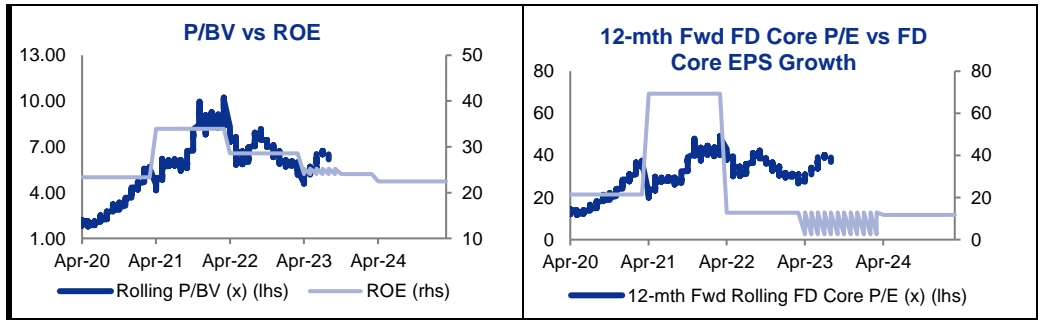
SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 12: Capex details (Rs crs)

Particulars	2014-15 to 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Q1 FY 23-24	Q2-Q4 FY 23-24	2024-25	Total
MDF - Hoshiarpur Plant	335.62	13.65	4.82	1.42	-	-	-	-	-	355.51
MDF - Expansion at Hoshiarpur	-	-	-	15.74	129.84	109.62	1.97	-	-	257.17
MDF - Greenfield at Andhra Pradesh *	-	-	-	-	36.05	145.73	191.74	326.48	-	700.00
Laminates - Greenfield at Andhra Pradesh *	-	-	-	-	-	66.22	32.35	101.43	-	200.00
Plywood at Punjab	-	-	-	-	-	10.33	-	139.67	-	150.00
Particle Board - Greenfield at Chennai	-	-	-	-	-	58.80	13.75	177.45	300.00	550.00
Solar Plant	-	-	-	-	8.68	0.70	-	-	-	9.38
Particle Board	60.53	-	-	-	-	-	-	-	-	60.53
Laminate	48.05	15.62	9.72	17.04	10.90	25.85	4.21	15.00	15.00	161.39
Gabon - Veneer Unit	-	5.89	10.19	2.70	3.43	-	-	-	-	22.21
Solar Panel Project	4.80	22.94	0.84	-	-	-	-	-	-	28.58
CFS	20.08	12.63	30.67	0.42	0.63	18.66	0.07	-	-	83.16
Corporate Office + Interior Work	75.26	34.87	-14.97	1.50	5.54	-	-	-	-	102.20
Joka Unit	22.74	9.56	3.41	7.92	17.36	17.03	4.59	-	-	82.61
Gandhidham Unit	18.10	1.60	0.52	1.04	4.88	8.08	2.16	-	-	36.38
Karnal Unit	6.68	4.98	1.48	1.12	7.11	10.62	4.68	-	-	36.67
Guwahati Unit	24.98	6.16	2.31	6.97	7.17	6.61	3.96	-	-	58.16
Chennai Unit	16.17	22.46	5.07	6.58	16.00	19.68	13.77	-	-	99.73
Others	7.08	2.41	3.62	0.57	5.83	11.89	1.87	40.00	50.00	123.27
TOTAL	640.09	152.77	57.68	63.02	253.42	509.82	275.12	800.03	365.00	3,116.95

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Total Net Revenues	21,136	30,009	36,207	39,798	46,721
Gross Profit	10,542	14,792	16,785	17,511	20,441
Operating EBITDA	3,354	5,346	5,367	5,870	6,775
Depreciation And Amortisation	(626)	(675)	(724)	(924)	(1,058)
Operating EBIT	2,728	4,670	4,643	4,946	5,717
Financial Income/(Expense)	(99)	8	57	(263)	(371)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	98	124	241	300	150
Profit Before Tax (pre-EI)	2,727	4,802	4,941	4,983	5,496
Exceptional Items	(118)				
Pre-tax Profit	2,609	4,802	4,941	4,983	5,496
Taxation	(688)	(1,549)	(1,273)	(1,221)	(1,292)
Exceptional Income - post-tax					
Profit After Tax	1,921	3,253	3,669	3,762	4,204
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,921	3,253	3,669	3,762	4,204
Recurring Net Profit	2,008	3,253	3,669	3,762	4,204
Fully Diluted Recurring Net Profit	2,008	3,253	3,669	3,762	4,204

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
EBITDA	3,354	5,346	5,367	5,870	6,775
Cash Flow from Invt. & Assoc.					
Change In Working Capital	631	(1,714)	(295)	638	(19)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(54)	157	600	37	(221)
Net Interest (Paid)/Received	99	(8)	(51)	263	371
Tax Paid	(441)	(1,092)	(1,214)	(1,221)	(1,292)
Cashflow From Operations	3,589	2,689	4,408	5,587	5,614
Capex	(600)	(2,302)	(2,652)	(9,000)	(5,000)
Disposals Of FAs/subsidiaries	84	225	140		
Acq. Of Subsidiaries/Investments	(1,746)	(639)	(2,206)	2,394	
Other Investing Cashflow	24	36	210	76	23
Cash Flow From Investing	(2,238)	(2,681)	(4,507)	(6,530)	(4,977)
Debt Raised/(repaid)	(1,272)	703	583	1,750	
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid		(223)	(333)	(223)	(223)
Preferred Dividends					
Other Financing Cashflow	(110)	(95)	(126)	(339)	(394)
Cash Flow From Financing	(1,382)	386	124	1,188	(616)
Total Cash Generated	(31)	394	25	245	21
Free Cashflow To Equity	79	712	484	807	637
Free Cashflow To Firm	1,243	(88)	(253)	(1,282)	243

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Total Cash And Equivalents	1,860	2,493	2,596	448	468
Total Debtors	2,970	3,489	3,847	4,143	4,480
Inventories	3,302	4,895	5,033	5,997	6,400
Total Other Current Assets	758	771	2,023	1,308	1,536
Total Current Assets	8,890	11,648	13,499	11,897	12,885
Fixed Assets	6,594	6,737	10,002	14,901	16,843
Total Investments	1,169	1,547	2,087	2,087	2,087
Intangible Assets					
Total Other Non-Current Assets	1,217	2,215	781	3,958	5,958
Total Non-current Assets	8,980	10,499	12,870	20,946	24,888
Short-term Debt	727	1,961	2,645	4,394	4,394
Current Portion of Long-Term Debt					
Total Creditors	2,139	2,545	2,836	3,271	3,840
Other Current Liabilities	1,797	1,520	1,431	2,181	2,560
Total Current Liabilities	4,664	6,026	6,912	9,846	10,794
Total Long-term Debt	238	3	2	3	3
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	319	301	196	196	196
Total Non-current Liabilities	557	304	198	199	199
Total Provisions	168	168	279	279	279
Total Liabilities	5,221	6,498	7,389	10,323	11,272
Shareholders Equity	12,649	15,649	18,980	22,519	26,501
Minority Interests					
Total Equity	12,649	15,649	18,980	22,519	26,501

Key Ratios

	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue Growth	(7.4%)	42.0%	20.7%	9.9%	17.4%
Operating EBITDA Growth	(4.1%)	59.4%	0.4%	9.4%	15.4%
Operating EBITDA Margin	15.9%	17.8%	14.8%	14.7%	14.5%
Net Cash Per Share (Rs)	4.03	2.38	(0.23)	(17.77)	(17.68)
BVPS (Rs)	56.93	70.43	85.43	101.36	119.28
Gross Interest Cover	25.27	48.60	30.22	14.58	14.52
Effective Tax Rate	26.4%	32.3%	25.8%	24.5%	23.5%
Net Dividend Payout Ratio	8.1%	6.9%	4.5%	4.5%	4.0%
Accounts Receivables Days	47.94	39.28	36.97	36.64	33.68
Inventory Days	117.88	98.31	93.29	90.32	86.09
Accounts Payables Days	64.60	56.19	50.57	50.01	49.38
ROIC (%)	22.8%	42.8%	33.1%	28.4%	23.0%
ROCE (%)	20.6%	30.4%	24.5%	20.5%	19.7%
Return On Average Assets	16.5%	24.0%	20.1%	17.7%	16.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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