



India

REDUCE (previously ADD)

Consensus ratings*:	Buy 17	Hold 8	Sell 2
Current price:	Rs707		
Target price:	Rs595		
Previous target:	Rs746		
Up/downside:	-15.8%		
InCred Research / Consensus:	-23.4%		
Reuters:	CNTP.NS		
Bloomberg:	CPBI IN		
Market cap:	US\$1,894m		
	Rs157,121m		
Average daily turnover:	US\$2.0m		
	Rs166.5m		
Current shares o/s:	222.2m		
Free float:	27.0%		
*Source: Bloomberg			

Key changes in this note

- Cut revenue by 8-10% for FY25F-26F.
- Cut EBITDA by 10-15% for FY25F-26F.
- Cut PAT by 13-20% for FY25F-26F.



Price performance	1M	3M	12M
Absolute (%)	(8.4)	12.4	38.7
Relative (%)	(9.4)	1.2	16.6

Major shareholders	% held
Promoters	73.0
Kotak Debt Hybrid	4.8
DSP Dynamic Asset Allocation Fund	4.7

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Century Plyboards**Lower certainty as supply exceeds demand**

- Low B2C demand, oversupplied MDF/PB market and rising input prices hit 3Q earnings that were down by 25-35% vs. estimates. MDF/PB imports rose qoq.
- 4QFY24F will be similar. BIS certificate mandatory for MDF/PB imports from mid-Feb 2024 can change outlook. No major delay in ongoing capex as of now.
- Cut EBITDA/PAT by 10-20% over FY25F-26F as supply to exceed demand till Sep 2024F. We build in a recovery from 2HFY25F. Downgrade to REDUCE.

New supply, imports and lower demand lead to sharp margin decline

3QFY24 saw weak B2C demand for wood panels, new supply of medium density fibre [MDF] / particle board [PB] from Indian manufacturers and higher imports qoq. The rise in timber prices qoq (more so for MDF/PB) along with low sales growth (+6.5% yoy) led to 3QFY24 EBITDA/PAT miss of 25-35% for Century Plyboards India (CPIL) vs. our/Bloomberg consensus estimates. MDF/PB gross margin fell to 31.6%/32.1%, down 280bp/850bp yoy, respectively, while the EBITDA margin fell for plywood, laminate, MDF and PB by 200-450bp yoy. CPIL booked a one-time cost related to Royal Club Plywood Dealers' meet of Rs70m in 3Q. Plywood/MDF sales volume was soft at +3%/+15% yoy while realization for MDF/PB fell to Rs33.8k/Rs19.9k per cbm, down 1.5%/19% yoy, respectively. Net working capital cycle was stable at 70 days of TTM sales and net cash stood at Rs3.1bn (Dec 2023-end).

Mandatory BIS certificate for MDF/PB imports from mid-Feb 2024

Higher imports and production ramp-up at recent plants (Greenply, Action Tesa) over the past 12 months led to supply exceeding demand for MDF in India. **From 11 Feb 2024, wood panel imports in India will be allowed only from vendor factories certified by the Bureau of Indian Standards (BIS).** Lower imports could aid a faster recovery (from Jul 2024F) in sales growth and margins vs. our expectation of 2HFY25F for MDF. Barring the intentional delay of Punjab plywood plant expansion, the laminate/MDF greenfield facility in South India would be completed over Jan-Jun 2024F. The PB greenfield facility is on track to be completed by Mar/Apr 2025F. We expect sales/EBITDA CAGR of 18%/27%, respectively, over FY24F-26F.

Uncertain near-term outlook; cut our estimates and stock rating

Despite large capacity addition, a very weak 2HFY24F and delayed demand for wood panels led to a cut in our sales/EBITDA/PAT estimates by 4-20%. We expect sales/EBITDA CAGR for a) plywood: 13%/15%; b) laminates: 16%/25%; c) MDF: 30%/23%, and d) PB: 25%/23% over FY24F-26F. We estimate a capex of ~Rs14bn, peak gross debt of ~Rs5bn (Mar 2025F-end), EPS CAGR of 26% and RoCE at ~20% over FY24F-26F. The near-term outlook remains uncertain and downside risks outweigh the rewards. **Any further weakness could lead to higher debt for CPIL.** We downgrade the stock's rating to REDUCE with a lower target price of Rs595 (Rs746 earlier) retaining our exit P/E of 35x (5-year mean+1SD) FY25F EPS. Upside risk: Steep decline in imports & also input prices.

Financial Summary

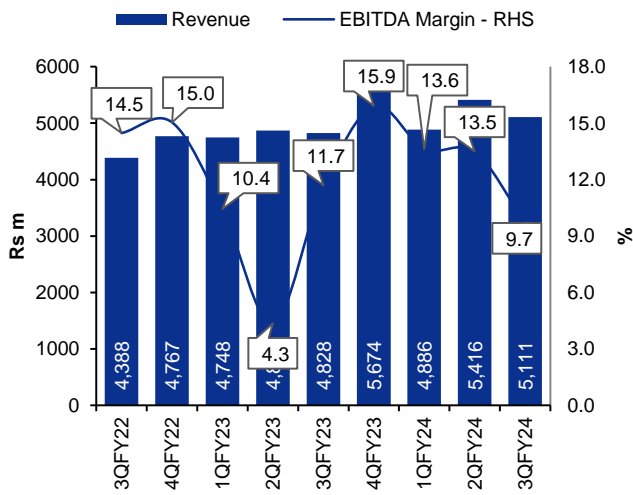
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	30,009	36,207	37,989	44,408	52,461
Operating EBITDA (Rsm)	5,346	5,367	4,958	6,284	7,948
Net Profit (Rsm)	3,253	3,669	3,124	3,780	4,975
Core EPS (Rs)	14.6	16.5	14.1	17.0	22.4
Core EPS Growth	61.9%	12.8%	(14.8%)	21.0%	31.6%
FD Core P/E (x)	48.31	42.83	50.29	41.57	31.58
DPS (Rs)	1.5	1.0	1.0	1.0	1.0
Dividend Yield	0.21%	0.14%	0.14%	0.14%	0.14%
EV/EBITDA (x)	29.29	29.28	32.18	25.61	19.38
P/FCFE (x)	220.79	324.78	103.78	1,123.27	56.11
Net Gearing	(3.4%)	0.3%	11.0%	15.0%	(10.1%)
P/BV (x)	10.04	8.28	7.18	6.18	5.20
ROE	23.0%	21.2%	15.3%	16.0%	17.9%
% Change In Core EPS Estimates			(21.30%)	(20.21%)	(12.93%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

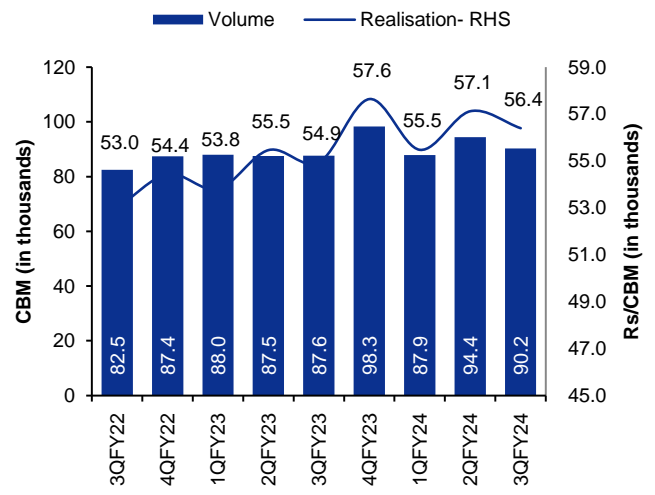
3QFY24 earnings-call highlights

- **Growth and margin guidance:** Management gave 4QFY24F sales volume growth guidance as follows: a) Plywood and laminates: single-digit growth yoy, b) MDF: 20%+ yoy, and c) PB: flat sales qoq. The EBITDA margin guidance was at 12-14% for plywood and laminates and a sequential decline in MDF/PB margins for 4QFY24F. Given the uncertain outlook, management refrained from giving medium-term sales growth and margin guidance.
- **One-time costs:** The company incurred an expense of Rs70m (1.4% of plywood sales, 0.75% of total sales) relating to the plywood division for the Royal Club Dealers' meet that the company hosts every two years.
- **MDF update:** Imports averaged at 100k cbm for the Oct-Dec 2023 period in India. Greenply and Action Tesa's production ramp-up at the new MDF facilities (each having a capacity of 800 cbm per day) along with higher imports led to supply exceeding demand for MDF. In addition, CPIL recently commissioned its brownfield unit (350 cbm per day) in Punjab, which had some challenges for specific sizes, in 3Q and that issue has now been sorted. Apart from this, a few smaller size MDF plants have been set up that are adding to supply pressure in the short term. MDF prices have declined by 7-8% over Nov 2023 - Jan 2024, as per CPIL's management.
- **BIS certification mandatory for MDF imports:** The Indian government has set minimum quality standards for imports of MDF and PB by making the Bureau of Standards or BIS certification mandatory from 11 Feb 2024. This could have meaningful improvement in the business outlook for MDF in case of timely implementation. Existing imported channel inventories would take three-to-four months to fully liquidate before the demand-supply equilibrium improves, as per management. Management indicated no vendor capacity outside India has been issued a BIS certificate for MDF imports in India till the end of Jan 2024. However, the BIS mandatory certification for plywood imports has been deferred by the Indian government.
- **Laminates update:** The greenfield facility in South India has started production from two out of the four lines planned. These two lines would manufacture laminates of larger sizes having 2x realization vs. existing laminate products of CPIL.
- **Capex update:** The brownfield expansion at the existing plywood unit in Punjab has been delayed due to a weak demand environment. Both the greenfield plants for MDF and laminates in South India will be fully operational by Jun 2024F. The greenfield particle board plant is on track and is expected to be completed by 4QFY25F. The total estimated capex is ~Rs14bn over FY24F-26F and we expect a peak gross debt of ~Rs5bn by Mar 2025F.
- **Cash flow:** Net working capital was stable qoq at 70 days of TTM sales and net debt stood at Rs3.1bn (+Rs250m qoq) at the end of Dec 2023.

Figure 1: Quarterly trend: Plywood & allied products

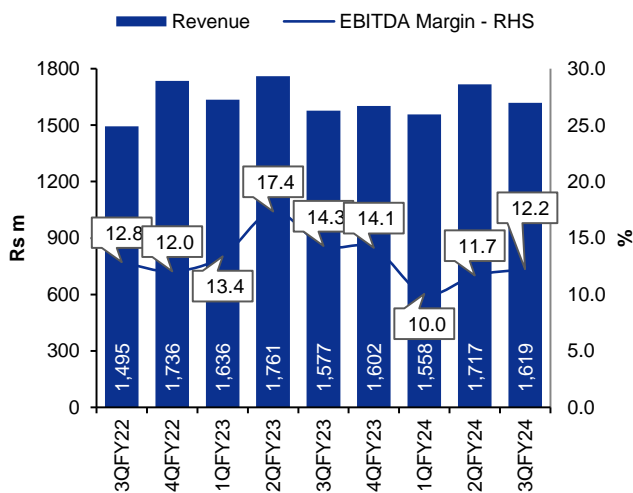


SOURCE: INCRED RESEARCH, COMPANY REPORTS

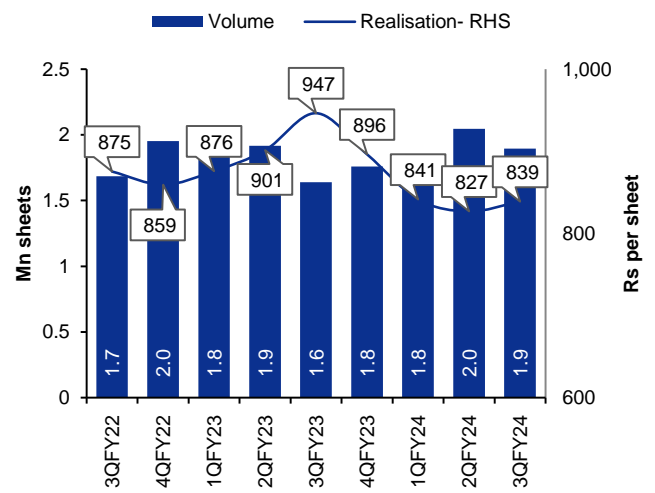


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Quarterly trend: Laminates & allied products

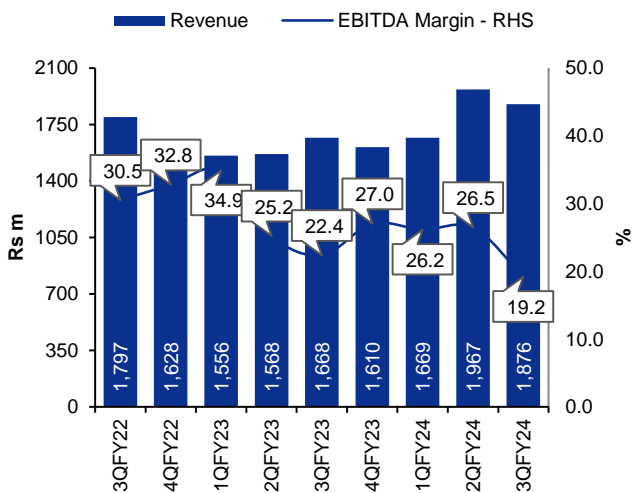


SOURCE: INCRED RESEARCH, COMPANY REPORTS

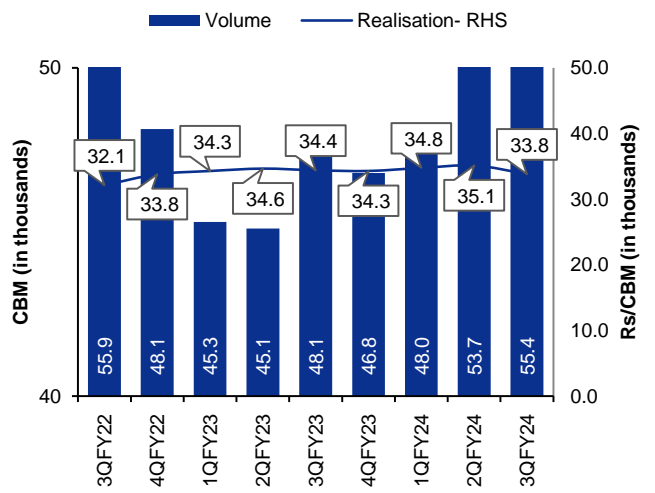


SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

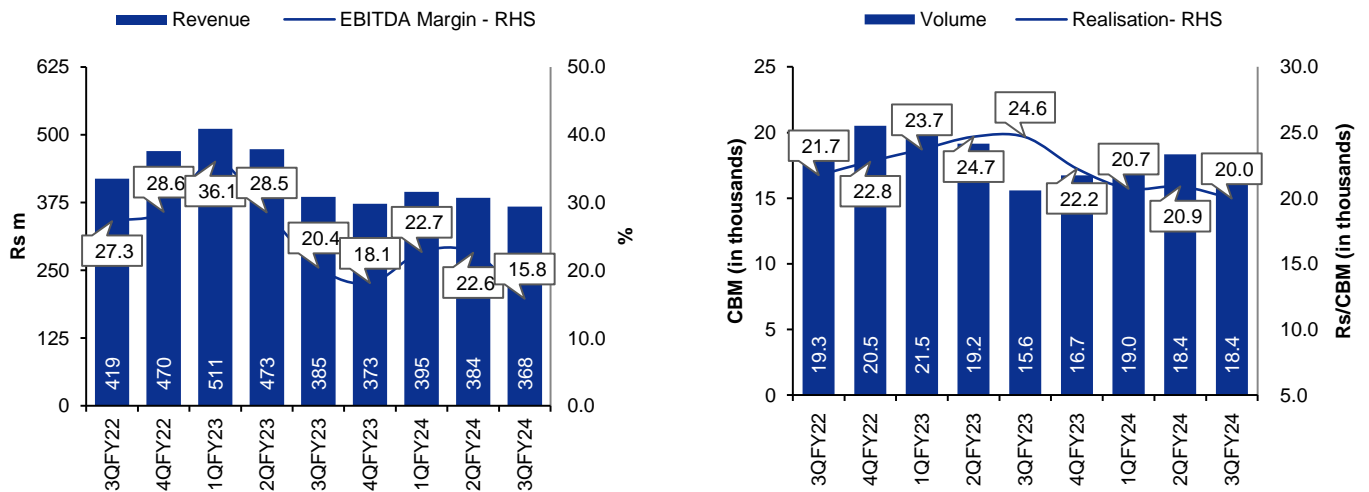


SOURCE: INCRED RESEARCH, COMPANY REPORTS



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Quarterly trend: Particle board



SOURCE: INCRED RESEARCH, COMPANY REPORTS

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: 3QFY24 results snapshot

Y/E Mar (Rs m)	3QFY24	3QFY23	yoy (%)	2QFY24	qoq (%)	9MFY24	9MFY23	yoy (%)
Revenue	9,343	8,772	6.5	9,879	(5.4)	28,046	26,588	5.5
EBITDA	1,071	1,274	(16.0)	1,404	(23.8)	3,777	4,234	(10.8)
EBITDA margin (%)	11.5	14.5	-307 bp	14.2	-276 bp	13.5	15.9	-246 bp
Adj. PAT	646	838	(22.9)	904	(28.5)	2,391	2,541	(5.9)
Diluted EPS (Rs)	2.9	3.8		4.1		10.7	13.0	

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Segment financials (Rsm)

Y/E Mar	3QFY24	3QFY23	yoy (%)	2QFY24	qoq (%)	9MFY24	9MFY23	yoy (%)
Revenue								
Plywood & allied	5,111	4,828	5.9	5,416	(5.6)	15,412	14,445	6.7
Laminates & allied	1,619	1,577	2.6	1,717	(5.7)	4,894	4,974	(1.6)
MDF	1,876	1,668	12.5	1,967	(4.6)	5,511	4,791	15.0
Particle board	368	385	(4.6)	384	(4.2)	1,146	1,369	(16.3)
Container freight station	247	196	26.1	262	(6.0)	717	578	24.0
Others	124	119	4.4	134	(7.2)	366	431	(15.0)
Total	9,343	8,772	6.5	9,879	(5.4)	28,046	26,588	5.5
EBITDA (Rs m)								
Plywood & allied	495	565	(12.3)	730	(32.2)	1,775	1,203	47.6
Laminates & allied	198	225	(12.0)	201	(1.1)	510	729	(30.1)
MDF	360	373	(3.6)	521	(30.9)	1,160	1,245	(6.8)
Particle board	58	79	(26.1)	87	(33.0)	219	377	(42.0)
Container freight station	24	56	(58.2)	8	195.0	24	87	(72.9)
Others	18	15	15.9	20	(12.5)	49	39	26.4
Total	1,153	1,313	(12.2)	1,566	(26.4)	3,736	3,680	1.5
EBITDA margin (%)								
Plywood & allied	9.7	11.7	-200 bp	13.5	-379 bp	11.5	8.3	319 bp
Laminates & allied	12.2	14.3	-204 bp	11.7	57 bp	10.4	14.7	-425 bp
MDF	19.2	22.4	-319 bp	26.5	-729 bp	21.0	26.0	-494 bp
Particle board	15.8	20.4	-460 bp	22.6	-680 bp	19.1	27.6	-847 bp
Container freight station	9.6	28.8	-1,928 bp	3.1	652 bp	3.3	15.1	-1180 bp
Others	14.1	12.7	140 bp	15.0	-86 bp	13.3	9.0	437 bp
Total	12.3	15.0	-263 bp	15.9	-352 bp	13.3	13.8	-52 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Actuals vs. our estimates

Rs m	3QFY24	3QFY24F	Var (%)
Revenue	9,343	9,696	(3.6)
EBITDA	1,071	1,474	(27.4)
EBITDA margin (%)	11.5	15.2	-374 bp
Adj. PAT	646	941	(31.4)

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Actuals vs. Bloomberg consensus

Rs m	3QFY24	3QFY24C	Var (%)
Revenue	9,343	9,709	(3.8)
EBITDA	1,071	1,497	(28.5)
EBITDA margin (%)	11.5	15.4	-396 bp
Adj. PAT	646	978	(33.9)

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 9: Unitary margins (Rs)

Unit EBITDA	3QFY24	3QFY23	yoy (%)	2QFY24	qoq (%)	9MFY24	9MFY23	yoy (%)
Plywood & Allied (per cbm)	5,490	6,445	(14.8)	7,740	(29.1)	6,944	4,829	43.8
Laminates & Allied (per sheet)	104	136	(23.8)	97	6.7	96	138	(30.7)
MDF (per cbm)	6,499	7,759	(16.2)	9,692	(32.9)	8,384	9,469	(11.5)
Particle board (per cbm)	3,155	5,034	(37.3)	4,719	(33.2)	4,199	7,064	(40.6)
Container freight station (per TEU)	1,364	4,532	(69.9)	452	202.1	1,477	4,146	(64.4)

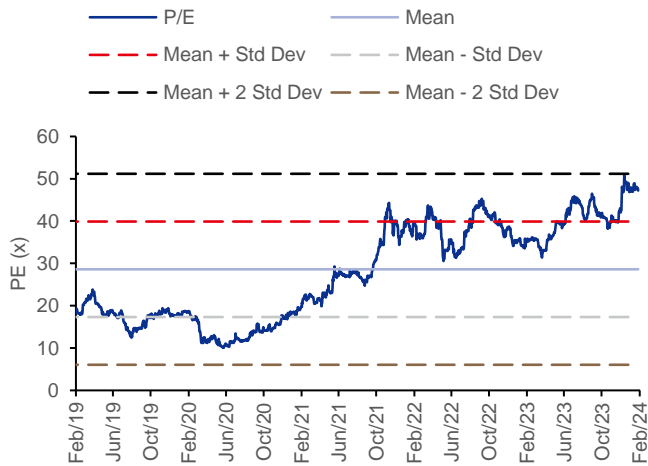
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Our revised earnings estimates

	New estimates			Old estimates			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	37,989	44,408	52,461	39,672	49,185	57,343	-4.2	-9.7	-8.5
EBITDA	4,958	6,284	7,948	6,070	7,402	8,917	-18.3	-15.1	-10.9
Adjusted consol. PAT	3,124	3,780	4,975	3,969	4,737	5,714	-21.3	-20.2	-12.9
EPS	14.1	17.0	22.4	17.9	21.3	25.7	-21.3	-20.2	-12.9
EBITDA margin (%)	13.1	14.2	15.2	15.3	15.1	15.6	-225 bp	-90 bp	-40 bp

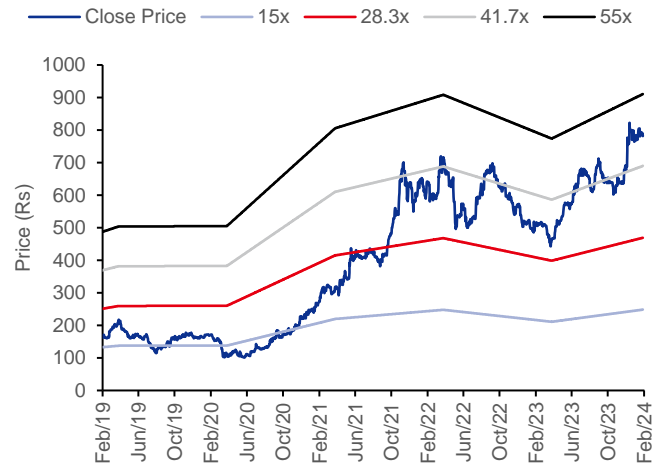
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: P/E standard deviation (5-year mean)



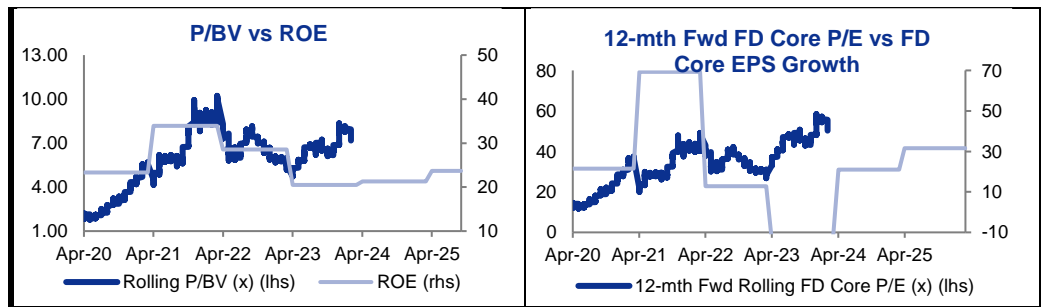
SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 12: P/E band (1-year forward EPS)



SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	30,009	36,207	37,989	44,408	52,461
Gross Profit	14,792	16,785	17,627	20,761	24,395
Operating EBITDA	5,346	5,367	4,958	6,284	7,948
Depreciation And Amortisation	(675)	(724)	(888)	(1,184)	(1,370)
Operating EBIT	4,670	4,643	4,070	5,100	6,578
Financial Income/(Expense)	7	35	(126)	(260)	(199)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	124	262	250	200	210
Profit Before Tax (pre-EI)	4,802	4,941	4,193	5,040	6,590
Exceptional Items					
Pre-tax Profit	4,802	4,941	4,193	5,040	6,590
Taxation	(1,549)	(1,273)	(1,069)	(1,260)	(1,614)
Exceptional Income - post-tax					
Profit After Tax	3,253	3,669	3,124	3,780	4,975
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	3,253	3,669	3,124	3,780	4,975
Recurring Net Profit	3,253	3,669	3,124	3,780	4,975
Fully Diluted Recurring Net Profit	3,253	3,669	3,124	3,780	4,975

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	5,346	5,367	4,958	6,284	7,948
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,714)	(295)	598	(898)	(1,114)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	157	600	124	(60)	11
Net Interest (Paid)/Received	(8)	(51)	126	260	199
Tax Paid	(1,092)	(1,214)	(1,069)	(1,260)	(1,614)
Cashflow From Operations	2,689	4,408	4,736	4,326	5,430
Capex	(2,302)	(2,652)	(6,750)	(5,258)	(1,765)
Disposals Of FAs/subsidiaries	225	140			
Acq. Of Subsidiaries/investments	(639)	(2,206)	2,394		
Other Investing Cashflow	36	210	134	72	136
Cash Flow From Investing	(2,681)	(4,507)	(4,222)	(5,186)	(1,629)
Debt Raised/(repaid)	703	583	1,000	1,000	(1,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(223)	(333)	(223)	(223)	(223)
Preferred Dividends					
Other Financing Cashflow	(95)	(126)	(260)	(332)	(334)
Cash Flow From Financing	386	124	517	445	(1,557)
Total Cash Generated	394	25	1,031	(415)	2,243
Free Cashflow To Equity	712	484	1,514	140	2,800
Free Cashflow To Firm	(88)	(253)	254	(1,192)	3,466

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	2,493	2,596	1,234	819	3,062
Total Debtors	3,489	3,847	3,955	4,502	5,174
Inventories	4,895	5,033	5,724	6,692	7,905
Total Other Current Assets	771	993	1,145	1,338	1,581
Total Current Assets	11,648	12,469	12,058	13,351	17,723
Fixed Assets	6,737	10,002	14,437	14,761	20,156
Total Investments	1,547	2,087	2,087	2,087	2,087
Intangible Assets					
Total Other Non-Current Assets	2,215	1,811	2,208	5,958	958
Total Non-current Assets	10,499	13,900	18,732	22,806	23,201
Short-term Debt	1,961	2,645	3,644	4,644	
Current Portion of Long-Term Debt					
Total Creditors	2,545	2,836	2,914	3,407	4,024
Other Current Liabilities	1,520	1,431	1,873	2,190	2,587
Total Current Liabilities	6,026	6,912	8,432	10,240	6,612
Total Long-term Debt	3	2	2	3	
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	301	196	196	196	196
Total Non-current Liabilities	304	198	198	199	196
Total Provisions	168	279	279	279	279
Total Liabilities	6,498	7,389	8,909	10,718	7,086
Shareholders Equity	15,649	18,980	21,881	25,438	30,191
Minority Interests					
Total Equity	15,649	18,980	21,881	25,438	30,191

Key Ratios

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	42.0%	20.7%	4.9%	16.9%	18.1%
Operating EBITDA Growth	59.4%	0.4%	(7.6%)	26.8%	26.5%
Operating EBITDA Margin	17.8%	14.8%	13.1%	14.1%	15.2%
Net Cash Per Share (Rs)	2.38	(0.23)	(10.86)	(17.23)	13.78
BVPS (Rs)	70.43	85.43	98.49	114.50	135.89
Gross Interest Cover	48.60	30.22	15.64	15.35	19.67
Effective Tax Rate	32.3%	25.8%	25.5%	25.0%	24.5%
Net Dividend Payout Ratio	6.9%	4.5%	5.3%	4.4%	3.4%
Accounts Receivables Days	39.28	36.97	37.48	34.75	33.66
Inventory Days	98.31	93.29	96.41	95.82	94.91
Accounts Payables Days	56.19	50.57	51.54	48.78	48.32
ROIC (%)	42.8%	33.1%	23.4%	22.5%	23.8%
ROCE (%)	30.4%	24.4%	17.6%	18.4%	22.1%
Return On Average Assets	24.0%	20.2%	15.1%	15.8%	17.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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