

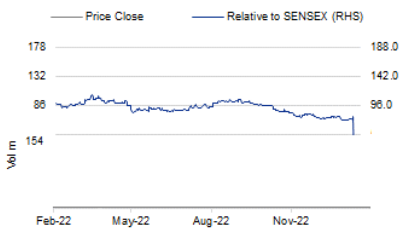
India

ADD (no change)

Consensus ratings*: Buy 19 Hold 2 Sell 0	
Current price:	Rs516
Target price:	Rs626
Previous target:	Rs754
Up/downside:	21.3%
InCred Research / Consensus:	-10.8%
Reuters:	
Bloomberg:	CPBI IN
Market cap:	US\$1,579m
	Rs114,664m
Average daily turnover:	US\$1.4m
	Rs103.9m
Current shares o/s:	222.2m
Free float:	27.0%
*Source: Bloomberg	

Key changes in this note

- FY23F/24F revenue cut by 4.4%/6.1%.
- FY23F/24F EBITDA cut by 10.3%/15.5%.
- FY23F/24F PAT cut by 11.8%/19.2%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(0.3)	(12.2)	(19.2)
Relative (%)	(1.5)	(11.4)	(23.0)

Major shareholders	% held
Promoters	73.0
Kotak Debt Hybrid Fund	4.4
Dsp Dynamic Asset Allocation Fund	4.1

Analyst(s)



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Century Plyboards

High input prices & imports impact margins

- 3Q revenue in line. EBITDA/PAT missed our/Bloomberg consensus estimates by ~10%. Stiff timber prices and more MDF/PB imports qoq impacted margins.
- New capacities for plywood, laminates and MDF over the next 12 months. We expect the margins to decline in FY24F, only to bounce back strongly in FY25F.
- The long-term outlook excites us more than the medium-term risks like capex delay and MDF pricing/margins. Retain ADD rating with a lower TP of Rs626.

Plywood and MDF demand steady, laminates and particle board weak

Century Plyboards India (CPIL) reported 3QFY23 revenue/EBITDA/PAT of Rs8.8bn/Rs1.3bn/Rs838m, +3%/-16%/-14% yoy, respectively. Revenue matched expectations while EBITDA/PAT were lower by ~10% to our/Bloomberg consensus estimates, respectively. Consolidated gross/EBITDA margins declined to 45.4%/14.5%, down 215bp/335bp yoy, respectively. Hardening of timber prices qoq and pricing pressure on particle board (PB) realization due to higher imports qoq led to sub-optimal margins. Plywood saw its sales volume grow 6% yoy while laminates/MDF/PB volumes declined by 3%/14%/19% yoy, respectively. Plywood and laminate revenue stood at Rs4.8bn/Rs1.6bn, +10%/6% yoy, while MDF/PB revenue declined to Rs1.7bn/Rs385m, down 7%/8% yoy, respectively. MDF/PB EBITDA margins deteriorated to 22.4%/20.4%, down 800bp/700bp yoy and 300bp/800bp, respectively, qoq.

New capacity to boost revenue growth but exert pressure on margins

CPIL completed the land acquisition for its 60k cbm brownfield plywood expansion project at Hoshiarpur at a total budgeted capex of Rs1bn. The MDF brownfield expansion in North India and laminate and MDF greenfield plants in South India would start commercial operations over the next 12 months. CPIL plans to introduce multiple premium products across these categories to improve sales mix and margins. We expect a meaningful pick-up in sales volume led by new capacities in FY24F, but EBITDA margin will be under pressure due to higher operational cost of new plants and a cyclical decline in MDF/PB margins. We see near-peak margins (25%+) for MDF/PB in FY23F that would rationalize as supply exceeds demand temporarily next fiscal. Plywood and laminate had sub-optimal margins and those will improve in FY24F yoy. We expect consolidated EBITDA margin of 14.7%, down 100bp yoy, and 15.6%, up 90bp yoy, for FY24F and FY25F, respectively.

Sharp cut in base case estimates with potential to surprise positively

We incorporate 3QFY23 and reduce volume growth/realization/margin assumptions across all segments. We cut revenue/EBITDA/PAT by 6%/13-15%/18-19%, respectively, for FY24F-25F. We are bullish on the long-term outlook and stock price correction of ~25% since Sep 2022 that accounts for medium-term risks. We find the risk-reward ratio favourable for long-term investors. We retain our ADD rating on CPIL with a lower target price of Rs626 (Rs754 earlier) or 37x FY24F EPS. Downside risks: Substantial MDF/PB import dumping, and capex delay.

Financial Summary

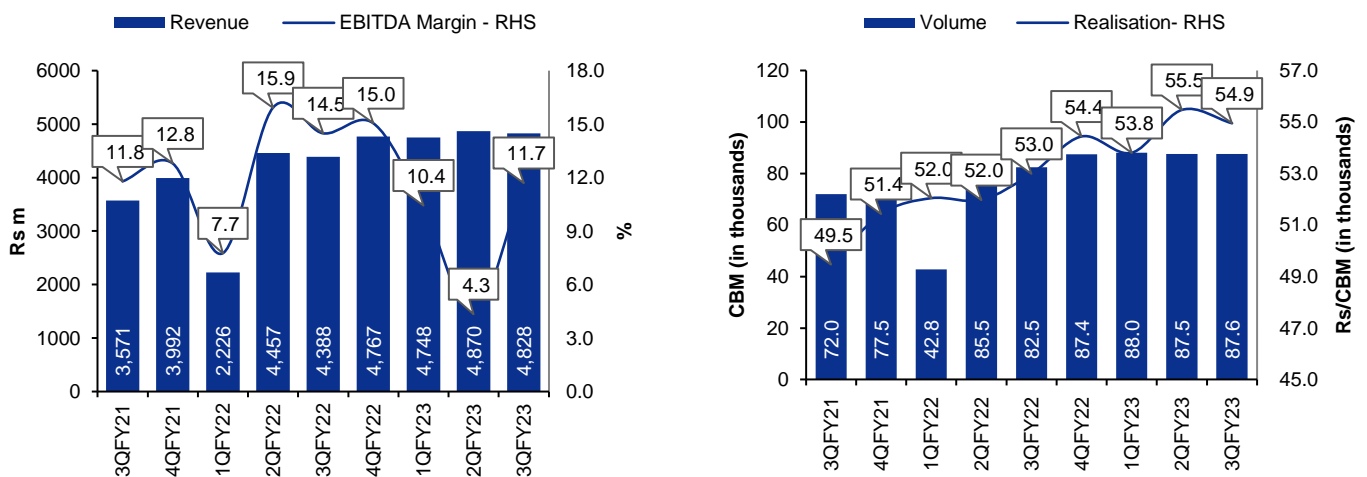
	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	21,136	30,009	35,457	41,577	50,493
Operating EBITDA (Rsm)	3,354	5,346	5,567	6,091	7,852
Net Profit (Rsm)	1,921	3,253	3,339	3,760	4,802
Core EPS (Rs)	9.0	14.6	16.2	16.9	21.6
Core EPS Growth	4.3%	62.0%	10.7%	4.4%	27.7%
FD Core P/E (x)	59.67	35.25	34.34	30.49	23.88
DPS (Rs)	1.0	1.5	1.5	1.5	2.0
Dividend Yield	0.19%	0.29%	0.29%	0.29%	0.39%
EV/EBITDA (x)	33.92	21.35	20.92	19.70	14.48
P/FCFE (x)	1,454.81	161.13	97.30	584.22	147.00
Net Gearing	(7.1%)	(3.4%)	9.7%	24.2%	(3.7%)
P/BV (x)	9.07	7.33	6.15	5.19	4.34
ROE	17.2%	23.0%	21.0%	18.5%	19.8%
% Change In Core EPS Estimates			(12.18%)	(19.20%)	(18.00%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY23 earnings-call highlights

- Growth and margin guidance:** Management gave sales volume growth guidance of 15% for the plywood segment, 5% each for laminate and MDF segments and near-zero growth for PB in FY23F. However, average selling prices or ASPs have increased across segments yoy in 9MFY23 and revenue growth guidance was 20% for plywood, 15% each for laminate and MDF, and 12-15% for PB in the current fiscal. EBITDA margin guidance given was in the range of 12-14% for plywood, 13-15% for laminate and 20-25% for MDF and PB for FY23F.
- Price hikes/cuts:** Given the higher imports into India from South-East Asian nations, domestic manufacturers faced severe price competition during 3Q. To enable volume throughputs, CPIL cut plain PB prices by 10% each in Dec 2022 and Jan 2023. For pre-laminated PB, prices have been cut by 4.5% in Nov 2022 and 5-10% in Jan 2023. Given the stiffness in timber prices, plywood prices were hiked by 2% in Jan 2023. Sainik MR variety price hike was higher at 4% for South Indian region, effective Jan 2023.
- MDF update:** India saw steady MDF imports of 18k cbm, 21k cbm and 18k cbm in Oct, Nov and Dec 2022 respectively. Apart from CPIL's brownfield expansion in North India and a greenfield plant in South India, Greenpanel and Action Tesa would add new MDF capacity in West and North India regions in CY23F.
- India pricing vs. imports:** CPIL indicated that after the price cuts implemented for plain and pre-laminated PB in 3Q and Jan 2023, selling prices in India are at parity with import prices. As regards MDF, since CPIL has its plant and major end-customer market in North India, Indian prices are at a 15-20% premium to imported MDF prices.
- Capex:** The brownfield expansion of MDF plant has been delayed (machine vendor supplies delayed from China) and is expected to start commercial production from 4QFY23F. Land acquisition for plywood plant expansion at Hoshiarpur for an annual capacity of 60k cbm has been completed and the first phase is expected to start commercial production from 3QFY24F. The first phase of the greenfield laminate plant in South India is expected to start operations by Sep 2023F. The greenfield expansion of particle board plant in Chennai for 1,200 cbm with a capital outlay of Rs5.5bn is on track and there are ongoing negotiations with machinery vendors.
- Cash conversion cycle:** Net working capital stood at 48 days of TTM sales at the end of Dec 2022 (vs. 62 days at the end of Mar 2022). Net cash, including equivalents, stood at Rs2.08bn at the end of Dec 2022.

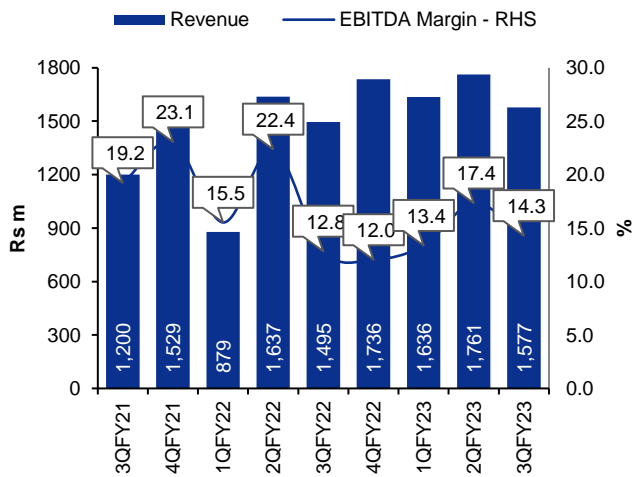
Figure 1: Quarterly trend: Plywood & allied products



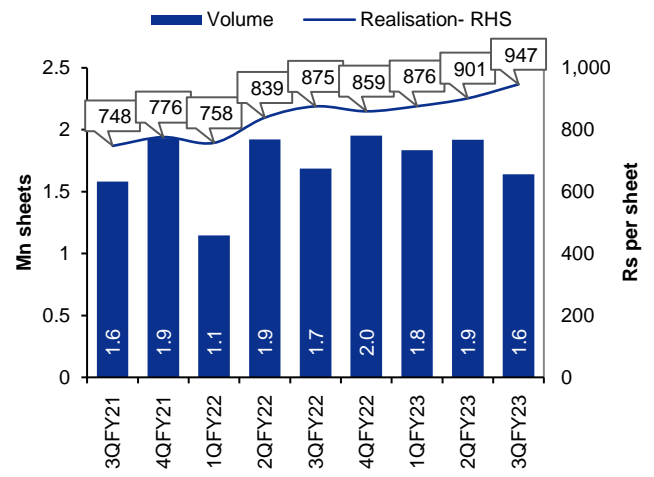
SOURCE: INCRED RESEARCH, COMPANY REPORTS

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Quarterly trend: Laminates & allied products

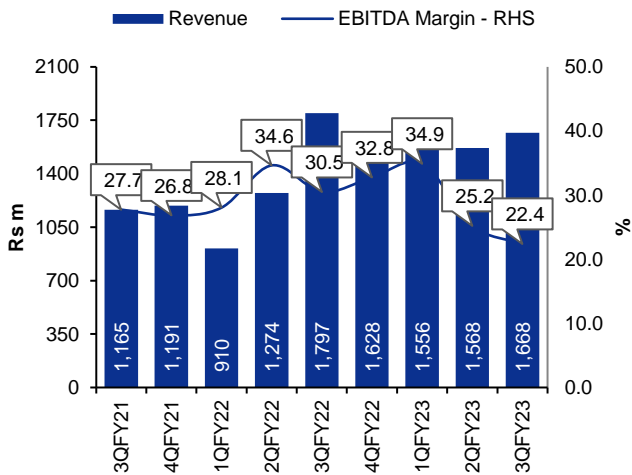


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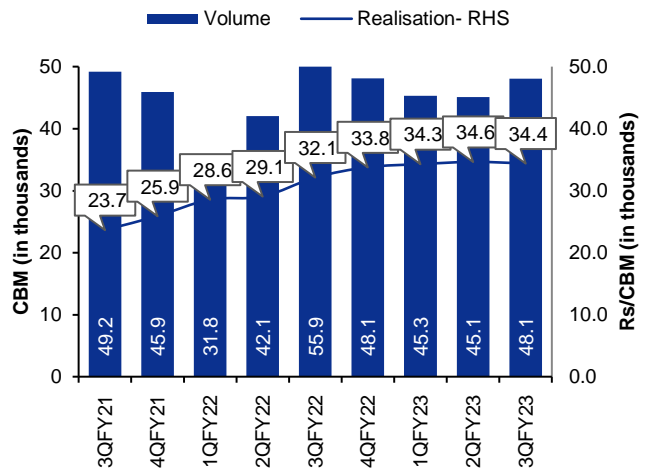


SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

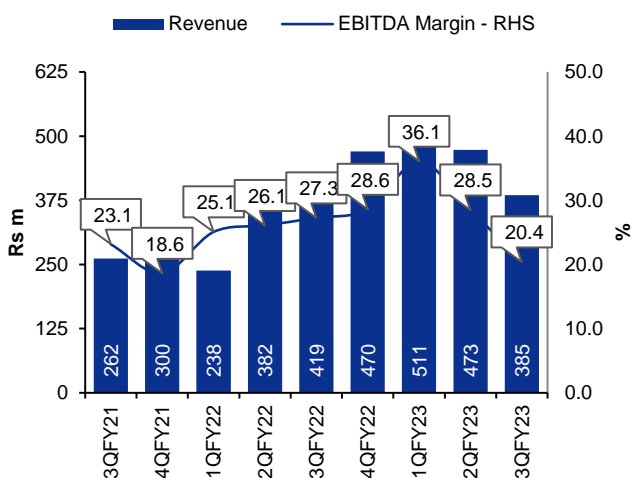


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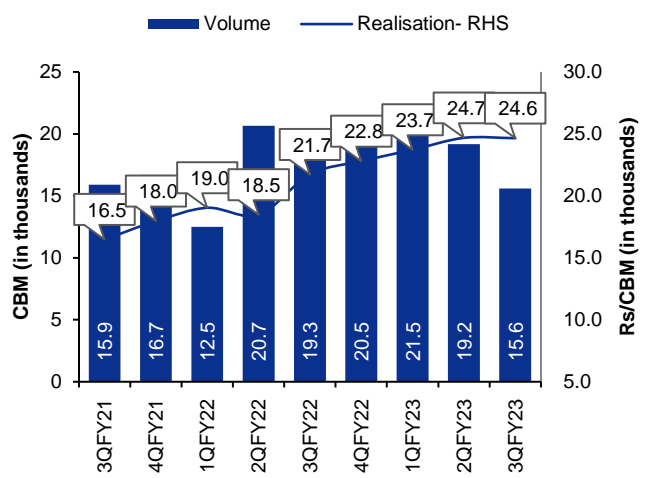


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Quarterly trend: Particle board



SOURCE: INCRED RESEARCH, COMPANY REPORTS



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: 3QFY23 results snapshot

YE Mar (Rs m)	3QFY23	3QFY22	yoy (%)	2QFY23	qoq (%)	9MFY23	9MFY22	yoy (%)
Revenue	8,772	8,485	3.4	9,002	(2.6)	26,588	21,056	26.3
EBITDA	1,274	1,517	(16.0)	1,507	(15.5)	4,234	3,736	13.3
EBITDA margin (%)	14.5	17.9	-335 bp	16.7	-222 bp	15.9	17.7	-182 bp
Adj. PAT	838	973	(13.9)	1,090	(23.2)	2,541	2,342	8.5
Diluted EPS (Rs)	3.8	4.4		4.9		13.0	10.5	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Segmental results snapshot

YE Mar	3QFY23	3QFY22	yoy (%)	2QFY23	qoq (%)	9MFY23	9MFY22	yoy (%)
Revenue (Rs m)								
Plywood & Allied products	4,828	4,388	10.0	4,870	(0.9)	14,445	11,071	30.5
Laminates & Allied products	1,577	1,495	5.5	1,761	(10.4)	4,974	4,011	24.0
Medium Density Fibreboard (MDF)	1,668	1,797	(7.2)	1,568	6.4	4,791	3,981	20.3
Particle board	385	419	(8.0)	473	(18.6)	1,369	1,038	31.9
Container freight station services	196	205	(4.5)	175	11.5	578	562	2.9
Others	119	183	(34.9)	154	(22.9)	431	393	9.5
Total	8,772	8,485	3.4	9,002	(2.6)	26,588	21,056	26.3
EBIT (Rs m)								
Plywood & Allied products	514	618	(16.9)	189	172.3	1,203	1,462	(17.8)
Laminates & Allied products	210	177	18.8	300	(30.0)	729	647	12.7
Medium Density Fibreboard (MDF)	340	504	(32.5)	377	(9.7)	1,245	1,112	11.9
Particle board	69	102	(32.4)	130	(46.6)	377	240	57.5
Container freight station services	36	37	(2.9)	19	93.1	87	52	67.7
Others	15	27	(44.4)	9	68.5	39	64	(39.3)
Total	1,184	1,466	(19.2)	1,023	15.8	3,680	3,577	2.9
EBIT margin (%)								
Plywood & Allied products	10.6	14.1	-346 bp	3.9	676 bp	8.3	13.2	-488 bp
Laminates & Allied products	13.3	11.8	148 bp	17.0	-372 bp	14.7	16.1	-147 bp
Medium Density Fibreboard (MDF)	20.4	28.1	-764 bp	24.0	-363 bp	26.0	27.9	-196 bp
Particle board	18.0	24.5	-649 bp	27.4	-940 bp	27.6	23.1	448 bp
Container freight station services	18.6	18.3	30 bp	10.7	785 bp	15.1	9.3	583 bp
Others	12.6	14.8	-217 bp	5.8	685 bp	9.0	16.2	-720 bp
Total	13.5	17.3	-378 bp	11.4	214 bp	13.8	17.0	-315 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Actuals vs. our estimates

Rs m	3QFY23A	3QFY23F	Var (%)
Revenue	8,772	8,771	0.0
EBITDA	1,274	1,427	(10.7)
EBITDA margin (%)	14.5	16.3	-174 bp
Adj. PAT	838	935	(10.4)

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Actuals vs. Bloomberg consensus estimates

Rs m	3QFY23A	3QFY23C	Var (%)
Revenue	8,772	8,821	(0.6)
EBITDA	1,274	1,406	(9.4)
EBITDA margin (%)	14.5	15.9	-142 bp
Adj. PAT	838	931	(10.0)

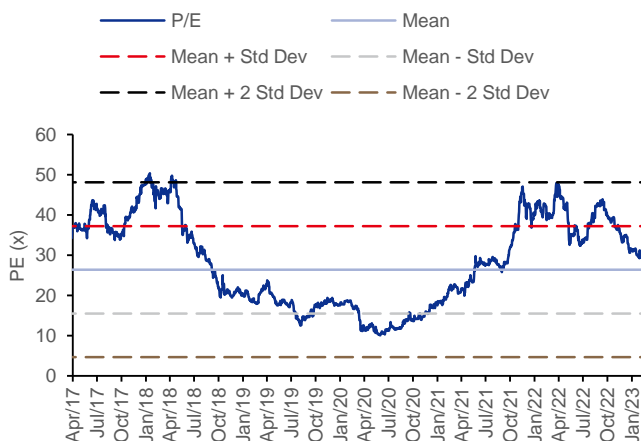
SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 9: Our revised estimates

	New estimates			Old estimates			Change (%)		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Revenue	35,457	41,577	50,493	37,071	44,260	53,714	-4.4	-6.1	-6.0
EBITDA	5,567	6,091	7,852	6,209	7,210	9,019	-10.3	-15.5	-12.9
Adjusted consol. PAT	3,690	3,760	4,802	4,183	4,654	5,856	-11.8	-19.2	-18.0
EPS	16.6	16.9	21.6	18.8	20.9	26.4	-11.8	-19.2	-18.0
EBITDA margin (%)	15.7	14.7	15.6	16.8	16.3	16.8	-105 bp	-164 bp	-124 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

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



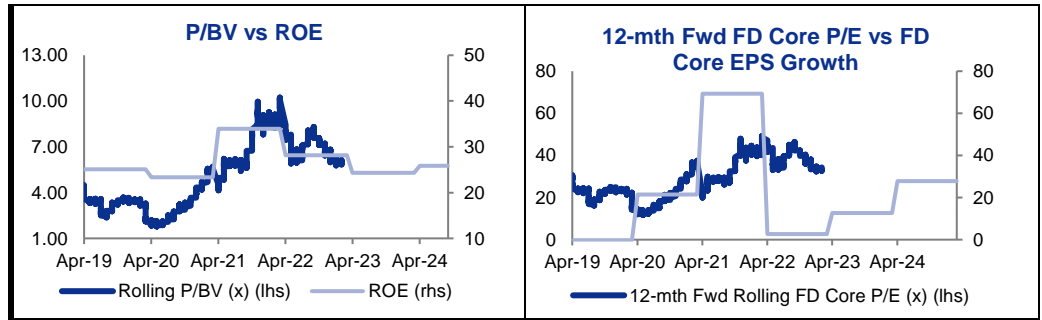
SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

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



SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenues	21,136	30,009	35,457	41,577	50,493
Gross Profit	10,542	14,792	16,399	18,294	21,460
Operating EBITDA	3,354	5,346	5,567	6,091	7,852
Depreciation And Amortisation	(626)	(675)	(763)	(943)	(1,288)
Operating EBIT	2,728	4,670	4,804	5,148	6,564
Financial Income/(Expense)	(99)	8	(86)	(321)	(420)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	98	124	110	121	133
Profit Before Tax (pre-EI)	2,727	4,802	4,827	4,948	6,277
Exceptional Items	(118)		(351)		
Pre-tax Profit	2,609	4,802	4,476	4,948	6,277
Taxation	(688)	(1,549)	(1,137)	(1,187)	(1,475)
Exceptional Income - post-tax					
Profit After Tax	1,921	3,253	3,339	3,760	4,802
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,921	3,253	3,339	3,760	4,802
Recurring Net Profit	2,008	3,253	3,601	3,760	4,802
Fully Diluted Recurring Net Profit	2,008	3,253	3,601	3,760	4,802

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	3,354	5,346	5,567	6,091	7,852
Cash Flow from Invt. & Assoc.					
Change In Working Capital	631	(1,714)	(1,264)	(299)	(1,427)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(54)	157	(328)	(200)	(287)
Net Interest (Paid)/Received	99	(8)	86	321	420
Tax Paid	(441)	(1,092)	(1,137)	(1,187)	(1,475)
Cashflow From Operations	3,589	2,689	2,925	4,725	5,083
Capex	(600)	(2,302)	(4,850)	(7,605)	(3,360)
Disposals Of FAs/subsidiaries	84	225			
Acq. Of Subsidiaries/investments	(1,746)	(639)	1,500		
Other Investing Cashflow	24	36	104	76	57
Cash Flow From Investing	(2,238)	(2,681)	(3,246)	(7,529)	(3,303)
Debt Raised/(repaid)	(1,272)	703	1,500	3,000	(1,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid		(223)	(334)	(334)	(445)
Preferred Dividends					
Other Financing Cashflow	(110)	(95)	(190)	(397)	(477)
Cash Flow From Financing	(1,382)	386	976	2,269	(1,922)
Total Cash Generated	(31)	394	655	(535)	(142)
Free Cashflow To Equity	79	712	1,178	196	780
Free Cashflow To Firm	1,243	(88)	(512)	(3,201)	1,303

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	1,860	2,493	1,647	1,113	971
Total Debtors	2,970	3,489	3,886	4,329	5,257
Inventories	3,302	4,895	5,829	6,265	7,609
Total Other Current Assets	758	771	1,010	1,185	1,439
Total Current Assets	8,890	11,648	12,372	12,891	15,275
Fixed Assets	6,594	6,737	9,971	16,133	21,006
Total Investments	1,169	1,547	1,547	1,547	1,547
Intangible Assets					
Total Other Non-Current Assets	1,217	2,215	3,067	3,567	767
Total Non-current Assets	8,980	10,499	14,586	21,248	23,320
Short-term Debt	727	1,961	3,458	6,453	
Current Portion of Long-Term Debt					
Total Creditors	2,139	2,545	2,429	2,848	3,458
Other Current Liabilities	1,797	1,520	1,943	2,278	2,767
Total Current Liabilities	4,664	6,026	7,830	11,579	6,225
Total Long-term Debt	238	3	5	10	
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	319	301	301	301	301
Total Non-current Liabilities	557	304	306	311	301
Total Provisions		168	168	168	168
Total Liabilities	5,221	6,498	8,304	12,058	6,694
Shareholders Equity	12,649	15,649	18,654	22,080	26,438
Minority Interests					
Total Equity	12,649	15,649	18,654	22,080	26,438

Key Ratios					
	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(7.4%)	42.0%	18.2%	17.3%	21.4%
Operating EBITDA Growth	(4.1%)	59.4%	4.1%	9.4%	28.9%
Operating EBITDA Margin	15.9%	17.8%	15.7%	14.7%	15.5%
Net Cash Per Share (Rs)	4.03	2.38	(8.18)	(24.08)	4.37
BVPS (Rs)	56.93	70.43	83.96	99.38	119.00
Gross Interest Cover	25.27	48.60	25.29	12.96	13.76
Effective Tax Rate	26.4%	32.3%	25.4%	24.0%	23.5%
Net Dividend Payout Ratio	8.1%	6.9%	6.9%	6.7%	7.1%
Accounts Receivables Days	47.94	39.28	37.96	36.06	34.65
Inventory Days	117.88	98.31	102.69	94.79	87.21
Accounts Payables Days	64.60	56.19	47.63	41.36	39.64
ROIC (%)	22.8%	42.8%	34.2%	26.5%	24.9%
ROCE (%)	20.6%	30.4%	24.5%	20.5%	23.9%
Return On Average Assets	16.5%	24.0%	20.0%	17.2%	18.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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