

Century Plyboards Ltd

BUY

CMP Rs418

Target Rs459

Upside 10%

Result review:

- ✓ Century Plyboards Ltd (CPBL) reported revenue of Rs7,450mn (40.5% y/y & 12.9% q/q). The growth was led by stellar growth in Plywood & Laminates division (75% of total sales). Plywood sales grew by 42.2% y/y & 11.8% q/q to Rs4,056mn wherein volumes grew by 44% y/y & 7.9% q/q backed by 4% realization growth both y/y & q/q. Laminates revenues stood at Rs1,529mn (44.2% y/y & 27.4% q/q) wherein volumes increased massively by 37.9% y/y & 22% q/q and realizations grew by 3.9% y/y & 4/1% q/q.
- ✓ MDF/Particleboards/CFS (~25% sales) also registered strong y/y growth of 41.2%/29.8%/7.2% respectively and as compared to Q3FY21 sales grew by 2.2%/14.5%/5% respectively.
- ✓ Operational margins came in at 17% Vs 12.7%/18.7% in Q4FY20/Q3FY21 respectively. Plywood/Laminates (66% of total EBITDA) margins stood at 12.8%/22.6% respectively. Company reported EBITDA of Rs1,258mn (86.4% y/y & 1.7% q/q)

Our view:

- ✓ Though the second wave of COVID-19 is likely to impact the performance in Q1FY22, we reckon demand to bounce back with re-opening of economy. With capacity addition in MDF division, the revenues of MDF should grow by 39% over FY21-FY23E. Laminates/Plywood are expected to report topline growth of 19.2%/19% respectively over FY21-FY23E. Owing to which, we believe company's total sales to increase by 21.4% over FY21-FY23E to Rs31,376mn.
- ✓ With topping-out of raw material prices coupled with higher operational efficiencies, CPBL's operational margins are expected to expand to 18.5%/19.7% by FY22E/FY23E from 15.7% in FY21. This should lead to EBITDA growth of 35.8% over FY21-FY23E.
- ✓ We continue to remain positive on company's growth in coming years and reckon that all segments should register strong growth. We believe Revenue/EBITDA/PAT to grow by 21.4%/35.8%/46% over FY21-FY23E. We have revised our multiple on stock from 23.5x to 25x on FY23E EPS of Rs18.3, arriving at a target price of Rs459/share translating into 10% upside from current levels. **Hence, we maintain our BUY rating on the stock.**

Exhibit 1: Result table

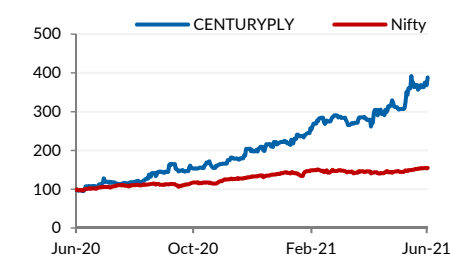
Y/e 31 Mar (Rs mn)	Q4FY21	Q3FY21	QoQ (%)	Q4FY20	YoY (%)
Revenue	7,450	6,601	12.9	5,302	40.5
Gross Profit	3,757	3,379	11.2	2,758	36.2
GP margin (%)	50.4	51.2	(76.3bps)	52.0	(159bps)
Operating Profit	1,258	1,237	1.7	675	86.4
OPM (%)	16.9	18.7	(185bps)	12.7	416bps
Depreciation	176	176	(0.0)	177	(0.6)
Interest	34	16	118.8	87	(60.9)
PBT	1,150	1,058	8.8	423	171.7
Tax	280	281	(0.4)	60	364.5
Reported PAT	870	658	32.2	363	139.6
Adjusted PAT	868	644	34.7	439	97.5

Source: Company, YES Sec - Research

Stock data (as on Jun 11, 2021)

Nifty	15,738
52 Week h/l (Rs)	447 / 102
Market cap (Rs/USD mn)	95,834 / 1,312
Outstanding Shares	222
6m Avg t/o (Rs mn):	107
Div yield (%)	-
Bloomberg code:	CPBI IN
NSE code:	CENTURYPLY

Stock performance



	1M	3M	1Y
Absolute return	25.4%	34.8%	291.6%

Shareholding pattern (As of March'21 end)

Promoter	73.05%
FII+DII	17.16%
Others	9.80%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	459	356

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CON-CALL HIGHLIGHTS

- ✓ CPBL stated that second wave of COVID-19 has largely impacted the business in April-May'21. However, management is confident that demand will revive strongly and from Q2FY22 company will resume its northwards trajectory.
- ✓ In consultation with BCG group, company has identified plans to save Rs300mn annually in terms of cost. This will happen mainly in MDF & Logistics segment.
- ✓ Capex: company will incur Rs7bn in capex in FY22E & FY23E. Company will receive full benefit of Hoshiarpur MDF expansion by Q1FY23E (earlier guidance was for Q4FY22) & the south expansion will commercialize by H2FY24E.
- ✓ CPBL is in process of expanding its plywood capacity by 35-40% & laminates capacity by 15-25%. However, company is in process of finalizing these capex plans.
- ✓ Laminates margins in Q4FY20 were at elevated levels, management stated that they benefitted from low-cost RM inventory and such margins are not sustainable. They guided that laminates will operate at ~16-18% margins. For plywood, EBITDA margins will be ~14-15%. For MDF, management mentioned that though RM prices have inched they will be able to maintain similar margins in FY21.
- ✓ Exports of Laminates was ~25% of laminates revenues in FY21, going ahead this should come down to 20% as management expects domestic demand to report higher growth.
- ✓ Company expects strong growth across segments in coming 4-5 years viz plywood should grow by 12-15%, laminates to grow by 15% and MDF revenues should increase by 2.75x.
- ✓ In plywood, company is gaining market share from unorganized segment as the latter is facing multiple headwinds in terms of (i) rise in input prices & (ii) higher working capital requirements.
- ✓ Talking about imports in MDF, CPBL stated that for them competition from imports is practically "NIL" as company is largely present in North India currently.
- ✓ Management is confident that MDF be the best performer and will be company's 2nd largest revenue contributor in coming 2-3 years.
- ✓ Since April'21 company has taken price increase across all products. In plywood CPBL took price increase of 2-3% & in laminates ~3-4%.

Exhibit 2: Operational Highlights for the quarter:

Segmental Revenue (Rs Mn)	Q4FY21	Q3FY21	% q-o-q	Q4FY20	% y-o-y
Ply & allied products	4,056	3,628	11.8	2,852	42.2
Laminate and allied	1,529	1,200	27.4	1,061	44.2
Medium Density Fiber Board	1,191	1,165	2.2	843	41.2
Particle Board	300	262	14.5	231	29.8
CFS	219	209	5.0	204	7.2
Others	166	146	13.3	120	38.1

Segmental EBIT (Rs Mn)	Q4FY21	Q3FY21	% q-o-q	Q4FY20	% y-o-y
Ply & allied products	643	422	52.4	193.9	231.4
Margin (%)	15.8	11.6	4.2bps	6.8	9.1bps
Laminate and allied	371	210	76.8	146.2	153.4
Margin (%)	24.2	17.5	6.8bps	13.8	10.4bps
Medium Density Fiber Board	299	277	8.1	164.2	82.1
Margin (%)	25.1	23.7	1.4bps	19.5	5.6bps
Particle Board	47	49	(4.1)	38.3	22.0
Margin (%)	15.6	18.6	(3.0bps)	16.6	(1.0bps)
CFS	33	28	17.3	41.9	-21.9
Margin (%)	14.9	13.4	1.6bps	20.5	(5.6bps)
Others	20	26	(21.8)	(17.3)	(217.3)
Margin (%)	12.3	17.8	(5.5bps)	(14.4)	26.7bps

Source: Company, YES Sec – Research

Exhibit 3: Financial Summary:

Financial Overview (Rs mn)	FY20	FY21	FY22E	FY23E
Net sales	23,170	21,304	25,637	31,376
EBITDA	2,797	3,355	4,747	6,192
EBITDA%	12.1	15.7	18.5	19.7
Net Profit	1,254	1,913	3,063	4,082
Net Profit %	5.4	9.0	11.9	13.0
EPS (Rs)	6.5	8.3	13.8	18.3
CFI	(245)	(2,260)	(1,747)	(4,100)
Net Debt	2,689	1,115	368	772
Net Debt/Equity (x)	0.2	0.1	0.0	0.0
Net Debt/EBITDA (x)	1.0	0.3	0.1	0.1
ROE (%)	11.5	15.1	19.5	20.6
ROCE (%)	15.9	20.6	26.0	27.2
P/E (x)	31.0	50.2	30.4	22.8
P/B (x)	4.1	7.3	5.9	4.7

Source: Company, YES Sec – Research

FINANCIALS

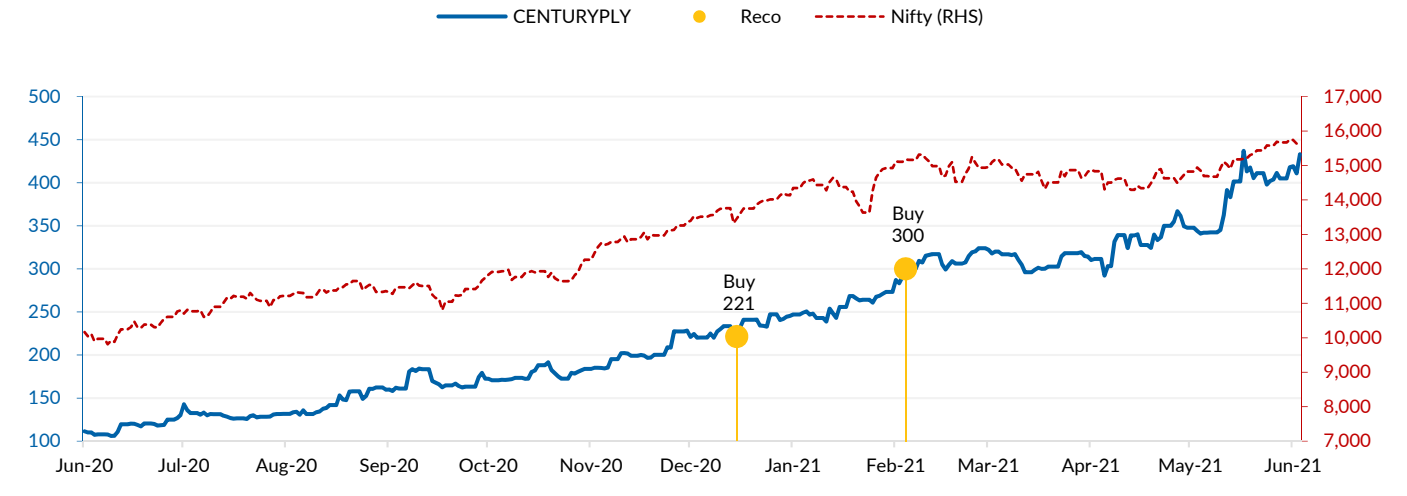
Income Statement (Rs mn)	FY20	FY21	FY22E	FY23E
Revenues	23,170	21,304	25,637	31,376
Growth (%)	1.6	(8.1)	20.3	22.4
EBITDA	2,797	3,355	4,747	6,192
EBITDA margin (%)	12.1	15.7	18.5	19.7
Growth (%)	(7.2)	19.9	41.5	30.4
Depreciation & Amortization	763	687	812	899
Other income	127	173	256	314
EBIT	2162	2842	4192	5607
EBIT margin (%)	9.3	13.3	16.3	17.9
Interest	389	128	108	164
PBT	1773	2596	4084	5442
Tax	519	684	1021	1361
Net profit	1254	1913	3063	4082
Net profit margin (%)	5.4	9.0	11.9	13.0
EPS	6.5	8.3	13.8	18.3
Growth (%)	(4.6)	29.0	65.2	33.3

Balance Sheet (Rs mn)	FY20	FY21	FY22E	FY23E
Equity Share Capital	223	223	223	223
Reserves	10,684	12,451	15,514	19,596
Total Shareholders' Funds	10,906	12,674	15,737	19,818
Non-current liabilities				
Long term borrowings	742	409	237	-
Other Non-current Liabilities	100	104	100	100
Current liabilities				
Short term borrowings	1,890	965	1,989	3,274
Trade payables	1,515	2,088	1,717	2,070
Other financial liabilities	1,464	1,887	1,887	1,887
Total equity and liabilities	16,600	18,114	21,655	27,137
Non-current assets				
PPE	7,764	7,538	7,026	7,377
CWIP	160	285	2,838	5,688
Current assets				
Inventories	3,980	3,692	4,562	5,571
Trade receivables	2,568	3,027	2,810	3,439
Cash	214	258	1,859	2,502
Loans and advances	56	87	87	87
Other current assets	782	603	782	782
Total assets	16,600	18,114	21,655	27,137

Cash Flow (Rs mn)	FY20	FY21	FY22E	FY23E
PBT	1,773	2,596	4,084	5,442
Depreciation & Amortization	763	687	812	899
Finance cost	389	128	108	164
(Incr)/Decr in Working Capital	847	766	(1,378)	(1,285)
Taxes	(415)	(463)	(1,021)	(1,361)
Cash from ops.	4,001	3,705	(2,604)	3,861
(Incr)/ Decr in PP&E	(235)	(535)	(2,853)	(4,100)
Cash Flow from Investing	(245)	(2,260)	(1,747)	(4,100)
(Decr)/Incr in Borrowings	(2,803)	(1,236)	853	1,047
Finance cost	(388)	(117)	(108)	(164)
Dividend	(535)	0	(2)	0
Cash Flow from Financing	(3,774)	(1,401)	743	883
Incr/(Decr) in cash	(18)	45	1,600	643
Cash at beginning of year	232	214	258	1,859
Cash and cash equivalents at end of year	214	258	1,859	2,502

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22E	FY23E
Growth Matrix (%)				
Revenue growth	1.6	(8.1)	20.3	22.4
EBITDA growth	(7.2)	19.9	41.5	30.4
EBIT growth	(13.3)	31.5	47.5	33.8
PAT growth	(15.8)	52.5	60.1	33.3
Profitability ratios (%)				
EBITDA margin	12.1	15.7	18.5	19.7
EBIT margin	9.3	13.3	16.3	17.9
PAT margin	6.2	8.7	11.9	13.0
RoCE	15.9	20.6	26.0	27.2
RoE	11.5	15.1	19.5	20.6
Leverage ratios (x)				
Net debt/Equity	0.3	0.1	0.1	0.2
Net debt/EBITDA	0.2	0.1	0.0	0.0
Int coverage	5.6	22.2	39.0	34.1
Per share values				
EPS	6.5	8.3	13.8	18.3
CEPS	9.1	11.7	17.4	22.4
BVPS	49.0	57.0	70.7	89.1
Valuation ratios (x)				
P/E	31.0	50.2	30.4	22.8
P/CEPS	22.1	35.8	24.0	18.7
P/B	4.1	7.3	5.9	4.7
EV/EBITDA	16.9	28.1	19.7	15.1
NWC days	78	139	83	83
Receivables	40	52	40	40
Inventory	65	129	73	73
Payables	28	42	30	30

Recommendation Tracker



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