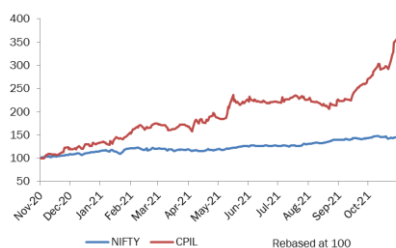


Phenomenal growth with all time high revenue and margins

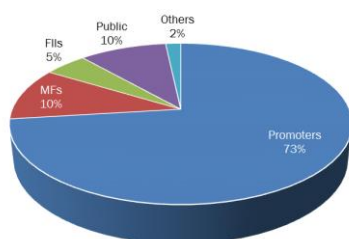
HOLD

Sector	: Wood Products
Target Price	: ₹ 714
Current Market Price	: ₹ 659.3
Market Cap	: ₹ 14,647.8 crores
52-week High/Low	: ₹ 681.2/181
Daily Avg Vol (12M)	: 385,472
Face Value	: ₹ 1
Beta	: 0.92
Pledged Shares	: 0%
Year End	: March
BSE Scrip Code	: 532548
NSE Scrip Code	: CENTURYPLY
Bloomberg Code	: CPBI IN
Reuters Code	: CNTP.NS
Nifty	: 18,044.2
BSE Sensex	: 60,433.4
Analyst	: Research Team

Price Performance



Shareholding Pattern



Q2FY22 – Result Update

Result Analysis

- Century Plyboards (India) Limited (CPIL) has reported phenomenal results for the quarter. The Top-line growth and Margins have been at all time high for 2QFY22.
- The operating Revenue witnessed a robust growth of 55.8% and 77.8% Y-o-Y and Q-o-Q respectively to ₹ 813.6 crores.
- EBITDA for the quarter jumped from ₹ 86.5 crores in 2QFY21 to ₹ 159.8 crores in 2QFY22 registering a strong growth of ~85%.
- The company reported highest ever EBITDA margin of 19.6% in 2QFY22, showing a growth of 306 bps y-o-y and 648 bps Q-o-Q.
- The Net profit (after exceptional items) grew from ₹ 50.3 crores in 2QFY21 to ₹ 99.4 crores in 2QFY22. While the Net Profit margin for the quarter stood at 12.2%, a growth of 259 bps (Y-o-Y) and 543 bps (Q-o-Q).
- Plywood and Allied products constituted nearly ~55% of the total Revenues in 2QFY22 followed by Laminates (20%) and MDF (16%). As per the management, the share of MDF is expected to increase and will contribute nearly 25% of the total revenues in the next 5 years.

Outlook & Valuation

CPIL's organised market share stands at nearly 18% out of the total wood panel industry pegged at ₹ 33,000 crore in FY21. The wood panel industry is getting more organised with higher growth coming from organised segments like MDF and Laminates. As per the Management, the Wood Panel industry is expected to grow in double digits over next five years driven by lower base, renovation demand and higher rate of occupation of premises. The revenue is expected to reach ₹5,000 crore by FY26 (CAGR of 19% over FY21-FY26). The company is planning to initiate capex of ₹1,230 crores over next five years entirely through internal accruals. The segmental breakup for capex is MDF ₹850 crores, Plywood ₹160 crores, Laminate ₹150 crores and Particle board ₹70 crores. The company is currently operating at almost full capacity by debottlenecking all the existing plants.

Century Plyboards (India) Limited

09 November 2021

We roll forward our valuation to FY24E earnings and value the stock at 35X FY24E EPS at ₹ 714, informing a HOLD rating with an upside potential of 8% from the current levels.

Key Financial Metrics (Consolidated)

₹ crore	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Operating revenue	2,280	2,317	2,130	2,611	3,221	3,973
Growth		1.6%	-8.1%	22.6%	23.4%	23.3%
EBITDA	302	331	336	454	548	708
EBITDA margin	13.2%	14.3%	15.7%	17.4%	17.0%	17.8%
PAT	149	125	191	287	361	457
PAT margin	6.5%	5.4%	9.0%	11.0%	11.2%	11.5%
Diluted EPS (₹)	6.7	6.8	8.6	12.8	16.1	20.4

Source: Company data; Khambatta Research

Financial Performance (Consolidated)

₹ Crore	2Q FY21	1Q FY22	2Q FY22	Y-o-Y	Q-o-Q
Operating Revenue	522.2	457.5	813.6	55.8%	77.8%
EBITDA	86.5	60.2	159.8	84.6%	165.3%
EBITDA margin	16.6%	13.2%	19.6%	306 bps	648 bps
PAT (adjusted for exceptional items)	50.3	31.1	99.4	97.8%	220.0%
Adjusted PAT margin	9.6%	6.8%	12.2%	259 bps	543 bps
Diluted EPS, reported (₹)	2.26	1.40	4.47	97.7%	220.0%

Source: Company data; Khambatta Research

This space has been intentionally left blank

Century Plyboards (India) Limited

09 November 2021

Guide to Khambatta's research approach

Valuation methodologies

We apply the following absolute/relative valuation methodologies to derive the 'fair value' of the stock as a part of our fundamental research:

DCF: The Discounted Cash Flow (DCF) method values an estimated stream of future free cash flows discounted to the present day, using a company's WACC or cost of equity. This method is used to estimate the attractiveness of an investment opportunity and as such provides a good measure of the company's value in absolute terms. There are several approaches to discounted cash flow analysis, including Free Cash Flow to Firm (FCFF), Free Cash Flow to Equity (FCFE) and the Dividend Discount Model (DDM). The selection of a particular approach depends on the particular company being researched and valued.

ERE: The Excess Return to Equity (ERE) method takes into consideration the absolute value of a company's return to equity in excess of its cost of equity discounted to the present day using the cost of equity. This methodology is more appropriate for valuing banking stocks than FCFF or FCFE methodologies.

Relative valuation: In relative valuation, various comparative multiples or ratios including Price/Earnings, Price/Sales, EV/Sales, EV/EBITDA, Price/Book Value are used to assess the relative worth of companies which operate in the same industry/industries and are thereby in the same peer group. Generally our approach involves the use of two multiples to estimate the relative valuation of a stock.

Other methodologies such as DuPont Analysis, CFROI, NAV and Sum-of-the-Parts (SOTP) are applied where appropriate.

Stock ratings

Buy recommendations are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) by at least 15%.

Hold recommendations are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) between 5% and 15%.

Sell recommendations are expected to improve up to 5% or deteriorate, based on consideration of the fundamental view and the currency impact (where applicable).

Analyst Certification

I/We, Research Analysts and authors, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and Other Disclosures:

Khambatta Securities Limited (Khambatta Securities) is a full-service, integrated merchant banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

Khambatta Securities is one of the merchant bankers. We and our associates might have investment banking and other business relationship with companies covered by our Investment Research Department. Khambatta Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by Khambatta Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Khambatta Securities. While we would endeavor to update the information herein on a reasonable basis, Khambatta Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Khambatta Securities from doing so.

This report is based on information obtained from public domain and is believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Khambatta Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Khambatta Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

Khambatta Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of investment banking or merchant banking, brokerage services or other advisory services.

Khambatta Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Khambatta Securities or its analysts do not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Khambatta Securities nor Research Analysts have any material conflict of interest at the time of publication of this report.

Century Plyboards (India) Limited

09 November 2021

It is confirmed that Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research Analysts engaged in preparation of this Report (a) may or may not have any financial interests in the subject company or companies mentioned in this report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any other material conflict of interest at the time of publication of the research report.

It is confirmed that Research Analysts do not serve as an officer, director or employee of the companies mentioned in the report.

Neither the Research Analysts nor Khambatta Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Khambatta Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report has been prepared by Khambatta Securities. Khambatta Securities has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.