

Century Plyboards (India) Limited

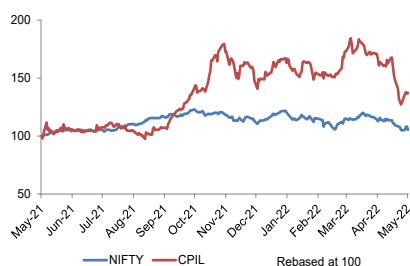
23 May 2022

Strong outlook maintained on the back of robust in-line performance

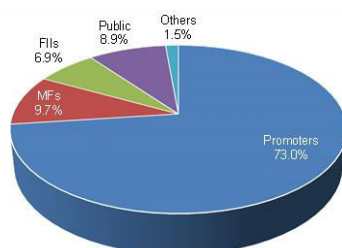
BUY

Sector	: Wood Products
Target Price	: ₹ 741
Last Closing Price	: ₹ 535
Market Cap	: ₹ 11,897 crores
52-week High/Low	: ₹ 749/342
Daily Avg Vol (12M)	: 3,51,646
Face Value	: ₹ 1
Beta	: 1.10
Pledged Shares	: 0%
Year End	: March
BSE Scrip Code	: 532548
NSE Scrip Code	: CENTURYPLY
Bloomberg Code	: CPBI IN
Reuters Code	: CNTP.NS
Nifty	: 16,266
BSE Sensex	: 54,326
Analyst	: Research Team

Price Performance



Shareholding Pattern



4Q FY22 Update

Results Analysis

- Century Plyboards (India) Limited's (CPIL's) FY22 results were broadly in line with our expectations as the company reported robust growth in 4Q FY22 and FY22, led by all key segments. Revenues grew by 20.9% y-o-y and 42.1% to Rs 901.1 crore and Rs 3,027.0 crore in 4Q FY22 and FY22, respectively. There was strong volume growth across product segments, led by Plywood (+33.9%) and followed by Particle Board (+32.7%), Laminates (+22.3%) and MDF (+20.8%) over the full year.
- EBITDA growth was strong as EBITDA margin benefitted from the price hikes the company executed across product-lines, enabling pass-through of higher input costs, as well as from operating leverage. Full year EBITDA margin increased by 179 bps to 17.5%. In 4Q FY22, EBITDA margin expanded by 94 bps y-o-y and 27 bps q-o-q to 17.8%, driven by increases in product prices.
- PAT grew by 2.1% y-o-y to Rs 88.8 crore in 4Q FY22. The lower growth in PAT was due to higher total tax expenses as a result of deferred tax charges taken during the quarter. Full-year PAT increased by 54.2% to Rs 313.2 crore.

Outlook & Valuation

CPIL has guided continuation of strong volume growth in FY23 with the capacity expansion projects progressing in full swing. Management anticipates overall 20% volume growth, led by MDF (25%), Plywood and Laminates (15% each), and Particle Board (10%) as robust value growth is expected across segments (MDF 25%, Plywood 20%, Particle Board 20%, Laminates 15%) during the current financial year. We broadly maintain our forecast levels with minor revisions. The CPIL stock has appreciated 213% since we initiated coverage on the company with a BUY rating on 09 October 2020. Based on an unchanged target P/E multiple of 35x FY24E EPS, we value CPIL at Rs 741, reiterating a BUY with an upside of 39% from current levels.

Key Financial Metrics (Consolidated)

₹ crore	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Operating revenue	2,280.4	2,317.0	2,130.4	3,027.0	3,554.0	4,115.4
Growth		1.6%	-8.1%	42.1%	17.4%	15.8%
EBITDA	301.6	330.7	335.5	530.8	625.5	718.1
EBITDA margin	13.2%	14.3%	15.7%	17.5%	17.6%	17.5%
PAT	148.9	125.3	191.2	313.2	412.3	471.2
PAT margin	6.5%	5.4%	9.0%	10.3%	11.6%	11.5%
Diluted EPS (₹)	6.68	6.78	8.62	14.09	18.52	21.17

Source: Company data, Khambatta Research

Century Plyboards (India) Limited**23 May 2022****Financial Performance (Consolidated)**

₹ crore	4Q FY21	3Q FY22	4Q FY22	Y-o-Y	Q-o-Q	FY21	FY22	Y-o-Y
Operating revenue	745.0	854.8	901.1	20.9%	5.4%	2,130.4	3,027.0	42.1%
EBITDA	125.9	150.1	160.7	27.7%	7.0%	335.5	530.8	58.2%
EBITDA margin	16.9%	17.6%	17.8%	94 bps	27 bps	15.7%	17.5%	179 bps
PAT	86.9	93.9	88.8	2.1%	-5.5%	203.0	313.2	54.2%
PAT margin	11.7%	11.0%	9.9%	-182 bps	-113 bps	9.5%	10.3%	82 bps
Diluted EPS (₹)	3.90	4.24	3.99	2.3%	-5.9%	8.62	14.09	63.5%

Source: Company data, Khambatta Research

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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%.

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