

Strong performance; healthy outlook...

Century Plyboard's (CPI) Q3FY21 performance was highlighted by strong plywood growth coupled with robust MDF division growth and balance sheet strengthening (now a net cash company). The topline was up 9.9% YoY to ₹ 654.4 crore. MDF revenue grew 20.6% YoY to ₹ 116.5 crore while plywood revenues grew 10.6% YoY to ₹ 357 crore. EBITDA margin expanded 280 bps YoY to 18.6% on adjusted basis (10.4 percentage points on reported basis as base quarter had impairment loss), on account of operating leverage. Overall, reported PAT was up 2.4x YoY to ₹ 65.9 crore, given the healthy operating performance and impairment in bases quarter. Adjusted PAT was up 40% YoY.

MDF division continues robust growth trajectory

MDF division revenue growth of ~20.4% YoY was a function of volume growth of 18.4% YoY to 49,207 CBM along with realisations growth of 1.9% YoY to ₹ 23,663/CBM. MDF EBITDA margin expanded 180 bps YoY to 27.7% backed by comparatively higher capacity utilisation and benefits arising from price hike (~10% during Q3FY21). The management has indicated towards stronger demand arising in the MDF segment due to a) higher acceptance in domestic market and b) lower imports with improved demand in respective geographies and higher shipping costs. CIPL is undertaking brownfield expansion of the MDF board unit in Hoshiarpur, Punjab (expanding capacity by 400 CBM/day) at an estimated capex is ₹ 200 crore, which will be completed in 12 months. Apart from this, the company is also evaluating south based locations for greenfield expansion of 700 CBM/day capacity at an outlay of ~₹ 450 crore, by March, 2024.

Strong recovery of plywood division

CPI's overall plywood division volumes grew 12.5% YoY to 71,977 CBM on account of 17% YoY growth in plywood while Decoply/commercial veneer declined 12.1%, 41.6% YoY, respectively Plywood EBITDA margins were up 270 bps YoY at 15.1%. The laminates division volumes were up 3% YoY to 15,91,300 units. Revenue from this segment was up 5.8% YoY to ₹ 119 crore. The company expects growth in plywood to continue at healthy double digits led by a) pent-up demand, b) benefits arising due to introduction of ViroKill technology and c) market share gain with increasing advertisement and marketing activities.

Valuation & Outlook

CPI's results are robust with both key divisions of MDF and plywood back to growth trajectory. We are also impressed by a sharp improvement in balance sheet wherein CPI is now a debt free company. The near to medium term growth outlook commentary remains positive. We roll over our valuations to FY23E and maintain **BUY**, with a revised target price of ₹ 355/share (24x FY22E EPS) vs. ₹ 230/share earlier.



Particulars

Particular	Amount (₹ crore)
Market Capitalization	6,463.0
Total Debt (FY20)	221.2
Cash (FY20)	21.2
EV	6,663.0
52 week H/L (₹)	301 / 95
Equity capital	22.3
Face value (₹)	1.0

Key Highlights

- Revenues grew 9.9% YoY to ₹ 654.4 crore driven by MDF revenue which was up 20.6% YoY to ₹ 116.5 crore while plywood revenues which grew 10.6% YoY to ₹ 357 crore.
- Maintain BUY with target price of ₹ 355/share

Key Risks to our call

- Any supply glut in MDF driven by additional capacity plans in medium term
- Unsustainability of growth traction in Plywood post benign base

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Key Financial Summary

₹ crore	FY19	FY20	FY21E	FY22E	FY23E	CAGR FY20-23E
Net Sales	2,263.8	2,282.7	2,055.6	2,475.5	2,878.2	8.0%
EBITDA	300.4	304.1	331.0	418.3	517.0	19.3%
EBITDA Margin (%)	13.3	13.3	16.1	16.9	18.0	
PAT	158.8	158.2	198.1	257.8	326.6	27.3%
EPS (₹)	7.1	7.1	8.9	11.6	14.7	
P/E	40.7	40.9	32.6	25.1	19.8	
EV/EBITDA	23.0	21.9	19.3	15.1	12.0	
RoNW (%)	16.4	14.7	15.9	17.6	18.7	
RoCE (%)	18.6	19.6	21.5	22.9	24.5	

Exhibit 1: Variance Analysis

Particular	Q3FY21	Q3FY20	YoY Chg (%)	Q2FY21	QoQ Chg (%)	Comments
Net Sales	654.4	595.4	9.9	519.8	25.9	MDF revenue grew 20.6% YoY to ₹ 116.5 crore while plywood revenues grew 10.6% YoY to ₹ 357 crore.
Other Income	1.2	1.3	-7.5	1.2	-4.3	
Material Consumed	232.9	212.0	9.9	182.2	27.8	
Purchase of Stock in Trade	77.7	67.5	15.1	50.4	54.0	
Employee Benefit Expenses	85.0	84.6	0.5	76.4	11.3	
Other Expenses	119.3	112.4	6.1	96.6	23.5	
EBITDA	121.8	48.7	150.4	85.8	41.9	
EBITDA Margin (%)	18.6	8.2	1045 bps	16.5	211 bps	
Depreciation	16.2	17.3	-6.3	16.2	0.0	
Interest	1.1	9.2	-88.4	1.8	-40.0	
PBT	105.7	23.4	351.9	69.1	53.1	
Taxes	28.0	4.3	553.7	17.6	59.0	
PAT	65.9	19.1	244.8	51.4	28.1	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

Particulars (₹ crore)	FY19	FY20	FY21E			FY22E			FY23E	Comments
			Old	New	Change	Old	New	Change	New	
Revenue	2,263.8	2,282.7	1,905.3	2,055.6	7.9	2,316.4	2,475.5	6.9	2,878.2	Strong beat led to earnings upgrade in FY21/FY22
EBITDA	300.4	304.1	276.6	331.0	19.7	385.6	418.3	8.5	517.0	
EBITDA Margin (%)	15.6	13.3	14.5	16.1	159 bps	16.6	16.9	25 bps	18.0	
PAT	158.8	158.2	147.7	198.1	34.1	231.1	257.8	11.5	326.6	
EPS (₹)	7.1	7.1	6.6	8.9	34.1	9.2	11.6	11.5	14.7	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

Volume Assumptions	FY18	FY19	FY20	FY21E	FY22E	FY23E	Comments
Plywood & Veneer(In CBM)	2,53,922	2,52,637	2,44,194	2,18,412	2,61,084	2,91,986	
MDF (CBM)	48,307	1,32,229	1,53,175	1,51,962	1,79,955	2,36,608	
Laminate Sheets (In Mn)	5.5	5.9	6.2	5.2	6.0	6.5	

Source: Company, ICICI Direct Research

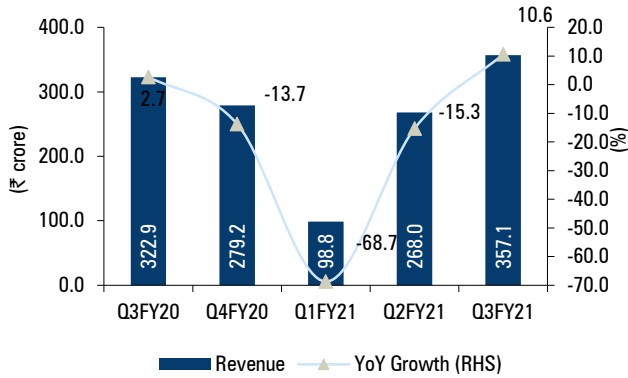
Conference call Highlights

- **Plywood business:** Overall revenue in the plywood category has improved 10.6% YoY (to ₹ 356 crore) mainly aided by robust 17% volume growth witnessed in plywood product segment. This is despite benign demand witnessed for decoply (down 12.1% YoY) and commercial veneer (41.6% YoY) products. Additionally, change in product mix towards economical segment (non-premium category - Sainik brand witnessed higher growth than premium category - Century Prime) has reduced average realisation by 1% YoY to ₹ 46,670. At the operating level, margin (adjusted to extraordinary item of ₹ 11.8 crore) improved ~270 bps YoY and was at 15.1%. During Q3FY21, the robust volume growth in plywood segment was mainly attributable to a) pent-up demand, b) benefits arising due to ViroKill technology and c) market share gain with increasing advertisement and marketing activities. The management expects strong demand to continue, going forward, with likely double digit growth over the near to medium term. Margin is likely to remain elevated over the next few months to be backed by stronger demand and benefits arising from economies of scale before returning to its normalised levels thereafter
- **Laminates division:** CPIIL's laminates division (including exterior grade laminates) volumes grew 2.4% YoY to 15,91,300 units in Q3FY21. Realisation also improved mainly backed by ~7% price hike taken during the quarter. Thus, better realisation and growth in volumes translated into 5.8% YoY growth in revenue (to ₹ 119 crore during Q3FY21). Additionally, the margin improved to 19.1% (up 560 bps YoY) aided by favourable pricing and discounting structure. Going forward, the management has guided for 17-18% sustainable margin, going forward
- **MDF division:** The 20.6% YoY revenue growth in MDF division (revenue: ₹ 116.4 crore) was aided by 18.4% YoY volume growth (to 49,207 CBM) and 1.9% YoY growth in realisation (of ₹ 23,663/CBM). EBITDA margin improved 180 bps to 27.7% in Q3FY21 backed by comparatively higher capacity utilisation and benefits arising from price hike (~10% during Q3FY21). The management has indicated towards stronger demand arising in the MDF segment due to a) higher acceptance in domestic market and b) lower imports with improved demand in respective geographies and higher shipping costs. Going forward, the management expects stronger demand and elevated level of margins over the near-to-medium term
- **Capacity expansion in MDF business:** CIPL's board of directors has approved proposal for expansion of the MDF Board unit in Hoshiarpur, Punjab. The total time needed to set up the plant would be less than 12 months and the estimated capex is ₹ 200 crore. The existing operating capacity of the plant is 600 cbm per day, which is expected to be increased to 1000 cbm per day. As per the management, the incremental capacity addition of 400 cbm per day has annual revenue potential of ₹ 400 crore at peak capacity utilisation. However, margin for the newer capacities is likely to be 3% lower than current levels due to higher raw material costs. Apart from this, the company is also evaluating south based locations for greenfield expansion likely to have 700+ cbm per day capacity, which would be requiring 18 months for beginning of commercial operations from the date of finalisation the site

- **Particle boards (PB):** PB volumes declined 2.7% YoY to 15,885 CBM in Q3FY21. However, its average realisation improved 7.8% YoY to ₹ 16,468, aiding total sales (grew 2% to ₹ 26.2 crore). The management has taken 8-10% price hike during Q3FY21
- **Gabon Unit:** CPIL's newly set-up veneer manufacturing unit at Gabon in Africa has successfully started its commercial production recently. The unit has an operating capacity of peeling 200 cbm of timber per day and would be initially manufacturing face veneer and core veneer. This will ensure raw material security to the company at comparatively cheaper price
- **Debt and working capital:** CPIL's became a net cash company vs. the net debt ₹ 85 crore in Q2FY21, given the strong cash flow generation. Going forward, the management does not expect a significant jump in debt despite having capex plans (to be funded by internal accruals). Additionally, working capital cycle for the company during Q3FY21 improved to 51 days against a normal of 70 days (199 days in Q1 FY21). The management expects working capital days to normalise at ~60-65 days, going forward
- **Capex:** CPIL incurred a capex of ₹ 32.3 crore during 9MFY21. Going forward, the management has guided for ~₹ 650 crore capex to be done over the next two to three years mainly for brownfield and greenfield expansion in the MDF segment and ~₹ 50 crore capex in the plywood segment
- **Dealer network:** In order to push its economical and premium products across regions, the company is planning to add another ~500 channel partners over the next few years

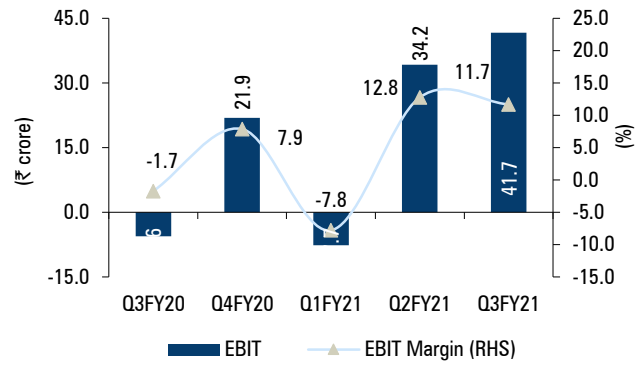
Company Analysis

Exhibit 4: Quarterly plywood & allied products revenue



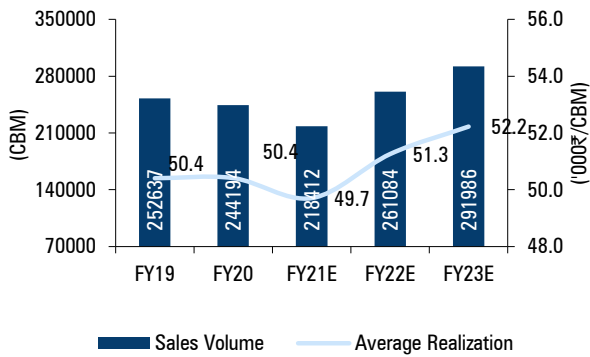
Source: Company, ICICI Direct Research

Exhibit 5: Quarterly plywood & allied products EBIT trend



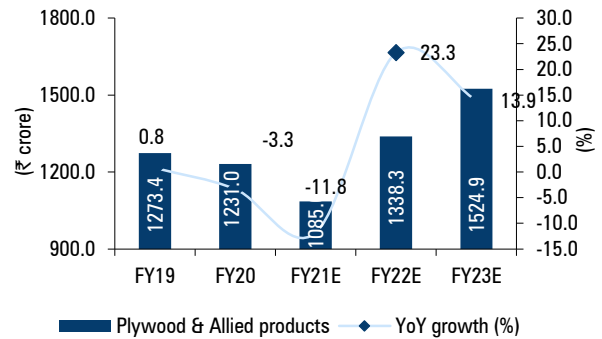
Source: Company, ICICI Direct Research

Exhibit 6: Plywood sales volume & average realisation



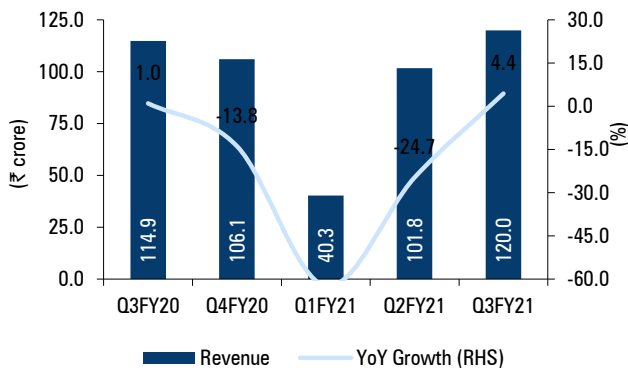
Source: Company, ICICI Direct Research

Exhibit 7: Plywood revenue and growth trend



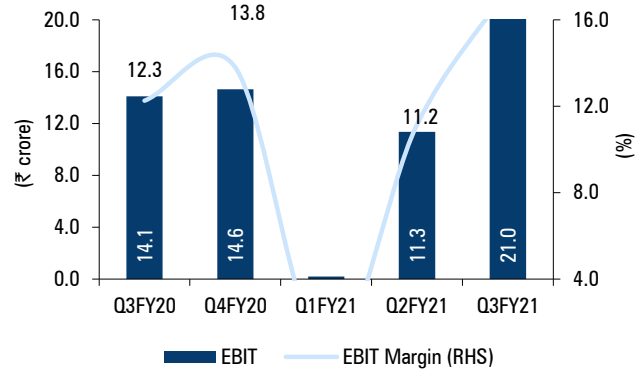
Source: Company, ICICI Direct Research

Exhibit 8: Quarterly laminates & allied products revenue



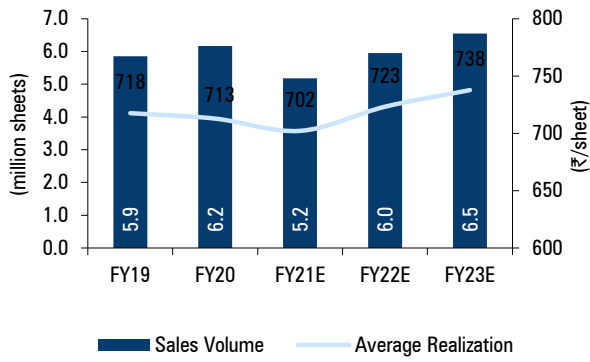
Source: Company, ICICI Direct Research

Exhibit 9: Quarterly laminates & allied products EBIT trend



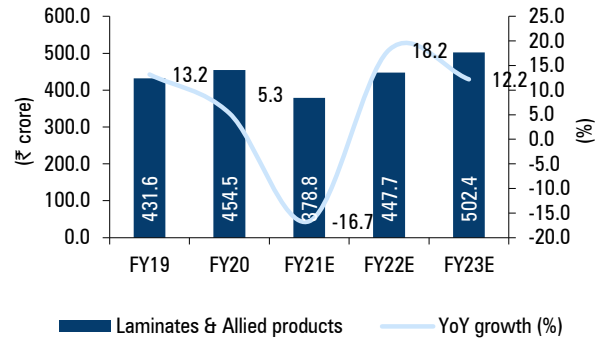
Source: Company, ICICI Direct Research

Exhibit 10: Laminates sales volume & average realisation



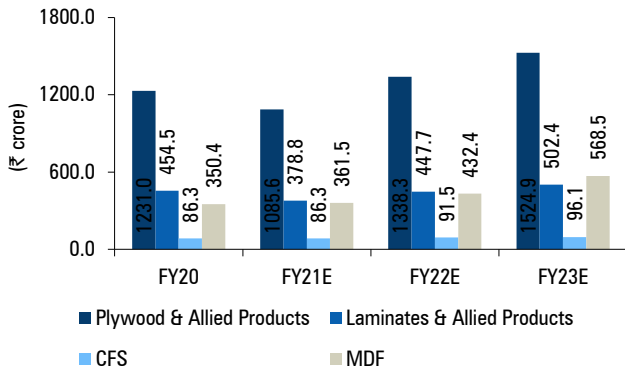
Source: Company, ICICI Direct Research

Exhibit 11: Laminates revenue and growth trend



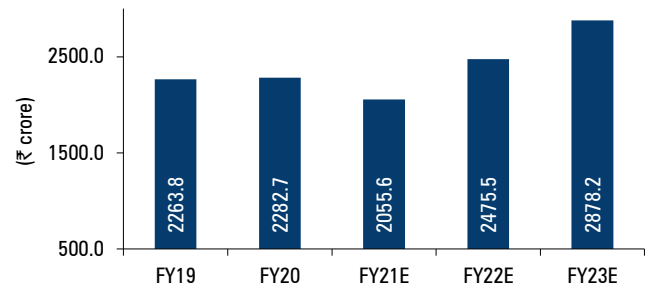
Source: Company, ICICI Direct Research

Exhibit 12: Segmental net revenue trend



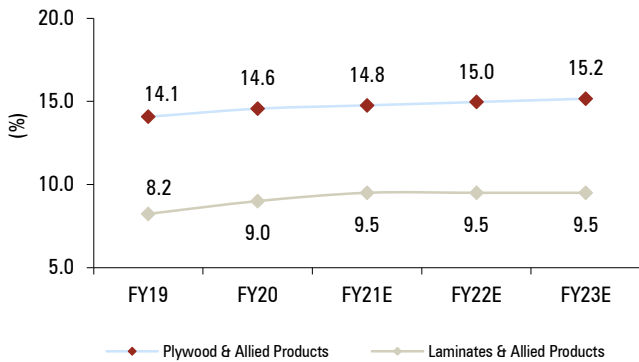
Source: Company, ICICI Direct Research

Exhibit 13: Total net revenue trend



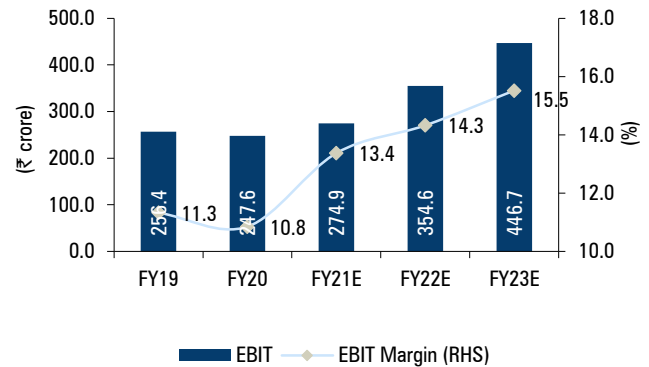
Source: Company, ICICI Direct Research

Exhibit 14: Segmental EBIT trend



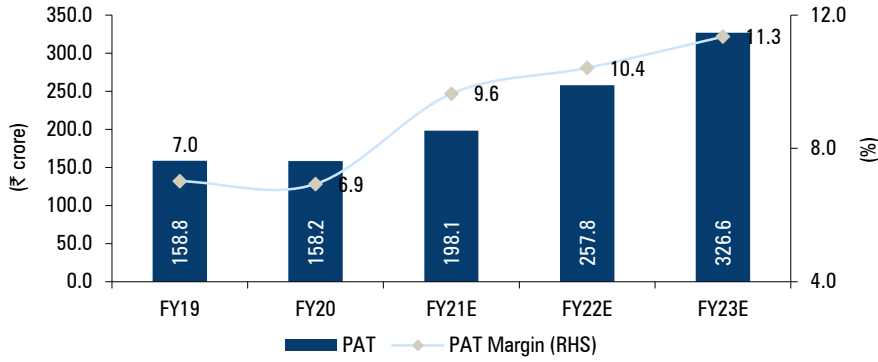
Source: Company, ICICI Direct Research

Exhibit 15: EBIT margin trend



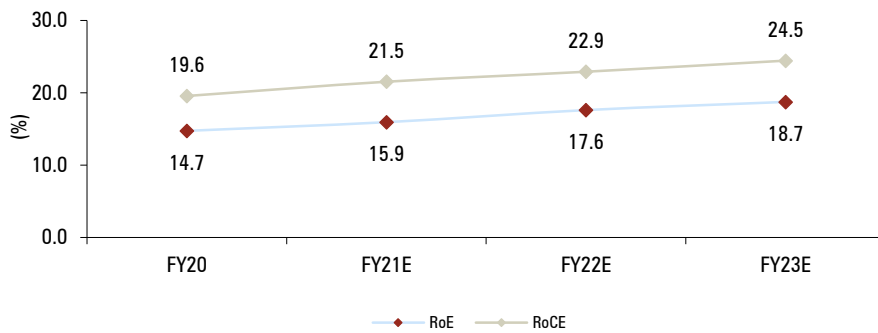
Source: Company, ICICI Direct Research

Exhibit 16: PAT growth trend



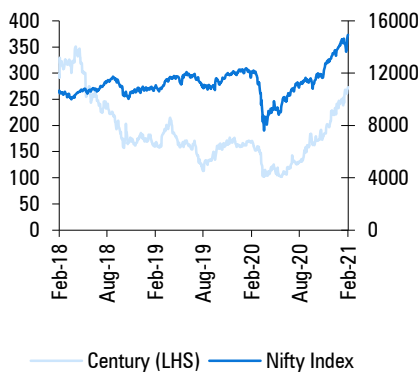
Source: Company, ICICI Direct Research

Exhibit 17: RoE and RoCE growth trend



Source: Company, ICICI Direct Research

Exhibit 18: Price Performance



Source: Company, ICICI Direct Research

Financial summary

Exhibit 19: Profit and loss statement ₹ crore

(₹ Crore)	FY20	FY21E	FY22E	FY23E
Net Sales	2,282.7	2,055.6	2,475.5	2,878.2
Raw Material Expense	863.2	676.1	816.4	940.5
Purchase of Traded Goods	285.1	349.5	420.8	489.3
Employee benefit expenses	344.1	308.3	371.3	426.0
Other Expenses	486.2	390.7	448.6	505.5
Total Expenses	1,978.6	1,724.6	2,057.2	2,361.3
EBITDA	304.1	331.0	418.3	517.0
EBITDA Margin (%)	13.3	16.1	16.9	18.0
Interest	37.2	10.0	10.0	10.0
Depreciation	67.6	66.2	75.8	84.7
Other income	11.1	10.0	12.0	14.4
PBT	210.4	264.9	344.6	436.7
Taxes	52.2	66.7	86.8	110.0
PAT	158.2	198.1	257.8	326.6
PAT Growth rate (%)	(0.4)	25.3	30.1	26.7
Adjusted EPS (Diluted)	7.1	8.9	11.6	14.7

Source: Company, ICICI Direct Research

Exhibit 20: Cash flow statement ₹ crore

(₹ Crore)	FY20	FY21E	FY22E	FY23E
Profit after Tax	158.2	198.1	257.8	326.6
Depreciation	67.6	66.2	75.8	84.7
Interest	37.2	10.0	10.0	10.0
Others	(108.2)	(90.6)	(96.4)	(122.1)
Cash Flow before wc changes	206.9	250.4	333.9	409.2
Net Increase in Current Assets	44.9	13.8	(2.4)	(2.3)
Net Increase in Current Liabilities	91.8	63.8	(64.5)	(61.9)
Net CF from operating activities	343.7	328.1	267.0	345.0
(Purchase)/Sale of Fixed Assets	(60.2)	(32.0)	(150.0)	(150.0)
Net CF from Investing activities	(12.4)	(29.7)	(142.6)	(140.0)
Dividend	(22.8)	(28.5)	(37.1)	(47.0)
Interest paid	(37.2)	(10.0)	(10.0)	(10.0)
Inc / (Dec) in Loans	(247.4)	(159.0)	50.0	-
Net CF from Financing activities	(307.4)	(197.5)	2.9	(57.0)
Net Cash flow	23.9	100.9	127.3	148.0
Opening Cash	22.6	21.2	122.1	249.4
Closing Cash/ Cash Equivalent	21.2	122.1	249.4	397.4

Source: Company, ICICI Direct Research

Exhibit 21: Balance sheet ₹ crore

(₹ Crore)	FY20	FY21E	FY22E	FY23E
Liabilities				
Equity Capital	22.3	22.3	22.3	22.3
Reserve and Surplus	1,051.1	1,220.7	1,441.4	1,720.9
Total Shareholders funds	1,073.4	1,243.0	1,463.6	1,743.2
Total Debt	221.2	62.3	112.3	112.3
Deferred Tax Liability	(57.8)	(57.8)	(57.8)	(57.8)
Total Liabilities	1,237.0	1,247.0	1,518.0	1,798.0
Assets				
Gross Block	1,001.7	1,033.7	1,183.7	1,333.7
Less Acc. Dep	281.2	347.4	423.1	507.8
Net Block	720.5	686.4	760.6	825.9
Net Intangibles Assets	0.6	0.6	0.6	0.6
Expenditure on new projects	-	-	-	-
Capital WIP	8.3	8.3	8.3	8.3
Total Fixed Assets	729.4	695.3	769.5	834.8
Investments	113.68	113.46	113.46	113.46
Inventory	354.1	304.1	366.2	425.8
Sundry Debtors	258.2	225.3	271.3	315.4
Loans & Advances	20.4	39.42	47.5	55.2
Cash & Bank Balances	21.2	122.1	249.4	397.4
Other Current Assets	73.9	69.1	81.8	93.9
Total Current Assets	727.8	760.0	1,016.1	1,287.7
Trade Payable	161.1	157.7	189.9	220.8
Other Current Liabilities	153.8	146.6	170.8	193.7
Provisions	11.5	13.5	17.3	20.8
Net Current Assets	401.4	442.3	638.2	852.3
Total Assets	1,237.0	1,247.0	1,518.0	1,798.0

Source: Company, ICICI Direct Research

Exhibit 22: Key ratios

	FY20	FY21E	FY22E	FY23E
Per Share Data (₹)				
EPS - Diluted	7.1	8.9	11.6	14.7
Cash EPS	10.2	11.9	15.0	18.5
Book Value	48.3	55.9	65.9	78.5
Dividend per share	1.0	1.3	1.7	2.1
Operating Ratios (%)				
EBITDA / Net Sales	13.3	16.1	16.9	18.0
PAT / Net Sales	6.9	9.6	10.4	11.3
Inventory Days	57	54	54	54
Debtor Days	41	40	40	40
Creditor Days	26	28	28	28
Return Ratios (%)				
RoE	14.7	15.9	17.6	18.7
RoCE	19.6	21.5	22.9	24.5
RoIC	19.1	23.1	26.6	30.4
Valuation Ratios (x)				
EV / EBITDA	21.9	19.3	15.1	12.0
P/E (Diluted)	40.9	32.6	25.1	19.8
EV / Net Sales	2.9	3.1	2.6	2.1
Market Cap / Sales	2.8	3.1	2.6	2.2
Price to Book Value	6.0	5.2	4.4	3.7
Dividend Yield	0.4	0.4	0.6	0.7
Solvency Ratios (x)				
Net Debt / Equity	0.2	(0.0)	(0.1)	(0.2)
Debt / EBITDA	0.7	0.2	0.3	0.2
Current Ratio	2.2	2.1	2.1	2.1
Quick Ratio	1.1	1.0	1.0	1.0

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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