

Century Plyboards (India) Limited

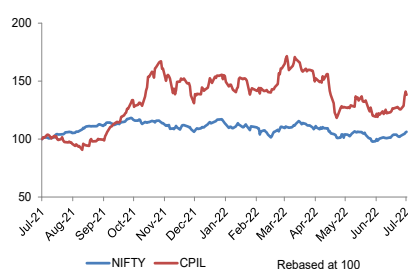
22 July 2022

Strong quarter helps maintain the growth momentum

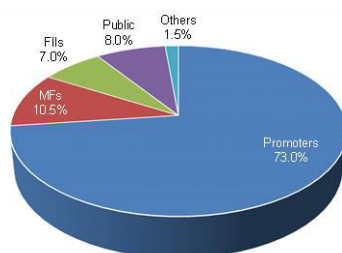
BUY

Sector	: Wood Products
Target Price	: ₹ 755
Last Closing Price	: ₹ 580
Market Cap	: ₹ 12,910 crores
52-week High/Low	: ₹ 749/342
Daily Avg Vol (12M)	: 3,22,635
Face Value	: ₹ 1
Beta	: 1.15
Pledged Shares	: 0%
Year End	: March
BSE Scrip Code	: 532548
NSE Scrip Code	: CENTURYPLY
Bloomberg Code	: CPBI IN
Reuters Code	: CNTP.NS
Nifty	: 16,605
BSE Sensex	: 55,682
Analyst	: Research Team

Price Performance



Shareholding Pattern



1Q FY23 Update

Results Analysis

- Century Plyboards (India) Limited (CPIL) reported strong results in 1Q FY23, led by all key segments. Revenues grew by 94.3% y-o-y to Rs 888.8 crore. The sales growth was driven by robust increases in volumes across product segments, led by Plywood (+105.9%) and followed by Particle Board (PB) (+72.4%), Laminates (+60.5%) and MDF (+42.3%). PB, MDF and Laminates also saw healthy gains in average realisation between ~15-25%, while the average realisation for Plywood was ~3.5%, enabled by a combination of price hikes and better product mix. The first quarter is seasonally the weakest for the company.
- EBITDA grew by a robust 137.7% y-o-y to Rs 143.1 crore as EBITDA margin expanded by nearly 300 bps y-o-y to 16.1% in spite of high raw material prices, benefitting from price hikes as well as from operating leverage.
- PAT was almost 3x 1Q FY22 levels at Rs 92.6 crore as PAT margin increased by more than 360 bps y-o-y to 10.4%. The increase in PAT and PAT margin was further aided by operating leverage resulting from lower depreciation and amortisation expenses as a percentage of sales.

Outlook & Valuation

Management reiterated its guidance of continued strong volume growth in FY23 with the capacity expansion projects progressing in full swing. Management anticipates overall 20% growth, led by MDF (20%+ value and volume), Plywood (20% value, 15% volume), PB (20% value, 10% volume), and Laminates (15% value and volume) in the current financial year. However, having grown at almost 95% y-o-y in the last quarter, management indicated the possibility of beating the above guidance. We marginally increase our forecasts for FY23 and FY24. The CPIL stock has appreciated 239% 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 755 (vs previous target of Rs 741), reiterating a BUY with an upside of 30% 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	3,594.9	4,141.3
Growth		1.6%	-8.1%	42.1%	18.8%	15.2%
EBITDA	301.6	330.7	335.5	530.8	639.9	733.0
EBITDA margin	13.2%	14.3%	15.7%	17.5%	17.8%	17.7%
PAT	148.9	125.3	191.2	313.2	420.6	480.4
PAT margin	6.5%	5.4%	9.0%	10.3%	11.7%	11.6%
Diluted EPS (₹)	6.68	6.78	8.62	14.09	18.90	21.58

Source: Company data, Khambatta Research

Century Plyboards (India) Limited**22 July 2022****Financial Performance (Consolidated)**

₹ crore	1Q FY22	4Q FY22	1Q FY23	Y-o-Y	Q-o-Q
Operating revenue	457.5	901.1	888.8	94.3%	-1.4%
EBITDA	60.2	160.7	143.1	137.7%	-10.9%
<i>EBITDA margin</i>	13.2%	17.8%	16.1%	295 bps	-173 bps
PAT	31.1	88.8	92.6	198.1%	4.4%
<i>PAT margin</i>	6.8%	9.9%	10.4%	363 bps	57 bps
Diluted EPS (₹)	1.41	3.99	4.16	195.0%	4.3%

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%.

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

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