Century Plyboards India

Cost pressure and imports pull down profitability

We maintain our BUY rating on Century Ply, with an unchanged target price of INR 715/sh (20x its Mar'25E consolidated EBITDA). We like Century for its strong franchise (pan-India distribution, aggressive marketing, and a wide range of SKUs), leadership presence in most wood segments and healthy return ratios. In Q3FY23, its consolidated revenue rose 3% YoY, led by growth in the plywood segment. However, EBITDA/APAT fell 14/13% YoY owing to elevated timber prices, decline in laminate sales and on rising-imports led drag on MDF/particle board sales and margin. Despite the expected margin pressure in MDF and particle boards during FY24/25E, We expect Century to deliver a 15% EBITDA CAGR during FY22-25E.

- **Q3FY23 performance:** Century posted earnings decline weighed down by weak demand across laminates, MDF and particle board segments and inflated timber prices. Plywood volumes grew 6% YoY (3-yr CAGR: +11%). While segmental Q3 EBITDA fell 6% YoY, 3-yr CAGR remained high at 14%. Supply pressure in the domestic market pulled down laminates volume by 3% YoY, muting 3-yr CAGR to 2%. However, EBITDA jumped 28% YoY (3-yr CAGR: 15%). Rising imports led to both MDF/particle board volumes declining by 14/19% YoY, muting 3-yr volume CAGR to +5/-2% respectively. Segmental EBITDA for MDF/particle board fell 30/30% YoY (3-yr EBITDA CAGR: +15/10%).
- **Concall KTAs and outlook:** Management expects timber prices to remain elevated for the next few years while chemical prices are trending down. Century expects the pressure on its laminate sales to continue until Q2FY24E. Rising imports have hit sales volume for both MDF and particle board. OEM-driven particle board witnessed a sharp price fall, pulling down margins, while MDF realisation has remained stable. Century's Capex remains largely on track: Hoshiarpur MDF will become operational in Mar-23, the laminates/MDF plants in AP by Q2/Q4FY24, and the particle board plant in Chennai by FY25-end. We maintain our estimates, as we have already factored in margin correction in the MDF and particle board, owing to rising imports and major upcoming domestic expansions.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q3 FY23	Q3 FY22	*YoY (%)*	Q2 FY23	*QoQ (%)*	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	8.84	8.55	*3.4*	9.09	*(2.7)*	21.30	30.27	35.73	40.75	48.32
EBITDA	1.29	1.50	*(14.3)*	1.70	*(24.3)*	3.36	5.31	5.74	6.83	8.01
EBITDAM (%)	14.6	17.6		18.7		15.7	17.5	16.1	16.8	16.6
APAT	0.82	0.94	*(12.6)*	1.41	*(41.7)*	2.03	3.13	3.68	4.16	4.65
AEPS (INR)	3.7	4.2	*(12.6)*	6.3	*(41.7)*	9.1	14.1	16.5	18.7	20.9
EV/EBITDA (x)						34.0	21.5	20.1	17.2	14.8
P/E (x)						56.3	36.5	31.1	27.5	24.6
RoE (%)						*17.3*	22.2	22.1	*21.2*	*19.9*

Source: Company, HSIE Research

BUY

CMP *(as on 09 Feb 2023)*	INR 514
Target Price	INR 715
NIFTY	17,893

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 715	INR 715
EBITDA revision %	FY23E *0.0*	FY24E *0.0*

KEY STOCK DATA	
Bloomberg code	CPBI IN
No. of Shares (mn)	222
MCap (INR bn) / ($ mn)	114/1,377
6m avg traded value (INR mn)	96
52 Week high / low	INR 749/476

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(12.8)	(16.3)	(20.0)
Relative (%)	(12.4)	(19.6)	(24.0)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	73.04	73.04
FIs & Local MFs	12.5	13.33
FPIs	6.95	6.14
Public & Others	7.50	7.49
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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