Century Plyboards India

Strong show; recovery in ply and MDF margins

We maintain our BUY rating on Century Ply, with an unchanged target price of INR 715/sh (20x its Mar’25E consolidated EBITDA; implies 34x P/E). We like Century for its strong franchise (pan-India distribution, aggressive marketing, and a wide range of SKUs), leadership presence in most wood segments, market share gains and healthy return ratios. In Q4FY23, Century’s consolidated revenue/ EBITDA/APAT rose by 7/2/30% YoY, mainly driven by a rebound in ply earnings. Its EBITDA rose 27% QoQ, led by a recovery of 350/300bps margin QoQ in the ply/MDF segments. Despite the expected margin pressure in MDF and particle boards during FY24/25E, we expect Century to deliver a 15% EBITDA CAGR during FY23-25E.

Q4FY23 performance: Century posted strong earnings QoQ, led by a strong show in its largest segment plywood. Consolidated revenue went up 7% YoY, driven by a 19/8% jump in plywood/logistics revenues while laminates/MDF/particle board revenues fell YoY. Century reported volume growth only in the ply segment (+12% YoY), while it reported a 10/3/18/17% decline in laminates/MDF/particle board/ logistics segments. Rising imports pulled down both MDF and particle board volumes. EBITDA rose a modest 2% YoY, led by a 25/11/27% rise in ply/laminates/logistics EBITDA while MDF and particle board reported a decline YoY owing to lower-value imported products. EBITDA margin recovered 350/300bps QoQ in the ply/ MDF segments while the laminates/particle board/logistics margin contracted 130/250/600bps QoQ. APAT went up 30% YoY on account of higher other income and lower tax rates.

Con call KTAs and outlook: Century expects timber prices in FY24 to remain stable around the elevated Q4FY23 levels. However, chemical prices are expected to soften further. Century guided for 13/25/30% YoY volume growth in ply/laminates/MDF in FY24E. It expects particle board volumes to be flattish due to rising imports. It plans to incur Capex of INR 10.5/3.5bn in FY24/FY25 towards ongoing expansions: brownfield MDF in AP by H2FY24 (950 CBM/day), greenfield laminates expansion in AP by Q3FY24, greenfield particle board plant in Chennai by end FY25 (800 CBM/day capacity vs earlier planned 1200 CBM/day) and plywood expansions during FY24 (80K CBM p.a.). We maintain our consolidated EBITDA estimates for FY24/25. However, owing to the improved outlook for ply, we have upgraded its estimates, which offsets the impact of margin and sales contraction outlook in the particle board segment.

Quarterly/annual financial summary (consolidated)

<table>
<thead>
<tr>
<th>YE Mar (INR mn)</th>
<th>Q4 FY23</th>
<th>Q4 FY22</th>
<th>YoY (%)</th>
<th>Q3 FY23</th>
<th>Q3 FY22</th>
<th>QoQ (%)</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24E</th>
<th>FY25E</th>
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<tbody>
<tr>
<td>Net Sales</td>
<td>9.65</td>
<td>9.01</td>
<td>7.1</td>
<td>8.84</td>
<td>9.2</td>
<td>21.30</td>
<td>30.27</td>
<td>36.47</td>
<td>42.24</td>
<td>50.91</td>
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<tr>
<td>EBITDA</td>
<td>1.64</td>
<td>1.61</td>
<td>1.9</td>
<td>1.29</td>
<td>27.3</td>
<td>3.36</td>
<td>5.31</td>
<td>6.06</td>
<td>6.83</td>
<td>8.05</td>
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<tr>
<td>EBITDAM (%)</td>
<td>17.0</td>
<td>17.8</td>
<td>14.6</td>
<td>15.7</td>
<td>17.5</td>
<td>16.6</td>
<td>16.2</td>
<td>15.8</td>
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<tr>
<td>APAT</td>
<td>1.15</td>
<td>0.89</td>
<td>29.5</td>
<td>0.82</td>
<td>39.4</td>
<td>2.03</td>
<td>3.13</td>
<td>4.30</td>
<td>4.23</td>
<td>4.74</td>
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<tr>
<td>AEPS (INR)</td>
<td>5.2</td>
<td>4.0</td>
<td>29.5</td>
<td>3.7</td>
<td>39.4</td>
<td>9.1</td>
<td>14.1</td>
<td>19.3</td>
<td>19.0</td>
<td>21.3</td>
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<tr>
<td>EV/EBITDA (x)</td>
<td>37.4</td>
<td>23.8</td>
<td>21.0</td>
<td>19.4</td>
<td>16.5</td>
<td></td>
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<td>P/E (x)</td>
<td>61.9</td>
<td>40.2</td>
<td>29.2</td>
<td>29.7</td>
<td>26.5</td>
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<tr>
<td>RoE (%)</td>
<td>17.3</td>
<td>22.2</td>
<td>24.8</td>
<td>20.0</td>
<td>18.7</td>
<td></td>
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Source: Company, HSIE Research

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