

# 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/FY25E 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)

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

Source: Company, HSIE Research

**BUY**

CMP (as on 16 May 23)	INR 575
Target Price	INR 715
NIFTY	18,287

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 715	INR 715
EBITDA revision %	FY24E 0.0	FY25E 0.5

### KEY STOCK DATA

Bloomberg code	CPBI IN
No. of Shares (mn)	222
MCap (INR bn) / (\$ mn)	128/1,562
6m avg traded value (INR mn)	66
52 Week high / low	INR 710/436

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.9	(0.9)	8.0
Relative (%)	11.9	(0.9)	(8.9)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	73.04	73.04
FIs & Local MFs	13.33	13.72
FPIs	6.14	5.78
Public & Others	7.49	7.46
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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