

August 7, 2023

Q1FY24 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	800		800	
Sales (Rs. m)	39,549	46,789	41,233	49,259
% Chng.	(4.1)	(5.0)		
EBITDA (Rs. m)	6,455	8,026	6,522	7,977
% Chng.	(1.0)	0.6		
EPS (Rs.)	18.6	22.8	18.8	22.9
% Chng.	(1.2)	(0.1)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	30,270	36,466	39,549	46,789
EBITDA (Rs. m)	5,324	5,587	6,455	8,026
Margin (%)	17.6	15.3	16.3	17.2
PAT (Rs. m)	3,146	3,833	4,141	5,084
EPS (Rs.)	14.1	17.2	18.6	22.8
Gr. (%)	54.7	21.8	8.0	22.8
DPS (Rs.)	0.2	0.1	0.2	0.3
Yield (%)	0.0	0.0	0.0	0.0
RoE (%)	22.3	22.1	19.7	20.3
RoCE (%)	30.2	26.4	22.7	22.3
EV/Sales (x)	4.6	3.9	3.7	3.1
EV/EBITDA (x)	26.2	25.1	22.4	18.0
PE (x)	44.5	36.5	33.8	27.5
P/BV (x)	9.0	7.3	6.1	5.1

Key Data

CNTP.BO | CPBI IN

52-W High / Low	Rs.710 / Rs.436
Sensex / Nifty	65,953 / 19,597
Market Cap	Rs.140bn/ \$ 1,690m
Shares Outstanding	222m
3M Avg. Daily Value	Rs.102.1m

Shareholding Pattern (%)

Promoter's	73.04
Foreign	6.95
Domestic Institution	12.50
Public & Others	7.51
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.6)	23.5	(0.8)
Relative	(5.6)	12.9	(12.2)

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Century Plyboard (I) (CPBI IN)

Rating: BUY | CMP: Rs629 | TP: Rs800

Result below est. maintain higher margin guidance

Century Plyboards (CPBI) has upgraded its annual guidance related EBITDA margin across its segments Plywood/Laminates/MDF to 14%/13-15%/~25% from 12-14%/12-14%/20-25%. However, company has reduced its vol. growth guidance for Plywood/Laminates/MDF to 7%/12-15%/20% from 13%/25%/30%, respectively. Plywood segment (56%rev.) continued its vol. growth and higher realization trajectory in quarter with healthy guidance, even after increased timber prices, which shows CPBI leadership in segment. Timber prices increased sharply in July-23, which will compensated with premium product mix improvement for CPBI in Plywood/MDF. MDF segment maintained its higher realisation of Rs 34,752/CBM, while margin down to 26%. Consolidated EBITDA margin contracted to 14.9% with oneoff expenses in laminates (~Rs 40mn) and lower MDF margin due to increase in raw-material prices, which expected to improve in coming quarters.

We are maintaining our positive view considering 6.5%/13.4%/20.3% volume growth and 16.3% consolidated EBITDA margin in FY24. We estimate FY23-25E Revenue/EBITDA/PAT CAGR of 13.3%/19.9%/15.1%, with Plywood/Laminates/MDF volume CAGR of 9.1%/14.2%/34.4%. We have tweaked our FY24/FY25 earnings to adjust oneoff expenses in Q1FY24 and change in vol./margins guidance by CPBI across segments. We value the stock at 35x FY25 EPS and arrive at TP of Rs800. Maintain 'BUY' rating.

Revenues flat YoY, PAT decline 5.9% YoY: Rev. flat YoY to Rs8.9bn (PLe: Rs9.6bn). Plywood/Laminate/MDF/Particle boards (contributed ~56% / 17% / 19% / 4%) revenue at Rs 5.0bn/1.6bn/1.7bn/0.4bn (+3.1%/-4.7%/+7.2%/-22.7 YoY), was ahead of our estimate of Rs5.2bn/1.9bn/1.9bn/0.4bn, respectively. GM expanded 20bps YoY to 48.4%, (PLe:45.8%) despite sustained input cost pressure in most of the wood panel segments. EBITDA was Rs1.3bn (PLe: Rs1.5bn) down 7.0% YoY. EBITDA margin stood at 14.9% contracting 120bps YoY (PLe: 15.6%). EBITDA margin of Plywood/Laminate/MDF was 13.9%/10.1%/26.2% (+490bps/-350bps/-880bps YoY). Laminates' margin impacted due to aforesaid new products launching expenses, while margin expected to normalize from coming quarters and MDF margins are reduced mainly due to increase in raw-material prices, which could not be passed on. PBT decline by 7.7% YoY to Rs1.16bn (PLe: Rs 1.3bn) due to higher interest & depreciation expenses apart from lower operating margin. PAT stood at Rs871mn (down 5.9% YoY, PLe: Rs 975mn). Net debt stood at Rs 0.4bn (excl. buyer credit) and debt to equity ratio stood at 0.09x in Q1FY24. The cash conversion cycle increased to 69 days in Q1FY24, against 58 days in Q1FY23.

Concall highlights: 1) Mgmt observed softening in real estate demand due to rise in interest rate, impacted CPBI performance. 2) Plywood segment expected 6-7% volume and approx. 2.5% planned price hike, we expect 8 to 10% growth with sustained EBITDA margin of 14% approx, after taking care of increase in raw-material price. 3) Timber prices rose by 5% in July-23, due to shortage in market, Timber accounts ~50% RM for CPBI. 4) Laminate division's performance is expected to improve in the upcoming quarters with the introduction of new SKUs targeting specific new market segments. 5) Mgmt expects 20% MDF volume growth, ~25% EBITDA margin, with expected increase in share of premium products. 6) The volume of premium MDF is planned to increase to 40% from currently 34%. 7) Planned capex of Rs 10.75bn, with delay in commissioning of Laminate & MDF units. 8) The hiving off of the logistic (CFS) division to the SPV is pending for NCLT approval. The scheme's effects will be implemented after approval.

Exhibit 1: Q1FY24 Result Overview: Revenue flat YoY; PAT decline by 5.9% YoY

Y/e March (Rs mn)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Sales	8,910	8,888	0.2	9,654	(7.7)	36,466	30,270	20.5
Expenditure								
Operating & Manufacturing Expenses	4,601	4,607	(0.1)	5,002	(8.0)	19,162	15,021	27.6
<i>% of Net Sales</i>	<i>51.6</i>	<i>51.8</i>	<i>(0.2)</i>	<i>51.8</i>		<i>52.5</i>	<i>49.6</i>	<i>2.9</i>
Gross Profit	4,309	4,281	0.7	4,653	(7.4)	17,304	15,249	13.5
<i>% of Net Sales</i>	<i>48.4</i>	<i>48.2</i>	<i>0.2</i>	<i>48.2</i>	<i>0.2</i>	<i>47.5</i>	<i>50.4</i>	<i>(2.9)</i>
Personnel Cost	1,310	1,192	9.9	1,239	5.7	4,749	4,176	13.7
<i>% of Net Sales</i>	<i>14.7</i>	<i>13.4</i>	<i>1.3</i>	<i>12.8</i>		<i>13.0</i>	<i>13.8</i>	<i>(0.8)</i>
Other Expenses	1,667	1,657	0.6	1,775	(6.1)	6,968	5,750	21.2
<i>% of Net Sales</i>	<i>18.7</i>	<i>18.6</i>	<i>0.1</i>	<i>18.4</i>		<i>19.1</i>	<i>19.0</i>	<i>0.1</i>
Total Expenditure	7,578	7,456	1.6	8,016	(5.5)	30,879	24,946	23.8
EBITDA	1,332	1,431	(7.0)	1,638	(18.7)	5,587	5,324	4.9
<i>Margin (%)</i>	<i>14.9</i>	<i>16.1</i>	<i>(1.2)</i>	<i>17.0</i>	<i>(2.0)</i>	<i>15.3</i>	<i>17.6</i>	<i>(2.3)</i>
Other income	122	60		160	(24.2)	477	231	
Depreciation	231	191	21.1	200	15.4	775	743	4.3
EBIT	1,101	1,241	(11.3)	1,438	(23.4)	5,289	4,812	9.9
Interest	61	43	43.9	45	37.5	170	114	48.5
PBT	1,161	1,258	(7.7)	1,554	(25.3)	5,119	4,698	9.0
Total Taxes	290	332	(12.7)	408	(28.9)	1,278	1,550	(17.6)
<i>ETR (%)</i>	<i>25.0</i>	<i>26.4</i>	<i>(1.4)</i>	<i>26.2</i>		<i>25.0</i>	<i>33.0</i>	<i>(8.0)</i>
PAT	871	926	(5.9)	1,146		3,841	3,148	22.0

Source: Company, PL

Exhibit 2: Segmental Breakup: Plywood (56% rev.) reported vol. growth of 3.1% with EBIT margin of 13.1%

Y/e March (Rs mn)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenue								
Plywood	4,972	4,824	3.1	5,711	(12.9)	20,378	15,793	29.0
Laminate	1,558	1,636	(4.7)	1,602	(2.7)	6,576	5,747	14.4
MDF	1,669	1,556	7.2	1,610	3.6	6,401	5,609	14.1
Particle Board	395	511	(22.7)	373	5.9	1,742	1,508	15.5
EBIT								
Plywood	653	467	39.9	893	(26.8)	2,273	2,133	6.6
Laminate	140	219	(36.0)	197	(28.8)	926	863	7.3
MDF	403	528	(23.6)	383	5.4	1,627	1,652	(1.5)
Particle Board	84	179	(52.7)	59	43.4	436	376	16.2
EBIT margin (%)								
Plywood	13.1	9.7		15.6		11.2	13.5	
Laminate	9.0	13.4		12.3		14.1	15.0	
MDF	24.2	33.9		23.8		25.4	29.5	
Particle Board	21.4	35.0		15.8		25.0	24.9	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	30,270	36,466	39,549	46,789
YoY gr. (%)	42.1	20.5	8.5	18.3
Cost of Goods Sold	16,474	20,913	22,465	27,337
Gross Profit	13,796	15,553	17,084	19,452
Margin (%)	45.6	42.7	43.2	41.6
Employee Cost	4,176	4,749	5,512	6,016
Other Expenses	2,981	3,632	3,398	3,377
EBITDA	5,324	5,587	6,455	8,026
YoY gr. (%)	58.7	4.9	15.5	24.3
Margin (%)	17.6	15.3	16.3	17.2
Depreciation and Amortization	743	775	1,094	1,448
EBIT	4,582	4,812	5,361	6,577
Margin (%)	15.1	13.2	13.6	14.1
Net Interest	114	170	286	286
Other Income	231	477	392	440
Profit Before Tax	4,698	5,119	5,467	6,731
Margin (%)	15.5	14.0	13.8	14.4
Total Tax	1,550	1,278	1,326	1,647
Effective tax rate (%)	33.0	25.0	24.3	24.5
Profit after tax	3,148	3,841	4,141	5,084
Minority interest	1	8	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,146	3,833	4,141	5,084
YoY gr. (%)	54.7	21.8	8.0	22.8
Margin (%)	10.4	10.5	10.5	10.9
Extra Ord. Income / (Exp)	(16)	-	-	-
Reported PAT	3,131	3,833	4,141	5,084
YoY gr. (%)	63.5	22.4	8.0	22.8
Margin (%)	10.3	10.5	10.5	10.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,131	3,833	4,141	5,084
Equity Shares O/s (m)	223	223	223	223
EPS (Rs)	14.1	17.2	18.6	22.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	12,605	16,303	25,928	29,128
Tangibles	12,585	16,286	25,911	29,111
Intangibles	20	17	17	17
Acc: Dep / Amortization	4,381	5,156	6,250	7,698
Tangibles	4,381	5,156	6,250	7,698
Intangibles	-	-	-	-
Net fixed assets	8,224	11,147	19,678	21,430
Tangibles	8,204	11,130	19,661	21,413
Intangibles	20	17	17	17
Capital Work In Progress	1,766	2,362	1,487	1,487
Goodwill	-	-	-	-
Non-Current Investments	148	124	124	1,124
Net Deferred tax assets	(167)	(277)	(277)	(277)
Other Non-Current Assets	13	582	582	582
Current Assets				
Investments	-	-	-	-
Inventories	5,264	5,290	5,578	6,530
Trade receivables	3,524	3,903	4,334	5,128
Cash & Bank Balance	2,610	2,782	851	3,009
Other Current Assets	755	969	1,046	1,239
Total Assets	22,305	27,163	33,684	40,532
Equity				
Equity Share Capital	223	223	223	223
Other Equity	15,346	18,921	22,606	27,131
Total Networkth	15,568	19,143	22,828	27,353
Non-Current Liabilities				
Long Term borrowings	20	19	19	19
Provisions	120	70	70	70
Other non current liabilities	15	9	9	9
Current Liabilities				
ST Debt / Current of LT Debt	2,162	3,115	5,615	7,115
Trade payables	2,528	2,749	2,967	3,513
Other current liabilities	1,617	1,704	1,822	2,099
Total Equity & Liabilities	22,305	27,163	33,684	40,532

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	4,682	5,119	5,467	6,731
Add. Depreciation	743	775	1,094	1,448
Add. Interest	114	170	286	286
Less Financial Other Income	231	477	392	440
Add. Other	(215)	(477)	(392)	(440)
Op. profit before WC changes	5,324	5,587	6,455	8,026
Net Changes-WC	(1,156)	(827)	(460)	(1,115)
Direct tax	(1,550)	(1,278)	(1,326)	(1,647)
Net cash from Op. activities	2,618	3,482	4,668	5,264
Capital expenditures	(2,622)	(4,294)	(8,750)	(3,200)
Interest / Dividend Income	231	477	392	440
Others	(16)	2	-	(1,000)
Net Cash from Invt. activities	(2,407)	(3,816)	(8,358)	(3,760)
Issue of share cap. / premium	-	-	-	-
Debt changes	752	952	2,500	1,500
Dividend paid	(334)	(223)	(455)	(559)
Interest paid	(114)	(170)	(286)	(286)
Others	82	(54)	-	-
Net cash from Fin. activities	386	506	1,759	655
Net change in cash	596	172	(1,931)	2,158
Free Cash Flow	(4)	(813)	(4,082)	2,064

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	14.1	17.2	18.6	22.8
CEPS	17.5	20.7	23.5	29.4
BVPS	70.0	86.0	102.6	122.9
FCF	0.0	(3.7)	(18.3)	9.3
DPS	0.2	0.1	0.2	0.3
Return Ratio(%)				
RoCE	30.2	26.4	22.7	22.3
ROIC	23.0	21.0	16.6	17.5
RoE	22.3	22.1	19.7	20.3
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	0.2	0.2
Net Working Capital (Days)	75	65	64	64
Valuation(x)				
PER	44.5	36.5	33.8	27.5
P/B	9.0	7.3	6.1	5.1
P/CEPS	36.0	30.4	26.8	21.4
EV/EBITDA	26.2	25.1	22.4	18.0
EV/Sales	4.6	3.9	3.7	3.1
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Company Data, PL Research

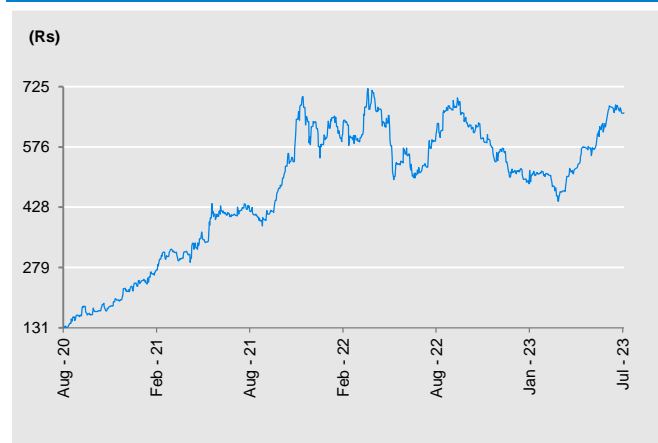
Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	9,086	8,837	9,654	8,910
YoY gr. (%)	11.7	3.4	7.1	0.2
Raw Material Expenses	4,850	4,703	5,002	4,601
Gross Profit	4,236	4,134	4,653	4,309
Margin (%)	46.6	46.8	48.2	48.4
EBITDA	1,230	1,287	1,638	1,332
YoY gr. (%)	(23.0)	(14.3)	1.9	(7.0)
Margin (%)	13.5	14.6	17.0	14.9
Depreciation / Depletion	191	193	200	231
EBIT	1,039	1,093	1,438	1,101
Margin (%)	11.4	12.4	14.9	12.4
Net Interest	38	44	45	61
Other Income	61	53	160	122
Profit before Tax	1,062	1,102	1,554	1,161
Margin (%)	11.7	12.5	16.1	13.0
Total Tax	260	279	408	290
Effective tax rate (%)	24.5	25.3	26.2	25.0
Profit after Tax	802	823	1,146	871
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,087	823	1,146	871
YoY gr. (%)	9.8	(12.5)	27.2	(5.6)
Margin (%)	12.0	9.3	11.9	9.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,087	823	1,146	871
YoY gr. (%)	9.8	(12.5)	27.2	(5.6)
Margin (%)	12.0	9.3	11.9	9.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,087	823	1,146	871
Avg. Shares O/s (m)	223	223	223	223
EPS (Rs)	4.9	3.7	5.2	3.9

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	13-Jul-23	BUY	800	671

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,955	1,924
2	Bajaj Electricals	Accumulate	1,326	1,219
3	Century Plyboard (I)	BUY	800	671
4	Cera Sanitaryware	Hold	8,224	7,917
5	Crompton Greaves Consumer Electricals	BUY	338	286
6	Finolex Industries	Accumulate	197	184
7	Greenpanel Industries	BUY	459	341
8	Havells India	BUY	1,460	1,348
9	Kajaria Ceramics	Hold	1,363	1,393
10	KEI Industries	Hold	2,319	2,270
11	Polycab India	Accumulate	4,760	4,309
12	Prince Pipes and Fittings	Accumulate	718	657
13	Supreme Industries	Hold	3,377	3,382
14	Voltas	Hold	813	767

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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