



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✓	✗
	+ Positive	= Neutral	- Negative

What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✗	↔	✗

Company details

Market cap:	Rs. 15,693 cr
52-week high/low:	Rs. 849 / 595
NSE volume: (No of shares)	5.78 lakh
BSE code:	532548
NSE code:	CENTURYPLY
Free float: (No of shares)	20.8 cr

Shareholding (%)

Promoters	73
FII	4
DII	17
Others	6

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-3.4	9.5	-1.1	12.1
Relative to Sensex	-2.7	1.4	-12.3	-8.3

Sharekhan Research, Bloomberg

Century Plyboards (India) Ltd

An in-line performance, Retain BUY

Building Materials

Sharekhan code: CENTURYPLY

Reco/View: Buy

CMP: Rs. 706

Price Target: Rs. 840



Upgrade



Maintain



Downgrade

Summary

- We retain BUY on Century Plyboards with a revised PT of Rs. 840, rolling forward our valuation to H1FY2027E and considering its strong earnings growth outlook over the next 2-3 years.
- For Q1FY2024, Century reported broadly in-line standalone performance, led by strong revenue growth in plywood and MDF coupled with OPM expansion in plywood and laminates.
- For FY2025, management has retained its segmental revenue growth and OPM guidance. The company has taken price hikes in the plywood and laminates segments from August 1, 2024.
- Management is focusing on ramping up newly commissioned capacities in MDF, laminates, and PVC segments, housed under its subsidiary – Century Panel.

Century reported broadly in-line performance for Q1FY2025. Standalone revenue at Rs. 952 crore (up 7.9% y-o-y) was primarily driven by plywood (revenue up 14.9% y-o-y aided by 13.4% y-o-y volume growth) and MDF (up 13.6% y-o-y, volume growth of 29% y-o-y) segments, while laminates and particle board reported a decline. Standalone OPM was a tad lower than our estimate at 12.1%, owing to sustained pressure on OPM in MDF and particle board. Plywood and laminates reported a 92-bps y-o-y and 301 bps expansion in OPM. Overall, standalone operating profit/adjusted net profit declined by 9.2%/13.8% (3%/4% lower than our estimate) to Rs. 115 crore/Rs. 71 crore. Management has retained its segmental revenue growth and OPM guidance for FY2025. The company's major capacity expansion plans are getting over during FY2025; it may not take any major capex plans for the next 12-18 months. The company would be focusing on ramping up newly commissioned capacities in MDF, laminates, and PVC housed under its subsidiary, Century Panel.

Key positives

- Plywood revenue grew by 14.9% y-o-y, led by 13.4% y-o-y growth, while it reported 92-bps y-o-y expansion in EBITDA margins.
- Laminates reported 301-bps y-o-y and 262-bps q-o-q expansion in OPM to 12.3%.

Key negatives

- OPMs of the MDF and particle board segments remained under pressure, declining by 228 bps q-o-q and 489 bps q-o-q, respectively.
- Rise in equipment costs led to an upward revision in capex for MDF to Rs. 730 crore from Rs. 700 crore.

Management Commentary

- Management has retained its segment-wise guidance, as the plywood segment (value growth of 10% y-o-y with OPM of 12-14%), laminate (20% in value growth with OPM of 10-12%), MDF segment (40% value growth with 15% OPM), and particle board (flat revenue with OPM of 15%).
- The company undertook a 2% hike each on May 1, 2024, and August 1, 2024, in plywood. Laminate prices were increased by 3% w.e.f. August 1, 2024. The company has not taken any price hike in MDF as of now.
- MDF OPM stood at 14%, which is likely to be the bottom. It does not expect substantial capacity additions in MDF over the short to medium term.

Revision in estimates – We have broadly retained our net earnings estimates for FY2025-FY2026.

Our Call

Valuation – Retain BUY with a revised PT of Rs. 840: Century is expected to be affected by a sluggish demand environment and pressure on OPMs in the near term, especially MDF and particleboard. However, the company is likely to regain revenue growth and OPM with expected demand pick up from mid-FY2025, as realty projects launched post-COVID-19 start getting delivered. Further, capacity additions done in MDF and laminate segments along with the upcoming particle board capacity would help capture incremental demand. We have introduced our FY2027E earnings in this note. The stock is currently trading at a P/E of 29x/23x its FY2026E/FY2027E earnings, which we believe provides room for upside. Hence, we retain BUY on the stock with a revised price target (PT) of Rs. 840, rolling forward our valuation to H1FY2027E.

Key Risks

Strong demand, OPM expansion, and declining imports.

Valuation (Consolidated)

Particulars	FY24	FY25E	FY26E	FY27E
Revenue	3,886	4,538	5,255	6,101
OPM (%)	13.1	12.9	15.1	16.0
Adjusted PAT	321	377	538	675
y-o-y growth (%)	(15)	17	43	26
Adjusted EPS (Rs.)	14.4	16.9	24.2	30.3
P/E (x)	48.9	41.7	29.2	23.3
P/B (x)	7.1	6.1	5.1	4.2
EV/EBITDA (x)	32.1	28.4	20.3	16.1
RoNW (%)	15.5	15.7	19.0	19.8
RoCE (%)	13.3	12.8	15.3	16.6

Source: Company; Sharekhan estimates

An in-line performance

Standalone revenue for Q1FY2025 increased 7.9% y-o-y (-7.2% q-o-q) to Rs. 952 crore, which was in line with our estimate. Plywood revenue was reported at Rs. 562 crore (+14.9% y-o-y, -7.3% q-o-q), laminate stood at Rs. 151 crore (-3.0% y-o-y, -9.6% q-o-q), MDF came in at Rs. 190 crore (+13.6% y-o-y, -3.9% q-o-q), and particle board registered revenue of Rs. 37 crore (-7.1% y-o-y, -13.7% q-o-q). Standalone OPM stood at 12.5% (-186bps y-o-y), in line with our estimate of 12.5%. Overall, standalone operating profit declined 6.1% y-o-y (down 1.1% q-o-q) to Rs. 119 crore, which was in line with our estimate. Lower operating margin led to a 12.1% y-o-y (down 4% q-o-q) decline in standalone net profit at Rs. 73.9 crore, which was broadly in line with our estimate.

Key Conference Call Takeaways

- ♦ **Guidance:** Management has retained its segment-wise guidance as the plywood segment (value growth of 10% y-o-y with OPM of 12-14%), laminate segment (20% in value growth with OPM of 10-12%), MDF segment (40% value growth with 15% OPM), and particle board segment (flat revenues with OPM of 15%) reported growth.
- ♦ **Q1FY2025 highlights:** The industry has been struggling for growth and higher input prices during Q1FY2025. The company reported 10.5% y-o-y growth in standalone revenue at Rs. 952 crore and 12.8% y-o-y growth in consolidated revenue at Rs. 1,005 crore. Plywood revenue increased 14.9% y-o-y with EBITDA margin improved to 14.4%. Laminates reported a 3% y-o-y decline in revenue, although EBITDA margin improved to 12.3%. MDF realisations were impacted by high supply and weak demand. Particle board was weak owing to pressure on realisations and higher costs.
- ♦ **Price hikes:** The company undertook a 2% hike each on May 1, 2024, and August 1, 2024, in plywood. Laminate prices were increased by 3% w.e.f. August 1, 2024. The company has not taken any price hike in MDF as of now.
- ♦ **Timber prices:** Timber prices in the north stood at Rs. 6.5-7.1 per kg and that in the south stood at Rs. 5.5 per kg. Timber prices increased by 5-7% q-o-q.
- ♦ **Plywood:** The plywood capacity stands at 340,000 cbm. The company operated at 75% capacity utilisation rate in Q1FY2025. Eastern and southern regions are doing well in terms of demand. The Hoshiarpur plywood unit stays on hold as of now.
- ♦ **MDF:** The company would be ramping up the newly commissioned capacity at A.P. by Q4FY2025 and expects EBITDA breakeven by Q3FY2025. The rise in equipment costs led to an upward revision in capex for MDF to Rs. 730 crore from Rs. 700 crore. The company operated at less than 20% capacity utilisation in Q1FY2025, while Hoshiarpur unit operated at 85-87% utilisation. MDF segment's OPM stood at 14%, which is likely to be the bottom. Management does not expect substantial capacity additions in MDF over the short to medium term. The MDF imported today does not match BIS norms. BIS norm implementation from February 2025 will increase the cost of imported MDF by 20%.
- ♦ **Particle board:** The particle board unit at Chennai is expected to start by FY2025 end.
- ♦ **Laminate:** The new laminate facility is likely to generate Rs. 250 crore turnover at peak utilisation level.
- ♦ **Sale:** The company completed the sale of the Singapore subsidiary and Laos unit in April 2024 and accounted for Rs. 24.06 crore exceptional expense in Q4FY2024. During Q1FY2025, the company re-recognised all assets, liabilities, and minority interest in consolidated accounts, leading to exceptional items of Rs. 13.33 crore in consolidated accounts.

Results (Standalone)					Rs cr
Particulars	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Q-o-Q (%)
Income from operations	952.2	882.4	7.9	1,025.6	(7.2)
COGS	540.5	464.5	16.4	569.9	(5.2)
Gross profit	411.8	417.9	-1.5	455.7	(9.6)
Gross margin (%)	43.2	47.4	(412)	44.4	(119)
Employee cost	142.8	127.0	12.5	128.7	11.0
Other expenditure	153.8	164.2	-6.3	206.6	(25.6)
Total expenditure	837.1	755.7	10.8	905.3	(7.5)
Operating profit	115.1	126.7	-9.2	120.4	(4.4)
Finance cost	8.2	4.8	69.8	6.8	20.2
Depreciation	21.2	21.8	-3.0	20.9	1.3
Non-operating income	13.9	9.9	40.1	12.1	15.0
Forex loss/(gain)	(2.9)	(1.7)		(2.3)	
PBT	102.5	111.7	-8.2	107.0	(4.2)
Tax	28.6	27.6	3.6	30.0	(4.6)
Reported PAT	73.9	84.1	-12.1	77.0	(4.0)
Adjusted PAT	71.0	82.4	-13.8	74.7	(5.0)
Margin (%)			BPS		BPS
OPM (%)	12.1	14.4	(227)	11.7	35
NPM (%)	7.5	9.3	(188)	7.3	17
Tax rate (%)	27.9	24.7	318	28.0	(11)

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector View – Expect operations to recover faster

The building materials industry was severely affected by the COVID-19-led lockdown during Q1FY2021, which affected its peak sales period. Additionally, the company's high fixed-cost structure had affected OPM, dragging down its net earnings. However, since June, the sector has been one of the fastest in recovery with the easing of lockdowns domestically. The sector has witnessed the resumption of dealer and distribution networks and a sharp rise in capacity utilisation levels. Most players have begun seeing demand and revenue run-rate reaching 80-90% compared to pre-COVID levels. Scaling-up of revenue is also expected to lead to better absorption of fixed costs, aiding a recovery in net earnings. The industry is expected to rebound with strong growth in FY2022.

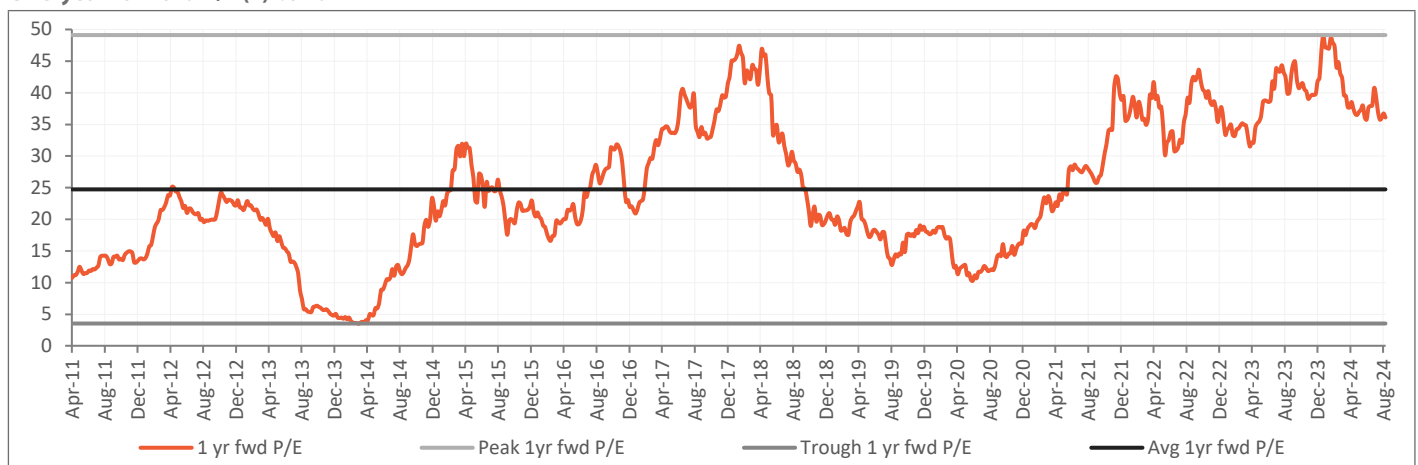
■ Company Outlook – Expect demand revival during FY2025

Century has been witnessing strong pent-up demand with possible market share gains, which led to strong volume growth across key verticals in the past. However, it is facing a sluggish domestic demand environment as end-consumers feel the impact of increased interest rates. However, the long-term demand outlook remains intact, led by the realty upcycle, which is expected to sustain given structural triggers. The company is expected to benefit from demand revival expected during FY2025 as realty projects launched post-COVID-19 start getting delivered. The demand revival is also expected to ease pressure on OPMs, especially on MDF and particle board, leading to overall OPM revival in FY2026.

■ Valuation – Retain Buy with a revised PT of Rs. 840

Century is expected to be affected by a sluggish demand environment and pressure on OPMs in the near term, especially MDF and particleboard. However, the company is likely to regain revenue growth and OPM with expected demand pick up from mid-FY2025, as realty projects launched post-COVID-19 start getting delivered. Further, capacity additions done in MDF and laminate segments along with the upcoming particle board capacity would help capture incremental demand. We have introduced our FY2027E earnings in this note. The stock is currently trading at a P/E of 29x/23x its FY2026E/FY2027E earnings, which we believe provides room for upside. Hence, we retain BUY on the stock with a revised price target (PT) of Rs. 840, rolling forward our valuation to H1FY2027E.

One-year forward P/E (x) band



Source: Sharekhan Research

Peer Comparison

Particulars	P/E (x)		EV/EBITDA (x)		P/BV (x)		RoE (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Century Plyboards	41.7	29.2	28.4	20.3	6.1	5.1	15.7	19.0
Greenlam Industries	43.0	30.7	21.6	16.9	6.0	5.1	14.9	18.1

Source: Sharekhan Research

About company

Century was founded in 1986 by Sajjan Bhajanka and Sanjay Agarwal. Today, the company is the largest seller of multi-use plywood with a market share of ~25% and decorative veneers in the Indian organised plywood market. The company also has a laminate, particle board, and MDF division with 600 cubic metres/day capacity.

Investment theme

Like some of its industry peers, Century has gained from strong demand momentum and market share gains from unorganised players in the past. However, the company is likely to be affected by sluggish demand in the near term, led by increased domestic interest rates felt by the housing segment and increasing imports led by global freight rate corrections. Further, the company is expected to face higher competitive intensity with major players expanding capacities amid weaker near-term demand and higher imports. However, we believe the long-term realty upcycle remains intact, providing growth opportunities to the company, while it may remain under pressure in the near term.

Key Risks

- ♦ A slowdown in macroeconomics, especially in the real estate sector, could affect the volume offtake for its products.
- ♦ Unavailability or increased cost of sourcing raw materials such as veneer affects OPM negatively.
- ♦ Inability to gain market share in the post-GST era may dampen future growth outlook.

Additional Data

Key management personnel

Sajjan Bhajanka	Chairman
Hari Prasad Agarwal	Vice Chairman
Sanjay Agarwal	Managing Director
Arun Kumar Julasaria	Chief Financial Officer
Sundeep Jhunjhunwala	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Agarwal Sanjay	11.20
2	Bhajanka Sajjan	10.88
3	Khemani Vishnu	8.46
4	Agarwal Divya	7.54
5	Bhajanka Santosh	6.68
6	Kotak Mahindra Asset Management Co.	4.37
7	Sriram Vanijya Pvt. Ltd.	3.83
8	Brijdham Merchants Pvt. Ltd.	3.49
9	Sumangal International Pvt. Ltd.	3.45
10	DSP Investment Managers Pvt. Ltd.	3.40

Source: Bloomberg

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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