Quarterly Update Q2FY21
Century Plyboards Ltd.

Above expectation on all fronts, sales traction shaping up well

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CMP INR: 185

Rating: HOLD

Target Price INR 206

Upside: 11%

Bloomberg:	CPBI:IN
52-week range (INR):	181 / 197
Share in issue (cr):	22
M cap (INR cr):	4,100
Promoter Holding (%)	73.05

Company reported a strong set of numbers which beat expectation on all fronts and this was primarily led by a strong performance in the MDF segment which grew by 20% y-o-y while the degrowth in the other segements was lesser than expacted . Sales de-grew 11.7% YoY to INR 520 cr. and was 9.8% above estimate by 9.8%. Revenue in all reported segments was down in the range of 2% to 25% except in case of MDF which grew by 20%. On a standalone basis, EBITDA degrew by 7.7% to INR 86 cr. EBITDA margin expanded 70bps to 16.5% even as the gross margin remained flat & was primarily led by a lower interest expense. On a standalone basis, the company posted a PAT of INR 51 cr. as against a profit of INR 53cr. in Q2FY20. October'20 has been the best month in company's history. Downgrade to 'Hold'.

De-growth observed across most segments; but performance above expectations

Plywood segment revenue was down 15.5% primarily led by volume which was down 15.2%. Margin for the plywood segment contracted by 250bps y-o-y to 12.1%. Laminates segment revenue fell by 25.4% primarily led by volume which was down 22.3%. Margin for the laminates segment contracted by 180bps y-o-y to 11%. The demand for laminates being a lagging one under-performed in Q2FY21 but has grown ~10% in the month of October primarily led by domestic market. Particle board segment revenue fell relatively lesser by 2.2% primarily led by lower realsiation. Margin for the Particle board segment contracted by 870bps y-o-y to 21.8%.

MDF back to growth track; Government policies to help sustain growth

Revenue in all reported segments was down in the range of 2.2% to 25.4% except in case of MDF which grew by 20%. Demand for MDF, particle board is growing as Government has imposed certain restrictions on import of finished furniture which is leading to a surge in the domestically produced furniture. Site for the new MDF plant can be shifted to South from Uttar Pradesh due to the long legal disputes. MDF segment margin improved by 670bps to 22.7%.

Outlook and valuations: 'HOLD'

While the company reported de-growth on the revenue & profit fronts but the performance has been relatively better than expectation. On balance sheet front, debt level reduced from INR 244 cr. at the end of Q1FY21 to INR 85.1 cr. at the end of Q2FY21. Also, working capital cycle normalised to 70 days after it went haywire in Q1FY21 & increased to 199 days. The sales in the month of October has been the best that company has reported in its history. Further, the company is hopeful of a longer-term demand traction to get generated out of the initiatives of Government which is aimed at reducing the imports of furniture. We have upward revised our FY22 earnings estimate by 10.3%, but downgrade to hold post recent up-move with a revised TP of INR 206 per share valuing the company at 20x FY22E P/E.

Year to March	Q2FY21	Q2FY20	% change	Q1FY21	% change	FY20	FY21	FY22
Net sales (INR cr)	520	589	-12%	201	159%	2,317	1,912	2,369
Growth (%)						*1.6*	*-17.5*	*23.9*
EBITDA (INR cr)	86	93	-8%	1		331	300	391
Adj PAT (INR cr)	51	53	-3%	-9		177	161	229
Growth (%)						*19*	*-9*	*42*
Dil. EPS (INR)						6	7	10
Diluted P/E (x)						33	26	18
EV/EBITDA (x)						13	14	11
ROAE (%)						17	14	17

Date: 13th November, 2020

Century Plyboards Ltd.

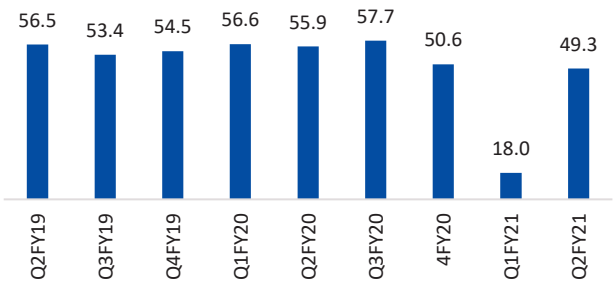
Q2FY21 Result Highlights

Particulars	Q2FY21	Q2FY20	% change	Q1FY21	% change	H1FY21	H1FY20	% change
Income from operations	520	589	-12%	201	159%	720	1163	-38%
Cost of goods sold	261	296	-12%	95	176%	355	587	-39%
Employee expenses	76	88	-13%	57	35%	133	173	-23%
Other expenses	97	112	-14%	49	98%	145	217	-33%
Total operating expenses	434	496	-13%	200	117%	634	977	-35%
EBITDA	86	93	-8%	1		87	186	-53%
Depreciation and amortization	16	17	-5%	14	14%	30	34	-10%
EBIT	70	76	-8%	-13		56	152	-63%
Interest expenses	2	11	-84%	5	-65%	7	20	-66%
Other income	1	9	-86%	5	-73%	6	10	-42%
PBT	69	74	-7%	-14		55	142	-61%
Provision for tax	18	21	-16%	-5		12	41	-70%
Core profit	51	53	-3%	-9		43	101	-57%
Extraordinary items	0	0		0		0	0	
Adjusted net profit	51	53	-3%	-9		43	101	-57%
No. of shares (Cr)	23	23	0%	23		23	23	
Diluted EPS (INR)	2.3	2.4	-3%	-0.4		1.9	4.5	-57%

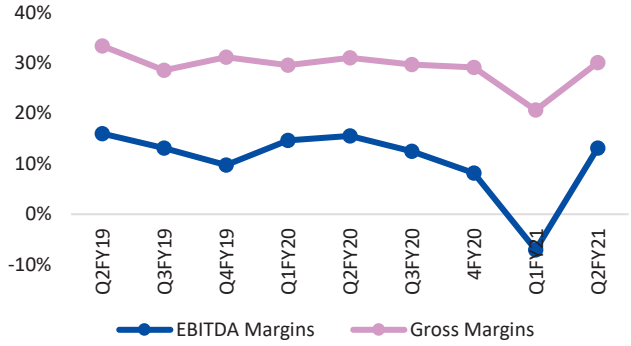
(INR cr)	FY21E			FY22E		
	Old	Revised	Change (%)	Old	Revised	Change (%)
Net sales	1,912	1,912	0.0	2,313	2,369	2.4
EBITDA	300	300	0.0	363	391	7.6
EBITDA margin (%)	15.7	15.7		*15.7*	*16.5*	
PBT	209	209	0.0	270	298	10.3
PBT margin	10.9	10.9		*11.7*	*12.6*	
Net profit	161	161	0.0	208	229	10.3
Adj EPS (Rs)	7.2	7.2	0.0	9.3	10.3	10.3

Financial Charts

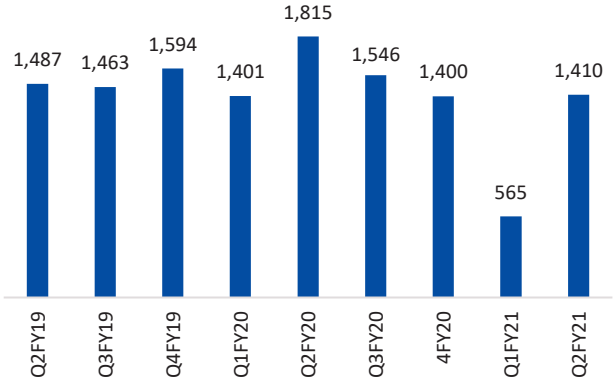
Plywood Volume ('000 CBM)



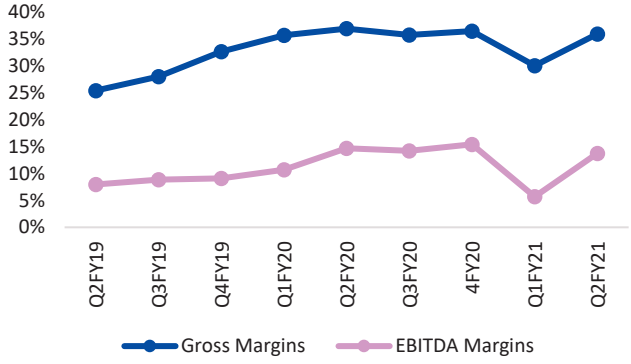
Plywood margins



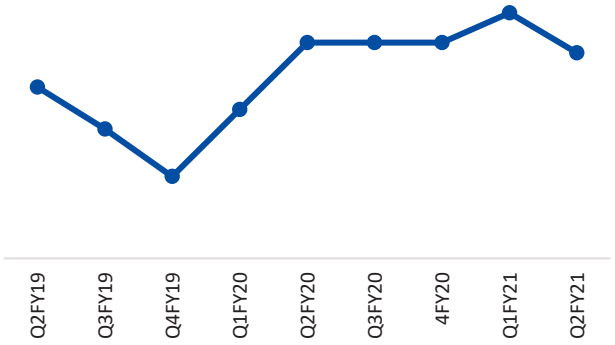
Laminates Volumes ('000)



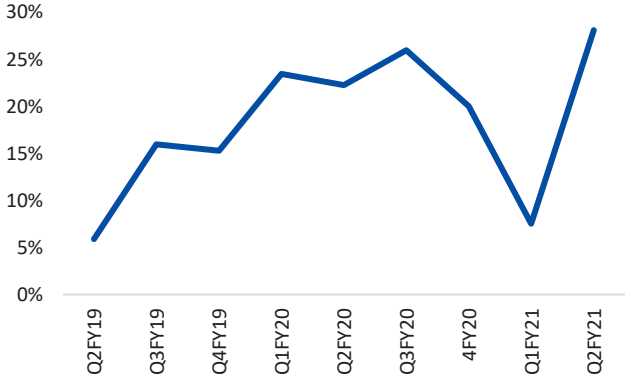
Laminates Margins



MDF Realization per CBM)



MDF Margins



Source: Edelweiss Professional Investor Research

Previous Result Outlook

Q1FY21: While Q1FY21 has been challenging for the company as it had to face the twin challenges of COVID19 led lockdown & Amphan, the company has responded pro-actively by extending credit to the dealers, launch of VIROKILL technology in Plywood and Laminates which is advertised to kill viruses on the surface of plywood & laminates. Further, the company is hopeful of a longer-term demand traction to get generated out of the Atma-Nirbhar initiative of Government which is expected to aim at reducing the imports of furniture. The sales in the month of July has rebounded to the tune of ~75% & the company is hopeful of delivering ~100% of the sales level of last year by Q4FY21. The company has very lean capex plan for the upcoming 1-2 years as only the MDF capacity expansion is the major planned capex. We value the company at 20x FY22E P/E and maintain buy with a target price of INR
187 per share.

Q4FY20: The Company is a leader across various wood panel segments and is expected to outpace industry growth. The challenging environment in this segment is likely to continue and its growth outlook remains weak due to COVID-19 related uncertainties. However, demand is expected to revive from H2FY21. An increase in market share is expected for Century Ply, especially in MDF and laminate segments, from market consolidation. In spite of superior return ratios compared to other building material peers and high free cash flow generation, it is trading at attractive valuations than most peers. The significant correction in the stock may be seen as an entry opportunity. We have revised our earnings downward by 43% for FY21E and introduced our FY22E earnings. We value the company at 20x FY22E P/E and thus arrive at our revised target price of INR 187 per share.

Q3FY20: Inspite of a weak demand environment, Century is showing good tractions in all the major verticals except plywood. In line with our expectations, margins in MDF and laminates are both improving every quarter while plywood margins should also improve on a low base. Hence we retain BUY with a TP of INR 253 valuing the company at 20x FY21E P/E. The company is currently trading at 17x and 14x P/E based on estimated EPS of INR 10 and INR 12.7 for FY20E and FY21E respectively.

Q1FY21

Q4FY20

Q3FY20

Century Plyboards Ltd.

Financials

Income statement (INR crs)

Year to March	FY18	FY19	FY20	FY21E	FY22E
Income from operations	2,060	2,280	2,317	1,912	2,369
Direct costs	986	1,151	1,161	956	1,185
Employee costs	312	346	358	287	355
Other expenses	430	482	467	369	438
Total operating expenses	1,728	1,979	1,986	1,612	1,978
EBITDA	332	301	331	300	391
Depreciation and amortisation	90	59	76	80	83
EBIT	242	242	255	221	308
Interest expenses	36	47	39	21	20
Other income	8	7	13	10	10
Profit before tax	214	202	229	209	298
Provision for tax	45	53	52	48	68
Core profit	169	149	177	161	229
Extraordinary items	0	0	-51	0	0
Profit after tax	169	149	126	161	229
Minority Interest	-3	-3	-3	-3	-3
Share from associates	0	0	0	0	0
Adjusted net profit	166	146	122	158	226
Equity shares outstanding (cr)	22	22	22	22	22
EPS (INR) basic	7.6	7	5.6	7.2	10.3
Diluted shares (Cr)	22	22	22	22	22
EPS (INR) fully diluted	7.6	6.7	5.6	7.2	10.3
Dividend per share	1	1	1	1	1
Dividend payout (%)	12	12	15	12	12

Common size metrics- as % of net revenues

Year to March	FY18	FY19	FY20	FY21E	FY22E
Operating expenses	83.9	86.8	85.7	84.3	83.5
Depreciation	4.4	2.6	3.3	4.2	3.5
Interest expenditure	1.7	2.1	1.7	1.1	0.8
EBITDA margins	16.1	13.2	14.3	15.7	16.5
Net profit margins	8.1	6.4	5.3	8.3	9.5

Growth metrics (%)

Year to March	FY18	FY19	FY20	FY21E	FY22E
Revenues	13.3	10.7	1.6	(17.5)	23.9
EBITDA	6.4	(9.3)	10.0	(9.3)	30.2
PBT	(12.7)	(5.6)	13.1	(8.4)	42.2
Net profit	(12.7)	(11.8)	18.5	(8.7)	42.2
EPS	(11.3)	(11.8)	(15.8)	28.4	42.2

Balance sheet					(INR cr)
As on 31st March	**FY18**	**FY19**	**FY20**	**FY21E**	**FY22E**
Equity share capital	22	22	22	22	22
Preference Share Capital	0	0	0	0	0
Reserves & surplus	830	953	1,068	1,208	1,407
Shareholders funds	852	975	1,091	1,231	1,429
Secured loans	544	482	265	265	215
Unsecured loans	0	0	0	0	0
Borrowings	544	482	265	265	265
Minority interest	18	25	-2	-2	-2
Sources of funds	**1,414**	**1,483**	**1,354**	**1,494**	**1,693**
Gross block	843	1,091	1,109	1,199	1,349
Depreciation	196	255	331	411	494
Net block	647	836	777	788	854
Capital work in progress	126	27	16	16	0
Total fixed assets	773	863	793	804	854
Unrealised profit	0	0	0	0	0
Investments	34	7	8	8	51
Inventories	382	461	398	330	409
Sundry debtors	357	296	257	325	263
Cash and equivalents	21	26	25	85	137
Loans and advances	85	19	21	80	80
Other current assets	0	78	101	83	150
Total current assets	845	881	801	903	1,038
Sundry creditors and others	275	316	291	262	292
Provisions	34	12	14	15	16
Total CL & provisions	309	328	305	277	308
Net current assets	536	553	496	626	730
Net Deferred tax	71	60	57	57	57
Misc expenditure	0	0	0	0	0
Uses of funds	**1,414**	**1,483**	**1,354**	**1,494**	**1,693**
Book value per share (INR)	38	44	49	55	64
	-0	-0	-0	0	0

Cash flow statement					(INR crs)
Year to March	**FY18**	**FY19**	**FY20**	**FY21E**	**FY22E**
Net profit	169	149	126	161	229
Add: Depreciation	90	59	76	80	83
Add: Misc expenses written off/Other Assets	34	0	0	0	0
Add: Deferred tax	-4	11	3	0	0
Add: Others	-3	-3	-3	-3	-3
Gross cash flow	286	216	202	238	309
Less: Changes in W. C.	-51	11	-55	70	53
Operating cash flow	337	204	257	168	257
Less: Capex	258	149	90	90	150
Free cash flow	**79**	**55**	**167**	**78**	**107**

Ratios

Year to March	FY18	FY19	FY20	FY21E	FY22E
ROAE (%)	22	16	17	14	17
ROACE (%)	18	18	19	16	20
Debtors (days)	63	47	40	62	40
Current ratio	3	2	2	3	3
Debt/Equity	0.6	0.5	0.2	0.2	0.2
Inventory (days)	68	74	63	63	63
Payable (days)	49	51	46	50	45
Cash conversion cycle (days)	82	71	57	75	58
Debt/EBITDA	2	2	1	1	1
Adjusted debt/Equity	0.6	0.5	0.2	0.1	0.1

Valuation parameters

Year to March	FY18	FY19	FY20	FY21E	FY22E
Diluted EPS (INR)	7.6	6.7	5.6	7.2	10.3
Y-o-Y growth (%)	*(11.3)*	*(11.8)*	*(15.8)*	*28.4*	*42.2*
CEPS (INR)	11.6	9.3	11.4	10.8	14.0
Diluted P/E (x)	*24*	*28*	*33*	*26*	*18*
Price/BV(x)	4.8	4.2	3.8	3.3	2.9
EV/Sales (x)	*2.3*	*2.0*	*1.9*	*2.2*	*1.8*
EV/EBITDA (x)	14.0	15.2	13.2	14.3	10.9
Diluted shares O/S	*22.3*	*22.3*	*22.3*	*22.3*	*22.3*
Basic EPS	7.6	6.7	5.6	7.2	10.3
Basic PE (x)	*24.4*	*27.6*	*32.8*	*25.5*	*18.0*
Dividend yield (%)	0.4	0.4	0.7	0.4	0.6

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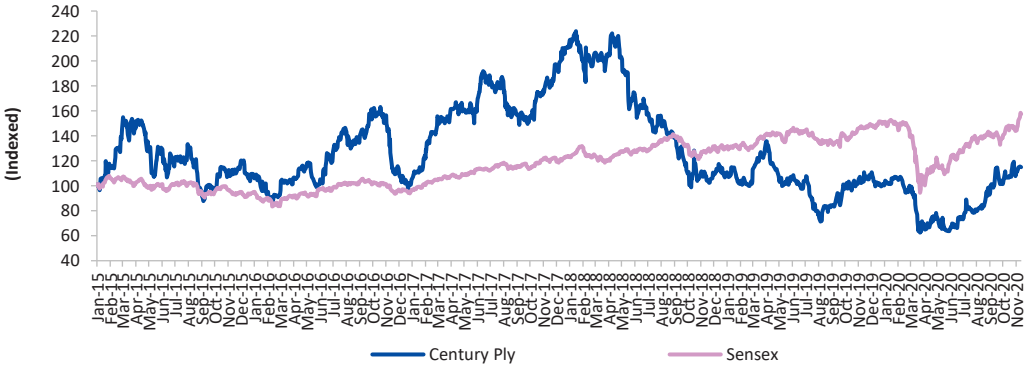
Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate between 5-15% over a 12-month period
Reduce	Return below 5% over a 12-month period



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