

# Century Plyboards ACCUMULATE

Result beat led by pent up demand and market share gains

## Summary

Century Plyboards Q2FY21 result was significantly better than our forecast due to stronger than expected pent up demand. Further, its newly added feature of VIROKILL technology (kills the viruses on ply surfaces) has enabled it gain market share. Century's net sales fell 12% YoY Rs5.2 bn mainly due to fall in Plywood sales, partially offset by higher MDF sales. EBITDA fell only 7.4% YoY at Rs859 mn on better cost control. Interest cost fell 83.5% YoY to Rs 18 mn on sharp fall in debt.

We introduce FY23 forecast and significantly raise our FY21/FY22 financial forecasts given strong Q2FY21 results and strong pick-up in demand. We value the stock at a PER of 20x on our FY23E EPS to derive a target price of Rs207 (Rs102 earlier). We upgrade the stock to an ACCUMULATE from a SELL earlier.

## Key Investment Rationale

- MDF profitability strong:** MDF volumes jumped 18% YoY to 32,943 cbm and segment EBITDA was higher by 46% YoY to Rs263 mn. Particle Board volumes grew 6% YoY to 16,966 cbm; however segment EBITDA fell by 21% YoY to Rs56 mn on 7% fall in realization to Rs15,118/cbm. Plywood volumes declined 12% YoY to 49,289 cbm and segment EBITDA fell 29% YoY to Rs350 mn. Even laminates volumes were lower by 22% leading to 30% fall in segment EBITDA to Rs136 mn.
- Century aims to be debt free:** Century has significantly reduced its net debt from Rs2.4 bn in Q1FY21 to Rs850 mn by Q2FY21 on better working capital management. Century aims to become completely debt free by Q4FY21.
- Outlook:** With strong Q2FY21 results and all time high sales in October, we now believe the worst phase is over for Century's business. Strong acceptance of VIROKILL technology has put Century ahead of its peers and it has gained market share in Q2FY21. The company now aims to revive its plans to set up new greenfield MDF plant and Particle Board.

TP	Rs207
CMP	Rs185
Potential upside / downside	+12%
Previous Rating	SELL

## V/s Consensus

EPS (Rs)	FY21E	FY22E	FY23E
IDBI Capital	7.0	8.6	10.3
Consensus	5.3	9.3	10.0
% difference	31.3	(7.5)	2.7

## Shareholding Pattern (%)

Promoters	73.1
FII	5.9
DII	10.4
Public	10.6

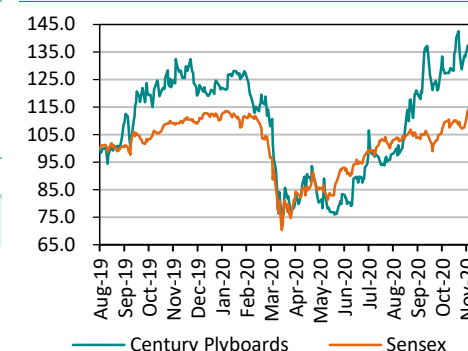
## Price Performance (%)

	-1m	-3m	-12m
Absolute	8.3	37.8	10.3
Rel to Sensex	0.7	24.3	2.2

## Key Stock Data

Bloomberg/Reuters	CPBI IN /CNTP.BO
Sector	Midcap
Shares o/s (mn)	222
Market cap. (Rs mn)	41,080
Market cap. (US\$ mn)	593
3-m daily avg Trd value (Rs mn)	25.9
52-week high / low	Rs 197 / 95
Sensex / Nifty	43,594 / 12,749

## Relative to Sensex (%)



## Financial snapshot

Year	FY19	FY20	FY21E	FY22E	FY23E
Net sales	22,638	22,827	18,402	22,454	26,149
EBITDA	3,064	3,152	2,771	3,520	4,097
EBITDA (%)	13.5	13.8	15.1	15.7	15.7
Adj. PAT	1,588	1,582	1,548	1,910	2,299
EPS (Rs)	7.1	7.1	7.0	8.6	10.3
EPS Growth (%)	1.3	(0.4)	(2.1)	23.4	20.4
PE (x)	25.9	26.0	26.5	21.5	17.9
Dividend Yield (%)	0.5	1.0	0.8	1.2	1.7
EV/EBITDA (x)	14.9	13.8	14.8	11.5	9.7
RoE (%)	17.6	15.5	13.6	15.1	16.2
RoCE (%)	18.4	17.9	16.7	21.9	23.3

Source: Company; IDBI Capital Research

**Exhibit 1: Quarterly Snapshot (Standalone)**

(Rs mn)

Year-end: March	Q2FY21	Q1FY21	QoQ (%)	Q2FY20	YoY (%)
<b>Net sales</b>	<b>5,198</b>	<b>2,007</b>	<b>159.0</b>	<b>5,894</b>	<b>(11.8)</b>
Expenditure	4,340	1,998	117.2	4,966	(12.6)
<b>EBITDA</b>	<b>859</b>	<b>8</b>	<b>nm</b>	<b>928</b>	<b>(7.4)</b>
<i>EBITDA margin (%)</i>	16.5	0.4	nm	15.7	78bps
Interest	18	50	(64.6)	108	(83.5)
Depreciation	162	143	13.7	170	(4.7)
PBT	691	(139)	nm	735	(6.0)
Tax	176	(54)	nm	213	(17.3)
Net profit	514	(85)	nm	522	(1.4)
<b>Adjusted net profit</b>	<b>514</b>	<b>(85)</b>	<b>nm</b>	<b>522</b>	<b>886.4</b>
<b>Adj. diluted EPS (Rs)</b>	<b>2.3</b>	<b>(0.4)</b>	<b>nm</b>	<b>2.4</b>	<b>(0.5)</b>

Source: Company; IDBI Capital Research

**Exhibit 2: Actual vs. Estimates**

(Rs mn)

	Q2FY21E	Q2FY21A	Variance (%)
Net sales	3,622	5,198	43.5
EBTIDA	472	859	81.8
<i>Margin (%)</i>	13.0	16.5	348bps
Adj. PAT	263	514	95.6
Adj. diluted EPS (Rs)	1.20	2.34	95.6

Source: Company; IDBI Capital Research

**Exhibit 3: Change in estimates**

	FY21E			FY22E			FY23E
	Old	New	(%) Chg	Old	New	(%) Chg	
Revenue (Rs mn)	14,372	18,402	28.0	17,759	22,454	26.4	26,149
EBITDA (Rs mn)	1,963	2,771	41.2	2,721	3,520	29.4	4,097
EBITDA margin (%)	13.7	15.1	136bps	15.3	15.7	35bps	15.7
Net profit (Rs mn)	924	1,548	67.5	1,412	1,910	35.3	2,299
EPS (Rs)	4.2	7.0	65.9	6.4	8.6	35.3	10.3

Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21E	FY22E	FY23E
<b>Net sales</b>	<b>22,827</b>	<b>18,402</b>	<b>22,454</b>	<b>26,149</b>
<i>Growth (%)</i>	<i>0.8</i>	<i>(19.4)</i>	<i>22.0</i>	<i>16.5</i>
Operating expenses	(19,786)	(15,714)	(19,026)	(22,153)
<b>EBITDA</b>	<b>3,152</b>	<b>2,771</b>	<b>3,520</b>	<b>4,097</b>
<i>Growth (%)</i>	<i>2.9</i>	<i>(12.1)</i>	<i>27.0</i>	<i>16.4</i>
Depreciation	(676)	(634)	(698)	(767)
<b>EBIT</b>	<b>2,476</b>	<b>2,137</b>	<b>2,822</b>	<b>3,329</b>
Interest paid	(372)	(90)	(276)	(263)
Other income	-	-	-	-
<b>Pre-tax profit</b>	<b>2,104</b>	<b>2,048</b>	<b>2,546</b>	<b>3,066</b>
Tax	(522)	(499)	(637)	(766)
<i>Effective tax rate (%)</i>	<i>24.8</i>	<i>24.4</i>	<i>25.0</i>	<i>25.0</i>
Minority Interest	-	-	-	-
<b>Net profit</b>	<b>1,582</b>	<b>1,548</b>	<b>1,910</b>	<b>2,299</b>
Exceptional items	-	-	-	-
<b>Adjusted net profit</b>	<b>1,582</b>	<b>1,548</b>	<b>1,910</b>	<b>2,299</b>
<i>Growth (%)</i>	<i>(0.4)</i>	<i>(2.1)</i>	<i>23.4</i>	<i>20.4</i>
<i>Shares o/s (mn nos)</i>	<i>222</i>	<i>222</i>	<i>222</i>	<i>222</i>

### Cash Flow Statement

(Rs mn)

Year-end: March	FY20	FY21E	FY22E	FY23E
Pre-tax profit	2,104	2,048	2,546	3,066
Depreciation	676	(634)	(698)	(767)
Tax paid	(485)	(499)	(637)	(766)
Chg in working capital	546	664	(557)	(508)
Other operating activities	463	133	(119)	(108)
<b>Cash flow from operations (a)</b>	<b>3,303</b>	<b>3,150</b>	<b>2,030</b>	<b>2,547</b>
Capital expenditure	(495)	(577)	(1,000)	(1,000)
Chg in investments	(160)	-	-	-
Other investing activities	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(655)</b>	<b>(577)</b>	<b>(1,000)</b>	<b>(1,000)</b>
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	(2,188)	(2,261)	(242)	-
Dividend (incl. tax)	(475)	(310)	(477)	(690)
Chg in minorities	-	-	-	-
Other financing activities	-	-	-	-
<b>Cash flow from financing (c)</b>	<b>(2,662)</b>	<b>(2,571)</b>	<b>(720)</b>	<b>(690)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(14)</b>	<b>2</b>	<b>311</b>	<b>858</b>

**Balance Sheet**

(Rs mn)

Year-end: March	FY20	FY21E	FY22E	FY23E
Net fixed assets	7,294	7,066	7,270	7,406
Investments	1,135	1,135	1,135	1,135
Other non-curr assets	800	800	800	800
<b>Current assets</b>	<b>7,058</b>	<b>5,688</b>	<b>7,204</b>	<b>9,161</b>
Inventories	3,541	2,874	3,507	4,084
Sundry Debtors	2,582	2,017	2,461	2,866
Cash and Bank	212	215	525	1,383
Loans and advances	56	45	55	64
<b>Total assets</b>	<b>16,287</b>	<b>14,688</b>	<b>16,409</b>	<b>18,501</b>
<b>Shareholders' funds</b>	<b>10,734</b>	<b>11,972</b>	<b>13,405</b>	<b>15,014</b>
Share capital	223	223	223	223
Reserves & surplus	10,511	11,750	13,182	14,792
<b>Total Debt</b>	<b>2,504</b>	<b>242</b>	<b>0</b>	<b>0</b>
Secured loans	2,482	242	0	0
Unsecured loans	21	-	-	-
Other liabilities	64	67	67	67
<b>Curr Liab &amp; prov</b>	<b>2,985</b>	<b>2,406</b>	<b>2,936</b>	<b>3,419</b>
Current liabilities	2,914	2,349	2,867	3,339
Provisions	71	57	70	81
<b>Total liabilities</b>	<b>5,553</b>	<b>2,716</b>	<b>3,004</b>	<b>3,487</b>
<b>Total equity &amp; liabilities</b>	<b>16,287</b>	<b>14,688</b>	<b>16,409</b>	<b>18,501</b>
<b>Book Value (Rs)</b>	<b>48</b>	<b>54</b>	<b>60</b>	<b>68</b>

Source: Company; IDBI Capital Research

**Financial Ratios**

Year-end: March	FY20	FY21E	FY22E	FY23E
Adj EPS (Rs)	7.1	7.0	8.6	10.3
Adj EPS growth (%)	(0.4)	(2.1)	23.4	20.4
EBITDA margin (%)	13.8	15.1	15.7	15.7
Pre-tax margin (%)	9.2	11.1	11.3	11.7
ROE (%)	15.5	13.6	15.1	16.2
ROCE (%)	17.9	16.7	21.9	23.3
<b>Turnover &amp; Leverage ratios (x)</b>				
Asset turnover (x)	1.3	1.2	1.4	1.5
Leverage factor (x)	1.7	1.4	1.2	1.2
Net margin (%)	6.9	8.4	8.5	8.8
Net Debt / Equity (x)	0.2	0.0	(0.0)	(0.1)
<b>Working Capital &amp; Liquidity ratio</b>				
Inventory days	57	57	57	57
Receivable days	41	40	40	40
Payable days	30	30	30	30

**Valuation**

Year-end: March	FY20	FY21E	FY22E	FY23E
P/E (x)	26.0	26.5	21.5	17.9
Price / Book value (x)	3.8	3.4	3.1	2.7
PCE (x)	18.2	18.8	15.8	13.4
EV / Net sales (x)	1.9	2.2	1.8	1.5
EV / EBITDA (x)	13.8	14.8	11.5	9.7
Dividend Yield (%)	1.0	0.8	1.2	1.7



# Notes

Dealing

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**BUY:** Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto  $\pm 5\%$ ; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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