

Century Plyboards

HOLD

Strong recovery across segments; Valuation fair

Summary

Century Plyboards reported strong operating performance in Q4FY21 led by uptick in demand. Its net sales increased 41% YoY to Rs7.4 bn led by higher sales from Plywood, Laminates and MDF segments. EBITDA jumped 81% YoY to Rs1.2 bn and EBITDA margin expanded 381bps to 17.2% In Q4FY21 due to strong margin improvement in Plywood segment. Century is now a net debt free company; its working capital cycle days fell to 51 days (normal cycle 70 days).

Given stronger than expected margins in Plywood and Laminates segments in Q4FY21, we raise FY22/FY23 EBITDA/EPS forecast by 11-23% as we now anticipate plywood demand to remain strong. We value the stock at a PER of 22x (Earlier 20x) on our FY23E EPS to derive a target price of Rs427 (Rs317 earlier). However, 31% increase in stock price in the last three months fairly discounts the positives. Hence, we downgrade the stock to a HOLD from an ACCUMULATE earlier.

Key Investment Rationale

- Strong performance across verticals:** Plywood volumes were strong and increased 8% YoY to 72,874 cbm and segment EBITDA stood at Rs500 mn (+125% YoY). Even Laminates segment EBITDA increased 121% YoY to Rs352 mn led by benefits from lower raw material prices. MDF segment sales jumped 41% YoY to Rs1.2 bn and segment EBITDA was higher by 50% YoY to Rs319 mn.
- Capex update:** Century's Gabon unit has started commercial operations from February 2021. Century has already commenced expansion work at Punjab MDF unit. Lastly, the company is in the process of freezing capex for greenfield MDF unit at Andhra Pradesh.
- Outlook:** With strong H2FY21 results and a pick-up in real estate demand, we believe there are structural tailwinds for Century's business. Strong acceptance of VIROKILL technology has put Century ahead of its peers and it has gained market share in the last three quarters. However, current valuations (FY23 PER of 22x) fairly discount these positives. Hence, we downgrade the stock to a HOLD.

TP	Rs427
CMP	Rs419
Potential upside / downside	+2%
Previous Rating	ACCUMULATE

V/s Consensus

EPS (Rs)	FY22E	FY23E
IDBI Capital	16.1	19.4
Consensus	11.7	13.8
% difference	37.5	40.4

Shareholding Pattern (%)

Promoters	73.1
FII	4.8
DII	12.2
Public	9.9

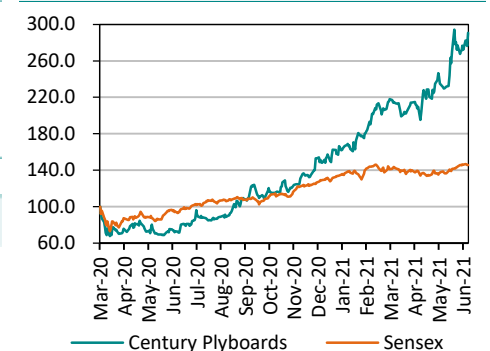
Price Performance (%)

	-1m	-3m	-12m
Absolute	22.0	31.2	280.7
Rel to Sensex	16.0	28.9	227.5

Key Stock Data

Bloomberg/Reuters	CPBI IN /CNTP.BO
Sector	Midcap
Shares o/s (mn)	222
Market cap. (Rs mn)	93,090
Market cap. (US\$ mn)	1,274
3-m daily avg Trd value (Rs mn)	93.7
52-week high / low	Rs 447 / 101
Sensex / Nifty	52,475 / 15,799

Relative to Sensex (%)



Financial snapshot

Year	FY19	FY20	FY21	FY22E	FY23E
Net sales	22,638	22,827	21,135	29,170	34,049
EBITDA	3,064	3,152	3,461	5,501	6,531
EBITDA (%)	13.5	13.8	16.4	18.9	19.2
Adj. PAT	1,588	1,582	2,040	3,568	4,310
EPS (Rs)	7.1	7.1	9.2	16.1	19.4
EPS Growth (%)	1.3	(0.4)	29.0	75.0	20.8
PE (x)	60.5	60.7	47.1	26.9	22.3
Dividend Yield (%)	0.2	0.4	0.4	0.9	1.3
EV/EBITDA (x)	32.8	31.2	27.5	17.1	14.2
RoE (%)	17.6	15.5	17.4	25.5	25.6
RoCE (%)	18.4	17.9	20.9	32.7	33.8

Source: Company; IDBI Capital Research

Exhibit 1: Quarterly Snapshot (Standalone)

(Rs mn)

Year-end: March	Q4FY21	Q3FY21	QoQ (%)	Q4FY20	YoY (%)
Net sales	7,386	6,544	12.9	5,242	40.9
Expenditure	6,118	5,325	14.9	4,541	34.7
EBITDA	1,268	1,218	4.1	701	81.0
<i>EBITDA margin (%)</i>	<i>17.2</i>	<i>18.6</i>	<i>-145bps</i>	<i>13.4</i>	<i>381bps</i>
Interest	29	11	168.4	83	(65.2)
Depreciation	159	162	(1.9)	163	(2.2)
PBT	1,117	1,058	5.6	456	144.7
Tax	284	280	1.4	69	315.0
Net profit	833	659	26.3	388	114.6
Adj. diluted EPS (Rs)	3.8	3.5	6.1	1.8	112.7

Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. Estimates

(Rs mn)

	Q4FY21E	Q4FY21A	Variance (%)
Net sales	6,900	7,386	7.0
EBTIDA	1,262	1,268	0.5
<i>Margin (%)</i>	<i>18.3</i>	<i>17.2</i>	<i>-113bps</i>
Adj. PAT	825	833	0.9
Adj. diluted EPS (Rs)	3.80	3.75	(1.3)

Source: Company; IDBI Capital Research

Exhibit 3: Change in estimates

	FY22E			FY23E		
	Old	New	(%) Chg	Old	New	(%) Chg
Revenue (Rs mn)	28,469	29,170	2.5	33,221	34,049	2.5
EBITDA (Rs mn)	4,929	5,501	11.6	5,717	6,531	14.2
<i>EBITDA margin (%)</i>	<i>17.3</i>	<i>18.9</i>	<i>156bps</i>	<i>17.2</i>	<i>19.2</i>	<i>198bps</i>
Net profit (Rs mn)	2,969	3,568	20.2	3,518	4,310	22.5
EPS (Rs)	13.4	16.1	19.9	15.8	19.4	22.8

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Net sales	22,827	21,135	29,170	34,049
<i>Growth (%)</i>	<i>0.8</i>	<i>(7.4)</i>	<i>38.0</i>	<i>16.7</i>
Operating expenses	(19,786)	(17,781)	(23,787)	(27,648)
EBITDA	3,152	3,461	5,501	6,531
<i>Growth (%)</i>	<i>2.9</i>	<i>9.8</i>	<i>58.9</i>	<i>18.7</i>
Depreciation	(676)	(626)	(689)	(758)
EBIT	2,476	2,835	4,812	5,773
Interest paid	(372)	(108)	(54)	(27)
Other income	-	-	-	-
Pre-tax profit	2,104	2,609	4,758	5,746
Tax	(522)	(687)	(1,189)	(1,437)
<i>Effective tax rate (%)</i>	<i>24.8</i>	<i>26.4</i>	<i>25.0</i>	<i>25.0</i>
Minority Interest	-	-	-	-
Net profit	1,582	1,922	3,568	4,310
Exceptional items	-	(118)	-	-
Adjusted net profit	1,582	2,040	3,568	4,310
<i>Growth (%)</i>	<i>(0.4)</i>	<i>29.0</i>	<i>75.0</i>	<i>20.8</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	FY21	FY22E	FY23E
Pre-tax profit	2,104	2,609	4,758	5,746
Depreciation	(676)	(626)	(689)	(758)
Tax paid	(485)	(530)	(1,189)	(1,437)
Chg in working capital	546	888	(659)	(496)
Other operating activities	463	374	(267)	(162)
Cash flow from operations (a)	3,303	4,150	3,489	4,621
Capital expenditure	(495)	(547)	(1,780)	(1,800)
Chg in investments	(160)	(32)	-	-
Other investing activities	-	-	-	-
Cash flow from investing (b)	(655)	(1,684)	(1,780)	(1,800)
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	(2,188)	(1,539)	(965)	-
Dividend (incl. tax)	(475)	(384)	(892)	(1,293)
Chg in minorities	-	-	-	-
Other financing activities	-	-	-	-
Cash flow from financing (c)	(2,662)	(1,923)	(1,857)	(1,293)
Net chg in cash (a+b+c)	(14)	542	(147)	1,528

Balance Sheet

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Net fixed assets	7,294	7,032	7,965	8,796
Investments	1,135	1,166	1,166	1,166
Other non-curr assets	800	782	782	782
Current assets	7,058	8,890	11,415	14,566
Inventories	3,541	3,302	4,557	5,319
Sundry Debtors	2,582	2,970	4,099	4,785
Cash and Bank	212	755	607	2,135
Marketable Securities	-	1,105	1,105	1,105
Loans and advances	56	56	78	91
Total assets	16,287	17,870	21,328	25,309
Shareholders' funds	10,734	12,649	15,325	18,342
Share capital	223	223	223	223
Reserves & surplus	10,511	12,426	15,103	18,119
Total Debt	2,504	965	-	-
Secured loans	2,482	965	-	-
Unsecured loans	21	-	-	-
Other liabilities	64	233	233	233
Curr Liab & prov	2,985	4,023	5,769	6,734
Current liabilities	2,914	3,951	5,453	6,365
Provisions	71	72	316	369
Total liabilities	5,553	5,221	6,002	6,967
Total equity & liabilities	16,287	17,870	21,328	25,309
Book Value (Rs)	48	57	69	83

Source: Company; IDBI Capital Research

Financial Ratios

Year-end: March	FY20	FY21	FY22E	FY23E
Adj EPS (Rs)	7.1	9.2	16.1	19.4
Adj EPS growth (%)	(0.4)	29.0	75.0	20.8
EBITDA margin (%)	13.8	16.4	18.9	19.2
Pre-tax margin (%)	9.2	12.3	16.3	16.9
ROE (%)	15.5	17.4	25.5	25.6
ROCE (%)	17.9	20.9	32.7	33.8
Turnover & Leverage ratios (x)				
Asset turnover (x)	1.3	1.2	1.5	1.5
Leverage factor (x)	1.7	1.5	1.4	1.4
Net margin (%)	6.9	9.7	12.2	12.7
Net Debt / Equity (x)	0.2	(0.1)	(0.1)	(0.2)
Working Capital & Liquidity ratio				
Inventory days	57	57	57	57
Receivable days	41	51	51	51
Payable days	30	44	45	45

Valuation

Year-end: March	FY20	FY21	FY22E	FY23E
P/E (x)	60.7	47.1	26.9	22.3
Price / Book value (x)	8.9	7.6	6.3	5.2
PCE (x)	42.5	36.0	22.5	18.9
EV / Net sales (x)	4.3	4.5	3.2	2.7
EV / EBITDA (x)	31.2	27.5	17.1	14.2
Dividend Yield (%)	0.4	0.4	0.9	1.3



Notes

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Key to Ratings Stocks:

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

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