

Strong performance again...

Century Plyboard's (CPIL) Q4FY21 performance was highlighted by robust growth across segments, aided by demand recovery amid a benign base. Topline was up 40.9% YoY to ₹ 738.6 crore, with overall decline in FY21 at a meagre 7% YoY. MDF, plywood, laminate revenues grew 41.2%, 43%, 44.2% YoY to ₹ 119.1 crore, ₹ 399.2 crore, ₹ 152.9 crore, respectively. EBITDA margin was up 380 bps YoY to 17.2% on account of operating leverage. Overall, reported PAT was up 115% YoY to ₹ 83.2 crore, given the healthy operating performance.

Strong growth in plywood, laminates division

CPIL's overall plywood division volumes for Q4 grew 39.1% YoY to 77,489 CBM on account of 44.1% YoY growth in plywood and 6.7% growth in Decoply while commercial veneer declined 23.3% YoY. Plywood EBITDA margins were up 470 bps YoY at 12.8%. Laminates division volumes were up 37.9% YoY to 19,30,535 units. Revenue from this segment was up 45.4% YoY to ₹ 150.7 crore. We expect ~15% CAGR in FY21-23 in plywood revenues to ₹ 1477.4 crore, led by a) pent-up demand, b) benefits arising due to ViroKill technology and c) market share gain. For laminates, we bake in ~15% revenues CAGR over FY21-23 to ₹ 541 crore.

MDF division continues robust growth trajectory

MDF division revenue growth of ~41.2% YoY in Q4 was driven by volume growth of 23.6% YoY to 45,949 CBM along with realisation growth of 14% YoY to ₹ 25,896/CBM. MDF EBITDA margin expanded 150 bps YoY to 26.8% backed by comparatively higher capacity utilisation and benefits arising from price hike. The management has indicated towards stronger demand arising in the MDF segment due to a) higher acceptance in domestic market and b) lower imports with improved demand in respective geographies and higher shipping costs. CIPL is undertaking brownfield expansion of the MDF board unit in Hoshiarpur (Punjab) (expanding capacity by 400 CBM/day) at an estimated capex of ₹ 220 crore, which will be completed by Q1FY23. Apart from this, the company is also looking for greenfield expansion of 700 CBM/day capacity at an outlay of ~₹ 450 crore, at Andhra Pradesh. We expect 33.5% CAGR in FY21-23 in MDF revenues to ₹ 641 crore.

Valuation & Outlook

CPIL's results are robust with both key divisions of MDF and plywood witnessing a growth trajectory. We are also impressed by sharp improvement in balance sheet wherein CPIL is now a debt free company. The medium term growth outlook commentary remains positive with capacity expansion in place to capitalise on the opportunity. We maintain **BUY** rating with a revised target price of ₹ 490/share (32x FY23E EPS, earlier TP ₹ 355/share). Higher multiple is for superior growth trajectory ahead.



Particulars

Particular	Amount (₹ crore)
Market Capitalization	9,304.6
Total Debt (FY21)	109.5
Cash & Inv (FY21)	186.3
EV	9,227.8
52 week H/L (₹)	447 / 102
Equity capital	22.3
Face value (₹)	1.0

Key Highlights

- Revenues grew 40.9% YoY to ₹ 738.6 crore driven by MDF, plywood, laminate revenue growth of 41.2%, 43%, 44.2% YoY to ₹ 119.1 crore, ₹ 399.2 crore, ₹ 152.9 crore, respectively
- Maintain BUY with revised target price of ₹ 490/share

Key risks to our call

- Any supply glut in MDF driven by additional capacity plans in medium term
- Unsustainability of growth traction in plywood post benign base

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Key Financial Summary

₹ crore	FY19	FY20	FY21	FY22E	FY23E	CAGR FY21-23E
Net Sales	2,263.8	2,282.7	2,113.5	2,455.8	2,945.9	18.1%
EBITDA	300.4	304.1	335.4	414.7	531.7	25.9%
EBITDA Margin (%)	13.3	13.3	15.9	16.9	18.0	
PAT	158.8	158.2	203.9	265.0	340.8	29.3%
EPS (₹)	7.1	7.1	9.2	11.9	15.3	
P/E	58.6	58.8	45.6	35.1	27.3	
EV/EBITDA	32.5	31.3	27.5	22.5	17.6	
RoNW (%)	16.4	14.7	16.1	17.6	18.9	
RoCE (%)	18.6	19.6	20.9	22.8	24.6	

Exhibit 1: Variance Analysis

Particular	Q4FY21	Q4FY20	YoY Chg (%)	Q3FY21	QoQ Chg (%)	Comments
Net Sales	738.6	524.2	40.9	654.4	12.9	MDF/Plywood/Laminate revenues grew by 41.2%/43%/44.2% YoY to ₹ 119.1 crore/₹ 399.2 crore/₹ 152.9 crore, respectively.
Other Income	3.7	0.1	3,120.4	1.2	209.8	
Material Consumed	283.4	202.5	40.0	232.9	21.7	
Purchase of Stock in Trade	110.5	66.7	65.5	77.7	42.2	
Employee Benefit Expenses	100.3	86.6	15.7	85.0	17.9	
Other Expenses	135.8	111.2	22.1	119.3	13.8	
EBITDA	126.8	70.1	81.0	121.8	4.1	
EBITDA Margin (%)	17.2	13.4	380 bps	18.6	-145 bps	
Depreciation	15.9	16.3	-2.2	16.2	-1.8	
Interest	2.9	8.3	-65.1	1.1	168.9	
PBT	111.7	45.6	144.7	105.7	5.6	
Taxes	28.4	6.9	315.1	28.0	1.4	
PAT	83.2	38.8	114.6	65.9	26.3	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

Particulars (₹ crore)	FY20	FY21	FY22E			FY23E		Comments
			Old	New	Change	Old	New	
Revenue	2,282.7	2,113.5	2,475.5	2,455.8	-0.8	2,878.2	2,945.9	2.4 Realign after Q4 results
EBITDA	304.1	335.4	418.3	414.7	-0.9	517.0	531.7	2.8
EBITDA Margin (%)	13.3	15.9	16.9	16.9	-1 bps	18.0	18.0	9 bps
PAT	158.2	203.9	257.8	265.0	2.8	326.6	340.8	4.4
EPS (₹)	7.1	9.2	11.6	11.9	2.8	9.2	15.3	4.4

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

Volume Assumptions	FY18	FY19	FY20	FY21	FY22E	FY23E	Comments
Plywood & Veneer(In CBM)	2,53,922	2,52,637	2,44,194	2,22,629	2,49,569	2,87,004	
MDF (CBM)	48,307	1,32,229	1,53,175	1,47,251	1,79,955	2,49,938	
Laminate Sheets (In Mn)	5.5	5.9	6.2	5.5	6.3	6.9	

Source: Company, ICICI Direct Research

Conference call Highlights

- Plywood business:** Revenue in the plywood segment has improved 43% YoY to ₹ 399 crore driven by strong 44.1% volume growth in the plywood product segment and decent 6.7% volume growth in decoply segment. However, demand for commercial veneer remained muted wherein volume declined 23.3% YoY. Also, a change in product mix has aided growth in blended realisation (by 2.9% YoY to ₹ 51,429). *Sainik* brand contributed 30% to total revenues. At the operating level, margin improved ~470 bps YoY and was at 12.8%. During Q4FY21, the robust volume growth in plywood segment was mainly attributable to a) pent-up demand, and b) market share gain with increasing advertisement and marketing activities. The management expects strong demand to continue, going forward, with likely double digit growth over the near to medium term
- MDF division:** The 41% YoY revenue growth in MDF division (revenue: ₹ 119 crore) was aided by 23.6% YoY volume growth (to 45,949 CBM) and 14% YoY growth in realisation (of ₹ 25,896/CBM). EBITDA margin improved to 26.8% (by 140 bps) in Q4FY21 backed by comparatively higher capacity utilisation and benefits arising from price hike taken during the previous quarters. The management has indicated towards stronger demand arising in the MDF segment due to a) higher acceptance in domestic market and b) lower imports due to higher shipping costs. Going forward, the management expects stronger demand to continue for MDF with normalised level of margins of ~25% over the near-to-medium term
- Laminates division:** Volume in the laminates division (including exterior grade laminates) grew 38.1% YoY to 19,42,215 units in Q4FY21. Also, price hike taken during previous quarters across major products has translated into ~5% YoY, ~4% QoQ improvement in blended realisation. Thus, better realisation and growth in volumes translated into 45.4% YoY growth in revenue to ₹ 151 crore. Additionally, the margin improved to 22.3% (up 650 bps YoY) mainly aided by low material cost, favourable pricing and various cost controlling initiatives. Going forward, the management is targeting 15%+ in the near-to-medium term and has guided for 16-18% sustainable margin, going forward
- Capacity expansion plans:** The expansion plan of the MDF Board unit in Hoshiarpur, Punjab is in progress for which the estimated capex is ₹ 200 crore. The unit is likely to get commissioned in FY22 with commercial production expected from Q1FY23E. The existing operating capacity of the plant is 600 cbm per day. This is expected to increase to 1000 cbm per day. As per the management, the incremental capacity addition of 400 cbm per day has annual revenue potential of ₹ 400 crore at peak capacity utilisation. Apart from this, the company has finalised a location in Andhra Pradesh for greenfield expansion likely to have 700+ cbm per day capacity. It would require 18 months to begin commercial operations from the date of finalisation of the site
- Particle boards (PB):** Improvement in PB volumes by 10.5% YoY (to 16,681 CBM) and average realisation by 17.5% YoY (to ₹ 17,960) has resulted in 29.9% YoY growth in net sales to ₹ 30 crore. The management had taken 8-10% price hike in Q3FY21, which translated into gain in average realisation. However, the margin in the segment got impacted (was at 18.6% in Q4 FY21; down 350 bps YoY) due to higher melamine cost

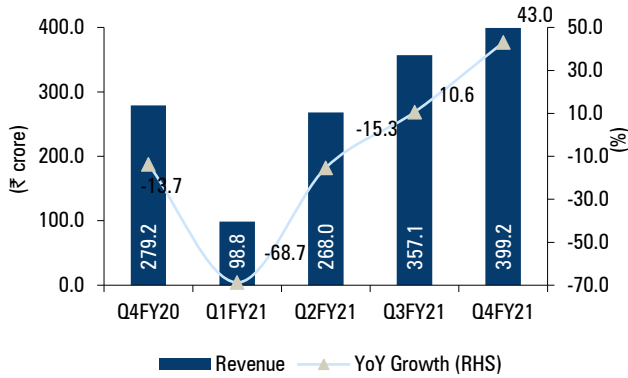
- **Gabon Unit:** CPIL's newly set-up veneer manufacturing unit at Gabon in Africa has successfully started its commercial production from February 8, 2021. The unit has an operating capacity of peeling 200 cbm of timber per day and would be initially manufacturing face veneer and core veneer. This will ensure raw material security to the company at a comparatively cheaper price. The company will largely use the veneer for own use and sell low grade outside.
- **Debt and working capital:** Given the strong cash flow generation, CPIL has become a net cash company with treasury assets at ₹ 190.6 crore (against ₹ 109.5 crore of borrowings). Going forward, the management does not expect a significant jump in debt despite having capex plans (to be funded by internal accruals). Additionally, the company is not pre-paying its debt because average cost of borrowing is less than the average return on treasury. Also, working capital cycle for the company during Q4FY21 was at 69 days. Going forward, the management expects working capital days to remain at around current levels
- **Capex:** CPIL incurred a capex of ₹ 63 crore during FY21. However, the management expects ₹ 275 crore of capex during FY22 mainly required for a) MDF expansion at Hoshiarpur (₹ 204 crore), b) plywood at Punjab (₹ 51 crore), c) Gabon - veneer unit (₹ 5 crore) and d) solar plant (₹ 14 crore). Additionally, the company is likely to incur ~₹ 450 crore of capex for MDF greenfield expansion at the Andhra Pradesh location over the next couple of years

Other Highlights

- **Impact of second wave of Covid-19 pandemic:** After the robust Q4 FY21 performance, the second wave of Covid-19 has substantially impacted sales and profitability during Q1FY21 due to lockdown like scenarios in many states. However, the management expects a sharp rebound in economic and construction activities with phase-wise unlocking, going forward (with Covid-19 cases coming down and pick-up in vaccination drive across country)
- **Price hikes:** In the plywood, MDF business, the company has taken 2-3%, 3-4% price hike, respectively, effective from April 2021. Also, the company has slightly increased its prices for laminates products
- **Engagement of Boston Consulting Group (BCG):** CPIL has engaged BCG to rationalise its cost structure. In line with this, BCG has identified possibilities of cost reduction to the tune of ₹ 30 crore annually. The company is expected to work on such possibilities. In-turn, this would aid the company in margin expansions. Also, CPIL has decided to further engage BCG to boost sales, production and cost reduction in laminates business
- **Competitive scenarios:** In the plywood segment, performances of unorganised players have been impacted by working capital and raw material procurement issues. This is benefiting organised companies. Also, inability to pass on rise in raw material cost to consumers (as compared to organised players) in the MDF segment is expected to impact unorganised players.

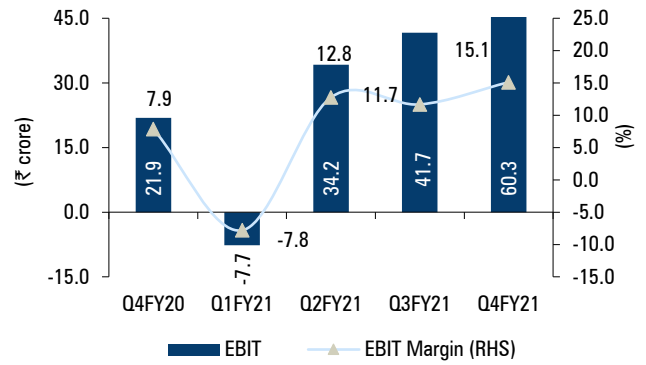
Company Analysis

Exhibit 4: Quarterly plywood & allied products revenue



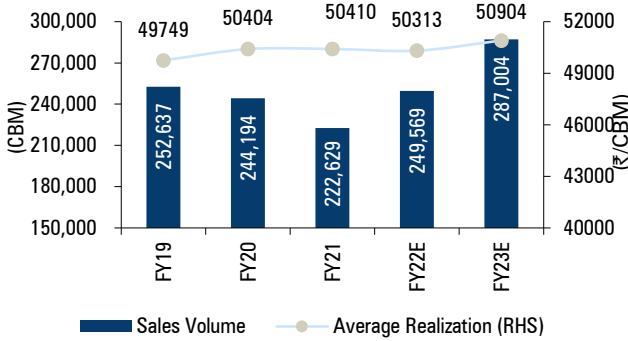
Source: Company, ICICI Direct Research

Exhibit 5: Quarterly plywood & allied products EBIT trend



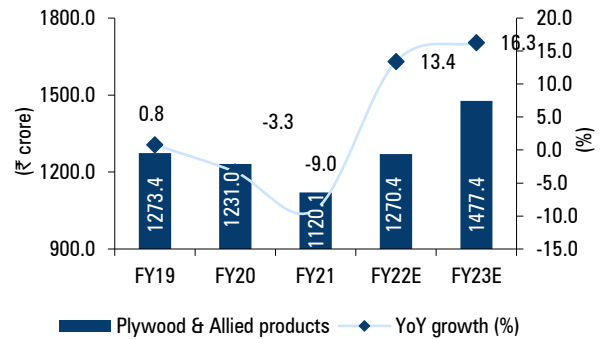
Source: Company, ICICI Direct Research

Exhibit 6: Plywood sales volume & average realisation



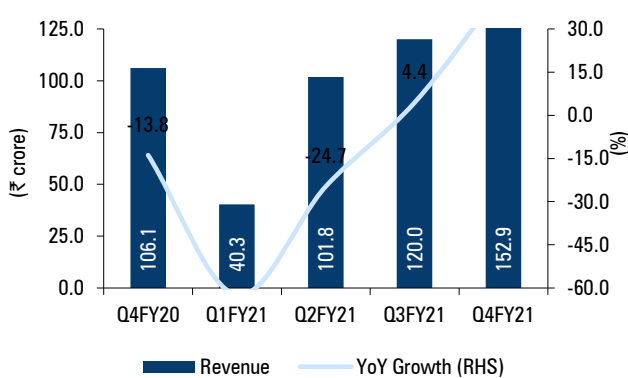
Source: Company, ICICI Direct Research

Exhibit 7: Plywood revenue and growth trend



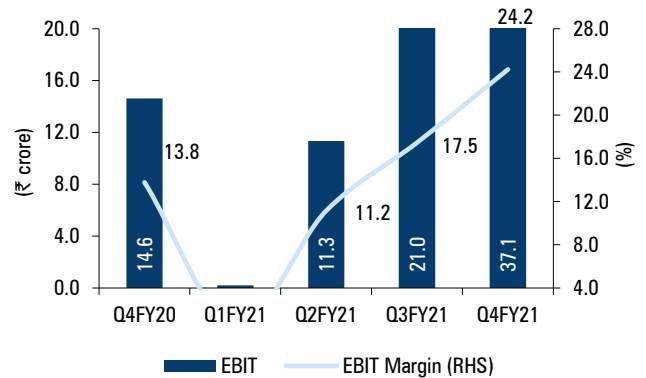
Source: Company, ICICI Direct Research

Exhibit 8: Quarterly laminates & allied products revenue



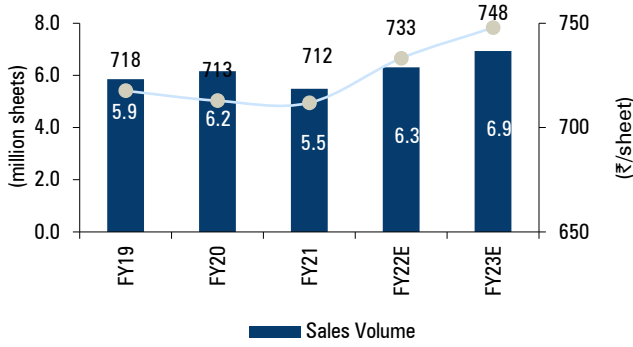
Source: Company, ICICI Direct Research

Exhibit 9: Quarterly laminates & allied products EBIT trend



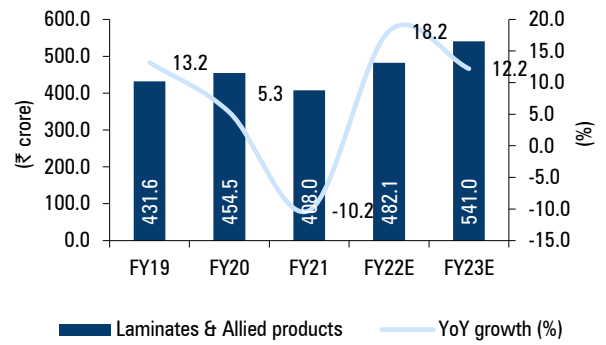
Source: Company, ICICI Direct Research

Exhibit 10: Laminates sales volume & average realisation



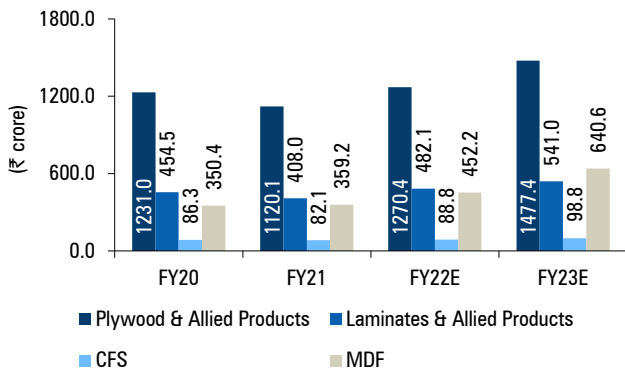
Source: Company, ICICI Direct Research

Exhibit 11: Laminates revenue and growth trend



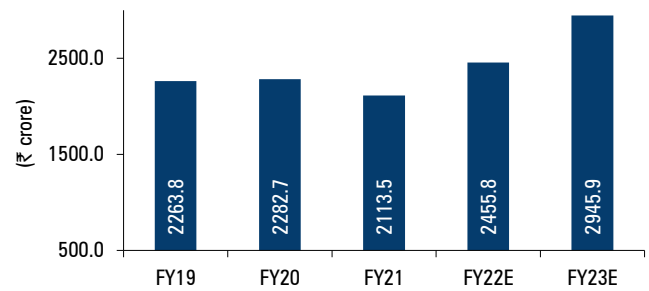
Source: Company, ICICI Direct Research

Exhibit 12: Segmental net revenue trend



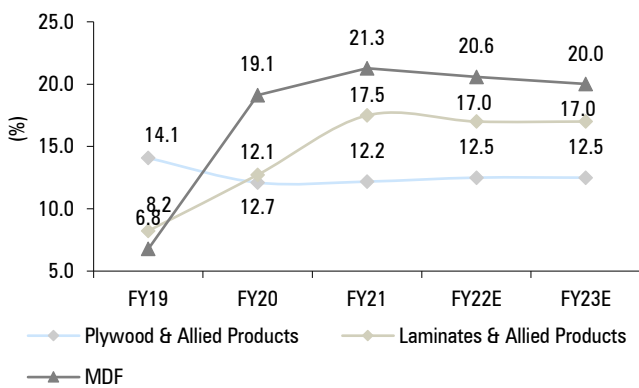
Source: Company, ICICI Direct Research

Exhibit 13: Total net revenue trend



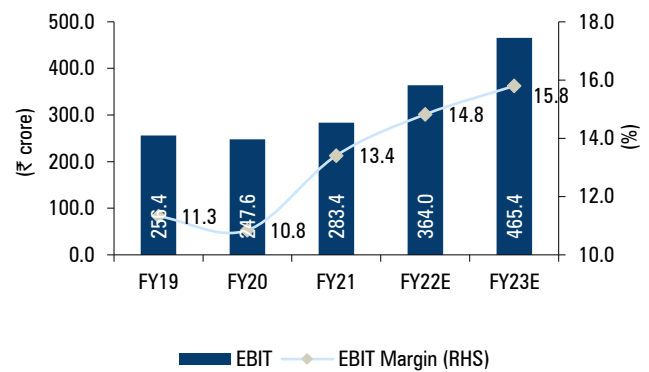
Source: Company, ICICI Direct Research

Exhibit 14: Segmental EBIT trend



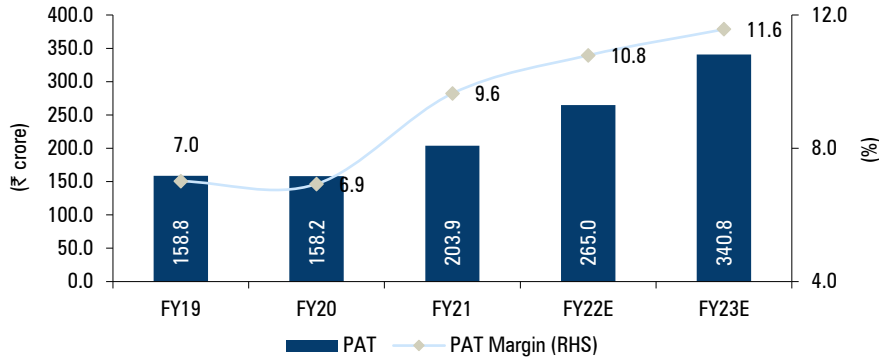
Source: Company, ICICI Direct Research

Exhibit 15: EBIT margin trend



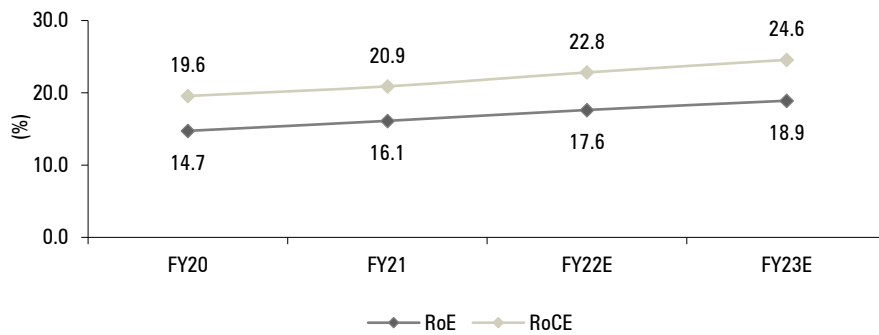
Source: Company, ICICI Direct Research

Exhibit 16: PAT growth trend



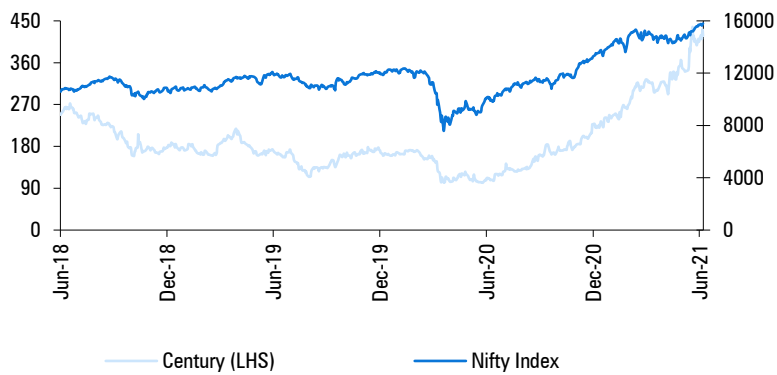
Source: Company, ICICI Direct Research

Exhibit 17: RoE and RoCE growth trend



Source: Company, ICICI Direct Research

Exhibit 18: Price Performance



Source: Company, ICICI Direct Research

Financial summary

Exhibit 19: Profit and loss statement				
₹ crore				
(₹ Crore)	FY20	FY21	FY22E	FY23E
Net Sales	2,282.7	2,113.5	2,455.8	2,945.9
Raw Material Expense	863.2	802.0	809.8	965.0
Purchase of Traded Goods	285.1	257.4	417.5	500.8
Employee benefit expenses	344.1	318.3	363.5	436.0
Other Expenses	486.2	400.4	450.3	512.4
Total Expenses	1,978.6	1,778.1	2,041.0	2,414.2
EBITDA	304.1	335.4	414.7	531.7
EBITDA Margin (%)	13.3	15.9	16.9	18.0
Interest	37.2	10.8	10.0	10.0
Depreciation	67.6	62.6	65.7	88.3
Other income	11.1	10.7	15.0	22.0
PBT	210.4	272.6	354.0	455.4
Taxes	52.2	68.8	89.1	114.6
PAT	158.2	203.9	265.0	340.8
PAT Growth rate (%)	(0.4)	28.9	30.0	28.6
Adjusted EPS (Diluted)	7.1	9.2	11.9	15.3

Source: Company, ICICI Direct Research

Exhibit 20: Cash flow statement				
₹ crore				
(₹ Crore)	FY20	FY21	FY22E	FY23E
Profit after Tax	158.2	203.9	265.0	340.8
Depreciation	67.6	62.6	65.7	88.3
Interest	37.2	10.8	10.0	10.0
Others	(108.2)	(120.5)	(133.0)	(145.4)
Cash Flow before wc changes	206.9	225.6	296.8	408.2
Net Increase in Current Assets	44.9	41.0	28.9	8.8
Net Increase in Current Liabilities	97.0	68.4	(24.4)	(67.7)
Net CF from operating activities	338.5	335.0	301.2	349.4
(Purchase)/Sale of Fixed Assets	(49.7)	(36.2)	(374.5)	(349.3)
Net CF from Investing activities	(1.8)	(158.2)	(253.7)	(331.3)
Dividend	(53.5)	-	(26.5)	(40.9)
Interest paid	(37.2)	(10.8)	(10.0)	(10.0)
Inc / (Dec) in Loans	(247.4)	(111.7)	-	-
Net CF from Financing activities	(338.2)	(122.5)	(36.5)	(50.9)
Net Cash flow	(1.4)	54.3	11.0	(32.8)
Opening Cash	22.6	21.2	75.5	86.5
Closing Cash/ Cash Equivalent	21.2	75.5	86.5	53.6

Source: Company, ICICI Direct Research

Exhibit 21: Balance sheet				
₹ crore				
(₹ Crore)	FY20	FY21	FY22E	FY23E
Liabilities				
Equity Capital	22.3	22.3	22.3	22.3
Reserve and Surplus	1,051.1	1,242.6	1,481.1	1,781.0
Total Shareholders funds	1,073.4	1,264.9	1,503.3	1,803.3
Total Debt	221.2	109.5	109.5	109.5
Deferred Tax Liability	(57.8)	(42.1)	(42.1)	(42.1)
Total Liabilities	1,237.0	1,332.0	1,571.0	1,871.0
Assets				
Gross Block	1,001.7	1,025.0	1,095.0	1,765.0
Less Acc. Dep	281.2	343.8	409.5	497.8
Net Block	720.5	681.2	685.5	1,267.2
Net Intangibles Assets	0.6	0.5	0.5	0.5
Expenditure on new projects	-	-	-	-
Capital WIP	8.3	21.2	325.7	5.0
Total Fixed Assets	729.4	702.9	1,011.7	1,272.8
Investments	113.68	227.42	116.62	116.62
Inventory	354.1	330.2	383.5	460.0
Sundry Debtors	258.2	297.0	336.4	403.5
Loans & Advances	20.4	20.81	26.9	32.3
Cash & Bank Balances	21.2	75.5	86.5	53.6
Other Current Assets	73.9	91.1	94.9	109.7
Total Current Assets	727.8	814.5	928.2	1,059.2
Trade Payable	161.1	213.9	248.9	298.6
Other Current Liabilities	153.8	181.0	209.8	246.8
Provisions	11.5	13.5	14.8	27.1
Net Current Assets	401.4	406.1	454.8	486.7
Total Assets	1,237.0	1,332.0	1,571.0	1,871.0

Source: Company, ICICI Direct Research

Exhibit 22: Key ratios				
	FY20	FY21	FY22E	FY23E
Per Share Data (₹)				
EPS - Diluted	7.1	9.2	11.9	15.3
Cash EPS	10.2	12.0	14.9	19.3
Book Value	48.3	56.9	67.7	81.2
Dividend per share	2.4	-	1.2	1.8
Operating Ratios (%)				
EBITDA / Net Sales	13.3	15.9	16.9	18.0
PAT / Net Sales	6.9	9.6	10.8	11.6
Inventory Days	57	57	57	57
Debtor Days	41	51	50	50
Creditor Days	26	37	37	37
Return Ratios (%)				
RoE	14.7	16.1	17.6	18.9
RoCE	19.6	20.9	22.8	24.6
RoIC	19.1	23.7	29.5	24.1
Valuation Ratios (x)				
EV / EBITDA	31.3	27.5	22.5	17.6
P/E (Diluted)	58.8	45.6	35.1	27.3
EV / Net Sales	4.2	4.4	3.8	3.2
Market Cap / Sales	4.1	4.4	3.8	3.2
Price to Book Value	8.7	7.4	6.2	5.2
Dividend Yield	0.6	-	0.3	0.4
Solvency Ratios (x)				
Net Debt / Equity	0.2	(0.1)	0.0	0.0
Debt / EBITDA	0.7	0.3	0.3	0.2
Current Ratio	2.2	1.8	1.7	1.7
Quick Ratio	1.1	1.0	0.9	0.9

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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ANALYST CERTIFICATION

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