

**HOLD**  
 TP: Rs 725 | ▲ 3%

**CENTURY PLYBOARDS** | Building Materials

07 August 2024

**Near-term pain to persist; positive medium-term outlook**

- CPBI’s topline came broadly in line; EBITDA sharply missed our estimates in Q1 due to loss incurred on newly commissioned AP units
- Near-term pain to persist on high raw material cost and supply-side pressure, but medium-term outlook remains positive
- Maintain HOLD on near-term earnings risk and expensive valuations; raise TP by 4% to Rs 725

**Utkarsh Nopany**  
 research@bobcaps.in

**Weak quarter:** CPBI’s topline came in line with our Q1FY25 estimate (-0.9%), but there was a sharp miss in EBITDA/APAT (-21.6%/-47.2%) due to weak performance of the MDF and laminate segments and sharp rise in capital charge. Overall, CPBI’s revenue grew 12.8%, but EBITDA/APAT fell 16.5%/51.8% YoY in Q1FY25.

**Key highlights:** CPBI posted a strong performance for its plywood segment as its segment EBITDA grew sharply by 25% YoY in Q1FY25 driven by higher volumes (13.4% YoY) and margin expansion (+112bps YoY to 13.3%) even in a weak demand environment. However, the performance of MDF and laminate segment were muted in Q1FY25 (MDF/laminate EBITDA fell 74%/9% in Q1FY25) mainly due to the loss incurred on the low operating rate of the newly commissioned unit in Andhra Pradesh (AP). Particleboard segment EBITDA fell 28% YoY in Q1FY25.

**Guidance intact:** CPBI aims to grow its plywood volume at ~10%, laminate revenue at 20%, and MDF volume at >40% in FY25. It expects plywood margin to be 12-14%, but laminate/MDF margin to be at a low level of 10-12%/15% in anticipation of recovery of margin with gradual pick-up in the operating rate of the newly-commissioned unit in AP over the next few quarters. The particleboard project is expected to be operational by Mar’25 and operate at 50% by Q4FY26. Timber price rose by 5-7% QoQ and is expected to rise marginally over the next two quarters. Budgeted capex cost has been revised up from Rs 6.51bn to Rs 6.7bn due to the increase in MDF project cost (from Rs 7bn to Rs 7.3bn) for FY25-FY26. CPBI expects its balance sheet to get delevered from FY26 onwards on the back of the completion of the large capex programme in FY25.

**Maintain HOLD; raise TP by 4% to Rs 725:** We expect CPBI’s EPS to grow at a healthy rate of 16.7% CAGR over FY24-FY27E. However, we maintain our HOLD rating on the stock due to near-term earnings risk and expensive valuations (trades at 46.4x on 1Y forward P/E vs 5Y average of 31.2x). Our earnings estimates have remained broadly intact, but we have increased our TP to Rs 725 (Rs 700 earlier) as we roll forward our valuation from Mar’26 to Jun’26. Our target P/E remains unchanged at 40x.

**Key changes**

Target	Rating
▲	◀ ▶

Ticker/Price	CPBI IN/Rs 707
Market cap	US\$ 1.9bn
Free float	27%
3M ADV	US\$ 1.7mn
52wk high/low	Rs 850/Rs 594
Promoter/FPI/DII	73%/4%/17%

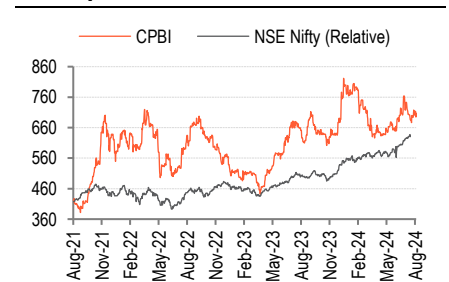
Source: NSE | Price as of 7 Aug 2024

**Key financials**

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	38,860	43,098	51,196
EBITDA (Rs mn)	5,319	5,729	7,171
Adj. net profit (Rs mn)	3,350	3,043	3,887
Adj. EPS (Rs)	15.1	13.7	17.5
Consensus EPS (Rs)	15.1	16.2	22.1
Adj. ROAE (%)	16.3	13.0	14.6
Adj. P/E (x)	47.0	51.7	40.5
EV/EBITDA (x)	29.6	26.9	20.9
Adj. EPS growth (%)	(18.0)	(9.2)	27.7

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



**Fig 1 – Quarterly performance – Consolidated**

Particulars (Rs mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Total operating income	10,054	8,910	12.8	10,607	(5.2)
Raw-Material expense	5,382	4,601	17.0	5,657	(4.9)
Gross Profit	4,672	4,309	8.4	4,950	(5.6)
Employee expense	1,596	1,310	21.8	1,405	13.6
Other expense	1,964	1,667	17.8	2,061	(4.7)
EBITDA	1,112	1,332	(16.5)	1,483	(25.1)
D&A	336	231	45.7	254	32.5
EBIT	776	1,101	(29.6)	1,230	(36.9)
Interest cost	150	61	143.2	102	46.4
Non-operating expense/(income)	49	-122	(140.6)	32	53.3
PBT	577	1,161	(50.3)	1,095	(47.4)
Tax	235	290	(18.7)	311	(24.3)
Reported PAT	341	871	(60.9)	784	(56.5)
Adjusted PAT	420	871	(51.8)	868	(51.6)
<b>As % of net revenues</b>			<b>(bps)</b>		<b>(bps)</b>
Gross margin	46.5	48.4	-190	46.7	-20
Employee cost	15.9	14.7	117	13.2	263
Other cost	19.5	18.7	82	19.4	10
EBITDA margin	11.1	14.9	-389	14.0	-293
Tax rate	40.8	25.0	1588	28.4	1244
APAT margin	4.2	9.8	-560	8.2	-400

Source: Company, BOBCAPS Research

**Fig 2 – Segment financials**

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
<b>Revenue (Rs mn)</b>					
Plywood	5,679	4,972	14.2	6,120	(7.2)
Laminates	1,540	1,558	(1.1)	1,682	(8.4)
MDF	2,095	1,669	25.5	1,974	6.1
Particleboard	367	395	(7.1)	425	(13.7)
CFS	246	214	14.7	261	(5.8)
Others	140	121	15.9	149	(6.4)
<b>Total</b>	<b>10,066</b>	<b>8,928</b>	<b>12.7</b>	<b>10,611</b>	<b>(5.1)</b>
<b>Volumes</b>					
Plywood (CBM)	98,913	87,197	13.4	1,03,641	(4.6)
Laminates (mn sheets)	1.7	1.8	(6.5)	1.9	(7.9)
MDF (CBM)	70,696	47,988	47.3	62,886	12.4
Particleboard (CBM)	18,505	19,040	(2.8)	20,902	(11.5)
<b>Realization</b>					
Plywood (Rs/CBM)	52,720	55,903	(5.7)	54,540	(3.3)
Laminates (Rs/sheet)	873	841	3.8	883	(1.1)
MDF (Rs/CBM)	29,567	34,752	(14.9)	31,347	(5.7)
Particleboard (Rs/CBM)	19,784	20,725	(4.5)	20,299	(2.5)

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
<b>Adjusted EBITDA (Rs mn)</b>					
Plywood	758	608	24.6	807	(6.1)
Laminates	135	149	(9.1)	287	(52.8)
MDF	118	446	(73.5)	269	(56.1)
Particleboard	65	91	(28.2)	75	(12.3)
<b>Total</b>	<b>1,112</b>	<b>1,332</b>	<b>(16.5)</b>	<b>1,483</b>	<b>(25.1)</b>
<b>Adjusted EBITDA margin (%)</b>					
Plywood	13.3	12.2	112	13.2	15
Laminates	8.8	9.6	(77)	17.0	(825)
MDF	5.6	26.7	(2111)	13.6	(798)
Particleboard	17.8	23.1	(525)	17.5	29
<b>Total</b>	<b>11.0</b>	<b>14.9</b>	<b>(387)</b>	<b>14.0</b>	<b>(293)</b>

Source: Company, BOBCAPS Research

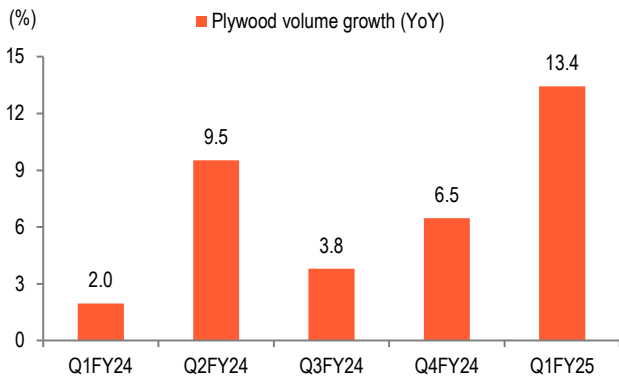
## Earnings call highlights

- Plywood:** Plywood volume grew 13.4% YoY (5Y CAGR: +10.8%) in Q1FY25 due to the benefit of new marketing initiatives. Segment EBITDA margin improved by 112bps YoY to 13.3% in Q1FY25 due to better management of raw material cost. Going ahead, the company has maintained its guidance of growing plywood revenue at 10%+ rate with EBITDA margin at 12-14% in FY25. It raised prices by 2% on 1 May and 1 Aug 2024 to offset the impact of high timber prices.
- Laminates:** Laminates volume degrew by 6.5% YoY (5Y CAGR: +4.1%) in Q1FY25 over a low base (-0.5% in Q1FY24) due to a weak demand environment. Segment EBITDA margin fell by 77bps to 8.8% in Q1FY25 due to the loss incurred by its newly-commissioned AP unit on account of the slow ramp-up of the plant (which operated at <10%). However, the company has maintained its guidance of growing laminate revenue at 20% with EBITDA margin of 10-12% in FY25. The company increased the price by 3% from 1 August 2024 to mitigate the impact of high raw material cost.
- MDF:** MDF volume grew sharply by 47.3% YoY (5Y CAGR: +11.4%) in Q1FY25. However, segment EBITDA degrew by 73.5% YoY in Q1FY25 due to the sharp contraction in EBITDA margin (798bps QoQ to 5.6%) on account of pricing pressure and rising timber prices for its existing North India plant and loss incurred by its newly commissioned MDF unit in AP due to the slow ramp-up of the plant (which operated at 20% rate). Going ahead, the company has maintained its guidance of growing MDF segment volume by 40% in FY25. Management expects EBITDA margin for the standalone operation to be 15% for FY25 and the AP plant's margin to reach 15% level by Q4FY25.
- Particleboard:** Particleboard volumes degrew by 2.8% YoY (5Y CAGR: +3.9%) in Q1FY25. Segment margin slightly improved by 29bps QoQ to 17.8% in Q1FY25. Going ahead, the company expects its particleboard segment revenue to be flat (vs earlier expectation of 0-25%) with EBITDA margin of 15% in FY25. The particleboard project is expected to be completed by Mar'25. Management expects

the new plant to operate at 50% rate by Q4FY26 and is likely to generate superior margin compared to the existing one.

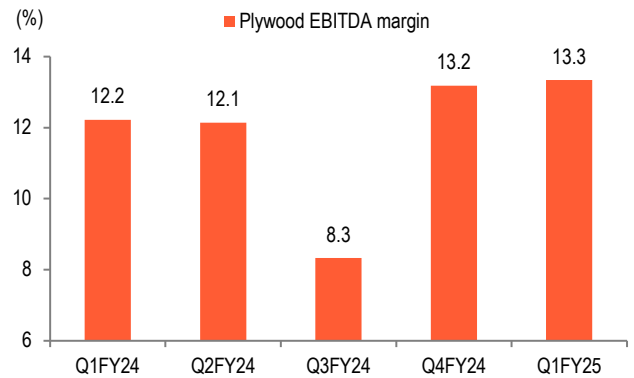
- **PVC board:** CPBI commenced operating the new PVC board plant from May'24 and expects this product to contribute a revenue of Rs 1bn in FY26.
- **Timber:** Timber prices have gone up by 5-7% QoQ in Q1FY25 and it is expected to rise marginally over the next two quarters.
- **Capex:** The company slightly raised its budgeted capex from Rs 6.51bn to Rs 6.7bn due to the increase in MDF project cost (from Rs 7bn to Rs 7.3bn) for FY25-FY26.
- **Net debt:** The company expects its balance sheet to get delevered from FY26 onwards on the back of completion of large capex programme in FY25.
- **Exceptional expense:** The company has booked exceptional expense of Rs 133mn in Q1FY25 related to the sale of its subsidiary Century Singapore (which holds investments in Laos).

**Fig 3 – CPBI’s plywood volumes grew at 13.4% YoY and 10.8% on a 5Y CAGR basis in Q1FY25**



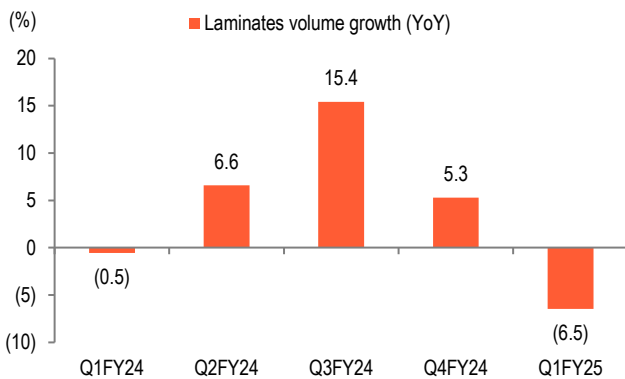
Source: Company, BOBCAPS Research

**Fig 4 – Plywood margin improved by 112bps YoY in Q1FY25 due to cost efficient timber procurement**



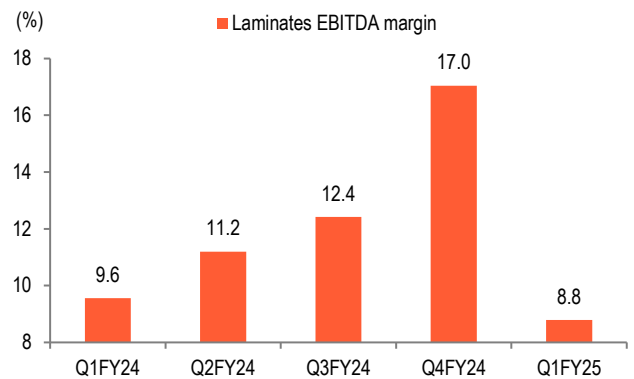
Source: Company, BOBCAPS Research

**Fig 5 – Laminate volume degrew by 6.5% YoY in Q1FY25, despite start of greenfield unit in Jan'24**



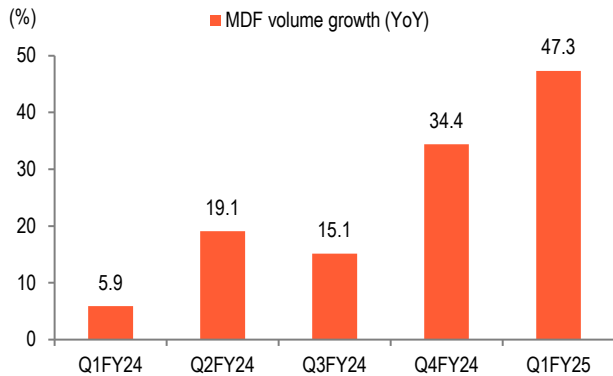
Source: Company, BOBCAPS Research

**Fig 6 – Laminate EBITDA margin fell by 77bps YoY to 8.8% in Q1FY25 due to loss incurred by its new AP unit**



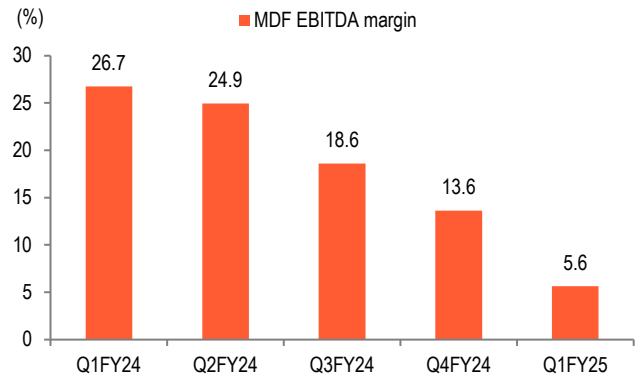
Source: Company, BOBCAPS Research

**Fig 7 – MDF volume grew sharply by 47.3% YoY and 11.4% on a 5Y CAGR basis in Q1FY25**



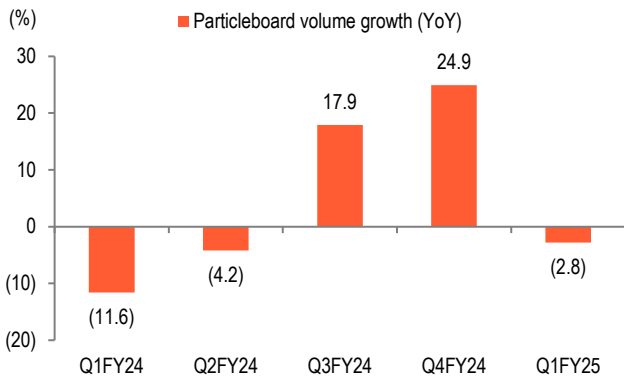
Source: Company, BOBCAPS Research

**Fig 8 – MDF EBITDA margin dropped to multi-year low levels on loss incurred by its new unit in AP**



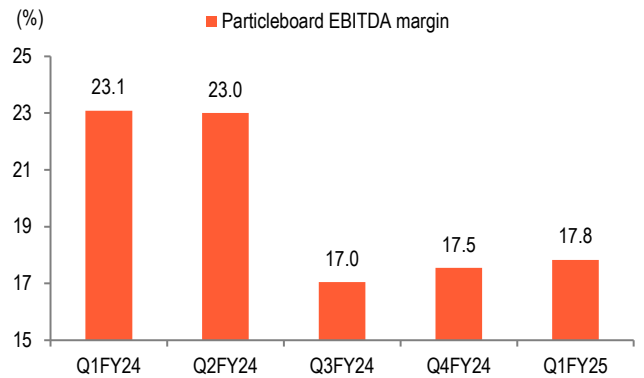
Source: Company, BOBCAPS Research

**Fig 9 – Particleboard volumes degrew by 2.8% YoY in Q1FY25 even over a weak base**



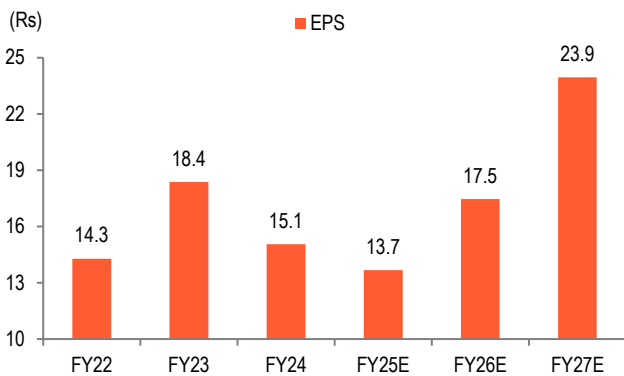
Source: Company, BOBCAPS Research

**Fig 10 – Particleboard EBITDA margin improved by 29bps QoQ to 17.8% in Q1FY25**



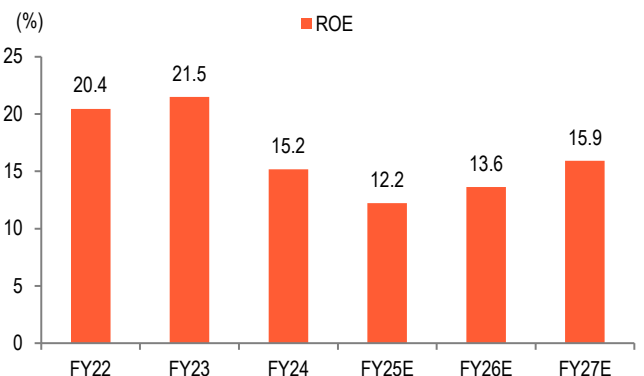
Source: Company, BOBCAPS Research

**Fig 11 – CPBI’s EPS is forecast to grow at a healthy 16.7% CAGR over FY24-FY27E**



Source: Company, BOBCAPS Research

**Fig 12 – ROE is projected to decline in FY25 and then gradually improve to 15.9% in FY27E**



Source: Company, BOBCAPS Research

### Valuation methodology

We expect CPBI’s EPS to grow at a healthy rate of 16.7% CAGR over FY24-FY27E. However, we maintain our HOLD rating on the stock due to (a) near-term earnings risk (as ROE is projected to decline from 15.2% in FY24 to 12.2% in FY25E due to margin pressure and then gradually improve to 15.9% in FY27E), and (b) expensive valuations (trades at 46.4x on 1Y forward P/E vs 5Y average of 31.2x).

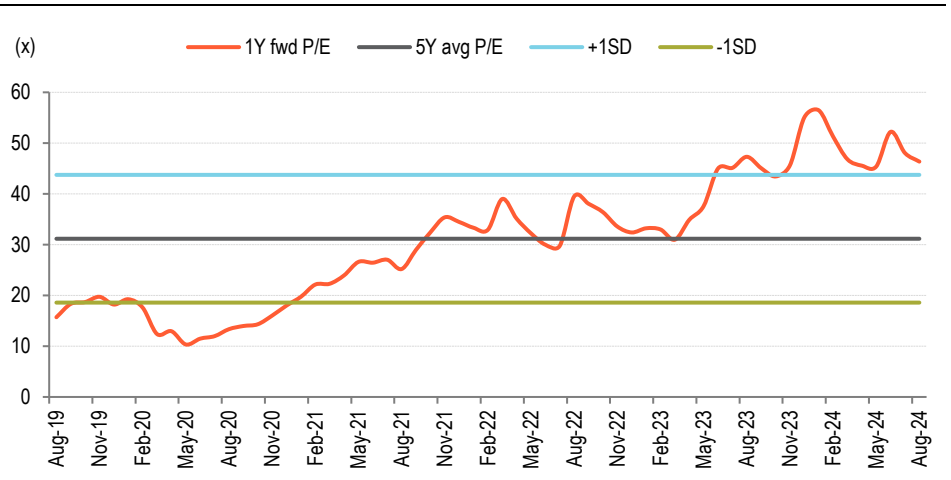
Our earnings estimates have remained broadly intact, but we have increased our TP to Rs 725 (Rs 700 earlier) as we roll forward our valuation from Mar’26 to Jun’26. Our target P/E remains unchanged at 40x.

**Fig 13 – Revised estimates**

Consolidated (Rs bn) Particulars	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	43.1	51.2	42.1	50.2	2.4	1.9
EBITDA	5.7	7.2	5.7	7.3	0.4	(1.7)
EBITDA Margin (%)	13.3	14.0	13.6	14.5	(26bps)	(52bps)
EPS (Rs)	13.7	17.5	13.7	17.5	(0.0)	(0.2)

Source: BOBCAPS Research

**Fig 14 – Trading at 46.4x on 1Y forward P/E vs. 5Y average of 31.2x**



Source: Bloomberg, BOBCAPS Research

**Fig 15 – Key assumptions**

(%)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Revenue mix</b>						
Plywood	53.1	55.9	55.9	53.0	49.4	47.2
Laminates	19.0	18.0	16.9	17.8	17.1	16.7
MDF	18.5	17.6	19.3	22.9	26.6	27.6
Particleboard	5.0	4.8	4.0	3.6	4.8	6.5
Others	4.5	3.8	3.8	2.7	2.1	1.9
<b>Sales volume growth</b>						
Plywood	33.9	21.3	4.4	10.7	9.9	9.9
Laminates	22.1	6.9	6.5	13.7	15.0	15.0
MDF	20.8	4.1	18.7	49.4	37.1	22.2
Particleboard	32.7	0.1	5.0	1.0	60.0	60.0
<b>Adjusted EBITDA margin</b>						
Plywood	12.9	10.7	11.6	13.3	13.1	12.9
Laminates	15.9	14.8	12.4	12.9	13.8	14.3
MDF	31.8	27.4	20.8	12.8	15.9	19.1
Particleboard	27.3	27.3	20.2	18.0	13.1	18.5

Source: Company, BOBCAPS Research

### Key risks

- Better-than-expected pickup in the real estate market and faster ramp-up of new projects would be key upside risks to our estimates.
- Sharp corrections in MDF or particleboard prices and delays in completion of ongoing projects with significant cost overruns represent key downside risks.

### Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Apollo Pipes	APOLP IN	0.3	580	650	HOLD
Astral	ASTRA IN	6.8	2,125	2,200	HOLD
Century Plyboards	CPBI IN	1.9	707	725	HOLD
Cera Sanitaryware	CRS IN	1.5	9,957	7,700	HOLD
Finolex Industries	FNXP IN	2.1	290	325	HOLD
Greenlam Industries	GRLM IN	0.9	576	560	HOLD
Greenpanel Industries	GREENP IN	0.5	367	365	HOLD
Greenply Industries	MTLM IN	0.6	379	400	HOLD
Hindware Home Innovation	HINDWARE IN	0.4	426	600	BUY
Kajaria Ceramics	KJC IN	2.8	1,459	1,450	HOLD
Prince Pipes & Fittings	PRINCP IN	0.8	582	750	BUY
Somany Ceramics	SOMC IN	0.3	707	900	BUY
Supreme Industries	SI IN	7.9	5,204	5,400	HOLD

Source: BOBCAPS Research, NSE | Price as of 7 Aug 2024

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Total revenue</b>	<b>36,466</b>	<b>38,860</b>	<b>43,098</b>	<b>51,196</b>	<b>60,131</b>
EBITDA	5,927	5,319	5,729	7,171	9,167
Depreciation	775	947	1,344	1,520	1,610
EBIT	5,151	4,372	4,386	5,652	7,558
Net interest inc./(exp.)	(170)	(308)	(539)	(673)	(673)
Other inc./(exp.)	477	439	276	216	236
Exceptional items	340	0	0	0	0
EBT	5,119	4,502	4,123	5,195	7,120
Income taxes	1,278	1,138	1,080	1,307	1,792
Extraordinary items	0	111	0	0	0
Min. int./Inc. from assoc.	(8)	11	0	0	0
<b>Reported net profit</b>	<b>3,833</b>	<b>3,264</b>	<b>3,043</b>	<b>3,887</b>	<b>5,328</b>
Adjustments	255	86	0	0	0
<b>Adjusted net profit</b>	<b>4,088</b>	<b>3,350</b>	<b>3,043</b>	<b>3,887</b>	<b>5,328</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	2,749	2,861	3,173	3,769	4,427
Other current liabilities	1,619	2,278	2,278	2,278	2,278
Provisions	85	93	103	123	144
Debt funds	3,134	7,184	9,614	9,614	9,614
Other liabilities	540	1,043	1,043	1,043	1,043
Equity capital	223	223	223	223	223
Reserves & surplus	18,850	21,894	24,730	28,352	33,317
Shareholders' fund	19,035	22,066	24,902	28,524	33,489
<b>Total liab. and equities</b>	<b>27,163</b>	<b>35,525</b>	<b>41,113</b>	<b>45,351</b>	<b>50,995</b>
Cash and cash eq.	2,782	671	1,235	2,276	4,615
Accounts receivables	3,903	4,168	4,622	5,491	6,449
Inventories	5,290	6,456	6,526	8,049	9,648
Other current assets	969	1,554	1,723	2,047	2,404
Investments	1	28	28	28	28
Net fixed assets	10,671	19,117	25,448	25,928	26,318
CWIP	2,362	2,666	666	666	666
Intangible assets	17	17	17	17	17
Deferred tax assets, net	2	4	4	4	4
Other assets	1,164	844	844	844	844
<b>Total assets</b>	<b>27,163</b>	<b>35,525</b>	<b>41,113</b>	<b>45,351</b>	<b>50,995</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Cash flow from operations</b>	<b>4,455</b>	<b>3,348</b>	<b>4,278</b>	<b>3,763</b>	<b>5,140</b>
Capital expenditures	(4,865)	(9,268)	(5,675)	(2,000)	(2,000)
Change in investments	2	(27)	0	0	0
Other investing cash flows	137	328	276	216	236
<b>Cash flow from investing</b>	<b>(4,726)</b>	<b>(8,966)</b>	<b>(5,399)</b>	<b>(1,784)</b>	<b>(1,764)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	952	4,049	2,430	0	0
Interest expenses	(170)	(308)	(539)	(673)	(673)
Dividends paid	(223)	(223)	(207)	(265)	(363)
Other financing cash flows	(124)	0	0	0	0
<b>Cash flow from financing</b>	<b>435</b>	<b>3,518</b>	<b>1,684</b>	<b>(938)</b>	<b>(1,036)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>164</b>	<b>(2,100)</b>	<b>563</b>	<b>1,041</b>	<b>2,340</b>
<b>Closing cash &amp; cash eq.</b>	<b>2,782</b>	<b>671</b>	<b>1,235</b>	<b>2,276</b>	<b>4,615</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	17.2	14.7	13.7	17.5	23.9
Adjusted EPS	18.4	15.1	13.7	17.5	23.9
Dividend per share	1.0	1.0	0.9	1.2	1.6
Book value per share	85.7	99.4	112.1	128.4	150.7

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	4.3	4.1	3.6	2.9	2.5
EV/EBITDA	26.6	29.6	26.9	20.9	16.3
Adjusted P/E	38.5	47.0	51.7	40.5	29.5
P/BV	8.3	7.1	6.3	5.5	4.7

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	79.9	74.4	73.8	74.8	74.8
Interest burden (PBT/EBIT)	99.4	103.0	94.0	91.9	94.2
EBIT margin (EBIT/Revenue)	14.1	11.2	10.2	11.0	12.6
Asset turnover (Rev./Avg TA)	134.2	109.4	104.8	112.9	117.9
Leverage (Avg TA/Avg Equity)	1.4	1.6	1.7	1.6	1.5
Adjusted ROAE	21.5	15.2	12.2	13.6	15.9

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	20.5	6.6	10.9	18.8	17.5
EBITDA	10.6	(10.3)	7.7	25.2	27.8
Adjusted EPS	28.6	(18.0)	(9.2)	27.7	37.1
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	16.3	13.7	13.3	14.0	15.2
EBIT margin	14.1	11.2	10.2	11.0	12.6
Adjusted profit margin	11.2	8.6	7.1	7.6	8.9
Adjusted ROAE	23.6	16.3	13.0	14.6	17.2
ROCE	25.4	16.4	13.5	15.4	18.1
<b>Working capital days (days)</b>					
Receivables	39	39	39	39	39
Inventory	53	61	55	57	59
Payables	28	27	27	27	27
<b>Ratios (x)</b>					
Gross asset turnover	2.6	1.9	1.5	1.5	1.7
Current ratio	1.7	1.2	1.3	1.5	1.9
Net interest coverage ratio	30.3	14.2	8.1	8.4	11.2
Adjusted debt/equity	0.0	0.3	0.3	0.3	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets



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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

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**BUY** – Expected return >+15%

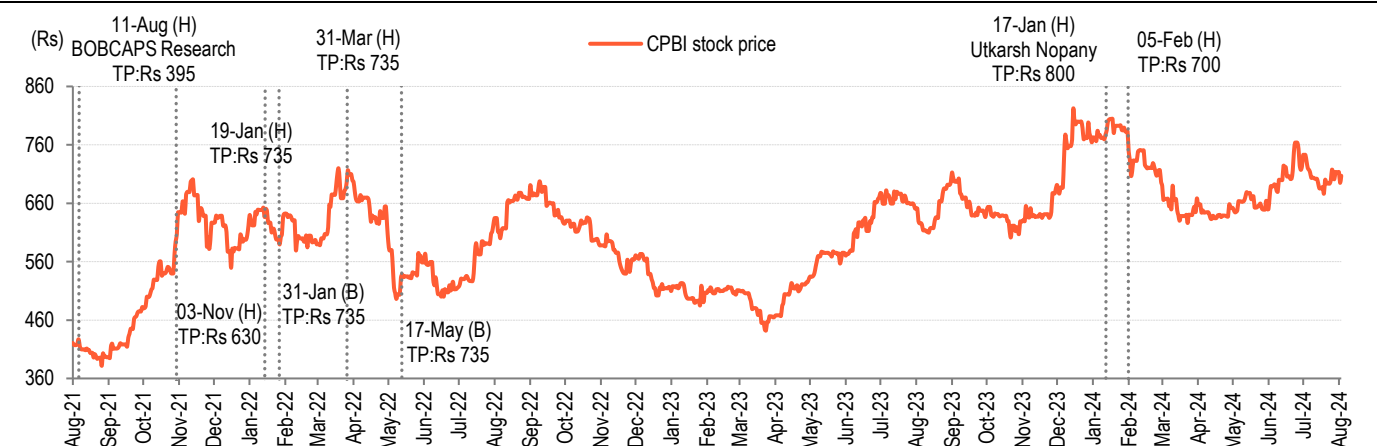
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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