

HOLD
 TP: Rs 800 | ▼ 0%

CENTURY PLYBOARDS

Building Materials

11 February 2025

Strong performance in a challenging environment

- CPBI beats our estimate on strong plywood sales volume and sharp sequential improvement in MDF margin
- 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; TP raised by 10% to Rs 800

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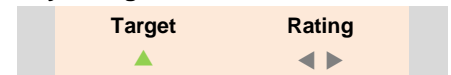
Beats estimate: CPBI beats our estimate for Q3FY25 (Revenue: +7.3%; EBITDA: +10.6%; APAT: +6.7%) mainly due to strong plywood sales volume (+15.6% vs 10% estimated) and sharp improvement in MDF margin (+1362bps QoQ to 15.9% vs 7.0% estimated). Overall, CPBI revenue/EBITDA grew by 21.7%/22.1% YoY, but APAT de-grew by 6.1% YoY in Q3.

Key highlights: CPBI delivered strong volume growth for its plywood (+15.6% YoY) and MDF (+77.2% YoY) segment in Q3FY25. We are quite surprised by the sharp sequential improvement in MDF segment margin in Q3FY25 (even though realisation fell by 1.9% QoQ in a rising timber price environment). The company again reported weak performance for its laminate and particleboard segments in Q3. CPBI has reported YoY contraction in its APAT for the past six consecutive quarters due to margin pressure on YoY basis across segments (except plywood).

Guidance broadly intact: CPBI aims to grow its revenue for plywood/laminate/ MDF/particleboard at +12%/+10%/+40%/flat for Q4FY25. It expects its standalone operating margin for plywood to be 12-14%/ laminate +10-12%/ MDF 15%/ particleboard single digit for Q4FY25. The new greenfield MDF plant became EBITDA positive in Q3FY25 and the new laminate plant is expected to reach breakeven point by Q2FY26. The company plans to spend Rs 5.8bn in FY25 and Rs 1.0bn in FY26 mainly for plywood capacity expansion.

Maintain HOLD; TP raised by 10% to Rs 800: We maintain our HOLD rating on the stock as we expect its EPS to grow at a moderate rate of 13.3% CAGR over FY24-FY27E and expensive valuations (trades at 53.9x on 1Y forward P/E vs 5Y average of 38.2x). We have reduced our EPS estimates (-27.1%/-12.1%/-8.5% for FY25E/FY26E/FY27E) as we see margin pressure to persist in the near future due to raw material cost inflation pressure in an oversupplied market, but we have increased our TP to Rs 800 (Rs 725 earlier) due to roll forward of our valuation from Sep'26 to Dec'26. Our target P/E remains unchanged at 40x.

Key changes



Ticker/Price	CPBI IN/Rs 804
Market cap	US\$ 2.1bn
Free float	27%
3M ADV	US\$ 3.4mn
52wk high/low	Rs 935/Rs 622
Promoter/FPI/DII	73%/5%/17%

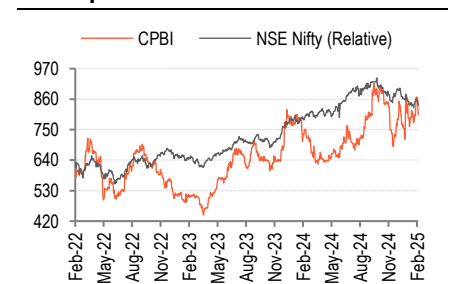
Source: NSE | Price as of 11 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	38,860	45,284	51,437
EBITDA (Rs mn)	5,320	5,074	6,894
Adj. net profit (Rs mn)	3,351	2,217	3,418
Adj. EPS (Rs)	15.1	10.0	15.4
Consensus EPS (Rs)	15.1	12.7	20.0
Adj. ROAE (%)	16.3	9.6	13.3
Adj. P/E (x)	53.4	80.7	52.3
EV/EBITDA (x)	33.6	34.6	24.7
Adj. EPS growth (%)	(18.0)	(33.8)	54.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance – Consolidated

(Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)	BOBCAPS Q3FY25E	Variance (%)
Total operating income	11,405	9,374	21.7	11,836	(3.6)	33,295	28,252	17.8	10,632	7.3
Raw-Material expense	6,070	4,953	22.5	6,508	(6.7)	17,960	14,696	22.2		
Gross Profit	5,335	4,421	20.7	5,328	0.1	15,335	13,556	13.1		
Employee expense	1,767	1,340	31.9	1,733	2.0	5,097	3,993	27.6		
Other expense	2,272	2,020	12.5	2,482	(8.4)	6,719	5,728	17.3		
EBITDA	1,295	1,061	22.1	1,113	16.3	3,520	3,836	(8.2)	1,171	10.6
D&A	340	229	48.4	336	1.2	1,012	694	45.9		
EBIT	955	832	14.8	777	22.9	2,508	3,142	(20.2)		
Interest cost	179	83	115.1	172	4.0	501	206	142.9		
Non-operating expense/(income)	(23)	(93)	(75.0)	25	(194.7)	51	(361)	(114.1)		
PBT	799	842	(5.0)	580	37.7	1,956	3,296	(40.7)		
Tax	211	215	(1.9)	181	16.9	627	827	(24.2)		
Reported PAT	588	627	(6.1)	400	47.1	1,329	2,469	(46.2)		
Adjusted PAT	588	627	(6.1)	400	47.1	141	247	(43.0)	552	6.7
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	46.8	47.2	(38)	45.0	176	46.1	48.0	(192)		
Employee cost	15.5	14.3	121	14.6	85	15.3	14.1	117		
Other cost	19.9	21.6	(163)	21.0	(104)	20.2	20.3	(9)		
EBITDA margin	11.4	11.3	4	9.4	195	10.6	13.6	(300)		
Tax rate	26.4	25.5	85	31.1	(471)	32.0	25.1	695		
APAT margin	5.2	6.7	(153)	3.4	178	0.4	0.9	(45)		

Source: Company, BOBCAPS Research

Fig 2 – Segment Financials

	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue (Rs mn)								
Plywood	6,181	5,143	20.2	6,652	(7.1)	18,511	15,618	18.5
Laminates	1,669	1,619	3.1	1,615	3.3	4,825	4,894	(1.4)
MDF	2,736	1,874	46.0	2,684	1.9	7,515	5,511	36.4
Particleboard	356	368	(3.1)	401	(11.0)	1,123	1,146	(2.0)
CFS	310	252	23.0	344	(9.8)	900	731	23.1
Others	176	136	29.2	156	12.3	472	401	17.6
Total	11,428	9,392	21.7	11,851	(3.6)	33,346	28,302	17.8
Volumes								
Plywood (CBM)	103,133	89,201	15.6	111,945	(7.9)	313,991	270,237	16.2
Laminates (mn sheets)	1.8	1.9	(5.4)	1.9	(3.5)	5.4	5.8	(7.1)
MDF (CBM)	98,104	55,376	77.2	94,126	4.2	262,926	157,088	67.4
Particleboard (CBM)	16,788	18,386	(8.7)	19,811	(15.3)	55,104	55,776	(1.2)
Realisation								
Plywood (Rs/CBM)	54,416	57,048	(4.6)	54,388	0.1	58,955	57,795	2.0
Laminates (Rs/sheet)	917	839	9.3	864	6.1	895	843	6.1
MDF (Rs/CBM)	27,887	33,836	(17.6)	28,437	(1.9)	28,581	35,082	(18.5)
Particleboard (Rs/CBM)	20,801	19,966	4.2	19,913	4.5	20,386	20,541	(0.8)

	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Adjusted EBITDA (Rs mn)								
Plywood	718	428	67.6	904	(20.6)	2,380	1,704	39.6
Laminates	71	201	(64.7)	67	6.6	273	542	(49.7)
MDF	435	348	25.0	62	605.5	615	1,285	(52.1)
Particleboard	16	63	(74.6)	22	(27.9)	103	242	(57.3)
Total	1,295	1,061	22.1	1,113	16.3	3,520	3,836	(8.2)
Adjusted EBITDA margin (%)								
Plywood	11.6	8.3	329bps	13.6	(197bps)	12.9	10.9	194bps
Laminates	4.3	12.4	(817bps)	4.1	13bps	5.7	11.1	(542bps)
MDF	15.9	18.6	(267bps)	2.3	1,362bps	8.2	23.3	(1,513bps)
Particleboard	4.5	17.0	(1,258bps)	5.5	(105bps)	9.2	21.1	(1,192bps)
Total	11.3	11.3	4bps	9.4	194bps	10.6	13.6	(300bps)

Source: Company, BOBCAPS Research

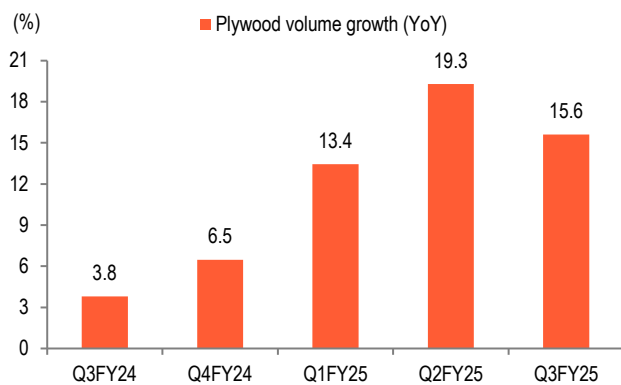
Earnings call highlights

- Plywood:** Segment revenue grew sharply by 20.2% YoY in Q3FY25 driven by higher volumes (+15.6%). Segment EBITDA margin improved by 329bps YoY to 11.6% in Q3FY25 due to weak base effect. Going ahead, the segment volume is expected to grow at 12% in Q4FY25 with EBITDA margin of 12-14% in Q4FY25. The company did not raise prices in Q3FY25. Management believes the timber price has stabilised in the domestic market and does not expect much increase going ahead. Management aims to increase its plywood market share from ~9% to 15% over the next 4-5 years. The company has decided to build a new plywood facility (capacity of ~80,000 CBM at Hoshiarpur, Punjab, at a cost of Rs 1.5bn by Mar'26) as it is operating at almost full level. Also, the company plans to add plywood capacity (15,000-20,000 CBM) through brownfield expansion at existing facilities.
- Laminates:** Despite the start of a new greenfield facility in the month of Jan'24, segment revenue grew at a muted pace of 3.1% YoY in Q3FY25 due to weak volumes (-5.4%). Segment EBITDA margin fell sharply by 817bps YoY to 4.3% in Q3FY25 due to margin compression for existing standalone operations (-460bps YoY to 7.8%) as well as loss incurred at its new unit in Andhra Pradesh (AP). The new plant is expected to breakeven by Q2FY26. Segment revenue is expected to grow at 10% with EBITDA margin of 10-12% in Q4FY25 (standalone).
- MDF:** Segment revenue grew sharply by 46.0% YoY in Q3FY25 due to quick ramp-up of its new unit in AP (operated at 46% rate in Q3FY25 vs 40% in Q2FY25). MDF realisation was down 1.9% QoQ, but segment EBITDA margin improved sharply by 1,362bps QoQ to 15.9% in Q3FY25. Going ahead, the company has maintained its guidance of growing MDF revenue by 40%+ with EBITDA margin of 15% (standalone) for Q4FY25. The company raised prices by 3-4% in Q3FY25. The AP plant reached a 50%+ utilisation in Q3FY25 and turned EBITDA positive and is expected to peak out at 80-85% level considering the premium product portfolio the company is looking to add in the medium term. Current production rate of 800

CBM/day is expected to reach 950 CBM/day once the line extension takes place at the new AP unit.

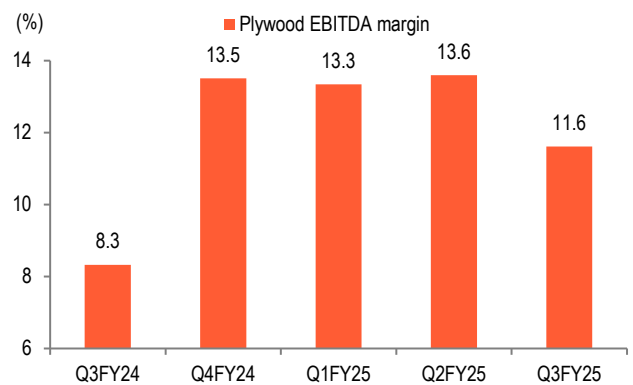
- Particleboard:** Segment revenue de-grew by 3.1% YoY in Q3FY25 driven by lower volumes (-8.7%). Segment EBITDA margin fell by 1,258bps YoY / 105bps QoQ to 4.5% in Q3FY25. Going ahead, the company expects its particleboard segment revenue to be flat with EBITDA margin of single digit (earlier 12-14% for H2FY25) in Q4FY25 (standalone). Management expects the new plant to operate at 50%+ by the end of year 1 as the company would temporarily shut the operation of its existing operational capacity and ramp up the plant by year 2.
- Capex:** The company plans to spend Rs 5.8bn in FY25 and Rs 1.0bn in FY26.
- Tax rate:** Greenfield MDF and laminate project undertaken through Century Panels (a wholly-owned subsidiary) will enjoy a low tax rate of 15% whereas the rest of CPBI's operations will continue to pay tax at 25% rate.

Fig 3 – CPBI’s plywood volumes grew at 15.6% YoY (5Y CAGR: +11.3%) in Q3FY25



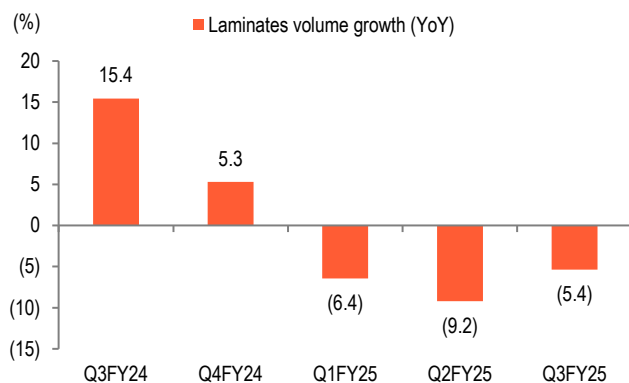
Source: Company, BOBCAPS Research

Fig 4 – Plywood margin improved by 329bps YoY in Q3FY25 due to operating leverage and weak base



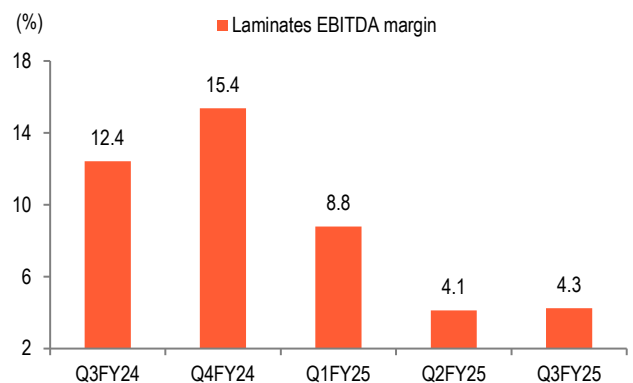
Source: Company, BOBCAPS Research

Fig 5 – Laminate volume de-grew by 5.4% YoY in Q3FY25, despite start of greenfield unit in Jan'24



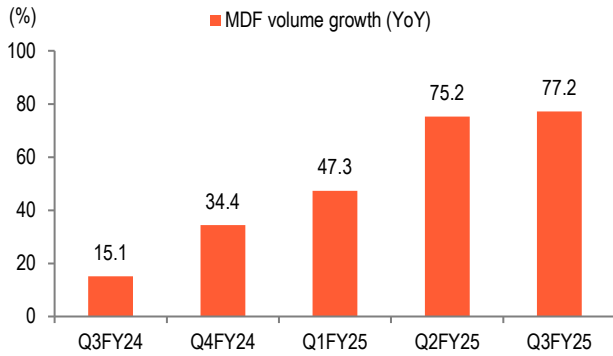
Source: Company, BOBCAPS Research

Fig 6 – Laminate EBITDA margin fell sharply in Q3FY25 due to high RM cost and negative operating leverage



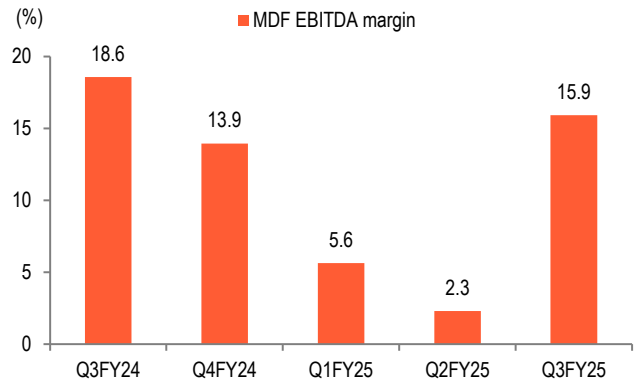
Source: Company, BOBCAPS Research

Fig 7 – MDF volume grew sharply by 77.2% YoY (5Y CAGR: +18.7%) in Q3FY25



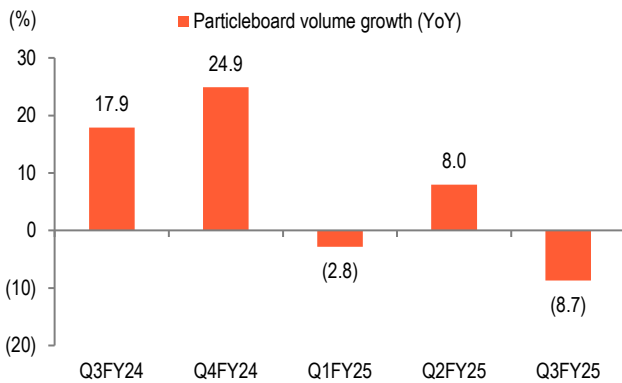
Source: Company, BOBCAPS Research

Fig 8 – MDF EBITDA margin improved sharply on QoQ basis in Q3FY25, despite weak realisation (-1.9%)



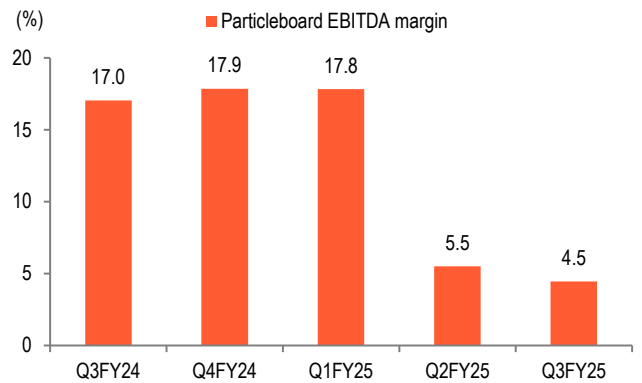
Source: Company, BOBCAPS Research

Fig 9 – Particleboard volumes de-grew by 8.7% YoY in Q3FY25



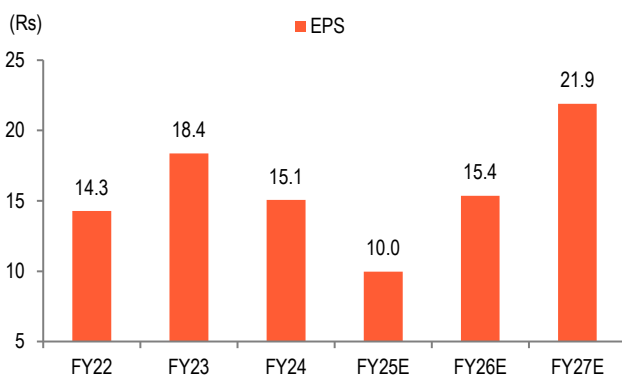
Source: Company, BOBCAPS Research

Fig 10 – Particleboard EBITDA margin fell to a multi-year low in Q3FY25 on weak realisation and high timber prices



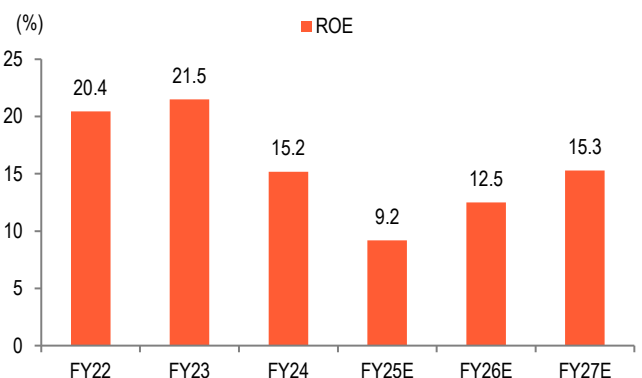
Source: Company, BOBCAPS Research

Fig 11 – CPBI’s EPS is forecast to grow at a moderate pace of 13.3% CAGR over FY24-FY27E



Source: Company, BOBCAPS Research

Fig 12 – ROE is projected to decline in FY25 and then improve gradually to 15.3% in FY27E



Source: Company, BOBCAPS Research

Valuation methodology

We expect CPBI's EPS to grow at a healthy rate of 13.3% CAGR over FY24-FY27E. However, we maintain our HOLD rating on the stock due to near-term earnings risk and expensive valuations (trades at 53.9x on 1Y forward P/E vs 5Y average of 38.2x).

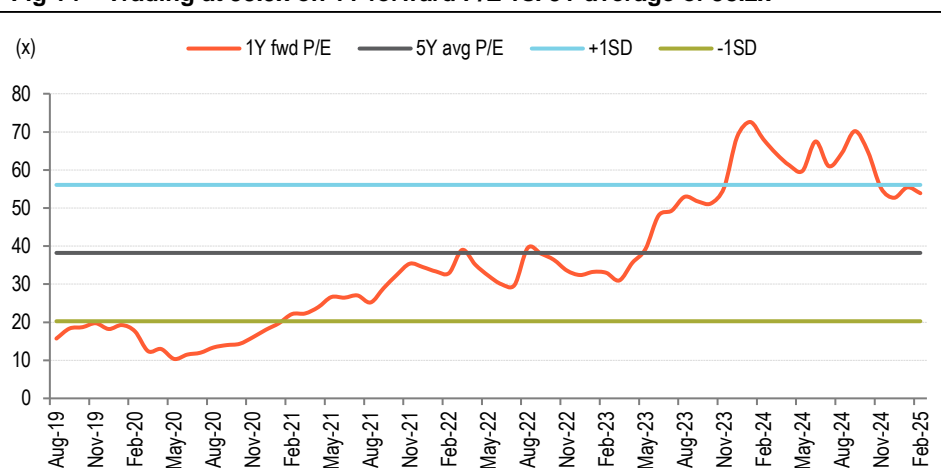
We have reduced our EPS estimates (-27.1%/-12.1%/-8.5% for FY25E/FY26E/FY27E) based on the weak Q3FY25 result, but we have increased our TP to Rs 800 (Rs 725 earlier) due to roll forward of our valuation from Sep'26 to Dec'26. Our target P/E remains unchanged at 40x.

Fig 13 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	45.3	51.4	60.7	43.1	51.2	60.1	5.1	0.5	1.0
EBITDA	5.1	6.9	8.9	5.7	7.2	9.2	(11.4)	(3.9)	(3.1)
EBITDA Margin (%)	11.2	13.4	14.6	13.3	14.0	15.2	(209bps)	(60bps)	(61bps)
Adjusted PAT	2.2	3.4	4.9	3.0	3.9	5.3	(27.1)	(12.1)	(8.5)
EPS (Rs)	10.0	15.4	21.9	13.7	17.5	23.9	(27.1)	(12.1)	(8.5)

Source: BOBCAPS Research

Fig 14 – Trading at 53.9x on 1Y forward P/E vs. 5Y average of 38.2x



Source: Bloomberg, BOBCAPS Research

Fig 15 – Key assumptions

(%)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue mix						
Plywood	53.1	55.9	55.9	54.6	50.2	46.7
Laminates	19.0	18.0	16.9	14.8	14.9	13.9
MDF	18.5	17.6	19.3	23.5	27.5	30.4
Particleboard	5.0	4.8	4.0	3.4	4.9	6.7
Others	4.5	3.8	3.8	3.6	2.5	2.3
Sales volume growth						
Plywood	33.9	21.3	4.4	14.3	10.4	9.9
Laminates	22.1	6.9	6.5	(2.9)	12.4	10.0
MDF	20.8	4.1	18.7	68.1	29.4	19.2
Particleboard	32.7	0.1	5.0	(0.9)	60.0	60.0

(%)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Adjusted EBITDA margin						
Plywood	12.9	10.7	11.6	12.9	13.0	13.0
Laminates	15.9	14.8	12.2	6.9	10.5	12.0
MDF	31.8	27.4	20.8	10.2	16.0	18.0
Particleboard	27.3	27.3	20.2	9.4	11.3	16.4

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 slow ramp-up of new projects represent key downside risks.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	36,466	38,860	45,284	51,437	60,702
EBITDA	5,927	5,320	5,074	6,894	8,884
Depreciation	775	947	1,366	1,562	1,655
EBIT	5,151	4,372	3,708	5,332	7,229
Net interest inc./(exp.)	(170)	(308)	(718)	(865)	(817)
Other inc./(exp.)	477	439	108	101	101
Exceptional items	340	1	0	0	0
EBT	5,119	4,502	3,098	4,568	6,513
Income taxes	1,278	1,138	881	1,150	1,639
Extraordinary items	0	111	0	0	0
Min. int./Inc. from assoc.	(8)	11	0	0	0
Reported net profit	3,833	3,264	2,217	3,418	4,874
Adjustments	255	87	0	0	0
Adjusted net profit	4,088	3,351	2,217	3,418	4,874

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	2,749	2,861	3,443	3,910	4,615
Other current liabilities	1,619	2,278	1,498	1,498	1,498
Provisions	85	93	112	128	151
Debt funds	3,134	7,184	9,612	9,612	9,612
Other liabilities	540	1,043	1,043	1,043	1,043
Equity capital	223	223	223	223	223
Reserves & surplus	18,850	21,894	23,960	27,145	31,687
Shareholders' fund	19,035	22,066	24,132	27,317	31,858
Total liab. and equities	27,163	35,526	39,840	43,508	48,776
Cash and cash eq.	2,782	671	(439)	980	2,871
Accounts receivables	3,903	4,168	4,857	5,517	6,511
Inventories	5,290	6,456	6,997	7,895	9,552
Other current assets	969	1,554	1,870	2,124	2,507
Investments	1	28	28	28	28
Net fixed assets	10,671	19,117	25,425	25,863	26,207
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	414	414	414
Total assets	27,163	35,526	39,840	43,508	48,776

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	4,463	3,268	2,467	4,416	4,939
Capital expenditures	(4,865)	(9,198)	(5,244)	(2,000)	(2,000)
Change in investments	2	(27)	0	0	0
Other investing cash flows	137	328	108	101	101
Cash flow from investing	(4,726)	(8,897)	(5,137)	(1,899)	(1,899)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	952	4,049	2,428	0	0
Interest expenses	(170)	(308)	(718)	(865)	(817)
Dividends paid	(223)	(223)	(151)	(233)	(332)
Other financing cash flows	(124)	0	0	0	0
Cash flow from financing	435	3,518	1,559	(1,098)	(1,149)
Chg in cash & cash eq.	172	(2,111)	(1,111)	1,419	1,891
Closing cash & cash eq.	2,782	671	(439)	980	2,871

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	17.2	14.7	10.0	15.4	21.9
Adjusted EPS	18.4	15.1	10.0	15.4	21.9
Dividend per share	1.0	1.0	0.7	1.0	1.5
Book value per share	85.7	99.4	108.7	123.0	143.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	4.9	4.6	3.9	3.3	2.8
EV/EBITDA	30.3	33.6	34.6	24.7	19.1
Adjusted P/E	43.7	53.4	80.7	52.3	36.7
P/BV	9.4	8.1	7.4	6.5	5.6

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	79.9	74.4	71.6	74.8	74.8
Interest burden (PBT/EBIT)	99.4	103.0	83.5	85.7	90.1
EBIT margin (EBIT/Revenue)	14.1	11.3	8.2	10.4	11.9
Asset turnover (Rev./Avg TA)	134.2	109.4	113.7	118.2	124.5
Leverage (Avg TA/Avg Equity)	1.4	1.6	1.7	1.6	1.5
Adjusted ROAE	21.5	15.2	9.2	12.5	15.3

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	20.5	6.6	16.5	13.6	18.0
EBITDA	10.6	(10.2)	(4.6)	35.9	28.9
Adjusted EPS	28.6	(18.0)	(33.8)	54.2	42.6
Profitability & Return ratios (%)					
EBITDA margin	16.3	13.7	11.2	13.4	14.6
EBIT margin	14.1	11.3	8.2	10.4	11.9
Adjusted profit margin	11.2	8.6	4.9	6.6	8.0
Adjusted ROAE	23.6	16.3	9.6	13.3	16.5
ROCE	25.4	16.4	11.3	14.7	17.7
Working capital days (days)					
Receivables	39	39	39	39	39
Inventory	53	61	56	56	57
Payables	28	27	28	28	28
Ratios (x)					
Gross asset turnover	2.6	1.9	1.6	1.5	1.7
Current ratio	1.7	1.2	1.2	1.5	1.8
Net interest coverage ratio	30.3	14.2	5.2	6.2	8.8
Adjusted debt/equity	0.0	0.3	0.4	0.3	0.2

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

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BUY – Expected return >+15%

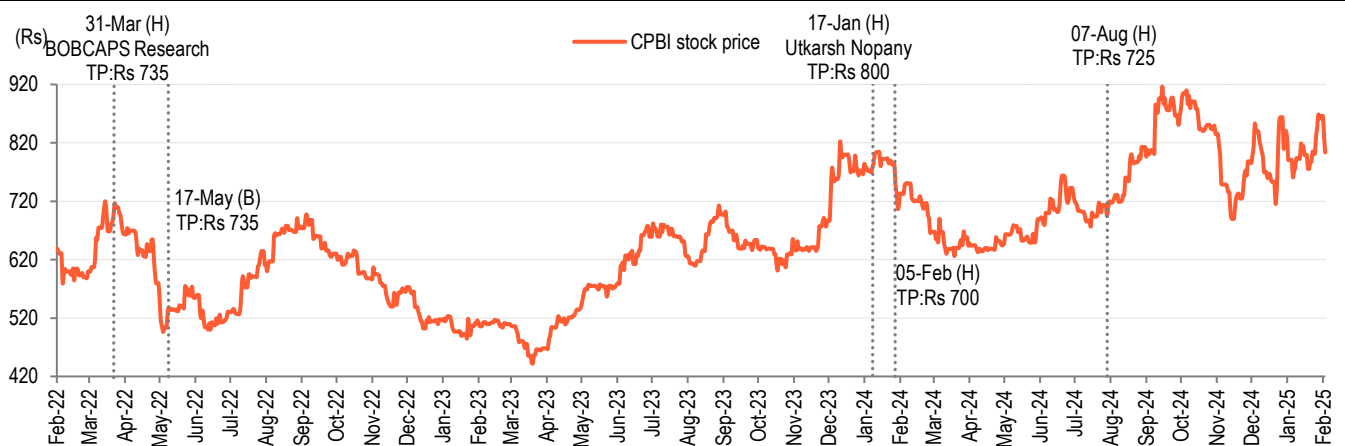
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): CENTURY PLYBOARDS (CPBI IN)



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