

RESEARCH
Century Plyboards | Target: Rs 395 | -5% | HOLD

In-line quarter

SUMMARY
Century Plyboards

- Q1 standalone revenue growth robust at 124% YoY off a low base, with strong growth across segments
- EBITDA grew to Rs 612mn (vs. Rs 8.4mn YoY) as margins expanded in all three major businesses
- We roll over to a Jun'22 TP of Rs 395 (vs. Rs 370). Upgrade to HOLD from SELL on limited downside

[Click here for the full report.](#)

Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.35	3bps	(1bps)	71bps
India 10Y yield (%)	6.23	1bps	4bps	37bps
USD/INR	74.43	(0.2)	0.3	0.5
Brent Crude (US\$/bbl)	70.63	2.3	(6.5)	58.7
Dow	35,265	0.5	1.1	27.4
Shanghai	3,530	1.0	0.2	5.7
Sensex	54,555	0.3	4.1	42.0
India FII (US\$ mn)	09-Aug	MTD	CYTD	FYTD
FII-D	(10.3)	14.9	(3,238.3)	(1,211.0)
FII-E	60.0	558.0	6,936.1	(390.2)

Source: Bank of Baroda Economics Research

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HOLD

TP: Rs 395 | ▼ 5%

CENTURY PLYBOARDS

Construction Materials

11 August 2021

In-line quarter

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Low base aids strong growth YoY: CPBI reported standalone Q1FY22 revenue growth of 124% YoY to Rs 4.5bn, with plywood/MDF/laminates growing at 125%/118%/200% aided by a Covid-hit base quarter. Volumes in the plywood segment grew 123% YoY, laminates 103% and MDF 155%. Working capital days increased by 40 days to 108 primarily due to higher inventory which should normalise by end-Q2. MDF plant expansion in Punjab will now commence production in H1FY23 vs. Q1FY23 earlier. The greenfield capacity in Andhra Pradesh has also been delayed due to Covid and should become operational within 18 months of receiving approvals.

Demand trends improving: As per management, demand was healthy till mid-April but gradually petered out thereafter as the pandemic resurfaced. Sales have improved in the second half of June while July has been normal for the company. CPBI expects demand trends to remain strong due to a pick-up in housing activity across geographies.

Gross margin expands: Q1 operating margin recovered to 13.6% with gross margin increasing 295bps YoY primarily due to a better product mix and price hikes across categories (~2% in plywood, ~6% in MDF and ~3% in laminates). MDF gross margin increased by 280bps QoQ and operating margin by 130bps QoQ due to price increases and a favourable product mix. Gross margin in the plywood segment was steady QoQ whereas laminates saw a 560bps QoQ drop as RM cost increased. Management sees sustainable operating margins at 13-15% in plywood, 15-17% in laminates and 26-28% in MDF.

Upgrade from HOLD to SELL: We broadly maintain estimates and roll forward to a revised Jun'22 TP of Rs 395 (earlier Rs 370), based on an unchanged 25x one-year forward P/E, in line with the stock's five-year average. We continue to like CPBI for its broad wood panel product portfolio, improved balance sheet and healthy return ratios. Upgrade from SELL to HOLD as downside looks limited at current valuations of 28.1x FY23E EPS.

Key changes

Target	Rating
▲	▲

Ticker/Price	CPBI IN/Rs 415
Market cap	US\$ 1.2bn
Free float	27%
3M ADV	US\$ 1.7mn
52wk high/low	Rs 459/Rs 130
Promoter/FPI/DII	73%/5%/22%

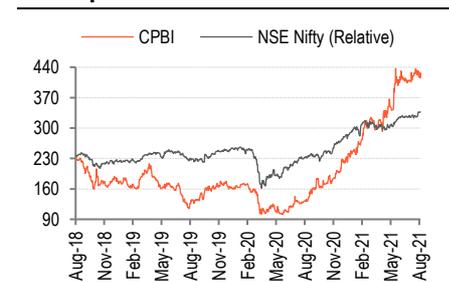
Source: NSE | Price as of 11 Aug 2021

Key financials

Y/E 31 Mar	FY21P	FY22E	FY23E
Total revenue (Rs mn)	21,304	25,467	30,401
EBITDA (Rs mn)	3,355	4,476	5,380
Adj. net profit (Rs mn)	1,996	2,666	3,279
Adj. EPS (Rs)	9.0	12.0	14.8
Consensus EPS (Rs)	9.0	12.1	15.2
Adj. ROAE (%)	16.9	19.2	19.7
Adj. P/E (x)	46.2	34.6	28.1
EV/EBITDA (x)	28.6	20.8	17.2
Adj. EPS growth (%)	26.4	33.6	23.0

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

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.

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