

08 August 2024

India | Equity Research | Q1FY25 results review

Century Plyboards

Wood Panel

MDF margin mars consolidated OPM; near-term margin to remain subdued

Century Plyboards (CPBI) has reported Q1FY25 consol. revenue growth of 12.8% YoY. Plywood / laminates / MDF revenue grew 14.2% / (-1.1)% / 25.5% YoY with vol growing +13.4% / -6.5% / 47.3% YoY (5-year CAGR of 9.7% / 4.1% / 11.4%), respectively. Consol OPM fell 389bps YoY to 11.1% (-293bps QoQ), resulting in EBITDA / APAT decline of 16.5% / 50.1% YoY. Plywood margin improved 100bps YoY (due to better product mix, operating leverage and price hikes), laminates margin increased 80bps YoY (on low base) whereas MDF margin contracted 17.1% YoY (due to higher RM, lower realisation and new plant ramp-up cost). Management has maintained its guidance of plywood / laminates / MDF revenue growth of 10%+ / 20% / 40% with OPM of 12-14% / 10-12% / 15% for FY25, respectively. We cut EBITDA by ~6%/3% for FY25/26E and maintain **HOLD** with a rolled-over Jun'25E TP of INR 687 (earlier: INR 653).

Revenue growth of 12.8% YoY driven by plywood and MDF

CPBI reported YoY revenue growth of 12.8% YoY with plywood / laminates / MDF segment reporting growth of 14.2% / (-1.1)% / 25.5% YoY. Plywood / laminates / MDF & allied volume was +13.4% / -6.5% / 47.3% YoY (5-year CAGR of 9.7% / 4.1% / 11.4%). Management stated demand was sluggish in Q1, but is likely to improve going forward as housing market demand remains buoyant. For FY25, management has maintained its guidance for revenue growth of >10% YoY in plywood, 20% in laminates (aided by new capacity for exports) and 40% in MDF (due to capacity expansion). NWC in Q1FY25 was down 3 days YoY to 66 (primarily due to inventory days decline of 3 days YoY).

Consol OPM shrinks 389bps YoY due to MDF segment

In Q1FY25, CPBI's consolidated OPM declined 389bps YoY (-293bps QoQ) to 11.1% due to significant decline in MDF segment. OPM in plywood increased 100bps YoY due to operating leverage, price hike and better product mix; for laminates it expanded 80bps YoY (on low base), while MDF declined 17.1ppt due to higher RM cost, lower realisation (increased competitive intensity) and new plant ramp-up cost. It has taken price hike of 2% each in Jun'24 and Aug'24 for plywood and 3% from Aug'24 in laminates, which will aid margins going ahead. Management indicated timber prices remain elevated and are likely to remain so in near term thus continuing to exert pressure on margin. It has maintained OPM guidance of 12-14% / 10-12% / 15% in plywood / laminates / MDF for FY25, respectively. We have factored-in blended margin of 13.2-15.8% for FY25 -27E.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	38,860	43,230	50,799	58,054
EBITDA	5,319	5,724	7,521	9,173
EBITDA %	13.7	13.2	14.8	15.8
Net Profit	3,350	3,266	4,622	5,846
EPS (INR)	15.1	14.7	20.8	26.3
EPS % Chg YoY	(12.9)	(2.5)	41.5	26.5
P/E (x)	47.0	48.2	34.0	26.9
EV/EBITDA (x)	30.8	28.8	21.4	16.9
RoCE (%)	12.5	10.8	13.5	15.5
RoE (%)	16.2	13.8	16.9	18.2

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Market Data

Market Cap (INR)	157bn
Market Cap (USD)	1,872mn
Bloomberg Code	CPBI IN
Reuters Code	CNTP.BO
52-week Range (INR)	850 /594
Free Float (%)	27.0
ADTV-3M (mn) (USD)	1.8

Price Performance (%)	3m	6m	12m
Absolute	9.7	0.0	12.4
Relative to Sensex	1.6 (11.3)	(8.3)	

Earnings Revisions (%)	FY25E	FY26E
Revenue	(1.2)	(0.8)
EBITDA	(6.3)	(3.2)
EPS	(8.4)	(1.4)

Previous Reports

28-05-2024: [Q4FY24 results review](#)
06-02-2024: [Q3FY24 results review](#)

Valuation and view

CPBI's Q1FY25 operational performance was below our estimates (despite better profitability in the core business of plywood) due to lower OPM in MDF and laminate segment (CPBI has recently expanded capacity and initial ramp-up cost in both). Going ahead, in FY25, margin will likely remain under pressure due to higher timber cost and expenses on account of ramp-up of new AP facility (which has MDF and laminates). We expect OPM to see improvement from FY26E when timber prices may decline from current elevated levels led by increased availability and also the benefit of operating leverage will be seen.

We continue to like CPBI due to its comprehensive wood panel product portfolio, wide distribution network, strong brand and believe it will be a major beneficiary of the uptick in housing market. Maintain **HOLD** with a rolled-over target price of INR 687, set at an unchanged 31x P/E Jun'25E and await a better entry point.

Exhibit 1: Q1FY25 consolidated result review

INR mn	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ(%)
Total revenues	10,054	8,910	12.8%	10,607	-5.2%
Raw Material	5,382	4,601	17.0%	5,657	-4.9%
% of sales	53.5%	51.6%	190 bps	53.3%	20 bps
Employee cost	1,596	1,310	21.8%	1,405	13.6%
% of sales	15.9%	14.7%	117 bps	13.2%	263 bps
Other expense	1,964	1,667	17.8%	2,061	-4.7%
% of sales	19.5%	18.7%	82 bps	19.4%	10 bps
Total expenditure	8,942	7,578	18.0%	9,124	-2.0%
% of sales	88.9%	85.1%	389 bps	86.0%	293 bps
EBIDTA	1112	1332	-16.5%	1483	-25.1%
% of sales	11.1%	14.9%	-389 bps	14.0%	-293 bps
Depreciation	336	231	45.7%	254	32.5%
EBIT	776	1,101	-29.6%	1,230	-36.9%
% of sales	7.7%	12.4%	-464 bps	11.6%	-388 bps
Interest cost	150	61	143.2%	102	46.4%
Other income	84	122	-30.9%	78	7.1%
PBT	710	1,161	-38.9%	1,206	-41.1%
Taxes	235	290	-18.7%	307	-23.3%
PAT before MI/Extraordinaries	474	871	-45.5%	899	-47.2%
Less: Extrarodinary items	(133)	0	nm	(115)	nm
Less: Minority interest	3.2	(2.0)	nm	11.3	nm
Reported PAT	344	869	-60.4%	795	-56.7%
Adjusted PAT	433	869	-50.1%	881	-50.8%

Source: Company data, I-Sec research

Exhibit 2: Q1FY25 consolidated segmental result review

INR mn	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ(%)
Revenue					
Plywood & Allied products	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%
Particle Board	367	395	-7.1%	425	-13.7%
Container Freight Station	246	214	14.7%	261	-5.8%
Others	140	121	15.9%	149	-6.4%
Total	10,066	8,928	12.7%	10,611	-5.1%
Less: Inter Segment revenue	12	18	-31.9%	4	189.3%
Net revenues	10,054	8,910	12.8%	10,607	-5.2%
EBIT					
Plywood & Allied products	860	653	31.5%	774	11.0%
Laminates	106	140	-24.4%	220	-51.9%
MDF	31	403	-92.3%	200	-84.5%
Particle Board	61	84	-27.2%	62	-0.6%
Container Freight Station	33	19	73.1%	38	-13.3%
Others	9	11	-19.7%	53	-83.3%
Total	1,100	1,311	-16.1%	1,347	-18.4%
EBIT Margin (%)					
Plywood & Allied products	15.1%	13.1%	199 bps	12.7%	249 bps
Laminates	6.9%	9.0%	-212 bps	13.1%	-621 bps
MDF	1.5%	24.2%	-2269 bps	10.1%	-864 bps
Particle Board	16.8%	21.4%	-463 bps	14.6%	221 bps
Container Freight Station	13.3%	8.8%	450 bps	14.5%	-115 bps

Source: I-Sec research, Company data

Exhibit 3: Q1FY25 standalone result review

INR mn	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ(%)
Total revenues	9,522	8,616	10.5%	10,256	-7.2%
Raw Material	5,405	4,647	16.3%	5,699	-5.2%
% of sales	56.8%	53.9%	283 bps	55.6%	119 bps
Employee cost	1,428	1,241	15.1%	1,287	11.0%
% of sales	15.0%	14.4%	60 bps	12.5%	245 bps
Other expense	1,499	1,469	2.0%	1,793	-16.4%
% of sales	15.7%	17.1%	-131 bps	17.5%	-174 bps
Total expenditure	8,332	7,357	13.3%	8,779	-5.1%
% of sales	87.5%	85.4%	211 bps	85.6%	191 bps
EBIDTA	1190	1259	-5.4%	1478	-19.5%
% of sales	12.5%	14.6%	-211 bps	14.4%	-191 bps
Depreciation	212	195	8.4%	209	1.3%
EBIT	978	1,063	-8.0%	1,268	-22.9%
% of sales	10.3%	12.3%	-207 bps	12.4%	-209 bps
Interest cost	82	54	52.0%	71	15.8%
Other income	139	99	40.1%	121	15.0%
PBT	1,035	1,108	-6.6%	1,318	-21.5%
Taxes	296	285	3.9%	304	-2.6%
PAT before extraordinary	739	824	-10.3%	1,015	-27.2%
Less: extraordinary items	0	0	nm	(244)	nm
Reported PAT	739	824	-10.3%	770	-4.0%
Adjusted PAT	739	824	-10.3%	958	-22.9%

Source: I-Sec research, Company data

Exhibit 4: Q1FY25 segmental standalone result review

INR mn	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ(%)
Revenue					
Plywood & Allied products	5,615	4,886	14.9%	6,057	-7.3%
Laminates	1,511	1,558	-3.0%	1,672	-9.6%
MDF	1,895	1,669	13.6%	1,972	-3.9%
Particle Board	367	395	-7.1%	425	-13.7%
Others	140	121	15.9%	136	3.2%
Total	9,527	8,628	10.4%	10,261	-7.1%
Less: Inter Segment revenue	5	12	-57.9%	4	19.6%
Net revenues	9,522	8,616	10.5%	10,256	-7.2%
EBIT					
Plywood & Allied products	849	635	33.7%	710	19.6%
Laminates	169	140	20.5%	190	-11.2%
MDF	207	381	-45.6%	249	-16.8%
Particle Board	61	84	-27.2%	62	-0.6%
Others	13	11	11.7%	13	-3.3%
Total	1,300	1,252	3.8%	1,225	6.1%
EBIT Margin (%)					
Plywood & Allied products	15.1%	13.0%	213 bps	11.7%	340 bps
Laminates	11.2%	9.0%	218 bps	11.4%	-20 bps
MDF	10.9%	22.8%	-1190 bps	12.6%	-170 bps
Particle Board	16.8%	21.4%	-463 bps	14.6%	221 bps

Source: I-Sec research, Company data

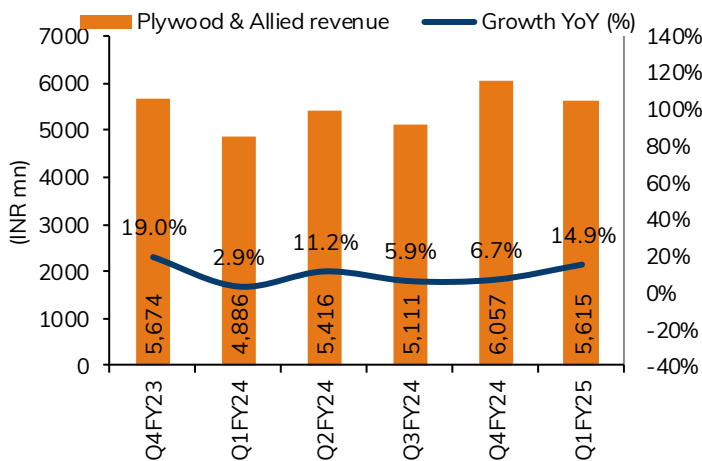
Key takeaways from Q1FY25 earnings conference call

- **Plywood:** This segment margin improved YoY despite RM pressure due to improved product mix, better cost optimisation (company has better RM linkages vs peers), operating leverage and partial benefit of price hikes. It has taken price hike of 2% in Jun'24 and another price hike of 2% in Aug'24 across the segment. Management sees a trend of change in consumer preference towards branded and better-quality products.
- **MDF segment:** MDF industry is facing oversupply currently which is putting pricing and margin pressure on companies. Monthly average of imports has come down by 50-60% in Q1 due to high freight rates.
- The new MDF AP plant is ramping-up production fast and is likely to be EBITDA positive by Q3FY25. The new plant is currently running at less than 20% utilisation and may increase the share of value-added products (VAP) going forward which is likely to improve realisation and support margins. Gross margin (GM) for new plant is also lower due to inclusion of factory overheads. The GM is likely to improve going forward. It indicated that both realisation and margin for MDF have likely bottomed out and should see improvement going forward. Hoshiarpur (in Punjab) MDF plant is running at 85% utilisation.
- Timber prices for MDF in Q1 stood at INR 6.5-7/kg in North and INR 5.5/kg in South. Timber prices are likely to increase marginally in Q2.
- **Laminates segment:** Management indicated that new plant in AP is ramping-up production and this plant will be manufacturing large-sized laminates primarily for export purposes, thus, it has higher realisation. Management took 3% price hike in Aug'24 as RM prices are also on an uptrend. AP plant is currently running at 10% utilisation.
- **Particle board:** The new plant is likely to operationalise by end-FY25. It will have better cost optimisation methods in place which will enable better operating

margins. Management indicated that this segment also faces oversupply which is creating pricing and margin pressure.

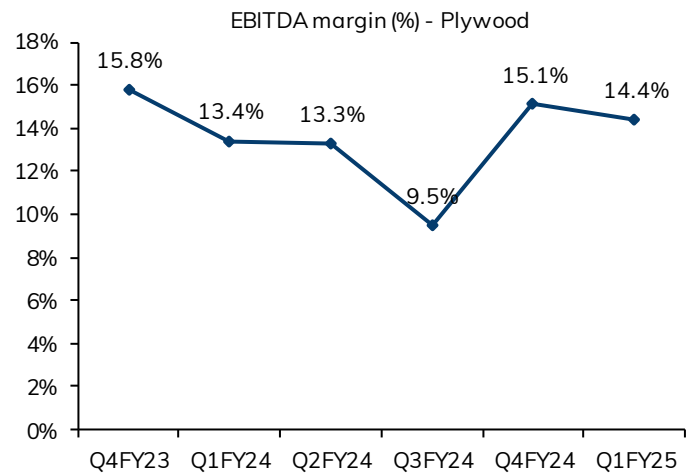
- Guidance (FY25):** For FY25, management has maintained its guidance for plywood revenue growth of >10% (volume growth of >8.5% YoY), laminates growth of 20% YoY and MDF growth of 40% YoY (volume growth of >40% YoY). It has also guided for operating margin of 12-14% for plywood, 10-12% for laminates and 15% for MDF in FY25. For particle board, management expects flat revenue growth and 15% EBITDA margin in FY25.
- Capex:** Company has indicated capex of INR 3.8bn in the remaining 9MFY25 (INR 5.7bn total in FY25) and INR 987mn in FY26.
- Company has also added a PVC production line at its AP facility which may generate revenue of INR 1bn in FY26.
- In Q1FY25 the company had an accounting loss of ~INR 133.35 mn due to disposal of its entire investment in its foreign subsidiary Century Ply (Singapore) Pte Ltd.

Exhibit 5: Quarterly standalone plywood revenue



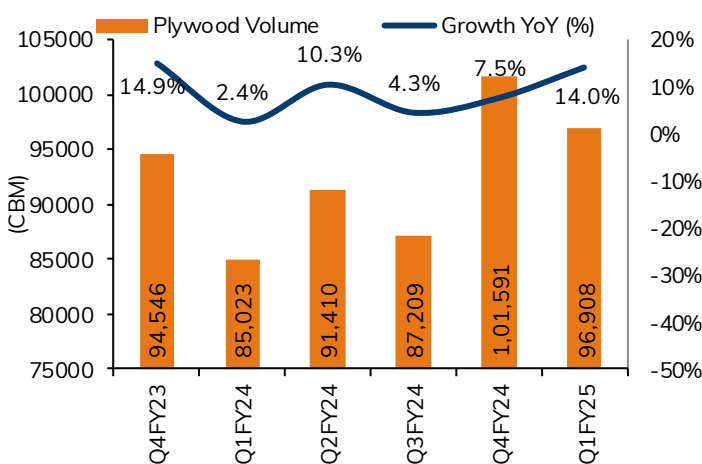
Source: I-Sec research, Company data

Exhibit 6: Quarterly standalone plywood EBITDA margin



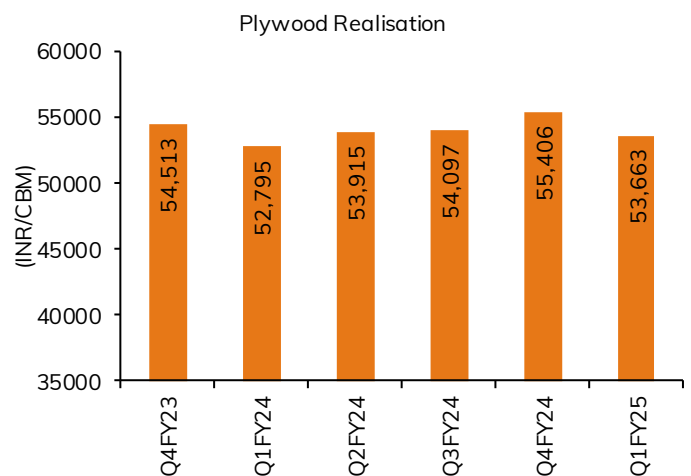
Source: I-Sec research, Company data

Exhibit 7: Quarterly standalone plywood volume



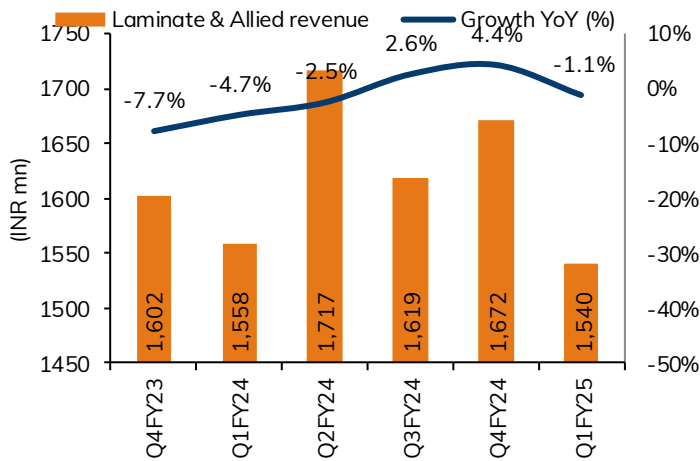
Source: I-Sec research, Company data

Exhibit 8: Quarterly standalone plywood realisation



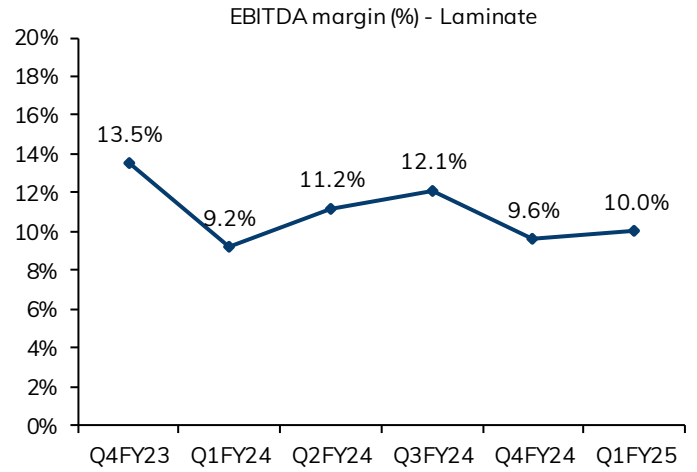
Source: I-Sec research, Company data

Exhibit 9: Quarterly laminate revenue



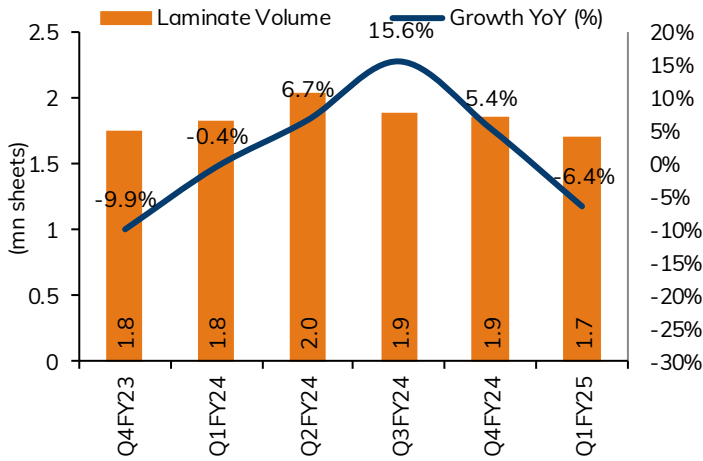
Source: I-Sec research, Company data

Exhibit 10: Quarterly laminate EBITDA margin



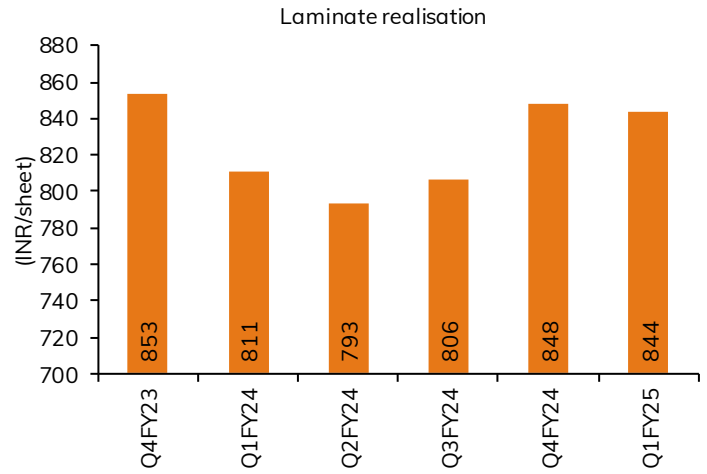
Source: I-Sec research, Company data

Exhibit 11: Quarterly laminate volume



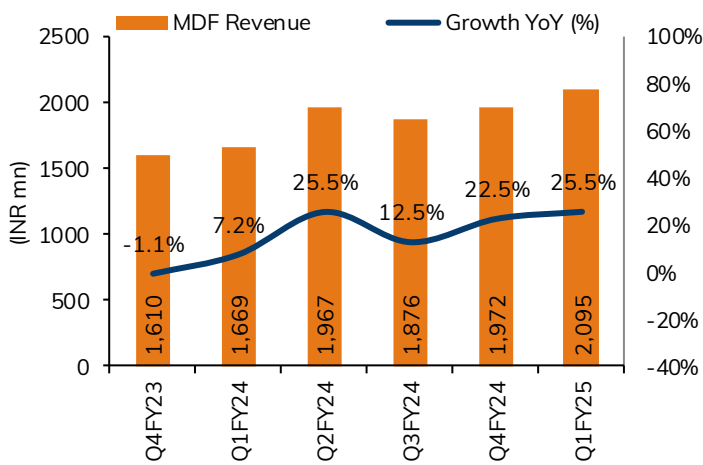
Source: I-Sec research, Company data

Exhibit 12: Quarterly laminate realisation



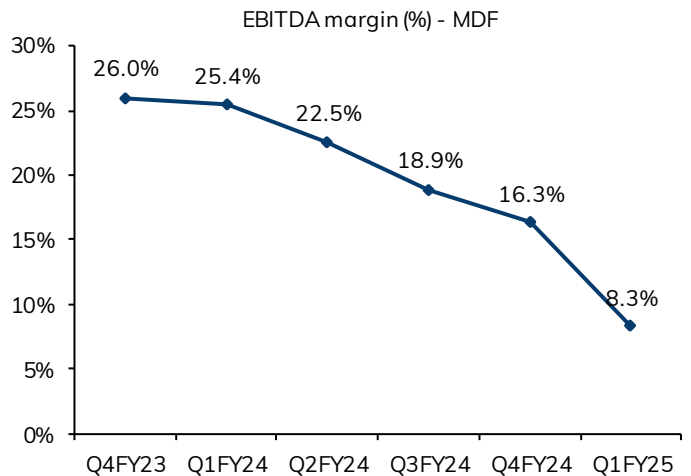
Source: I-Sec research, Company data

Exhibit 13: Quarterly MDF revenue



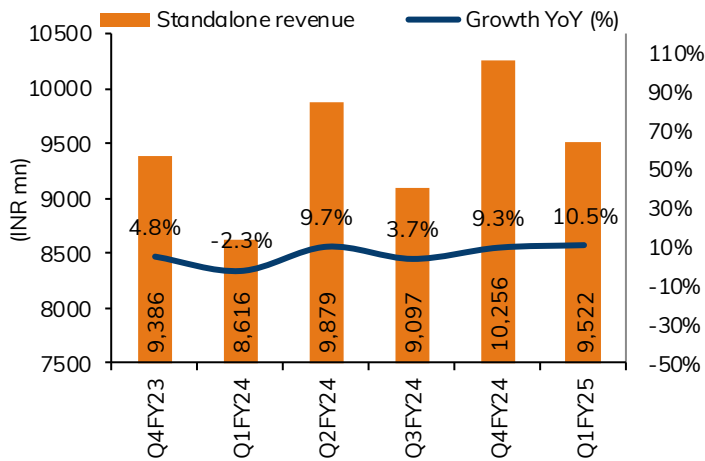
Source: I-Sec research, Company data

Exhibit 14: Quarterly MDF EBITDA margin



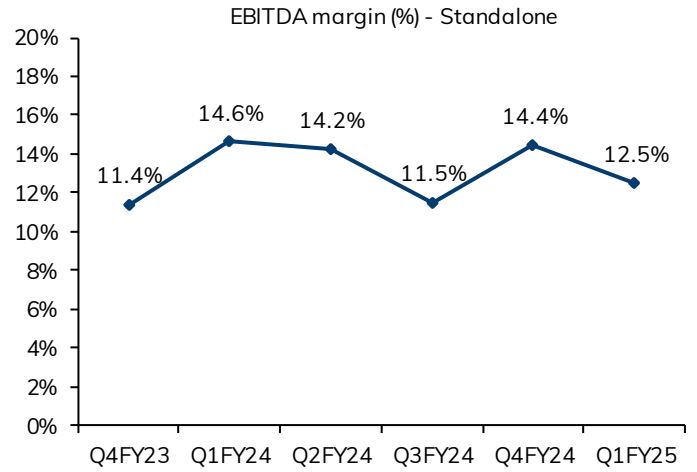
Source: I-Sec research, Company data

Exhibit 15: Quarterly standalone revenue



Source: I-Sec research, Company data

Exhibit 16: Quarterly standalone EBITDA margin



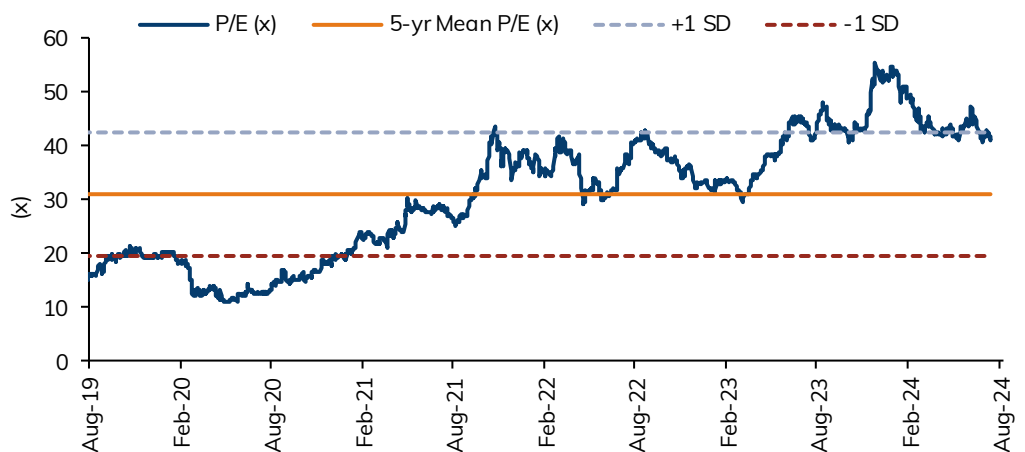
Source: I-Sec research, Company data

Valuation

CPBI is a play on the growing interior infrastructure market in India. With its comprehensive product portfolio, strong brand and wide distribution, the company is well placed to capitalise on demand pick up in the housing sector.

CPBI is likely to witness revenue / EBITDA CAGR of 14.3% / 19.9% over FY24-27E with a strong balance sheet and healthy return ratios (FY26E RoE at 16.9%). We maintain **HOLD** on the stock with a rolled-over Jun'25E target price of INR 687 (earlier: INR 653), set at 31x Jun'25E P/E.

Exhibit 17: 1-year forward P/E band



Source: I-Sec research, Company data

Key risks

- **Regulatory concerns on raw material sourcing:** Wood is a key raw material for plywood and MDF manufacturing. Any regulatory restriction on the sourcing of wood or face veneer may affect the company's profitability.
- **Sharp rise in raw material prices:** Higher raw material prices and inability to pass on these to consumers may hurt profitability.
- **Prolonged slowdown in housing market:** A continued slowdown in housing market would hit growth prospects.
- **MDF imports:** Due to unexpected slowdown in global economies, there is a risk of MDF being dumped in Indian markets, thus, hampering growth prospects of domestic manufacturers.
- **Investment in non-core businesses:** Any further fresh capital allocation in non-core businesses may result in derating of the stock.

Key upside risks

- **Significant improvement in housing market:** A better than expected demand scenario from housing market would result in higher-than-modelled growth for the company.
- **Sharp fall in raw material prices:** Lower than expected raw material prices may result in better-than-modelled profitability.
- **Faster than expected ramp-up in MDF segment:** If demand in MDF segment grows faster than anticipated then profitability may be better than expected.

Exhibit 18: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	73.0	72.6	72.6
Institutional investors	20.2	20.8	20.9
MFs and others	13.1	13.3	15.8
FIs/Banks	-	-	-
Insurance	1.5	1.1	0.8
FIIIs	5.6	6.4	4.3
Others	6.8	6.6	6.5

Source: Bloomberg

Exhibit 19: Price chart



Source: Bloomberg

Financial Summary

Exhibit 20: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	38,860	43,230	50,799	58,054
Operating Expenses	33,541	37,506	43,278	48,881
EBITDA	5,319	5,724	7,521	9,173
EBITDA Margin (%)	13.7	13.2	14.8	15.8
Depreciation & Amortization	947	1,361	1,489	1,586
EBIT	4,372	4,363	6,032	7,587
Interest expenditure	308	591	515	416
Other Non-operating Income	439	403	390	301
Recurring PBT	4,502	4,174	5,908	7,472
Less: Taxes	(1,134)	(918)	(1,300)	(1,644)
PAT	3,368	3,256	4,608	5,828
Profit / (Loss) from Associates	-	-	-	-
Less: Minority Interest	11	10	15	18
Extraordinaries (Net)	(115)	-	-	-
Net Income (Reported)	3,264	3,266	4,622	5,846
Net Income (Adjusted)	3,350	3,266	4,622	5,846

Source Company data, I-Sec research

Exhibit 21: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Assets				
Inventories	6,456	6,885	7,944	8,973
Cash & cash eqv.	671	390	3,763	6,334
Sundry Debtors	4,168	4,027	4,454	4,772
Other Current Assets	2,320	2,487	2,923	3,340
Trade payables	2,861	3,177	3,763	4,259
Other Current Liabilities	2,486	2,770	3,221	3,649
Net Current Assets	8,268	7,841	12,099	15,510
Investments	89	89	89	89
Net Fixed Assets	21,800	25,672	25,183	24,197
Other Non Current Assets	17	17	17	17
Total Assets	30,174	33,619	37,389	39,814
Liabilities				
Borrowings	7,184	7,600	7,100	4,300
Other Non Current Liabilities	925	925	925	925
Total Liabilities	8,108	8,525	8,025	5,225
Equity Share Capital	223	223	223	223
Reserves & Surplus	21,894	24,933	29,217	34,461
Total Net Worth	22,117	25,156	29,440	34,683
Minority Interest	(51)	(61)	(76)	(94)
Total Liabilities & Net Worth	30,174	33,619	37,389	39,814

Source Company data, I-Sec research

Exhibit 22: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	9,968	9,374	10,607	10,054
% growth (YOY)	9.7	6.1	9.9	12.8
EBITDA	1,443	1,061	1,483	1,112
Margin %	14.5	11.3	14.0	11.1
Other Income	146	93	78	84
Extraordinaries	0	0	-115	-133
Adjusted Net Profit	969	631	881	433

Source Company data, I-Sec research

Exhibit 23: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	3,664	4,773	5,226	6,592
Working Capital Changes	(780)	146	(885)	(840)
Capital Commitments	(10,654)	(5,234)	(1,000)	(600)
Free Cashflow	(6,989)	(460)	4,226	5,992
Other investing cashflow	(27)	-	-	-
Cashflow from Investing Activities	(10,680)	(5,234)	(1,000)	(600)
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	4,049	416	(500)	(2,800)
Dividend paid	(217)	(217)	(324)	(585)
Others	1,073	(21)	(29)	(37)
Cash flow from Financing Activities	4,906	179	(853)	(3,421)
Chg. in Cash & Bank balance	(2,111)	(282)	3,374	2,571
Closing cash & balance	671	390	3,763	6,334

Source Company data, I-Sec research

Exhibit 24: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	14.7	14.7	20.8	26.3
Adjusted EPS (Diluted)	15.1	14.7	20.8	26.3
Cash EPS	19.3	20.8	27.5	33.4
Dividend per share (DPS)	1.0	1.0	1.5	2.6
Book Value per share (BV)	99.4	113.0	132.3	155.9
Dividend Payout (%)	6.6	6.7	7.0	10.0
Growth (%)				
Net Sales	6.6	11.2	17.5	14.3
EBITDA	(9.1)	7.6	31.4	22.0
EPS (INR)	(12.9)	(2.5)	41.5	26.5
Valuation Ratios (x)				
P/E	47.0	48.2	34.0	26.9
P/CEPS	36.6	34.0	25.7	21.2
P/BV	7.1	6.3	5.3	4.5
EV / EBITDA	30.8	28.8	21.4	16.9
EV / Sales	4.2	3.8	3.2	2.7
Dividend Yield (%)	0.1	0.1	0.2	0.4
Operating Ratios				
Gross Profit Margins (%)	47.6	47.4	48.0	48.5
EBITDA Margins (%)	13.7	13.2	14.8	15.8
Effective Tax Rate (%)	25.2	22.0	22.0	22.0
Net Profit Margins (%)	8.6	7.6	9.1	10.1
NWC / Total Assets (%)	21.4	18.8	18.8	19.2
Net Debt / Equity (x)	0.3	0.3	0.1	(0.1)
Net Debt / EBITDA (x)	1.2	1.3	0.4	(0.2)
Profitability Ratios				
RoCE (%)	12.5	10.8	13.5	15.5
RoE (%)	16.2	13.8	16.9	18.2
Cash Conversion Cycle (on net sales)				
Inventory Turnover Days	61	58	57	56
Receivables Days	39	34	32	30
Payables Days	27	27	27	27

Source Company data, I-Sec research

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