

## Equity Research

December 10, 2020

BSE Sensex: 46104

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Company update and  
earnings revision

## Wood Panel

Target price: Rs283

### Earnings revision

(%)	FY21E	FY22E
Revenues	0.0	0.0
EBITDA	↓ 0.8	↓ 3.5
PAT	0.0	↓ 4.4

### Target price revision

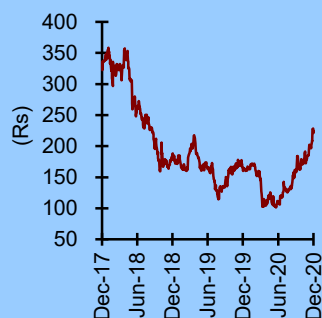
Rs283 from Rs234

### Shareholding pattern

	Mar '20	Jun '20	Sep '20
Promoters	73.1	73.1	73.1
Institutional investors	15.1	15.5	16.4
MFs and others	6.5	6.7	8.4
FIs/Banks	0.1	0.1	0.0
Insurance	1.3	2.0	2.0
FII	7.2	6.7	6.0
Others	11.8	11.4	10.5

Source: NSE

### Price chart



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INDIA

**ICICI Securities**

## Century Plyboards

**BUY**

**Maintained**

### Core segments to witness steady recovery

**Rs225**

Within building materials space, Century Plyboards (CPBI) has been one of the top performers (stock up 84% since 1<sup>st</sup> May'20) post Covid-19 (CPBI was also our [top pick in the space](#) – as highlighted in the report dated July'20). This is largely due to faster-than-expected recovery in volumes/earnings (driven by MDF and CFS segment in particular) and superior balance sheet strengthening amid stricter working capital management and implementation of 'out of box' initiatives like Sales Force Automation (SFA) and Theory of Constraints (TOC). We expect the momentum to continue going forward with 1) recovery in plywood and laminate segments to gain traction from Q3FY21; 2) MDF/PB expected to deliver double-digit growth and margin improvement amid buoyancy in demand; and 3) expected improvement in EBITDA margins driven by superior product mix, operating leverage and cost rationalisation. **Maintain BUY.**

- **Valuation and outlook.** Adjusting slower-than-expected recovery in laminates but better-than-expected recovery in plywood and MDF segments, we marginally cut our earnings estimates by 4.3% for FY22. Rolling over our numbers to FY23, we now expect the company to report revenue/PAT CAGR of 18.6%/43.4% over FY21-FY23E. We maintain BUY on the stock with a revised TP of Rs283 (25x Sep'22 earnings) vs Rs234 (22x FY22 earnings) earlier.
- **After strong recovery in MDF/PB in Q2, plywood and laminate segments to witness steady recovery in H2FY21.** CPBI reported strong recovery in MDF/PB segments in Q2FY21. Plywood and laminate segments, however, reported revenue decline of 15% and 25%, respectively in Q2. We now expect plywood to stage a steady recovery post Q2 while laminate segment can recover post Q3FY21. The recovery in these core segments may be driven by a strong traction recently seen in secondary real estate market and increased traction in its recently launched virus-free (Virokill) range of plywood and laminate products. Also, recently introduced ILP and SFA-led initiatives may also lead to significant improvement in productivity and aid volume traction over the next 2 years.
- **EBITDA margin will improve led by superior mix and cost rationalisation.** CPBI reported strong EBITDA margin of 16.5% in Q2FY21, largely driven by strong margins in MDF/PB segments and cost rationalisation. We expect EBITDA margin to improve further led by superior product mix, operating leverage in plywood & laminates segments in particular and sustained cost rationalisation. We, thus, expect CPBI's overall EBITDA margin to improve considerably to 17.5% in FY23E from 14.3% in FY20.
- **Strict balance sheet discipline holds CPBI in good stead despite likely capex for the upcoming MDF/PB plant in South India.** Impressive profitability and strict working capital management is expected to drive strong FCF in FY21E, which in turn will be utilised to further pare down its debt (Sep'20 debt at Rs850mn). Hence, despite a sizeable capex to the tune of Rs4bn for setting up a greenfield MDF/PB plant in South India in FY23E, we expect its RoCEs to improve to ~23% by FY23E from 18.5% in FY20 driven by higher profitability and stricter working capital discipline.

Market Cap	Rs49.9bn/US\$678mn	<b>Year to Mar</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Reuters/Bloomberg	CNTP.BO /CPBI IN	Revenue (Rs mn)	23,170	19,074	23,298	26,842
Shares Outstanding (mn)	222.2	Rec. Net Income (Rs mn)	1,506	1,392	2,263	2,768
52-week Range (Rs)	228/102	EPS (Rs)	8.4	6.3	10.2	12.4
Free Float (%)	26.9	% Chg YoY	1.4	(7.6)	62.5	22.3
FII (%)	6.0	P/E (x)	26.8	36.0	22.1	18.1
Daily Volume (US\$/000)	1,279	CEPS (Rs)	9.1	9.3	13.6	16.5
Absolute Return 3m (%)	41.9	EV/E (x)	15.9	19.6	13.4	11.1
Absolute Return 12m (%)	37.8	Dividend Yield (%)	0.4	0.9	0.9	0.9
Sensex Return 3m (%)	20.9	RoCE (%)	18.5	15.3	22.6	22.9
Sensex Return 12m (%)	15.2	RoE (%)	14.4	12.2	17.4	17.8

Please refer to important disclosures at the end of this report

**Table 1: Change in estimates**

	Old		New		% change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	19,074.2	23,298.2	19,074.2	23,298.2	0.0%	0.0%
EBITDA	2,600.3	3,969.3	2,580.3	3,830.5	-0.8%	-3.5%
EBIDTA margins	13.6%	17.0%	13.5%	16.4%	-10bps	-60bps
Adj PAT	1,392.0	2,366.9	1,392.0	2,262.5	0.0%	-4.4%
Adj EPS	6.3	10.6	6.3	10.2	0.0%	-4.4%

Source: Company data, I-Sec research

## Financial summary

Table 2: Profit &amp; loss statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>23,170</b>	<b>19,074</b>	<b>23,298</b>	<b>26,842</b>
<b>Operating Expenses</b>	<b>19,863</b>	<b>16,494</b>	<b>19,468</b>	<b>22,272</b>
<b>EBITDA</b>	<b>3,307</b>	<b>2,580</b>	<b>3,831</b>	<b>4,570</b>
% margins	14.3%	13.5%	16.4%	17.0%
Depreciation & Amortisation	763	677	772	901
Gross Interest	389	140	114	129
Other Income	128	109	116	161
<b>Recurring PBT</b>	<b>2,283</b>	<b>1,872</b>	<b>3,062</b>	<b>3,701</b>
Less: Taxes	519	480	799	933
Less: Minority Interest	(253)	-	-	-
Add: Share of Profit of Associates	-	-	-	-
<b>Net Income (Reported)</b>	<b>2,017</b>	<b>1,392</b>	<b>2,263</b>	<b>2,768</b>
Extraordinaries (Net)	511	-	-	-
<b>Recurring Net Income</b>	<b>1,506</b>	<b>1,392</b>	<b>2,263</b>	<b>2,768</b>

Source: Company data, I-Sec research

Table 3: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	8,591	7,780	9,035	10,996
of which cash & cash eqv.	248	317	132	620
Total Current Liabilities & Provisions	3,026	2,903	3,193	3,436
<b>Net Current Assets</b>	<b>5,565</b>	<b>4,877</b>	<b>5,842</b>	<b>7,561</b>
Investments	2	2	2	2
Net Fixed Assets	7,834	7,830	9,558	10,458
Capital Work-in-Progress	160	-	-	-
Goodwill	13	-	-	-
<b>Total Assets</b>	<b>13,574</b>	<b>12,709</b>	<b>15,403</b>	<b>18,021</b>
<b>Liabilities</b>				
<b>Borrowings</b>	2,681	819	1,250	1,100
<b>Deferred Tax Liability</b>	5	5	5	5
Minority Interest	(17)	(17)	(17)	(17)
Equity Share Capital	223	223	223	223
Face Value per share (Rs)	1	1	1	2
Reserves & Surplus*	10,684	11,680	13,943	16,711
Less: Misc. Exp. n.w.o.	-	-	-	1
<b>Net Worth</b>	<b>10,906</b>	<b>11,903</b>	<b>14,165</b>	<b>16,933</b>
<b>Total Liabilities</b>	<b>13,574</b>	<b>12,709</b>	<b>15,403</b>	<b>18,020</b>

\*Excluding revaluation reserves

Source: Company data, I-Sec research

Table 4: Quarterly trend (consolidated)

(Rs mn, year ending March 31)

	Dec-19	Mar-20	Jun-20	Sep-20
Net revenues	5,954	5,242	2,007	5,198
% growth (YoY)	2.9	(10.1)	(65.0)	(11.8)
EBITDA	943	701	8	859
Margin (%)	15.8	13.4	0.4	16.5
Other income	13	1	46	12
Extraordinaries (Net)	(456)	-	-	-
<b>Net profit</b>	<b>191</b>	<b>388</b>	<b>(85)</b>	<b>514</b>

Source: Company data, I-Sec research

Table 5: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>Operating Cashflow</b>	<b>2,048</b>	<b>2,164</b>	<b>3,524</b>	<b>4,159</b>
Working Capital Changes	786	758	(1,150)	(1,231)
Capital Commitments	63	(500)	(2,500)	(1,800)
<b>Free Cashflow</b>	<b>2,897</b>	<b>2,422</b>	<b>(126)</b>	<b>1,128</b>
<b>Cashflow from Investing Activities</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	(2,639)	(1,862)	431	(150)
Dividend paid	(268)	(490)	(490)	(490)
<b>Change in Deferred Tax Liability</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Chg. in Cash &amp; Bank balance</b>	<b>(15)</b>	<b>70</b>	<b>(185)</b>	<b>489</b>

Source: Company data, I-Sec research

Table 6: Key ratios

(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>Per Share Data (in Rs.)</b>				
EPS	8.4	6.3	10.2	12.4
Cash EPS	9.1	9.3	13.6	16.5
Dividend per share (DPS)	1.0	2.0	2.0	2.0
Book Value per share (BV)	48.1	52.6	62.7	75.2
<b>Growth (%)</b>				
Net Sales	1.8	-17.2	22.1	15.2
EBITDA	9.7	-22.0	48.5	19.3
PAT	1.4	-7.6	62.5	22.3
Cash EPS	-3.2	2.6	46.7	20.9
<b>Valuation Ratios (x)</b>				
P/E	26.8	36.0	22.1	18.1
P/CEPS	24.8	24.2	16.5	13.6
P/BV	4.7	4.3	3.6	3.0
EV / EBITDA	15.9	19.6	13.4	11.1
EV / Sales	2.3	2.7	2.2	1.9
<b>Operating Ratios</b>				
Raw Material / Sales (%)	50.4	49.5	47.5	47.1
Employee cost / Sales (%)	15.6	16.2	15.6	15.6
SG&A / Sales (%)	14.6	15.0	14.8	14.8
Other Income / PBT (%)	5.6	5.8	3.8	4.4
Effective Tax Rate (%)	29.3	25.6	26.1	25.2
Working Capital (days)	79.8	79.0	78.0	79.0
Inventory Turnover (days)	63.1	62.0	61.0	62.0
Receivables (days)	40.7	42.0	42.0	42.0
Payables (days)	24.0	25.0	25.0	25.0
Net D/E Ratio (x)	0.2	0.0	0.1	0.0
<b>Profitability Ratios (%)</b>				
Net Income Margins	7.0	7.3	9.7	10.3
RoACE	18.5	15.3	22.6	22.9
RoAE	14.4	12.2	17.4	17.8
Dividend Payout	17.8	35.2	21.7	17.7
Dividend Yield	0.4	0.9	0.9	0.9
EBITDA Margins	14.4	13.5	16.4	17.0

Source: Company data, I-Sec research

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