

Company Overview

Century Plyboards (India) Ltd. came into existence in 1986; since then, the company has taken giant strides and is today the largest seller of multi-use plywood and decorative veneers in the Indian organized plywood market. As the forerunners in Borer Proof Plywood and Boiling Water Resistant (BWR) Decorative Veneers and Laminates in India, the company has successfully created a niche in the highly competitive lifestyle segment. The company offers a range of products, including doors, plywood, laminates, veneers, MDF and particle board. This allows the company to provide a one-stop solution to benefit trade partners and their retail consumers. The company introduced successful brands in these categories and accounts for the largest estimated market share of 29% in India's organized plywood sector. Century Plyboards is a pan-Indian manufacturer of products, with facilities in Joka (West Bengal), Guwahati (Assam), Kandla (Gujarat), Chennai (Tamil Nadu), Karnal (Haryana) and Hoshiarpur (Punjab). The company's units in Roorkee (Uttarakhand), Laos and Gabon (both in Africa) are managed through subsidiary companies. The company is headquartered across its wood-panel product categories in Kolkata, India. The company is present pan-India through a distribution network of 3,848 trade partners across 28 States and seven Union Territories.

Investment Rationale

Expanding in the growing Medium-density fibreboard (MDF) segment to drive growth

Over the next 1-2 years, Century Plyboards substantial investment to expand its Medium-density fibreboard (MDF) manufacturing capacity highlights a strategic move to capitalize on the growing demand within the segment. The expansion aims to elevate the company to the second-largest MDF producer in India, positioning it for significant market share gains and revenue expansion. Despite short-term margin pressures from heightened competition and pricing challenges due to increased capacities and imports, the MDF industry is poised for robust growth supported by several favourable trends. With the BIS standard becoming mandatory from Feb '24 for MDF and Particle Board, import competition will substantially reduce and benefit domestic producers. While MDF prices have largely bottomed out, margins are unlikely to improve in the short term given elevated raw material prices and major capacities coming in. We believe factors such as the growing preference for ready-made furniture, increasing online furniture sales, and a shift towards organized players in the furniture industry is expected to drive sustained demand for MDF products.

Capex in other businesses to bear fruit in future

Century Plyboards (India) is strategically allocating Rs. 1.2-1.3 billion towards capital expenditure over the next 12-18 months. This proactive approach reflects the company's vision to seize opportunities in the furniture industry, particularly during market downturns when costs are favourable. The company aims to enhance its competitive position and readiness for future market cycles by investing in plant expansion during sluggish market conditions. Despite short-term demand weakness, management forecasts a gradual recovery from Q2FY25, driven by upcoming capacities. The company has commissioned phase one laminate press; the second press will be installed in FY25, with significant capex to be spent in Q1FY25. In laminates, total capacity laminates should be 72,000 sheets post-capex with incremental capacity to generate revenue of Rs. 2-3 billion.

Valuation and Outlook

Century Plyboards (India) has evolved into India's largest integrated wood panel company, equipped with a broad distribution reach, strong brand focus and comprehensive portfolio. Moreover, the company's significant ramp-up in operations would improve its revenues and earnings on a sustained basis. With the BIS standard becoming mandatory from February 2024 for MDF and Particle Board, import competition for these products will substantially reduce and benefit domestic producers. The company's strategy is to invest in the capacity of new-age products (MDF and Particle Board) and

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	715
Target Price (INR)	825
NSE Symbol	CENTURPLY
BSE Code	532548
Bloomberg	CPBI IN
Reuters	CNTP.BO

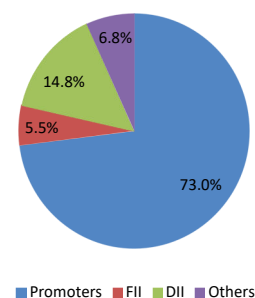
Key Data

Nifty	22,378
52WeekH/L(INR)	849 / 436
O/s Shares (Mn)	222
Market Cap (INR bn)	159
Face Value (INR)	1

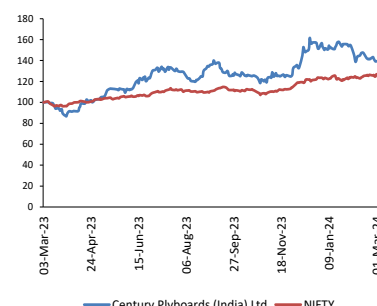
Average volume

3 months	318,320
6 months	228,860
1 year	191,680

Share Holding Pattern (%)



Relative Price Chart



Century Plyboards (India) Ltd.

introduce low to medium-range products in Tier II and III markets. The company aims to capture market share from unorganized players, strengthening its financial performance. Over the long run, the organized industry will likely benefit from rising income levels, increasing urbanization, preference for brands and shorter replacement cycles. Century Plyboards seem poised to capture the tailwinds, given that it is the largest and most well-diversified company with a presence in almost all segments of the wood panel industry. Considering Century Plyboards comprehensive product portfolio, wide distribution, strong brand name, strong balance sheet and impressive return ratios, we assign a Buy rating with an investment horizon of 12 months. **On the valuation front, we have arrived at a target price of Rs 825 (15% upside from CMP) based on P/E of 42x of FY24E earnings.**

Key Financials						
YE March (Rs. millions)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	23,170	21,300	30,270	36,470	38,294	43,004
Revenue Growth (Y-o-Y)	1.6%	(8.1%)	42.1%	20.5%	5.0%	12.3%
EBIDTA	2,800	3,360	5,320	5,830	5,361	7,741
EBIDTA Growth (Y-o-Y)	(8.2%)	20.0%	58.3%	9.6%	(8.0%)	44.4%
Net Profit	1,490	250	1,910	3,130	3,600	4,472
Net Profit Growth (Y-o-Y)	(10.2%)	(83.2%)	664.0%	63.9%	15.0%	24.2%
Diluted EPS	6.7	1.1	8.6	14.1	16.2	20.1
Diluted EPS Growth (Y-o-Y)	(10.2%)	(83.2%)	664.0%	63.9%	15.0%	24.2%
Key Ratios						
EBIDTA margin (%)	12.1%	15.8%	17.6%	16.0%	14.0%	18.0%
NPM (%)	6.4%	1.2%	6.3%	8.6%	9.4%	10.4%
RoE (%)	13.7%	2.0%	12.3%	16.4%	16.0%	16.7%
RoCE (%)	20.2%	23.5%	29.7%	26.0%	19.6%	24.9%
Valuation Ratios						
P/E (x)	106.9x	637.1x	83.4x	50.9x	44.2x	35.6x
EV/EBITDA	57.8x	47.6x	29.9x	4.8x	30.1x	20.8x
P/BV (x)	14.6x	12.6x	10.2x	8.3x	7.1x	5.9x
Market Cap. / Sales (x)	6.9x	7.5x	5.3x	4.4x	4.2x	3.7x

Source: Company, BP Equities Research



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