

Century Plyboards (India) Limited (Centuryply) - ADD

Result Update

Current Market Price (CMP) Rs.403	Target Price Rs.445
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Our fair value of Rs.445 offers 10.4% upside from the current market price.

Rationale:

- Centuryply reported a better than expected Q1FY22 results.
- Company is adding capacity in high growth/high margin MDF segment.
(MDF - Medium Density Fibreboard)
- Expected strong demand and new capacities to support medium-long term growth.
- We expect earnings per share (EPS) to grow by 29.4% in FY22E and 34.1% in FY23E.
- We value the stock at a PE of 28x on FY23E earnings.

Q1FY22 Earnings update:

👍 Positives:

- Conso. revenue at Rs458 cr, (+125.4% yoy) was in line with our estimate.
- Gross margin increased by 294 bps yoy and 662 qoq in Q1FY22.
- MDF and particle board operating margin was higher yoy and qoq in Q1FY22.
- We expect the co. to fund its capex through internal accrual.

👎 Negatives:

- Inventory was higher resulting in increase in cash conversion cycle and debt.
- Competitive intensity is expected to increase in the MDF segment.

[Click here](#)

For detailed report dated 12th Aug 2021. Note: CMP & valuation may differ due to difference in dates.



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