

Century Textiles

₹ 398

Be a Centurian**Accumulate**

Jan 25, 2013

Company Background

Incorporated in 1897, Century Textiles & Industries Ltd. (Century) a BK Birla group's flagship company. Since 1951 the company has made rapid progress in widely diverse fields. At present, it is a trendsetter in cotton textiles & has a remarkable presence in the yarn, denim, viscose filament rayon yarn, tyre records, caustic soda, sulphuric acid, salt, cement & pulp-paper industries. Its textile units are situated in Madhyapradesh & Viscose, Tyre record & Chemicals are manufactured in Maharashtra. It has 3 cement plants at different locations, with a total cement manufacturing capacity of 7.8 mtpa. with planned expansion to a capacity of 8.5 mtpa by 2013 & 12.8 mtpa by FY14. Its Cement has largest market share in Central India. Its pulp-paper plant has a rayon grade pulp capacity of 31,320 tpa, writing & printing paper 1,97,800 tpa & 36,000 tpa for tissue paper. It has recently set up a 500-tpd multilayer packaging board plant.

Key Highlights

- ➔ Mumbai Town has turned out to be one of the most lucrative real estate markets in India with a realisable value of 1.8 bn / acre. The company enjoys holding of 40 acres of land in Worli a hub which is under heavy segment transformation. The figures if calculated with the above data transform into a great potential for the company.
- ➔ Century has embarked upon augmenting cement manufacturing capacity from 8.5 mtpa to 12.8 mtpa. It is in the process of establishing a split location cement grinding unit of 1.5 mtpa capacity at Sagardighi, West Bengal and a 2.8 mtpa at Gadchandur in Maharashtra. Both the plants are unique examples of the state-of-the-art plant & machinery by its exceptional design. Low on Energy Cost and include 40MW captive thermal Unit for cost savings.
- ➔ Century has revamped its textile division by adding some latest technologies in Denims which are known for high productivity and low maintainence. It is also introducing innovations like Digital prints in Bed & Bath Category.
- ➔ For rayon tyre yarn industry 2013 seems to be promising. For the first time in the last 4 years, full manufacturing capacity is being used. Which is likely to continue. Company is also thinking to expand the product line marginally.

Key Financials

Year Ended 31 st	Mar 10	Mar 11	Mar 12
Revenue (INR mn)	46,551.8	48,275.0	49,215.5
Rev. growth (%)	14.93	3.70	1.95
EBITDA (INR mn)	8,703.0	7,321.6	4,591.2
Net profit (INR mn)	3,394.7	2,374.9	221.3
Shares outstanding (mn)	93.1	93.1	93.1
EPS (INR)	36.5	25.5	2.4
EPS growth (%)	43.51	(30.04)	(90.68)
P/E (x)	14.0	13.7	155.0
RONW (%)	21.6	10.2	(0.5)
ROCE (%)	9.3	4.2	(0.2)

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Info Codes

Reuters	: CNTY.BO
Bloomberg	: CENT@IN
NSE	: CENTURYTEX
BSE	: 500040

Market Data

52 Wk Range (₹)	: 470 / 249
Shares in Issue (mn)	: 93.1
Mkt. Cap (₹ bn)	: 37.61
BSE 2 Wk Avg Vol	: 122000

Share Holding Pattern (%)

Promoters	: 40.38
DII's	: 17.21
FII's	: 9.19
Others	: 33.22

Investment Theme

Century is well diversified company with interests in Textile, Paper and Cement and has an added advantage of land holding in a prime location in Mumbai. While most segments are performing the company is currently busy making preparations for creating its leasable landbank which can be valued at INR 30 bn. The project is facing procedural delays in getting various permissions and approvals from regulatory authorities. While the company plans to develop the whole chunk of land it has started the initial construction work of an office building adjacent to Century Bhavan, the Registered Office of the Company, and another office building with entry plaza on Century Mill's land at Worli, Mumbai, both meant for leasing, continues but, regrettably, at a slow pace. Hence we recommend to accumulate the scrip at these levels and preferably at every dips.

With such Big land its really a Lord

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Total Sales + Excise	49802.6	52236.2	4.89	53728.2	2.86
Other Income	385.7	600.7	55.74	466.9	(22.27)
Change in Stocks	1122.0	380.6	(66.08)	450.0	18.23
Raw Material Con.	14848.5	15823.2	6.56	15412.3	(2.60)
Employee Exp.	4551.2	3721.9	(18.22)	4365.9	17.30
Indirect Taxes	3926.1	4635.9	18.08	5050.0	8.93
Other Exp.	19281.5	21714.9	12.62	25225.7	16.17
Operating Exp.	41485.3	45515.3	9.71	49603.9	8.98
Operating Profit	8317.3	6720.9	(19.19)	4124.3	(38.63)
Total Interest	1357.7	1598.6	17.74	2020.2	26.37
Gross Profit	7345.3	5723.0	(22.09)	2571.0	(55.08)
Net Dep.	2276.9	2312.1	1.55	2361.7	2.15
Total Taxation	1673.7	1036.0	(38.10)	(12.0)	(101.16)
Net Profit/Loss	3394.7	2374.9	(30.04)	221.3	(90.68)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 09	Mar 10	Mar 11	Mar 12
SOURCES OF FUNDS	32,408.2	41,266.7	49,455.7	58,195.0
Equity Share capital	930.4	930.4	930.4	930.4
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	13,854.3	16,652.2	18,432.3	18,058.8
Long Term Loans	14,183.6	13,730.8	16,786.7	25,270.3
Short Term Loans	3,439.9	9,953.3	13,306.3	13,935.5
USES OF FUNDS	32,408.2	41,266.7	49,455.7	58,195.0
Gross Block	45,497.8	46,748.0	48,107.9	67,113.0
Less : Revaluation Reserves	170.5	169.4	168.3	0.0
Less : Accumulated Depreciation	19,700.3	21,904.3	24,120.6	26,038.3
Net Block	25,627.0	24,674.3	23,819.0	41,074.7
Capital Work in Progress	2,282.9	12,873.8	19,987.4	11,136.5
Investments	465.4	584.3	683.6	713.5
Current Assets	16,731.1	20,379.1	20,190.1	22,031.6
Less : Current Liabilities	13,738.7	17,244.8	15,224.4	16,761.3
Total Net Current Assets	2,992.4	3,134.3	4,965.7	5,270.3
Misc. Expenses not written	1,040.5	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	7.0	34.4	10.8	10.8
Mkt Val. Quoted Investments	505.5	1,476.5	1,038.0	837.3
Contingent Liabilities	15,043.3	10,681.8	20,914.0	19,069.2
Dividend (%)	45	55	55	55

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 11	Mar 12	Jun 12	Sep 12
Net Sales	13,015.10	12,962.90	13,886.80	14,308.80
Cost Of Sales	11,466.80	11,913.60	12,262.60	12,934.90
Operating Profit	1,548.30	1,049.30	1,624.20	1,373.90
Recurring Income	32.30	157.90	60.70	86.40
Adjusted PBDIT	1,580.60	1,207.20	1,684.90	1,460.30
Financial Expenses	393.90	660.60	807.20	837.60
Depreciation	608.20	771.80	853.60	939.30
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	578.50	(225.20)	24.10	(316.60)
Tax Charges	35.70	13.70	0.00	(60.00)
Adjusted PAT	542.80	(238.90)	24.10	(256.60)
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	542.80	(238.90)	24.10	(256.60)

52 Week Index Relative Percentage Appreciation



Century vs SENSEX

Risks Associated

The Textile Industry is majorly affected by non-availability of skilled manpower & with high labour costs. The continued weakness and fiscal tightening in developed markets is a matter of concern. Further, competition from low cost manufacturing countries has increased. Textiles being directly related to the production of natural fibers viz. cotton, inherent risks related to rain and climate also pose a major part. In Viscose fiber Yarn segment the costs of Raw Material are mounting and the Government is not showing any mercy to local manufacturers by putting up any dumping duty to cheap imports from China. The cement industry has witnessed a massive capacity addition of over 100 million tpa in the past 3-4 years with no corresponding increase in the demand, putting pressure on the prices. Also securing energy resources, primarily coal, remains critical in view of poor availability and quality and substantial cost. The availability of coal against linkage is about 50-60% necessitating procurement of coal from the open market at substantially higher prices. Adoption of a gross calorific value based pricing model by Coal India Ltd has resulted in a substantial increase in cost. The paper supply requires a plentiful supply of wood at reasonable prices. The prevailing situation is just the opposite and it seems to be getting worse. Raw materials are in deficit due to shrinking forests and stringent norms imposed by the authorities to curb pollution and to save the environment are challenges with which the paper industry must cope. At the same time, rising input costs have put pressure on the margins. Availability of alternate raw material like waste paper and pulp is also not very good. This does not auger well for the paper industry. The output from several new manufacturing facilities has further increased finished product supply, flooding the market and it will take some time for demand to catch up with these additional quantities.

Century

In a Nutshell

Set up in 1897 Century is a BK Birla Flagship company which was initially in textiles and later expanded and diversified into many segments. Currently Century is into Textiles (catering to Cotton fabrics and Denim cloth), Rayon (catering to Viscose Filament Yarn (VFY) [Pot Spun Yarn (PSY) & Continuous Spun Yarn (CSY)] and Rayon Tyre Yarn), Cement, Pulp and Paper. Recently it is entering into one more segment of business as a land developer. The country's domestic market offers much potential for growth and numerous business opportunities as demand for textile products is expected to keep step with increased purchasing power augering well for the Industry. Experts are of the opinion that the era of domination of the world's textile and apparel market by goods originating in China has reached its zenith and that the base is gradually shifting to India and Pakistan. The company with its brand Birla Century is well poised to therefore explore markets both domestic and international. Century is also very positive on its cement business and is a market leader in Central India, to take benefit of this further it has planned expansion of its capacities by nearly 50% and has highly invested in its state of the art plants to ensure they remain low cost to get a cost advantage over others. Further Century is one of the largest paper producers in the country and with the commissioning of the packaging board machine, it has become the only paper company to offer writing and printing grades, copier, speciality grades, tissue and packaging boards manufactured from varied mix of the raw materials at a single location. Last but not the least the landbank which Century plans to encash will steal away all its other segmental growth stories in years to come.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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