

**Century Textiles & Ind. Ltd. ₹ 314****Acres of Prime Land****Accumulate**

Feb 21, 2014

**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, Tyrecord & 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 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.
- ➔ The financial performance of its textile unit 'Birla Century' has improved along with its capacity utilization. The sales also have improved by about 65% as compared to last year. The company is now concentrating on high priced premium branded goods, which are in demand in high-end markets.
- ➔ Pakistan Government has allowed imports of VFY from India, and the company has already exported a few consignments. Consumption in Pakistan is expected to go up which would provide a growth opportunity.
- ➔ The Government has put in emphasis on infrastructure and more road and coinstruction projects are expected in Madhya Pradesh, Maharashtra, Rajasthan, Gujarat and Uttar Pradesh in the next six months. It will benefit the cement division as the company enjoys a good market share in these areas, thus getting priority over others.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	48,275.0	49,614.9	60,535.4
Rev. growth (%)	3.70	2.78	22.01
EBITDA (INR mn)	7,490.3	4,848.4	6,546.9
Net profit (INR mn)	2,374.9	221.3	(344.9)
Shares outstanding (mn)	93.1	93.1	93.1
EPS (INR)	25.5	2.4	(3.7)
EPS growth (%)	(30.04)	(90.68)	(255.85)
P/E (x)	13.7	155.0	(77.6)
RONW (%)	10.2	(0.5)	(4.1)
ROCE (%)	4.2	(0.2)	(1.2)

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**Previous Reports**

Recommended BUY at Rs. 398 on Jan 25, 2013 reached a peak of Rs 411 in 365 days.

**Info Codes**

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

**Market Data**

52 Wk Range (₹)	: 195 / 378
Shares in Issue (mn)	: 93.1
Mkt. Cap (₹ bn)	: 29.39
BSE 2 Wk Avg Vol	: 150000

**Share Holding Pattern (%)**

Promoters	: 40.38
DII's	: 13.88
FII's	: 9.98
Others	: 35.76

**Investment Theme**

Century is well diversified company with interests in Textile, Paper and Cement & has an added advantage of land in prime Mumbai. The company is currently busy making preparations for creating its leaseable landbank which can be valued at INR 30 bn. The project is facing procedural delays in getting various permissions and approvals. While the company plans to develop the whole chunk of land it has started the initial construction work of an office building next to Century Bhavan, the Registered Office of the Company, & 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.

**Re-Leasing Growth**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	52236.2	54127.6	3.62	65868.2	21.69
Other Income	600.7	466.9	(22.27)	569.5	21.97
Change in Stocks	380.6	450.0	18.23	599.1	33.13
Raw Material Con.	15823.2	15412.3	(2.60)	19704.7	27.85
Employee Exp.	3721.9	4366.5	17.32	5074.4	16.21
Indirect Taxes	4635.9	5050.0	8.93	5974.0	18.30
Other Exp.	21714.9	25624.5	18.00	29980.7	17.00
Operating Exp.	45515.3	50003.3	9.86	60134.7	20.26
Operating Profit	6720.9	4124.3	(38.63)	5733.5	39.02
Total Interest	1598.6	2020.2	26.37	3435.8	70.07
Gross Profit	5723.0	2571.0	(55.08)	2867.2	11.52
Net Dep.	2312.1	2361.7	2.15	3410.3	44.40
Total Taxation	1036.0	(12.0)	(101.16)	(198.2)	1551.67
Net Profit/Loss	2374.9	221.3	(90.68)	(344.9)	(255.85)

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 10	Mar 11	Mar 12	Mar 13
<b>SOURCES OF FUNDS</b>	<b>41,266.7</b>	<b>49,455.7</b>	<b>58,195.0</b>	<b>66,552.0</b>
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	16,652.2	18,432.3	18,058.8	17,119.1
Long Term Loans	13,730.8	16,786.7	25,270.3	36,977.1
Short Term Loans	9,953.3	13,306.3	13,935.5	11,525.4
<b>USES OF FUNDS</b>	<b>41,266.7</b>	<b>49,455.7</b>	<b>58,195.0</b>	<b>66,552.0</b>
Gross Block	46,748.0	48,107.9	67,113.0	71,808.1
Less : Revaluation Reserves	169.4	168.3	0.0	0.0
Less : Accumulated Depreciation	21,904.3	24,120.6	26,038.3	29,484.2
Net Block	24,674.3	23,819.0	41,074.7	42,323.9
Capital Work in Progress	12,873.8	19,987.4	11,136.5	17,112.4
Investments	584.3	683.6	713.5	737.8
Current Assets	20,379.1	20,190.1	27,724.3	30,871.6
Less : Current Liabilities	17,244.8	15,224.4	22,454.0	24,493.7
Total Net Current Assets	3,134.3	4,965.7	5,270.3	6,377.9
Misc. Expenses not written	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	34.4	10.8	10.8	10.8
Mkt Val. Quoted Investments	1,476.5	1,038.0	837.3	748.6
Contingent Liabilities	10,681.8	20,869.1	19,069.2	19,904.6
Dividend (%)	55	55	55	55

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 13	Jun 13	Sep 13	Dec 13
Net Sales	16,098.00	15,908.30	15,866.90	16,393.30
Cost Of Sales	14,469.00	13,737.70	14,381.10	14,712.80
Operating Profit	1,629.00	2,170.60	1,485.80	1,680.50
Recurring Income	45.60	47.60	89.80	66.30
Adjusted PBDIT	1,674.60	2,218.20	1,575.60	1,746.80
Financial Expenses	728.90	875.00	911.30	904.70
Depreciation	893.40	896.70	892.90	868.80
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	52.30	446.50	(228.60)	(26.70)
Tax Charges	41.80	70.00	87.50	(42.50)
Adjusted PAT	10.50	376.50	(316.10)	15.80
Non Recurring Items	169.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	179.50	376.50	(316.10)	15.80

## 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 on cheap imports from China. The cement industry has witnessed a massive capacity addition of over 100 mtpa in the past 3-4 years with no corresponding increase in the demand, putting pressure on the prices. Also securing coal, remains critical in view of poor availability, quality & substantial cost. The availability of coal against linkage is about 50-60% necessitating procurement of coal from the open market at substantially higher prices. 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

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

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