

CENTURY TEXTILES & INDUSTRIES LTD
Result Update (PARENT BASIS): Q3 FY19

CMP: 893.15

MAR 25th, 2019

Overweight

ISIN:
INE055A01016

Index Details

Stock Data

Sector	Cement & Cement Products
BSE Code	500040
Face Value	10.00
52wk. High / Low (Rs.)	1274.00/707.00
Volume (2wk. Avg.)	37000
Market Cap (Rs. in mn.)	99755.92

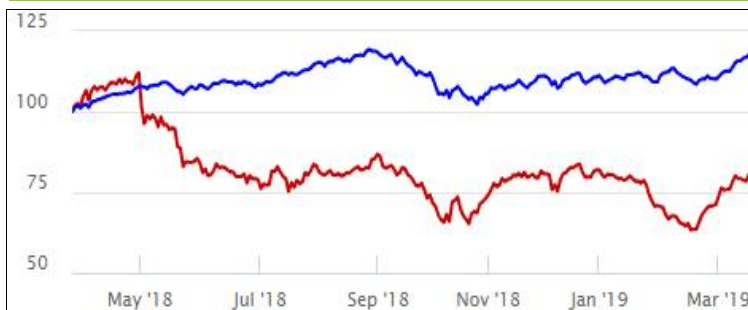
Annual Estimated Results(A*: Actual / E*: Estimated)

Years(Rs in mn)	FY18A	FY19E	FY20E
Net Sales	83850.10	63505.20	73666.03
EBITDA	14045.50	13140.72	15372.21
Net Profit	4084.60	6303.75	7073.62
EPS	36.57	56.44	63.33
P/E	24.42	15.82	14.10

Shareholding Pattern (%)

	As on Dec 2018	As on Sep 2018
Promoter	50.21	50.21
Public	49.79	49.79
Others	--	--

1 Year Comparative Graph



CENTURY TEXTILES & INDUSTRIES LTD S&P BSE SENSEX

SYNOPSIS

- Century Textiles and Industries Limited is engaged in the business of textiles, rayon, cement, and pulp and paper.
- Revenue for the quarter registered at Rs. 9511.10 mn from Rs. 10252.20 mn, when compared with the prior year period.
- During Q3 FY19, EBIDTA is Rs. 2094.20 mn as against Rs. 1809.70 mn in the corresponding period of the previous year, up by 15.72%.
- During Q3 FY19, Profit before tax increased by 70.39% to Rs. 1368.60 mn from Rs. 803.20 mn in Q3 FY18.
- During Q3 FY19, net profit stood at Rs. 1342.70 mn as compared to Rs. 899.40 mn in the corresponding quarter ending of previous year, an increase of 49.29%.
- EPS of the company stood at Rs. 12.02 a share during the quarter, as against Rs. 8.05 per share over previous year period.
- For the 9M FY19, PAT of the company rose by 75.39% at Rs. 5129.10 mn as compared to Rs. 2924.40 mn in the 9M FY18.
- The Revenue for 9M FY19 stood at Rs. 52282.10 mn as against Rs. 51248.90 mn in 9M FY18, up by 2.02%.
- Operating Profit of the company is expected to grow at a CAGR of 21% over 2017 to 2020E.

PEER GROUPS	CMP	MARKET CAP	EPS(TTM)	P/E (X)(TTM)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Century Textiles & Industries Ltd.	893.15	99755.92	55.65	16.05	3.63	65.00
Mangalam Cement Ltd.	275.50	7424.90	--	--	1.44	5.00
J.K.Cement Ltd.	835.00	64519.00	35.12	23.78	2.99	100.00
India Cements Ltd	96.75	29982.60	1.96	49.36	0.58	8.00

QUARTERLY HIGHLIGHTS (PARENT BASIS)

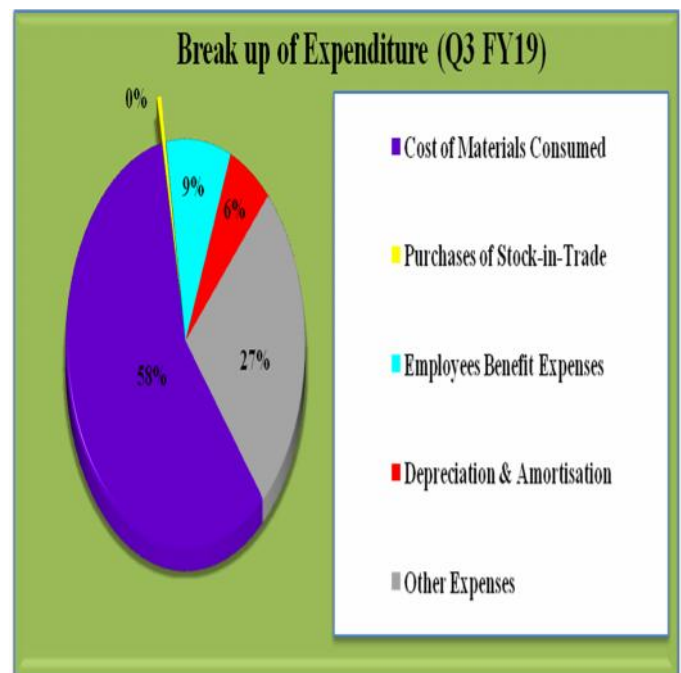
Results updates- Q3 FY19,

(Rs in million)	Dec-18	Dec-17	% Change
Revenue	9511.10	10252.20	(7.23%)
Net Profit	1342.70	899.40	49.29%
EPS	12.02	8.05	49.29%
EBIDTA	2094.20	1809.70	15.72%

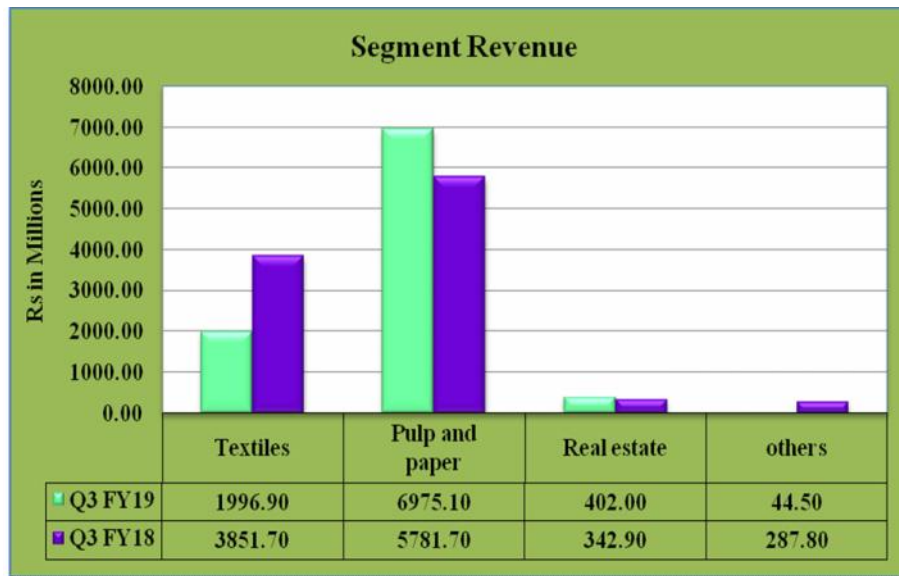
Revenue for the 3rd quarter stood at Rs. 9511.10 million from Rs. 10252.20 million, when compared with the prior year period. EBIDTA is Rs. 2094.20 million as against Rs. 1809.70 million in the corresponding period of the previous year, an increase of 15.72%. The company's net profit grew up 49.29% at Rs.1342.70 million as compared to Rs. 899.40 million in the corresponding quarter ending of previous year. Reported earnings per share of the company stood at Rs. 12.02 during the quarter as against Rs. 8.05 in the corresponding period of the previous year.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q3 FY19	Q3 FY18	% Change
Cost of Materials Consumed	4579.80	5380.40	-15%
Purchases of Stock-in-Trade	44.80	17.20	160%
Employees Benefit Expenses	699.40	1090.40	-36%
Depreciation & Amortisation	477.40	498.80	-4%
Other Expenses	2105.70	2850.00	-26%



Segment Revenue:



COMPANY PROFILE

Century Textiles and Industries Limited was incorporated in 1897 and is based in Mumbai, India. The company manufactures and sells cement, textiles, and pulp and paper products in India. It operates through Cement, Textiles, Pulp and Paper, Real Estate, and Others segments. The company offers produces and sells Portland Pozzolana cement, Portland slag cement, clinker, and ordinary Portland cement under the Birla Gold brand name. It also produces manufactures and sells shirting, suiting, fancy and finer varieties, and bed linen; denim in indigo blue/dark shades in flat and emerized finishes; and cotton combed yarns, viscose filament yarns, continuous spun yarns, rayon tyre yarns, industrial yarns, caustic soda, sulphuric acid, carbon-disulphide, liquid chlorine, hydrochloric acid, and compressed hydrogen, as well as retails home fashion, including a range of bed and bath accessories. In addition, the company provides writing and printing papers, tissue papers, and multilayer packaging boards, as well as raw materials for viscose filament yarns, staple fibers, and paper grade pulp products. Further, it is involved in the leasing of residential, commercial, and retail spaces; chemicals business; and undertaking salt works. The company also exports its products.

FINANCIAL HIGHLIGHT (PARENT BASIS)

(A* - Actual, E* -Estimations & Rs. In Millions)

Balance Sheet as of March 31, 2017 -2020E

	FY17A	FY18A	FY19E	FY20E
ASSETS				
1) Non-Current Assets				
a) Property, plant and equipment	62021.70	61153.90	62988.52	66137.94
b) Capital Work in Progress	341.90	342.70	359.84	370.63
c) Investment property	9803.70	9595.50	9307.64	9121.48
d) Investment property under development	1241.10	1765.40	2224.40	2624.80
e) Intangible assets	27.50	40.60	50.75	59.89
f) Intangible assets under development	1.00	7.50	9.38	11.06
g) Financial Assets				
i) Investments	2583.10	2234.10	2055.37	1952.60
ii) Other financial assets	2932.50	2563.40	2358.33	2240.41
h) Advanced tax assets	648.70	987.10	1233.88	1418.96
i) Other non -current assets	1217.70	1038.50	934.65	859.88
Sub - Total Non- Current Assets	80818.90	79728.70	81522.74	84797.65
2) Current Assets				
a) Inventories	12645.00	11785.50	11314.08	10974.66
b) Financial Assets				
i) Investments	0.00	0.00	0.00	0.00
ii) Trade receivables	5029.60	4214.70	3877.52	3683.65
iii) Cash and bank equivalents	392.40	1893.10	2423.17	3028.96
iv) Bank balances	499.70	603.90	712.60	819.49
v) Other financial assets	1602.60	2058.20	2264.02	2445.14
c) Other current assets	2444.30	3029.20	3574.46	3860.41
Sub - Total Current Assets	22613.60	23584.60	24165.85	24812.31
Total Assets (1+2)	103432.50	103313.30	105688.59	109609.96
EQUITY AND LIABILITIES				
1) EQUITY				
a) Equity Share Capital	1116.90	1116.90	1116.90	1116.90
b) Other Equity	23701.70	26362.00	32665.75	39739.37
Total Equity	24818.60	27478.90	33782.65	40856.27
2) Non Current Liabilities				
a) Financial Liabilities				
i) Borrowings	31259.50	23924.20	22010.26	19282.11
ii) Other financial liabilities	445.60	975.20	1248.26	1560.32
b) Provisions	0.00	67.30	72.68	76.32
c) Deferred tax liabilities (Net)	807.10	2173.20	2738.23	3231.11
d) Other non -current liabilities	1561.10	8135.80	7322.22	6956.11
Sub - Total Non Current Liabilities	34073.30	35275.70	33391.66	31105.97
3) Current Liabilities				
a) Financial Liabilities				
i) Borrowings	15940.10	14625.70	13906.51	13489.31
ii) Trade payables	7058.20	6818.00	6613.46	6348.92
iii) Other financial liabilities	14908.80	11820.90	10047.77	9243.94
b) Provisions	4458.20	4182.40	4056.93	3975.79
c) Current tax liabilities	2175.30	3111.70	3889.63	4589.76
Sub - Total Current Liabilities	44540.60	40558.70	38514.29	37647.73
Total Equity and Liabilities (1+2+3)	103432.50	103313.30	105688.59	109609.96

Annual Profit & Loss Statement for the period of 2017 to 2020E

Value(Rs.in.mn)	FY17A	FY18A	FY19E	FY20E
Description	12m	12m	12m	12m
Net Sales	83988.60	83850.10	63505.20	73666.03
Other Income	743.80	834.70	563.20	675.84
Total Income	84732.40	84684.80	64068.40	74341.87
Expenditure	-74685.50	-70639.30	-50927.67	-58969.66
Operating Profit	10046.90	14045.50	13140.72	15372.21
Interest	-5507.50	-4516.90	-2263.37	-1923.87
Gross profit	4539.40	9528.60	10877.35	13448.34
Depreciation	-3133.40	-3137.50	-2652.20	-2811.33
Profit Before Tax	1406.00	6391.10	8225.15	10637.02
Tax	-167.10	-2306.50	-2749.40	-3563.40
Profit After Tax	1238.90	4084.60	5475.75	7073.62
Net profit for the period from discontinued operations	0.00	0.00	828.00	0.00
Net Profit	1238.90	4084.60	6303.75	7073.62
Equity capital	1116.90	1116.90	1116.90	1116.90
Reserves	23701.70	26362.00	32665.75	39739.37
Face value	10.00	10.00	10.00	10.00
EPS	11.09	36.57	56.44	63.33

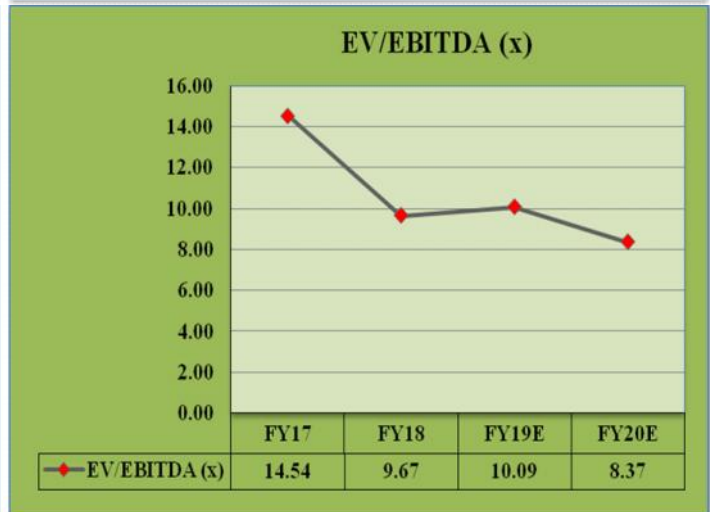
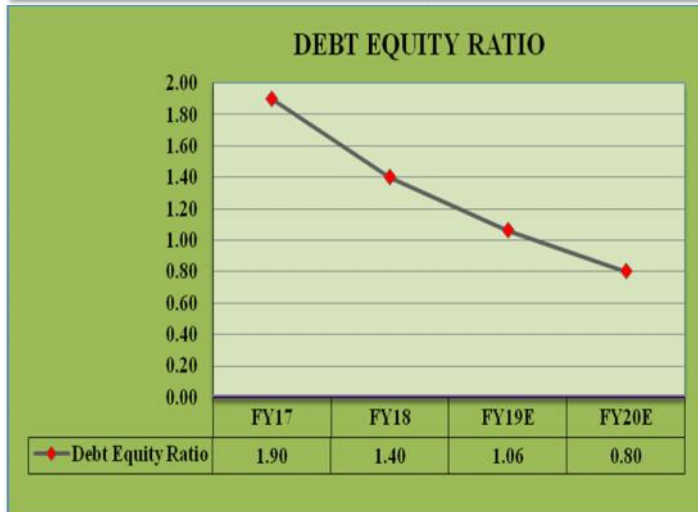
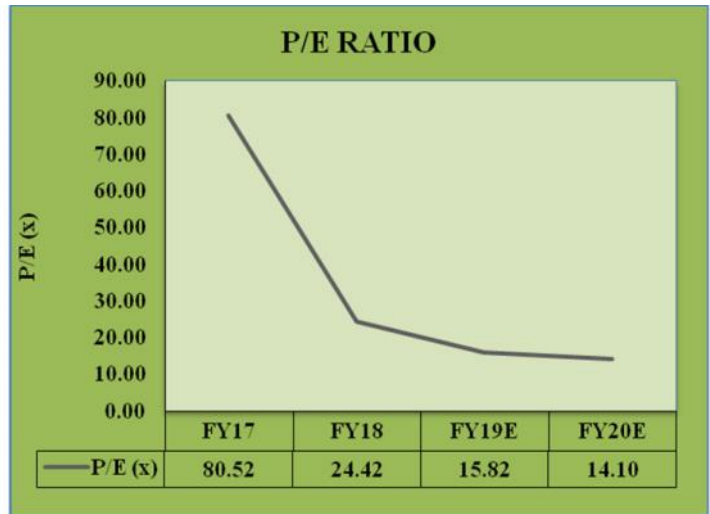
Quarterly Profit & Loss Statement for the period of 30th June, 18 to 31st Mar, 2019E

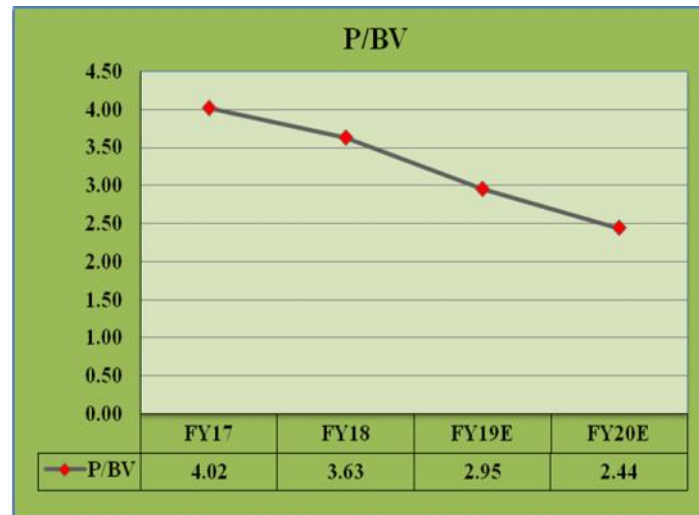
Value(Rs.in.mn)	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19E
Description	3m	3m	3m	3m
Net sales	21882.10	20888.90	9511.10	11223.10
Other income	211.70	218.30	61.10	72.10
Total Income	22093.80	21107.20	9572.20	11295.20
Expenditure	-17541.00	-17116.50	-7478.00	-8792.17
Operating profit	4552.80	3990.70	2094.20	2503.02
Interest	-999.20	-777.70	-248.20	-238.27
Gross profit	3553.60	3213.00	1846.00	2264.75
Depreciation	-778.30	-900.00	-477.40	-496.50
Profit Before Tax	2775.30	2313.00	1368.60	1768.25
Tax	-960.00	-712.00	-483.80	-593.60
Profit after Tax	1815.30	1601.00	884.80	1174.65
Profit/Loss from Discontinued Operations	0.00	370.10	457.90	0.00
Net Profit	1815.30	1971.10	1342.70	1174.65
Equity capital	1116.90	1116.90	1116.90	1116.90
Face value	10.00	10.00	10.00	10.00
EPS	16.25	17.65	12.02	10.52

Ratio Analysis

Particulars	FY17A	FY18A	FY19E	FY20E
EPS (Rs.)	11.09	36.57	56.44	63.33
EBITDA Margin (%)	11.96%	16.75%	20.69%	20.87%
PBT Margin (%)	1.67%	7.62%	12.95%	14.44%
PAT Margin (%)	1.48%	4.87%	8.62%	9.60%
P/E Ratio (x)	80.52	24.42	15.82	14.10
ROE (%)	4.99%	14.86%	16.21%	17.31%
ROCE (%)	18.30%	26.02%	22.66%	24.70%
Debt Equity Ratio	1.90	1.40	1.06	0.80
EV/EBITDA (x)	14.54	9.67	10.09	8.37
Book Value (Rs.)	222.21	246.03	302.47	365.80
P/BV	4.02	3.63	2.95	2.44

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 893.15**, the stock P/E ratio is at 15.82 x FY19E and 14.10 x FY20E respectively.
- Earning per share (EPS) of the company for the earnings for FY18E and FY19E is seen at Rs. 56.44 and Rs. 63.33 respectively.
- Operating Profit of the company is expected to grow at a CAGR of 21% over 2017 to 2020E.
- On the basis of EV/EBITDA, the stock trades at 10.09 x for FY19E and 8.37 x for FY20E.
- Price to Book Value of the stock is expected to be at 2.95 x and 2.44 x for FY19E and FY20E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium to Long term investment.

INDUSTRY OVERVIEW

Textiles:

Textile industry is facing tough times due to the adverse market scenario in domestic and export markets. India is the second largest exporter after China of textiles and apparel products having 6% share in the global trade. However, the market pickup to improve export performance is still to happen. The company focus remains on value added products and new product development to cater to the niche segment of the market.

Opportunities:

Positive steps taken by the Central Government for the textile industry, from allocation of funds to giving extra rebate to exporters (mainly on made-ups) and various other benefits, are expected to improve investment in this sector and provide more business opportunities in the near future. With increasing capacities of man-made fibres as compared to cotton, the preferred shift of the consumer to use products of man-made fibres i.e. viscose, polyester, polyamide, acrylic, etc. and its

blends, is expected. Presently in India, the consumption of textile products is 65% made of cotton and 35% made of man-made fibres as against the reverse trend overseas.

Outlook:

The present consumption of global man-made fibre product is 65% of the textile trade as against 35% in India. The trend in India is also shifting towards use of man-made fibre products. In order to satisfy the taste of customers in future, The Company has developed innovative products with man-made fibre and its blends. The company is also initiating the launch of own brand for home textile products in USA in time to come.

Century Rayon – Viscose Filament Yarn:

The year under review witnessed increased consumption of VFY (PSY&CSY) in China, as well as in India in meterage terms, which also happen to be dominant production centers for these yarns. The spurt in demand, coupled with increased consumption in Pakistan, has led to more than 90% capacity utilization by Chinese producers for the first time in many years. It also helped Indian producers, not only to maintain low inventory, but also to undertake efforts of debottlenecking, and increasing production, to some extent. Due to stringent environmental control norms in China and the new pollution control norms in India, new entrants are not likely to come up in the field of VFY production, which will help existing units to perform well in this segment. Encouraged by the penetration of products introduced by the unit into the value added segment, as well as new product development, the unit has applied for increasing its capacity from the existing 25000 TPA to 30000 TPA to the Ministry of Environment and Forests & Climate Change which has already been cleared. The application for consent to operate, is being filed with the Maharashtra Pollution Control Board. The Indian Rupee continues to gain strength against the US Dollar thus making exports less competitive, as well as import from China, looking more attractive.

Opportunities

In the recently concluded Paris Fashion show, VFY emerged as the preferred choice in fashion fibre, thus reaffirming that in the long run, the company products would continue to find favour with leading fashion designers. Sensing this opportunity, the unit has drawn up plans to introduce a new product i.e. Air Texturising Yarn and would perhaps be the first unit in the organized sector to offer this product in the market. Opportunities are being explored to introduce blended fabrics of VFY with Cotton and Nylon, and a team of dedicated experts has been formed to identify avenues in this regard. Substitution of Polyester and Nylon in the Rayon filament market is witnessing a decline

Outlook:

Doubled and Twisted yarn, introduced by the unit last year, has been well accepted in the market. The unit has established its lead in the super fine denier segment of CSY in the market. With benefits of cost optimization likely to be realised in power and labour coupled with expansion / modernization is expected to remain positive.

Cement:

The Indian Cement Industry has a capacity of more than 425 million tonnes and is the second largest cement industry in the world. Cement industry has made rapid progress in the last one decade, not only in the number of plants and the total installed capacity, but now it also has the distinction of being one of the most cost competitive, efficient cement industry in the world. Cement production in India is expected to be about 279.81 million tonnes as compared to 283.46 million tonnes in FY 2015-16 witnessing a de-growth of about 1.29%. Sentiments related to growth were positive with the agrarian and rural economy benefitting from a good monsoon after two successive rain-deficient years but after the government withdrew high denomination notes in November 2016, there was de-growth in cement production. Cement industry is facing lower capacity utilization. The gap between demand and supply is likely to shrink when major infrastructure projects come into play. The liquidity in the economy is moving towards normalization. With expectations for revival and growth in overall consumption across several sectors including construction and building materials, the outlook for FY 2017-18 appears to be positive.

Opportunities:

The Government's strong focus on infrastructure development such as roads, highways, coastal connectivity roads, irrigation, affordable housing, metro rail projects, etc. will give a much needed fillip for cement demand in the coming years.

Outlook:

In India, the per capita cement consumption is about 218 kg which is far less than the world's average of about 536 kg. The potential for higher consumption of cement is thus very large, as India's per capita consumption grows closer to the world average. The prospects of the country's cement industry are linked to the economic growth. India is moving on to higher growth trajectory and to that extent, the cement sector is poised for a pickup in growth.

Pulp and Paper:

The paper industry, being in the commodity sector, is strongly co-related with the domestic and global economic factors. The balance between demand and supply at the domestic level is determined by the economic scenario in the developing and developed countries. Based on the recent shut down of some domestic capacities and expected growth in the country's GDP, it is likely that the domestic paper industry will grow at a reasonable pace along with the economy, from a medium to long-term perspective

Opportunities:

Large part of country's young population, having higher quantum of disposable income, generate a demand for better quality products and services. These symptoms are also strongly visible, with increased growth in value added paper products in the domestic market. Education being the primary focus by the Central and State Governments, and the impetus in the country's economy, especially after demonetization, should provide an opportunity for the paper industry

to grow. With the Rupee getting stronger against the Dollar, the possibility of paper and paper products being imported mainly from the neighboring countries would remain a threat for the Indian paper industry

Outlook:

Further strengthening of the Rupee against the Dollar can create an opportunity for import, which may result in pricing pressure for a short term outlook. But, the medium to long-term outlook of the Indian paper industry appears to be strong, and will grow in line with the country's GDP and economy.

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