

Century Textiles Limited**Rs. 500****Realty Boom to Set In****BUY**

Century Textiles (Century) is a flagship company of the B.K. Birla group and has presence in Cement, Textile, Paper & Pulp and Real Estate. Century cement capacity is at 7.8 MTPA and expected to reach 12.5 MTPA by Q4FY12 and Century is developing its Mumbai land, which would be given on lease after development is complete.

Investment Rationale:

Land development @ Worli: Century Textile has a 40 acre land at Worli of which 10 acres land is in a legal dispute. Century is developing a 11 lakh sq ft commercial property which is expected to be completed in another 12-15 months. The proposed property is the be given on lease and the lease rent that is presently going in that area is ~Rs.150/sq ft per month and at 100% occupancy this would translate into Rs. 198 cr of revenue for Century, of which most of them would get translated into the bottom-line also.

Cement capacity coming up in Strong Markets:

Century's present cement capacity is 7.8 MTPA with presence in markets of Central, Eastern and Western India, where the demand for cement is strong. Century is expanding its cement capacity by 4 MTPA. Century is setting up a 1.5 MTPA cement plant at West Bengal at a cost of Rs. 425 cr and 2.5 MTPA cement plant is being set up in Maharashtra along with a 40 MW of captive power capacity at a cost of Rs. 1600 cr. Both this cement plants are expected to be completed by Q4FY12. Post expansion Century's cement capacity will be 12.5 MTPA and 80% of the cement's plants power requirement will be met through Captive power plants.

Paper Business: Century has planned a Capex of Rs. 1660 cr in the paper business of which Rs.1200 cr has already been expensed and the rest will be expensed in this financial year and the plant is expected to start functioning by December 2010. Paper industry has recently started becoming profitable, due to the mismatch in the price of Paper Pulp between the domestic markets and the international markets. Domestic paper pulp is ~25% cheaper than international paper pulp.

Textile Business - A Drag: Century's textile business has been EBIT negative since last 2 years; however the company is trying out strategies like further cost cutting, developing new markets and at the same time maintaining the quality of its fabrics and trying to create a customer delight. Also the brand "Cotton by Century" is fast catching up. So we expect the textile business to turn in black going further.

Valuation & Views: Presence of Century's cement business in strong growth markets, wherein the price competition is not severe and their Worli land on the blocks for development makes Century Textiles an attractive bet. Century Textile over the years has traded in the P/E band of 14x – 34x its trailing earnings. We value Century textile at a P/E of 18x its FY10 EPS of Rs. 36.48 with a price target of Rs. 650

Key Financials**(Rs. Crore)**

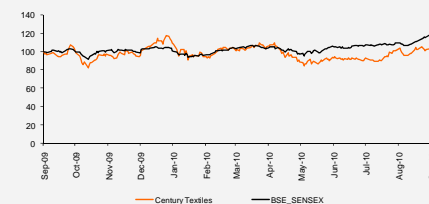
Particulars	FY08	FY09	FY10
Revenue	3850.64	4215.91	4833.22
EBIDTA	749.44	691.67	946.69
PAT	303.43	264.8	356.16
EPS	30.03	25.42	36.48
P/E	16.65	19.67	13.71
EV/EBIDTA	9.29	10.06	7.35
OPM (%)	19.5%	16.4%	19.6%
NPM (%)	7.9%	6.3%	7.4%

**Price Target (Rs.): Rs. 650**

Market Data	23 Sept, 2010
Shares outs (Rs)	9.30
Equity Cap (Rs Cr)	93.04
Mkt Cap (Rs Cr)	4643
52 Wk H/L (Rs)	601/403
Avg Vol (1yr avg)	2,02,966
Face Value (Rs)	10

Market Info:

SENSEX	19,861
NIFTY	5,959

Price Performance**Share Holding pattern (%)**

Particulars	30Jun	31Mar	Chg
Promoters	40.38	40.38	-
Institutions	16.34	16.77	-0.43
Foreign	7.81	7.44	0.37
Public/Others	35.47	35.41	-0.06
Total	100.0	100.0	

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