



# Century Textiles & Industries

 Relative to sector: **Outperformer**
**Jagdishwar Toppo**

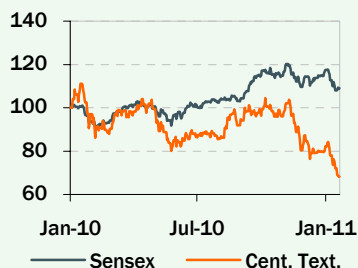
 Executive Director – Materials  
 Email: jagdishwar@enam.com  
 Tel: 9122 6754 7605

**Nitesh Jain**

 VP – Materials  
 Email: nitesh.jain@enam.com  
 Tel: 9122 6754 7626

**Sujan Sanisetty**

 Asst VP – Materials  
 Email: sujan.sanisetty@enam.com

**Relative Performance**


Source: Bloomberg, ENAM Research

**Stock data**

No. of shares	: 93 mn
Market cap	: Rs 33.5 bn
52 week high/low	: Rs 575/ Rs 352
Avg. daily vol. (6mth)	: 659,800 shares
Bloomberg code	: CENT IB
Reuters code	: CNTY.BO

**Shareholding (%)**

	Dec-10	QoQ chg
Promoters	: 40.4	0.0
FIs	: 8.9	0.2
MFs / UTI	: 9.1	(0.8)
Banks / FIs	: 7.5	0.2
Others	: 34.1	0.4

**Financial summary**

Y/E Mar	Sales (Rs mn)	Adj. PAT (Rs mn)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	D/E (x)	EV/EBITDA (x)	DPS (Rs.)
2009	37,598	3,022	32.5	(25)	-	21.6	16.1	1.2	-	5.3
2010	43,765	4,278	46.0	42	-	26.2	19.3	1.3	-	6.4
2011E	46,872	2,752	29.6	(36)	12.2	14.5	10.2	1.8	9.7	6.4
2012E	49,453	2,399	25.8	(13)	14.0	11.4	9.0	2.1	9.4	6.4

Source: Company, ENAM estimates

**CEMENT DRAGS, UPSIDE FROM REALTY BIZ IS INTACT**

Century Textiles & Industries (Century) reported Q3FY11 net revenue of Rs 11.6 bn, up 6% YoY. **EBITDA declined 38% YoY to Rs 1.1 bn primarily due to drop in cement realizations (-11% QoQ and -6% YoY).** Adjusted PAT fell 73% YoY to Rs 221 mn.

**Key highlights**

- **Cement biz:** Cement EBITDA/tonne was Rs 352 (vs. Rs 670 in 2QFY11 and Rs 850 in 3QFY10) primarily due to lower realizations. Avg. realization for 3QFY11 was Rs 2,882 (-6% YoY and -11% QoQ).
- **Textiles biz:** Textiles division reported a positive EBIT of Rs 109 mn (due to strong textile demand) after posting losses historically (EBIT losses of Rs 163 mn in 3QFY10 and Rs 11 mn in 2QFY11).

**Outlook:** Cement - After being subdued in 3Q, cement prices have increased by Rs 10-15 per bag, since beginning Jan '11. We expect the demand to pick up in Feb and Mar thus supporting the price recovery. In FY12, given the over supply situation in the cement industry (80% utilization), we expect EBITDA to remain at Rs 700- 780 per ton. **Profitability of the industry is expected to recover FY13 onwards, as utilization level improves to 85%.**

**Paper and Textile:** While commissioning of pulp capacities from Q1 FY12 onward would improve paper margin, ongoing strength in the textile demand would support margin improvement for the textile biz.

**Valuations**

We have revised our FY11 and FY12 EPS ests. downwards to Rs 29.6 (Rs 36) and Rs 25.8 (Rs 27.8) resp. to factor in lower margins in cement business. We believe **the development of 40 acres of prime land at Worli is the key trigger for the stock. We value the realty business at Rs 223/share and maintain our Buy rating with our SOTP based target price of Rs 505 (vs. Rs 555) (Refer page 3).**

## Results update

(Rs mn)	Quarter ended					12 months ended		
	Dec-10	Dec-09	% Chg	Sep-10	% Chg	Mar-11E	Mar-10	% Chg
<b>Net Sales</b>	<b>11,637</b>	<b>10,949</b>	<b>6.3</b>	<b>11,105</b>	<b>4.8</b>	<b>46,872</b>	<b>43,765</b>	<b>7.1</b>
<b>EBITDA</b>	<b>1,147</b>	<b>1,839</b>	<b>(37.6)</b>	<b>1,539</b>	<b>(25.5)</b>	<b>7,133</b>	<b>8,520</b>	<b>(16.3)</b>
Other income	37	31	20.0	63	(40.5)	698	947	(26.3)
<b>PBIDT</b>	<b>1,184</b>	<b>1,870</b>	<b>(36.7)</b>	<b>1,602</b>	<b>(26.1)</b>	<b>7,830</b>	<b>9,467</b>	<b>(17.3)</b>
Depreciation	588	582	0.9	585	0.4	2,835	2,345	20.9
Interest	299	206	45.3	298	0.6	1,173	1,005	16.7
<b>PBT</b>	<b>297</b>	<b>1,082</b>	<b>(72.5)</b>	<b>719</b>	<b>(58.7)</b>	<b>3,822</b>	<b>6,117</b>	<b>(37.5)</b>
Tax	76	263	(71.1)	245	(68.9)	1,070	1,839	(41.8)
<b>Adjusted PAT</b>	<b>221</b>	<b>818</b>	<b>(73.0)</b>	<b>474</b>	<b>(53.3)</b>	<b>2,752</b>	<b>4,278</b>	<b>(35.7)</b>
Extra ordinary income/ (exp.)	(8)	(222)	-	187	0.0	174	(882)	-
<b>Reported PAT</b>	<b>214</b>	<b>596</b>	<b>(64.2)</b>	<b>661</b>	<b>(67.7)</b>	<b>2,926</b>	<b>3,397</b>	<b>(13.9)</b>
No. of shares (mn)	93	93	-	93	-	93	93	-
EBITDA margin (%)	9.9	16.8	-	13.9	-	15.2	19.5	-
PBIDT margin (%)	10.2	17.1	-	14.4	-	16.7	21.6	-
<b>EPS - annualized (Rs.)</b>	<b>9.5</b>	<b>35.2</b>	<b>(73.0)</b>	<b>20.4</b>	<b>(53.3)</b>	<b>29.6</b>	<b>46.0</b>	<b>(35.7)</b>

Source: Company, ENAM Research

## Segment breakup

(Rs mn)	Dec-10	Dec-09	% Chg	Sep-10	% Chg
<b>Revenues</b>					
- Textiles	3,131	2,090	49.8	2,716	15.3
- Cement	5,821	6,512	(10.6)	5,928	(1.8)
- Pulp & Paper	2,625	2,137	22.8	2,464	6.5
- Others	190	183	3.5	226	(16.1)
<b>Total</b>	<b>11,767</b>	<b>10,922</b>	<b>7.7</b>	<b>11,334</b>	<b>3.8</b>
Less :- Intersegment	403	241	66.8	355	13.5
<b>Total Revenues</b>	<b>11,364</b>	<b>10,681</b>	<b>6.4</b>	<b>10,979</b>	<b>3.5</b>
<b>EBIT</b>					
- Textiles	109	(163)	(166.5)	(11)	(1,123.6)
- Cement	489	1,580	(69.1)	1,019	(52.1)
- Pulp & Paper	41	(121)	(133.8)	74	(44.2)
- Others	3	34	(90.1)	36	(90.8)
<b>Total</b>	<b>641</b>	<b>1,329</b>	<b>(51.7)</b>	<b>1,118</b>	<b>(42.6)</b>
<b>Capital Employed</b>					
- Textiles	12,651	12,589	0.5	12,520	1.1
- Cement	8,258	6,383	29.4	7,604	8.6
- Pulp & Paper	26,904	20,970	28.3	25,986	3.5
- Others	2,244	1,152	94.9	1,675	34.0
<b>Total</b>	<b>50,058</b>	<b>41,094</b>	<b>21.8</b>	<b>47,784</b>	<b>4.8</b>

Source: Company

**SOTP Valuation**

<b>Business segment</b>	<b>(Rs mn)</b>	<b>Comment</b>
Cement	31,302	6x FY12E EV/EBITDA
Textiles	3,859	4x FY12E EV/EBITDA
Paper & Pulp	7,943	4x FY12E EV/EBITDA
Real Estate	20,771	DCF
Others	766	4x FY12E EV/EBITDA
<b>Business value</b>	<b>64,640</b>	
Less: Net Debt	17,714	
<b>Equity value</b>	<b>46,927</b>	
Equity (mn shares)	93	
<b>Value per share (Rs.)</b>	<b>505</b>	

Source: Company, ENAM Research

This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Nothing in this document should be construed as investment or financial advice, and nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. The intent of this document is not in recommendatory nature

Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors

Enam Securities Private Limited has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval

Enam securities Private Limited, its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document

This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of ENAM Securities Private Limited. The views expressed are those of analyst and the Company may or may not subscribe to all the views expressed therein

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions

Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

**Copyright in this document vests exclusively with ENAM Securities Private Limited.**