

Century Textiles & Industries Ltd.

"Central & Eastern strong demand + Land bank"

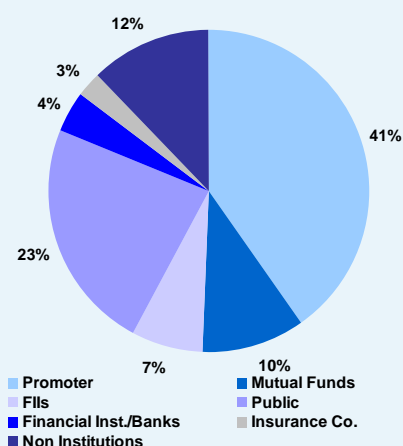
INITIATING COVERAGE

CMP	460
Target Price	599
Potential upside	30%

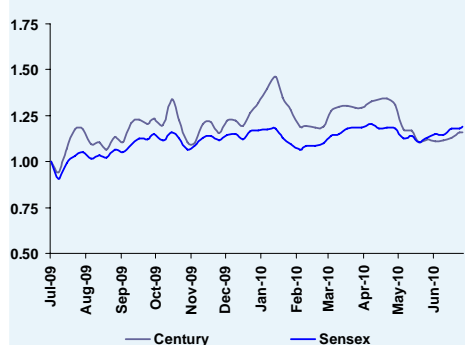
BUY

BSE	500040
NSE	CENTURYTEX
Reuters	CNTY.BO
Bloomberg	CENT IN
Industry	Diversified
Market Cap (Rs. Mn)	42798
Equity (Rs. Mn)	93.04
Face Value (Rs.)	10
52 Week H/L	595/343
Sensex	17937
Nifty	5383

Shareholding Pattern as on 31st March 2010



Sensex v/s Century Textile & Industries Ltd



Century Textiles & Industries Ltd (Century) is a diversified flagship company of the BK Birla group and has presence in Cement, Textile, Paper & Pulp and other chemicals. Currently it has an installed capacity of 7.8 mnT and holds a market share of 3% in the Indian Cement Industry and is the largest player in central region of India. The new textile unit at Bharuch and newly commissioned tissue paper division along with backward integration of paper division will likely break even and the Worli land would be the key value driver for the company.

New capacities to boost volume growth:

Century's capacity addition of 1.5 mnT at West Bengal with an investment of Rs 4.25 bn is likely to commission by end of FY12E. The second unit of Manikgarh Cement will add 2.5 mnT with 40 MW captive power plants and outlay of Rs 16 bn is expected to commission by end of FY12E. After commissioning of this unit, total capacity will be 12.5 mnT with 115 MW captive power plants will be sufficient to meet 80% of required power. Of the total expansion of 4.7 mnT, 2.7 mnT is coming in the state of Maharashtra. Thereby, increasing Century's total exposure in western region to 36.8% from 24.4% in FY10. We remain positive on western, central and eastern regions as the demand will grow by double digit and we expect the prices to improve post monsoon.

Paper the turnaround story; eyeing on premium segment:

The main growth of the paper industry is in quality paper, like duplex board, copier paper, tissue paper etc. Century had planned capex of Rs.16.60 bn out of which Rs.12 bn has been already completed and rest will be spent in current year. With the new segment - tissue paper and backward integration will increase the efficiency and help the company to turn break even in current year. The tissue paper segment has been well received in the market and will benefit to the company's earnings going forward.

Performance of textile segment should improve:

New textile mill "Birla Century", a Greenfield project at Bharuch, has already begun operations, which will contribute to the revenue of the company. We believe textile segment will perform well in the long term; the turnaround in the textile industry will help the company to perform well.

Outlook and valuations: We remain positive on cement sector but capacity addition and current monsoons will lead to pressure on pricing in the short term. We are bullish on the demand side and expect the industry to report 11-12% growth in FY11E, with the western, central and eastern regions likely to outperform. The turnaround in Paper and Textile businesses will maintain the margins despite fall in cement realizations. Apart from core business, the Worli land is a key value driver to the company. At CMP of Rs 460, stock trades at 12.1x and 11.6x of FY11E and FY12E earnings. **On SOTP valuations, we recommend "BUY" with a price target of Rs.599, leading to an upside of 30% from the current levels.**

(INR million)	Net Revenue	YoY (%)	EBITDA	YoY (%)	Adj PAT	YoY (%)	EPS (FD)	ROE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)	EV/Tonne (USD)
FY2011E	50,518.1	13.4%	9,019.7	5.9%	3,531.2	-0.9%	38.0	16.6%	26.8%	12.1	7.3	183
FY2012E	53,124.8	5.2%	9,536.4	5.7%	3,692.5	4.6%	39.7	14.8%	25.5%	11.6	7.0	187
FY2013E	56,612.4	6.6%	10,132.2	6.2%	3,797.1	2.8%	40.8	13.2%	24.2%	11.3	6.7	119
FY2014E	61,801.0	9.2%	10,916.4	7.7%	4,439.2	16.9%	47.7	13.4%	25.8%	9.6	5.6	107

Source: A.K.Stockmart Institutional Research

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Investment Case

Century Textiles & Industries Ltd is a diversified flagship company of the BK Birla group and has presence in Cement, Textile, Paper & Pulp and other chemicals. Currently it has an installed capacity of 7.8 mnT and holds a market share of 3% in the Indian Cement Industry. Having made an apparent presence across central region of the country, 49% of its dispatches are to central region, 27% to the eastern region and rest 24% to western region. However, Century's new capacities which are expected to commission by end of FY12E make's Century the largest player in central region of India. We expect Century to dispatch 7.72 mnT in FY11E and 8.19 mnT in FY12E. Further, its upcoming 40 MW captive power plant will enable the company to maintain its margins to a certain extent in spite of decline in prices. The new textile unit at Bharuch, back ward integration of paper division and newly commissioned tissue paper division will likely enhance the earnings of the company.

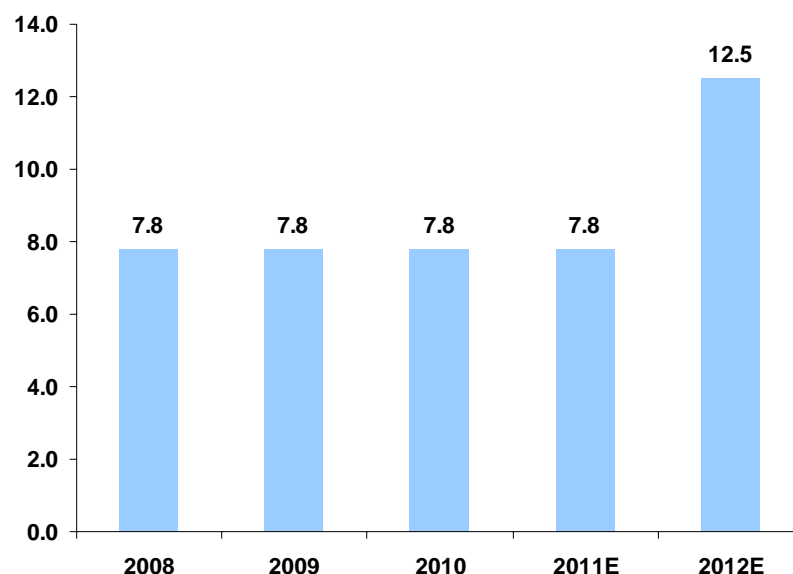
Our view on Century based on the following arguments:

New capacities likely to outperform volume growth

- Century's capacity addition of 1.5 mnT at West Bengal with an investment of Rs 4.25 bn is likely to get commissioned by end of FY12E. This year we expect Century will not outperform in dispatches compared to industry growth i.e. mainly because of constraints to its capacity.
- The second unit of Manikgarh Cement has been re planned to expand, which was deferred earlier due to global slowdown in economy. Century has planned to add 2.5 mnT with 40 MW captive power plants with an outlay of Rs 16 bn, which is expected to commission by end of FY12E. After commissioning, this unit's total capacity will be 12.5 mnT and 115 MW captive power plants, which will be sufficient to meet 80% of required power.
- Of the total expansion of 4.7 mnT, 2.7 mnT is coming in the state of Maharashtra, thereby increasing Century's total exposure in the western region to 36.8% from 24.4% in FY10. The installed capacity in the western region expands to 4.6 mnT from current 1.9 mnT. We remain positive on western, central and eastern regions, as we expect the demand to grow by double digits and expect the prices to improve post monsoon.

Yearly capacity addition

Capacity in mnT



Source: Company, A.K.Stockmart Institutional Research

Century region wise capacity with share:

Region	Industry capacity	Century capacity	Century market Share
East	36.0	2.1	5.8%
Central	32.0	3.8	11.9%
West	38.0	1.9	5.0%
Total	106.0	7.8	7.4%

Region wise revenue	FY11E	FY12E
East	2.10	3.85
% of total revenues	26.9%	30.8%
Central	3.80	4.05
% of total revenues	48.7%	32.4%
West	1.90	4.60
% of total revenues	24.4%	36.8%
Total	7.80	12.50

Source: Company, A.K.Stockmart Institutional Research

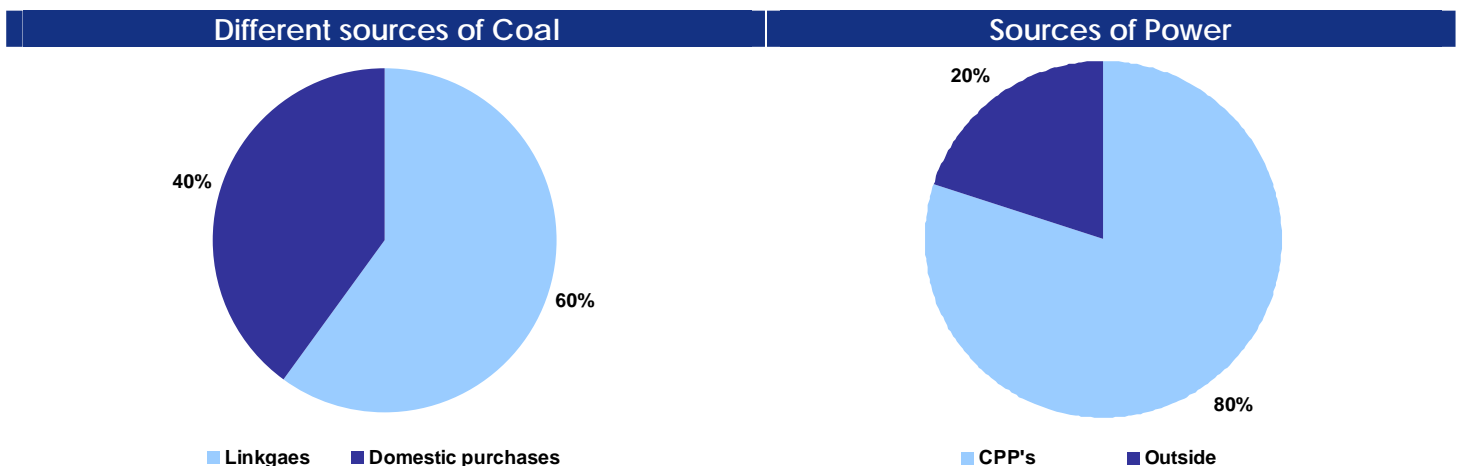
Upcoming Captive Power Plants to cut in Power and Fuel cost

- Century fulfills its power requirement through its own generation and through grid. Currently it has 75 MW captive power plants and another 40 MW is on track and is expected to commission by end of FY12E.
- Century's new CPP aggregating to 40 MW is to be commissioned by end of FY12E, parallel to its capacity addition, taking total CPP to 115 MW. Century will be able to supply ~80% of total requirement of Power. It will help Century to maintain EBIDTA margins to certain extent despite increase in coal costs.
- The average cost of power generation through CPP is ~Rs.2.5 per unit as compared to Rs.4.5 per unit if purchased through power grid and ~Rs.10-12 per unit through diesel and others.
- Currently, Century has 60% linkages for coal and rest 40% met through domestic purchases. The higher dependency on linkages will help to maintain the margins to certain extent despite increase in coal prices.

Break up of CPP:

Power Plant	Existing Capacity	Upcoming Capacity	Total Capacity
Thermal based	75	40	115
Total Capacity	-	-	115

Source: Company, A.K.Stockmart Institutional Research

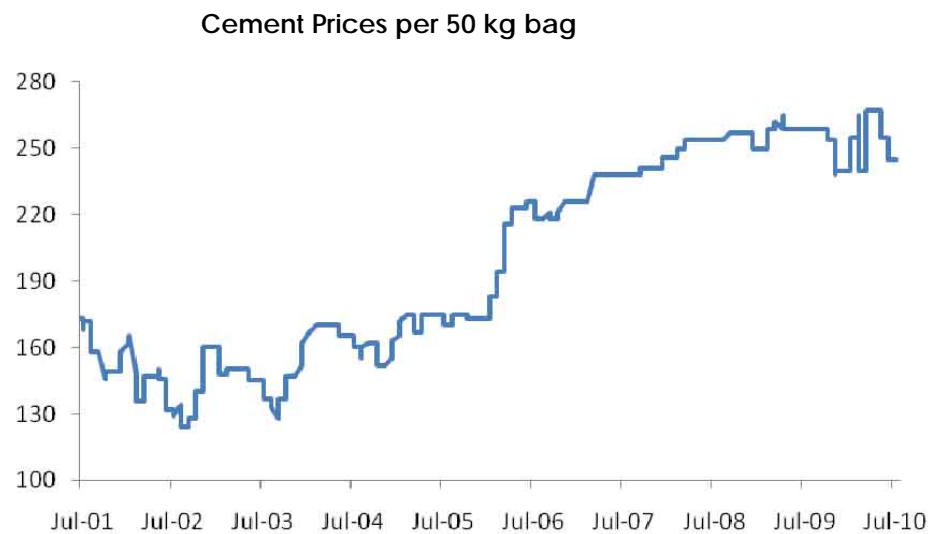


Source: Company, A.K.Stockmart Institutional Research

Price fall is partial from current levels:

- A declining trend in cement prices is seen across the country from May 2010 where the prices have fallen by Rs 15-20 per 50 kg bag across the country. This is mainly due to slowdown in demand because of monsoons and excess supply. We expect further price fall from this level would be limited. Post monsoons the demand will be good and prices are expected to improve once again.
- Overall, the all-India average prices are estimated at Rs 230-240 per bag. However, with strong demand in central and eastern region, we estimate Century to dispatch 7.72 mnT in FY11E and 8.19 mnT in FY12E. We remain bullish on demand particularly in east and central regions as there is no fear of excess supply, where Century has a significance presence in these regions.

Movement of cement prices from 2001:



Source: A.K.Stockmart Institutional Research

Paper the turnaround story; eyeing the premium segment:

- The main growth of the paper industry is in quality paper, like duplex board, copier paper, tissue paper etc. However, the fortunes of the paper industry is linked to structural economical factors like improvement in the literacy rate, the Government's initiatives in spreading education and the growth in the print media industry. The paper industry in India also suffered from general economic malaise and simultaneously faced significant increases in cost of production through input costs of raw materials, chemicals and coal. Now that the economy has stabilized, the paper industry should return to sustained growth.
- Century had planned capex of Rs.16.60 bn out of which Rs.12 bn has already been completed and the rest will be spent in current year. With the new segment – tissue paper and backward integration in other divisions, the company is expected to turn break even in current year.
- With education being made compulsory under the law for children in the age group of 6 to 14 years, and the impetus in the economy, demand for paper should grow. The substantial new capacities referred to earlier, including those in the pipeline, will keep the paper market under some pressure in the short term. The company's efforts are directed towards further reduction in costs and increase in efficiency. The overall outlook for writing, printing and tissue paper in domestic and export markets appears to be improving.

- The Indian Paper industry today is amongst the top fifteen globally and produces about 8 mnT of paper annually with a turnover of over Rs.250 bn. It accounts for 1.6% of the world's production of paper and paper board. Paper industry in India is riding on a strong demand and is on an expanding mode to meet the projected demand of 20 mnT by FY20E.
- Demand for paper in India has been growing at around 8% for some time and is expected to continue on the back of strong economic growth, favorable demographics and continuous focus on education. India's per capita consumption of paper at 7Kg is amongst the lowest in the world, as compared to 50Kg for China, 301Kg for the US and 58Kg for the world on an average.

Performance of textile segment should improve:

- New textile mill named "Birla Century", a Greenfield project at Bharuch, has already begun operations, which will contribute to the revenue of the company. We believe textile segment will perform well in the long term when there is a turnaround in the textile industry.

Banking on Land Bank:

- Century Textiles has approximately 40 acres of land bank located at Worli in South Central Mumbai. It is considered as one of the prime locations for commercial and residential projects in Mumbai. Having a land bank situated in such a prime location, will certainly add to higher valuation for the company.
- The outlook for Real Estate in South Central Mumbai has been positive. Worli enjoys premium leases as well as higher residential rates on account of demand-supply mismatches, scarcity of land and proximity to Central Business District (CBD) of Mumbai.
- During last decade, Worli, which was earlier a Textile hub has now transformed into a commercial area as most of the mill land has gone for re-development. Some examples are Peninsula Corporate Park (which is developed on Morarjee Mill land), Kamala City (on Kamla Mill land), Empire Complex (on land of Empire Dyeing Mill) and the current ongoing project of IndiaBulls (on Jupiter Mill land). Industry leader DLF has also bought mill land of Mumbai Textile Mill in the same proximity.
- Century has taken a judicious decision of utilizing the mill land bank for better future prospects. Century has commissioned construction of office building behind Century Bhavan, having saleable area of about 4 lakh sq ft, which will be given on lease. The total outlay for this project is Rs.16.50 bn, expected to commission by end of this year. This building is apart from plans made to develop 40 acres land at Worli. We have valued this building on DCF basis, with value per share coming at Rs.16.
- Out of 40 acres of land, 10 acres is under dispute with Wadia group, 10 acres has workers housing colony under the company ownership and rest 20 acres is available for development to the company. We have considered only 20 acres in our valuations and valued it at Rs 20000/- per sq ft, the total land bank value comes to Rs.17.42 bn, per share value coming at Rs.187, which is an unlocking value.

Break up of Land Ownership	Acres
Ownership	20
Lease from Wadia group (under dispute)	10
Workers housing Colony(ownership)	10
Total	40

Source: Company, A.K.Stockmart Institutional Research

Low risk to free cash flows and consistent dividend payer

- Century is among the few players in the industry which has completed all the formalities for its capex plans. The FY11E-FY12E capex would be around Rs.24 bn.
- Thus Century's free cash flows will not be hampered as the additional capex burden is limited. We expect Century to generate stable cash flow in the coming years.
- Last four years financial performance of the company was good. The average RONW and ROCE has been over 20% for last 4 years and is paying dividends consistently from last 4 years.

Valuations

Decent growth in top line along with stable margins

We estimate Century's net revenue and earnings to post a CAGR growth of 7.0% and 7.9% respectively over the period FY11E-FY14E. We expect its EBIDTA margin to remain stable at 17-18% from FY11E to FY14E mainly on account of significant commissioning of power plants and turnaround of paper and textile division. Further net margins are expected to remain stable at 7% from FY11E to FY14E.

Valuation Matrix	FY10	FY11E	FY12E	FY13E	FY14E
Price / Earnings (x)	12.6	12.1	11.6	11.3	9.6
Price / CEPS (x)	7.2	6.9	6.5	6.1	5.6
Price / BV (x)	2.4	2.0	1.7	1.5	1.3
EV / EBIDTA (x)	7.7	7.3	7.0	6.7	5.6
EV / Sales (x)	1.5	1.3	1.3	1.2	1.0

Source: A.K.Stockmart Institutional Research

Fundamentals likely to remain intact albeit decline in returns

We expect Century to report an EPS of Rs.38.0, Rs.39.7, Rs.40.8 and Rs.47.7 for FY11E, FY12E, FY13E and FY14E respectively. Furthermore its ROE is likely to decline from 20.1% in FY10 to 13.4% in FY14E, while the ROCE will also declined from 28.0% in FY10 to 25.8% in FY14E owing to declining margins.

Particulars	FY10	FY11E	FY12E	FY13E	FY14E
Revenues growth	16.7%	13.4%	5.2%	6.6%	9.2%
EBIDTA growth	38.2%	5.9%	5.7%	6.2%	7.7%
Net Profit growth	34.5%	-0.9%	4.6%	2.8%	16.9%
EPS growth	43.5%	4.0%	4.6%	2.8%	16.9%
EBIDTA Margin	19.1%	17.9%	18.0%	17.9%	17.7%
PAT Margin	8.0%	7.0%	7.0%	6.7%	7.2%
ROE (%)	20.1%	16.6%	14.8%	13.2%	13.4%
ROCE (%)	28.0%	26.8%	25.5%	24.2%	25.8%

Source: A.K.Stockmart Institutional Research

Price target derivation

We recommend **'BUY'** on Century Textile and Industries Ltd with a price target of Rs.599, an upside of 30% from current levels. Our price target is based on SOTP valuation methodology. Core business and Century Bhavan is valued on DCF methodology.

At CMP of Rs.460, Century is trading at 12.1x, 11.6x, 11.3x and 9.6x of FY11E, FY12E, FY13E and FY14E EPS respectively.

Price Target Evaluation

	Rs in mn
Value of the firm	59360
Debt	23668
Cash	574
Investments	584
Fair Value of Equity	36851
No of Shares	93.0
Value per share - A	396
Current price	460
Downside	-14%
Land Bank in acres	20
Total Land Bank in mn sq fts	0.871
Value per sq ft	20000
Total land bank value (Rs in mn)	17424
Value per share - B	187
Value of Century Bhavan - Lease rentals - C	16
Total value per share (A+B+C)	599
Current Price	460
Upside	30%

Sensitivity Analysis – For core business

Terminal Growth	Beta					
	396	0.8	0.9	1.0	1.2	1.3
2.0%	447	427	408	372	355	
2.5%	479	456	435	396	378	
3.0%	514	490	467	424	404	
3.5%	556	529	503	455	433	
4.0%	605	574	545	492	467	

Risk Premium	Risk free rate					
	396	7.3%	7.5%	7.8%	8.0%	8.3%
4.0%	421	409	398	387	377	
4.3%	407	396	385	375	365	
4.5%	394	383	373	363	353	
4.8%	381	371	361	351	341	
5.0%	369	359	349	339	330	

Source: A.K.Stockmart Institutional Research

Our valuation methodology is based on following assumptions:

- We have valued core business on DCF considering projections for 10 years. Cement capacity is considered at 7.80 mnT and expanded to 12.5 mnT in FY13E. Cement EBIDTA margins are considered from 27.5% to 23.5% with gradual reduction and for Paper division turnaround considered from current year, with an EBIDTA of 3-4% and in Paper division EBIDTA is considered at 2-2.5% over the period.
- The net realization in domestic market is expected to fall marginally by Rs 2 per bag to Rs.196 per bag during FY11E-14E due to excess supply and later hiked by Rs 2 per bag.
- Capital expenditure worth Rs 8.0 bn per year has been considered for FY11E, FY12E and FY13E. Later maintenance capex has been considered every year.
- WACC of 10.54%, (Risk free rate: 7.5%, Equity risk premium: 4.25%, beta: 1.2 and perpetuity growth rate of: 2.5%) is considered.
- **Century Bhavan valuation assumptions:** 4 lakh sq ft is the total saleable area out of which we considered 75% in the rentable area at Rs 150/- per sq ft per month. Total capex for this project is Rs.16.5 bn. An appreciation of 10% in lease rentals is considered every three years.
- EBIDTA margins considered at 96%, tax rate at 32%, discounting factor at 12.6% and terminal growth rate of 1.25% is considered.

Risks & Concerns to our Target Price

1. Drop in cement realization beyond our assumptions, increase in domestic coal prices due to surge in international coal prices. Any change in these two costs will have major impact on profitability of the company.
2. Slow down in economy: - The cement demand is mainly dependent on GDP growth; slowdown in economy will mute growth of the industry. Housing sector is the major demand driver for cement; any further slowdown will absolutely have a negative impact on consumption of cement.
3. Change in Government Policy: - In previous budget government increased the excise duty to 10% from 8%, any such further increase will have an impact on prices.
4. Timely Execution of new capacity: Timely executions of new capacities are likely to result in surplus scenario, resulting in pressure on realisation and margins.
5. We have considered positive EBIDTA in Paper and Textile business; any such drop in margins will hamper the earnings of the company.

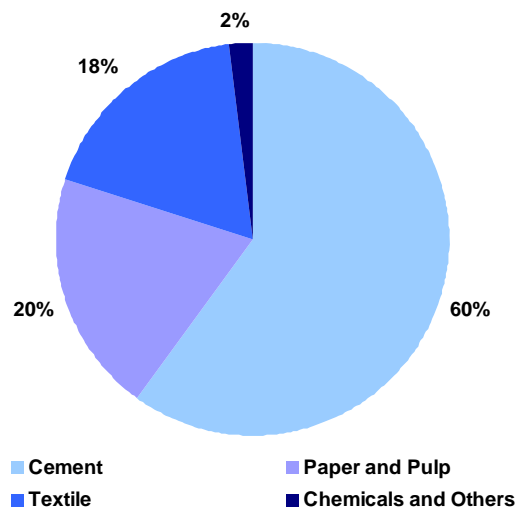
Company In-depth

An Overview

Century Textiles and Industries Ltd (Century), like the name, the company is also more than hundred years old. Asia's largest composite 100% Cotton Textile Mill was incorporated in October 1897. Century has remarkable presence in Cement, Cotton Textiles and Yarn, Denim, Viscose Filament Rayon Yarn, Tyrecords, Caustic Soda, Sulfuric Acid, Salt, and Pulp & Paper. Century had entered into value added readymade garments in the year 2003 and also ventured in accessories under the brand name of 'Cottons by Century'.

Business segments

Revenue break up:



Cement:

Century is front runners in central region of India; operations are spread across Madhya Pradesh, Chhattisgarh, West Bengal and Maharashtra. It produces PPC and PSC cement and contributes 59% of revenues. It has a significant market share in the segments of real estate, infrastructure and other development projects. With more and more developmental projects coming up, we expect the cement demand to remain strong going ahead. With increasing capacity, Century is maintaining its market share; currently it has market share of 3.0% in the industry.

Cement Plants with their Installed Capacities (units in mnT)

Location	State	FY10	FY11E	FY12E
Tilda	Chhattisgarh	2.10	2.10	2.35
Maihar	Madhya Pradesh	3.80	3.80	4.05
Manikgarh	Maharashtra	1.90	1.90	4.60
Sagardighi	West Bengal	-		1.50
Total		7.80	7.80	12.50

Source: Company, A.K.Stockmart Institutional Research

Break up of Power Plants in MW			
Power Plant	Existing Capacity	Upcoming Capacity	Total Capacity
Thermal based	75	40	115
Total capacity			115

Source: Company, A.K.Stockmart Institutional Research

Market Share and Revenue mix

Currently, Century is the largest Cement producer in central region with an installed capacity of 7.80 mnT with a market share of 5.8% in eastern, 11.9% in central and 5% in the western region of the country. Going forward, the company is planning to expand its capacity to 12.5 mnT by end of FY12E. In the Indian cement industry, it has a market share of 3%.

Eastern region accounts for 27% of total sales, Central region accounts for 49% of total sales and rest 24% comes from western region. Out of total sales, 90% is contributed from Trade segment while the remaining 10% is contributed from the Non Trade segment. For Q4FY10, PPC accounted for 55% of total dispatches, while PSC accounted for 45%.

Capex

Century's current installed capacity is 7.8 mnT and is expected to reach 12.5 mnT by end of FY12E. Currently it has a 75 MW thermal based power plant and another 40 MW is expected to get commissioned by end of FY12E. The total capex is Rs 20.25 bn for the next two year.

The orders have been placed for the Cement Grinding Unit at Sagardighi, West Bengal with a capacity of 1.5 mnT and are expected to be operational by the last quarter of FY12E. The total outlay on the project is estimated at Rs 4.25 bn. Earlier Manikgarh Cement expansion of 2.5 mnT and 40 MW Captive Thermal Power plant was deferred on account of slowdown in economy. Now the company intends to go ahead with the capex plan, and is expected to place orders before July 2010. The total outlay on the project is estimated to be about Rs 16.0 bn. The enhanced capacity should be fully on stream by the end of the calendar year 2012E. After upgradation and expansion, the cement manufacturing capacity will stand at 12.5 mnT by the end of calendar year 2012E.

Region wise market share

Region wise capacity in mnT	Industry capacity	Century capacity	Century market share
East	36.0	2.1	5.8%
Central	32.0	3.8	11.9%
West	38.0	1.9	5.0%
Total	106.0	7.8	7.4%

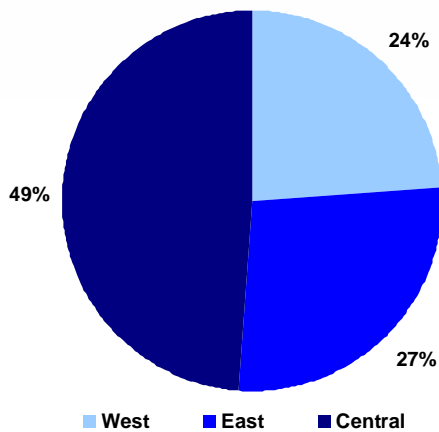
Source: Company, A.K.Stockmart Institutional Research

Region wise capacity and revenue mix

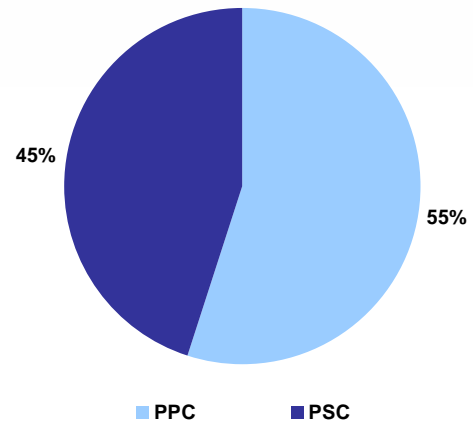
Region wise capacity	FY11E	FY12E
East	2.10	3.85
% of total revenues	26.9%	30.8%
Central	3.80	4.05
% of total revenues	48.7%	32.4%
West	1.90	4.60
% of total revenues	24.4%	36.8%
Total	7.80	12.50

Source: Company, A.K.Stockmart Institutional Research

Region wise revenue contribution



Cement Sales break up



Source: Company, A.K.Stockmart Institutional Research

Paper and Pulp:

Century manufactures range of paper products includes some of the finest varieties of writing and printing paper which has carved a niche in the market. Century also manufactures raw material for viscose filament yarn/staple fiber and also paper grade pulp. The major paper products are Writing and Printing Papers, Recycled Paper, Bagasse based paper, Tissue Paper etc. This segment contributes 21% revenues to the top line. However, Century exports tissue grade paper to USA and are taking further steps to promote export of tissue paper to U.K., Iran, UAE and South East Asian markets.

Capex

Civil work for the Fibreline (Pulp Plant) and Multilayer Packaging Board Project including 43 MW Turbine is in full swing. Erection of the main machinery and recovery plant is in progress. Orders for auxiliary and balancing equipment are being finalized. Capital outlay on the above projects is estimated to be Rs.16.6 bn out of which Rs 12 bn had already been completed and rest Rs 4.6 bn is to be invested in current year and the completion of the project is scheduled by end of this year.

Textile:

Century's textile business has been severely impacted due to rising cotton prices, high employee cost, a relatively older textile mill, and having a lesser volume in the denim market. The company has taken steps to improve efficiency by closing down its textile mill in Mumbai and setting up a new mill in Gujarat. The new textile mill in District Bharuch is named "Birla Century". It is a Greenfield project with a 30MW captive power plant and a capacity to manufacture 25 mn meters of super-fine quality fabric.

In the textile segment, the products include 100% cotton fabric, denim, viscose filament yarn, rayon yarn, tyre cord etc. Century has forward integrated into the ready-to-wear segment by introducing the brand "Cottons by Century". This brand is focused mainly on men's wear. Recently, the company has also introduced a wide range of women's wear.

The prices of all inputs had gone up which could not be passed on to the end users in view of adverse market conditions prevailing during the major part of the year coupled with low demand. Therefore, the performance of textile segment remained depressed.

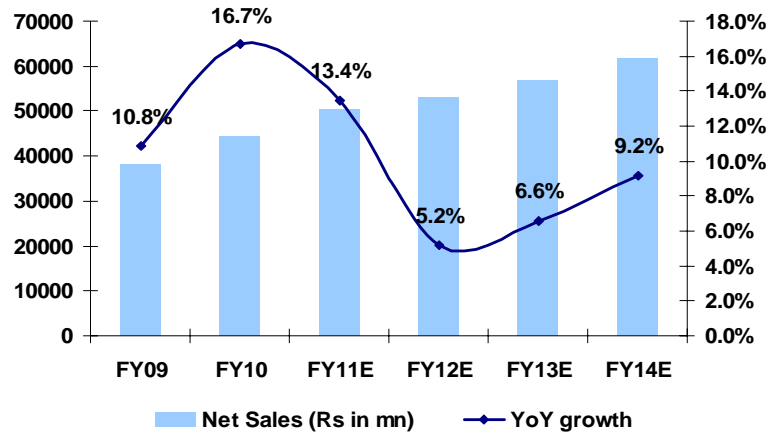
Century has developed new markets for Viscose Filament Yarn (VFY) and has exported the same to Brazil, Chile and Bolivia. Further, the strengthening of Rupee against almost all the foreign currencies have adversely affected the promotional efforts as the viability of the exports is difficult to achieve in such circumstances.

Earnings Outlook & Financials

Topline to grow at a CAGR of ~7.0% over FY11E-FY14E

Century's revenue is estimated to grow at a CAGR of ~7.0% over FY11E-FY14E mainly on account of substantial contribution from new cement capacity which is likely to boost the volumes.

Net sales outlook

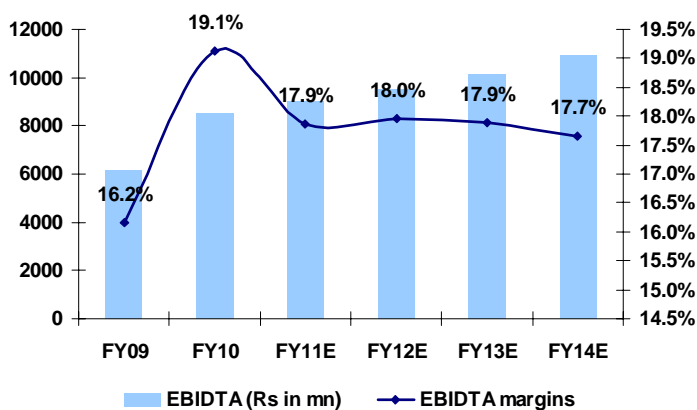


Source: A.K.Stockmart Institutional Research

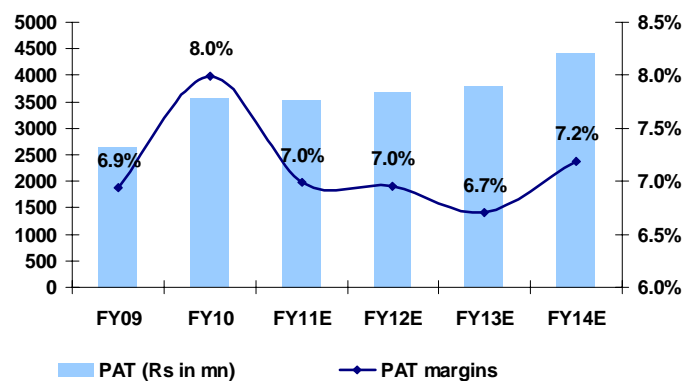
EBIDTA & Net margins to remain under pressure

EBIDTA margins are expected to decline from 19.1% in FY10 to ~17.7% in FY14E (a decline of 140 bps), which is mainly on account of fall in realisation. However, we estimate the fall in realisation will be offset by savings in power and fuel cost due to own generation. Further Century's Net margin is likely to decline from 8.0% in FY10 to 7.2% in FY14E (a decline of 80 bps) mainly on account of higher depreciation.

EBIDTA margin outlook

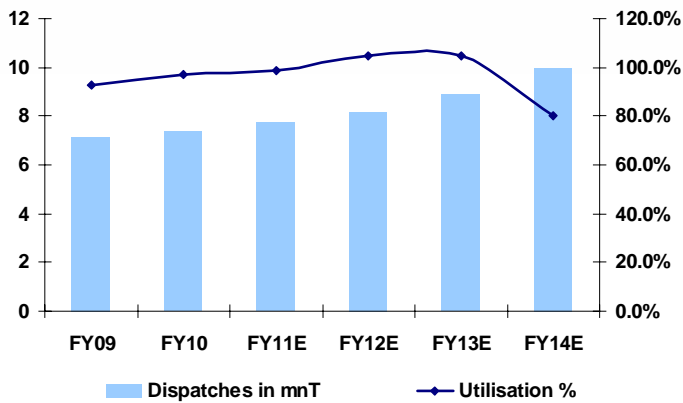


PAT margin outlook

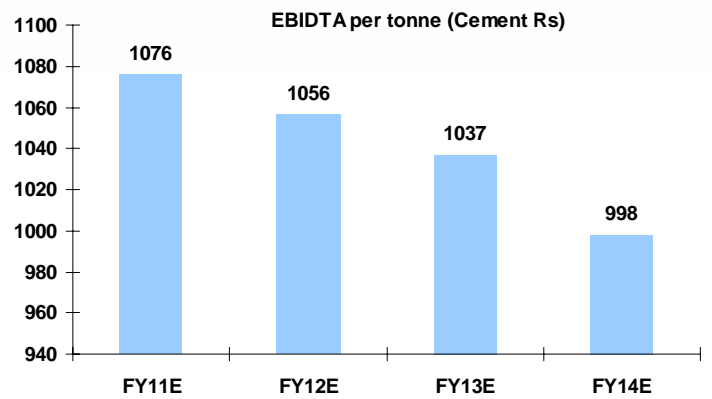


Source: A.K.Stockmart Institutional Research

Dispatches (mnT) & Utilisation (%)

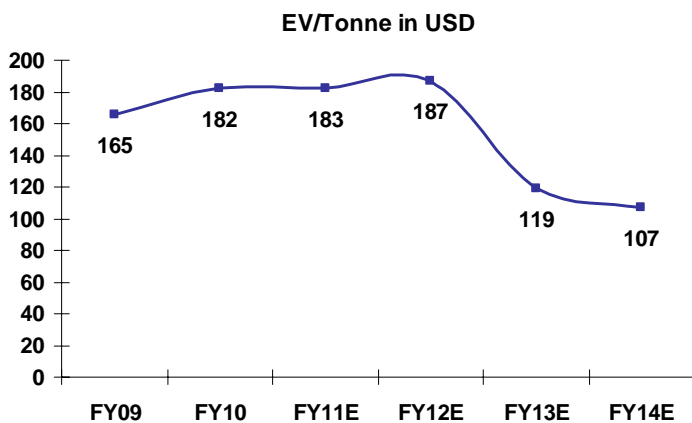


EBIDTA per tonne (Rs.)

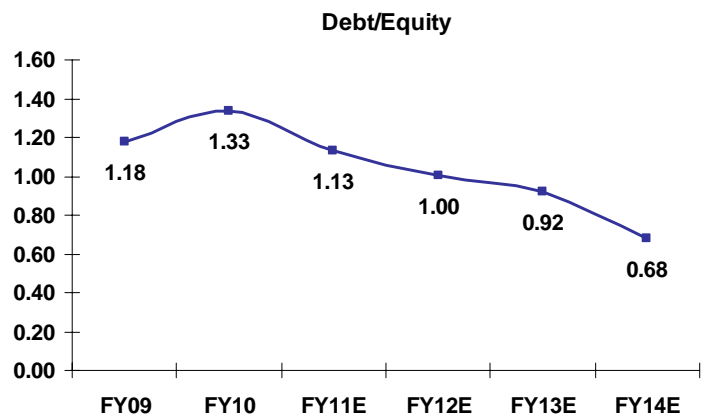


Source: A.K.Stockmart Institutional Research

EV per tonne (USD)

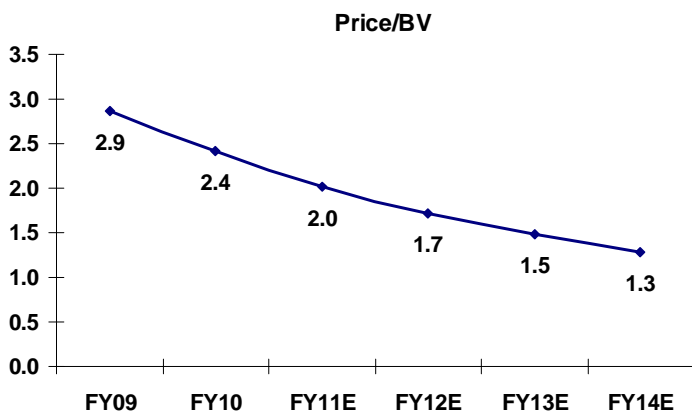


Debt Equity

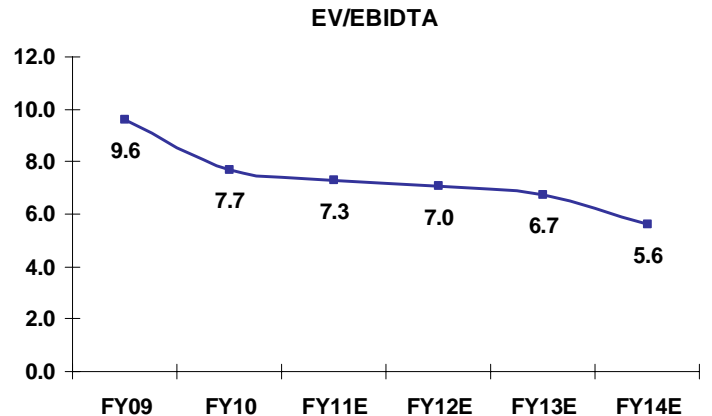


Source: A.K.Stockmart Institutional Research

Price to Book Value



EV/EBIDTA



Source: A.K.Stockmart Institutional Research

Q4FY10 result analysis

- Century reported 16% QoQ growth in total income for Q4FY10, mainly because of higher contribution from Cement segment. Total income for quarter stood at Rs 12705.7 mn, grew by 16.0% on QoQ basis and a drop of 61.6% on YoY basis.
- EBIDTA for the quarter stood at Rs 1995.6 mn (decreased by 26.8% on YoY basis and higher 23.4% on QoQ basis).
- EBIDTA margins declined by 730 bps on YoY basis at 15.7% mainly due to increase in raw material cost and pressure on realizations of paper and textile products.
- Net Profit for the quarter has seen a drop of 23.8% on QoQ basis at Rs 555.8 mn while on YoY it dropped by 54.6%. Further, net margins for the quarter stood at 4.4% (a decline of 590 bps on YoY basis and 230 bps on QoQ basis). The drop was mainly because of lower operating profit, higher interest and depreciation.
- EPS for the quarter had seen a decline of 54.6% on YoY basis at Rs 5.97 and on QoQ it dropped by 6.8%.

Financial Details:

Rs in mn

Particulars	4th Qtr 200903	1st Qtr 200906	2nd Qtr 200909	3rd Qtr 200912	4th Qtr 201003
Net Sales	11294.0	11217.2	10139.7	10681.0	12491.1
Other Operating Income	559.4	141.4	157.8	268.0	214.6
Total Income	11853.4	11358.6	10297.5	10949.0	12705.7
% YoY change	33.0%	-4.2%	-9.3%	6.3%	16.0%
% QoQ change		73.7%	15.0%	130.2%	-61.6%
TOTAL EXPENDITURE	9126.8	8607.7	8257.7	9331.9	10710.1
PBIDT	2726.6	2750.9	2039.8	1617.1	1995.6
PBIDT %	23.0%	24.2%	19.8%	14.8%	15.7%
% YoY change	178.0%	0.9%	-25.8%	-20.7%	23.4%
% QoQ change		84.6%	114.2%	64.9%	-26.8%
Interest	313.9	246.9	208.5	205.9	300.1
PBDT	2412.7	2504.0	1831.3	1411.2	1695.5
Depreciation	681.1	578.9	579.7	582.4	603.7
Other Income	-218.7	31.8	51.7	31.0	21.6
PBT	1512.9	1956.9	1303.3	859.8	1113.4
Tax	181.0	536.2	562.0	343.4	776.5
Fringe Benefit Tax	10.4	8.0	0.0	0.0	0.0
Deferred Tax	98.0	-3.5	-85.0	-80.0	-218.9
% of Tax to PBT	19.1%	27.6%	36.6%	30.6%	50.1%
Reported Profit After Tax	1223.5	1416.2	826.3	596.4	555.8
Extra-ordinary Items	0	-150.1	-126.2	-133.3	0
Adjusted Profit After Extra-ordinary item	1223.5	1566.3	952.5	729.7	555.8
PAT %	10.3%	13.8%	9.2%	6.7%	4.4%
% QoQ change	201.1%	28.0%	-39.2%	-23.4%	-23.8%
% YoY change		92.8%	176.9%	79.6%	-54.6%

Rs in mn

Profit & Loss account	FY10	FY11E	FY12E	FY13E	FY14E
Total Income	44529.0	50518.1	53124.8	56612.4	61801.0
% YoY change	16.7%	13.4%	5.2%	6.6%	9.2%
Manufacturing and other expenses	36008.8	41498.3	43588.4	46480.3	50884.6
EBIDTA	8520.2	9019.7	9536.4	10132.2	10916.4
EBIDTA%	19.1%	17.9%	18.0%	17.9%	17.7%
% YoY change	38.2%	5.9%	5.7%	6.2%	7.7%
Interest and Finance charges	1005.3	1131.7	1204.2	1304.1	1124.7
EBDTA	7514.9	7888.0	8332.2	8828.0	9791.7
Depreciation and Amortisation	2345.8	2697.4	2904.5	3246.5	3266.3
PBT and Exceptional items	6116.9	5190.6	5427.6	5581.5	6525.3
Total tax paid	1673.7	1659.4	1735.2	1784.4	2086.1
Total tax % of PBT	32.0%	32.0%	32.0%	32.0%	32.0%
PAT	3561.6	3531.2	3692.5	3797.1	4439.2
PAT %	8.0%	7.0%	7.0%	6.7%	7.2%
% YoY change	34.5%	-0.9%	4.6%	2.8%	16.9%

Source: A.K.Stockmart Institutional Research

Balance Sheet	FY10	FY11E	FY12E	FY13E	FY14E
SOURCES OF FUNDS :					
Share Capital	930.4	930.4	930.4	930.4	930.4
Reserves Total	16821.6	20352.8	24045.2	27842.4	32281.6
Total Shareholders' Funds	17752.0	21283.2	24975.6	28772.8	33212.0
Secured Loans	17611.2	18111.2	19611.2	21611.2	18611.2
Unsecured Loans	6056.7	6030.7	5480.7	4930.7	3880.7
Total Debt	23667.9	24141.9	25091.9	26541.9	22491.9
Total Liabilities	41419.9	45425.1	50067.5	55314.7	55703.9
APPLICATION OF FUNDS :					
Gross Block	46748.0	53948.0	61148.0	68348.0	68765.2
Less : Accumulated Depreciation	21904.3	24601.7	27506.2	30752.8	34019.1
Net Block	24843.7	29346.3	33641.8	37595.2	34746.1
Capital Work in Progress	12873.8	13673.8	14473.8	15273.8	15320.2
Investments	584.3	584.3	584.3	584.3	584.3
Current Assets, Loans & Advances					
Inventories	8685.1	8996.4	9460.6	10081.7	11005.7
Sundry Debtors	2251.1	2076.1	2183.2	2326.5	2539.8
Cash and Bank	574.1	811.7	180.2	435.0	3271.7
Loans and Advances & other current assets	7830.3	8304.3	8732.8	9306.2	10159.1
Total Current Assets	19340.6	20188.6	20556.8	22149.3	26976.1
Total Current Liabilities	13771.3	15916.7	16737.9	17836.8	19471.5
Net Current Assets	5569.3	4271.9	3818.9	4312.5	7504.6
Miscellaneous Expenses not written off	62.2	62.2	62.2	62.2	62.2
Deferred Tax Liability	2513.4	2513.4	2513.4	2513.4	2513.4
Net Deferred Tax	-2513.4	-2513.4	-2513.4	-2513.4	-2513.4
Total Assets	41419.9	45425.1	50067.5	55314.7	55703.9

Source: A.K.Stockmart Institutional Research

Cash flow statement	FY10	FY11E	FY12E	FY13E	FY14E
Cash Flow From Operating Activities					
Net Profit before Tax & Extraordinary Items	5235.3	5190.6	5427.6	5581.5	6525.3
Adjustment For					
Depreciation	2358.1	2697.4	2904.5	3246.5	3266.3
Interest (Net)	961.4	1131.7	1204.2	1304.1	1124.7
Total Adjustments (PBT & Extraordinary Items)	4412.2	3829.1	4108.7	4550.6	4391.0
Op. Profit before Working Capital Changes	9647.5	9019.7	9536.4	10132.2	10916.4
Adjustment For					
Trade & Other receivables	-735.2	-299.0	-535.6	-716.6	-1066.1
Inventories	-1979.4	-311.3	-464.2	-621.1	-924.0
Trade Payables	1281.6	2145.4	821.3	1098.8	1634.8
Total (OP before Working Capital Changes)	-1433.0	1535.1	-178.5	-238.9	-355.4
Cash Generated from/(used in) Operations	8214.5	10554.8	9357.8	9893.3	10561.0
Direct Taxes Paid	-1936.9	-1659.4	-1735.2	-1784.4	-2086.1
Cash Flow before Extraordinary Items	6277.6	8895.4	7622.6	8108.9	8474.9
Net Cash from Operating Activities	6125.4	8895.4	7622.6	8108.9	8474.9
Cash Flow from Investing Activities					
Investment in Assets :					
Purchased of Fixed Assets	-11012.8	-8000.0	-8000.0	-8000.0	-463.5
Net Cash Used in Investing Activities	-10960.9	-8000.0	-8000.0	-8000.0	-463.5
Cash Flow From Financing Activities					
Proceeds:					
Proceed from Other Long Term Borrowings	8314.4	474.0	950.0	1450.0	-4050.0
Payments:					
Interest Paid	-901.8	-1131.7	-1204.2	-1304.1	-1124.7
Net Cash Used in Financing Activities	4694.0	-657.7	-254.2	145.9	-5174.7
Net Inc/(Dec) in Cash and Cash Equivalent	-141.5	237.6	-631.6	254.8	2836.7
Cash and Cash Equivalents at Beginning of the year	656.9	574.1	811.7	180.2	435.0
Cash and Cash Equivalents at End of the year	515.4	811.7	180.2	435.0	3271.7

Source: A.K.Stockmart Institutional Research

Valuation Matrix	FY10	FY11E	FY12E	FY13E	FY14E
Price / Earnings (x)	12.6	12.1	11.6	11.3	9.6
Price / CEPS (x)	7.2	6.9	6.5	6.1	5.6
EV/Tonne in USD	182	183	187	119	107
BV (Rs)	191	229	268	309	357
Price / BV (x)	2.4	2.0	1.7	1.5	1.3
EV / EBIDTA (x)	7.7	7.3	7.0	6.7	5.6
EV / Sales (x)	1.5	1.3	1.3	1.2	1.0
EPS (Rs)-Basic	36.5	38.0	39.7	40.8	47.7
CEPS (Rs)	63.5	66.9	70.9	75.7	82.8
ROE (%)	20.1%	16.6%	14.8%	13.2%	13.4%
ROCE (%)	28.0%	26.8%	25.5%	24.2%	25.8%
Solvency Ratio (x)	FY10	FY11E	FY12E	FY13E	FY14E
Debt / Equity (x)	1.3	1.1	1.0	0.9	0.7
Debt / EBIDTA	2.8	2.7	2.6	2.6	2.1
Debt / Capital Emp.	0.6	0.5	0.5	0.5	0.4
Capital Emp / Net Worth	2.3	2.1	2.0	1.9	1.7
Interest Coverage Ratio	6.1	5.6	5.5	5.3	6.8
Turnover Ratio (x)	FY10	FY11E	FY12E	FY13E	FY14E
Asset Turnover Ratio	1.1	1.1	1.1	1.0	1.1
Fixed Asset Turnover Ratio	1.8	1.7	1.6	1.5	1.8
Working Capital Ratio (x)	FY10	FY11E	FY12E	FY13E	FY14E
Current Ratio	1.4	1.3	1.2	1.2	1.4
Working Capital to Sales	0.1	0.1	0.1	0.1	0.1
Inventory (days)	71	65	65	65	65
Debtors (days)	18	15	15	15	15
Creditors (days)	113	115	115	115	115
Margin Ratio	FY10	FY11E	FY12E	FY13E	FY14E
EBIDTA Margin	19.1%	17.9%	18.0%	17.9%	17.7%
PAT Margin	8.0%	7.0%	7.0%	6.7%	7.2%
Growth Ratio	FY10	FY11E	FY12E	FY13E	FY14E
Revenues	16.7%	13.4%	5.2%	6.6%	9.2%
EBIDTA	38.2%	5.9%	5.7%	6.2%	7.7%
Net Profit	34.5%	-0.9%	4.6%	2.8%	16.9%
EPS	43.5%	4.0%	4.6%	2.8%	16.9%

Source: A.K.Stockmart Institutional Research

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