

CENTURY TEXTILES & INDUSTRIES LTD.

Industry	Diversified
No. of Shares (Crore)	11.17
Face value (Rs.)	10.00
Mkt. Cap (Rs. Crore)	8031.48
Price (05/05/2023)	719.05
Book Value (Rs)	347.98
P/BV	2.07
BSE Code	500040
NSE Code	CENTURYTEX
Bloomberg	CENT IN
Reuters	CNTY.BO
Avg. Weekly Volume (NSE)	4,50,642.50
52 W H/L (Rs)	943.75 / 558.50
Shareholding Pattern	%
Indian Promoters	50.21
Institutions	23.98
Non- Institutions	25.81
Total	100.00

(As on March 31, 2023)

Recommendation

BUY



Company Background

Century Textiles & Industries Ltd (CTIL) is a part of the diversified Aditya Birla Group and a pioneer in the cotton textiles business established way back in 1897. Subsequently, the company expanded and diversified its activities and presently, CTIL is a well-diversified conglomerate engaged in the manufacturing of pulp and paper products, textiles and development of real estate across different states in India.

Investment Rationale

- CTIL has presence across diversified sectors with its established position in pulp and paper products (69% of revenues), textile (26% of revenues) and real estate segments (3% of the revenues) and others (2% of revenues) at the end of March 2023.
- CTIL's high capacity utilization across its major segments in spite of macroeconomic headwinds makes it a supplier of choice amongst its customers. The Textile segment and Paper & Pulps segment reported capacity utilization levels of 90% and 95% respectively for FY23.
- CTIL's state-of-the-art plants coupled with top-of-the-line contemporary equipment, world-class processes and consistent digitization has enabled it to incorporate technological innovation across all its businesses segments.
- Strong tie-ups with its other group companies as well as outside organizations has enabled CTIL to continuously bring out latest up to date products. E.g In addition to its technology centres, CTIL has collaborations with various group businesses like Birla Cellulose and Birla Copper, among others. Research centres like TRADC (Textile Research & Development Centre) and ABSTC (Aditya Birla Science & Technology Company), numerous start-ups and prestigious institutes like IIT have also played a key role in the growth of the organization.
- To increase its presence in the premium real estate segment, CTIL has recently purchased prime land parcel in South Mumbai's upmarket residential area of Walkeshwar at Malabar Hill which is expected to have a revenue potential of Rs 600 Crs once commercialized.
- CTIL has got the advantage of a tactical support and backing by its parent AB Birla Group which is a US \$50 Bn corporation with operations spanning across branded apparels, telecom, textiles, financial services, education, cement, metals, chemicals etc.
- Comfortable gearing ratio with sufficient liquidity its Balance Sheet at the end of FY23. Net Debt to Equity Ratio stood at 0.26x, Current Ratio of 1.16x and an Operating Cash Flow of Rs 270 Crs undermines the fact that it is in a comfortable position to undertake new projects and capex without over stretching its balance sheet.

Recommendation

Century Textiles & Industries Ltd, being a well-diversified player is expected to report steady overall earnings notwithstanding any potential slowdown in any one particular segment. The recent land acquisitions in prime locations of Pune, Bengaluru and Mumbai are expected to boost its earnings significantly in the times to come once the projects are sold out. CTIL's Paper & Pulp Business has the largest market share in the North India markets and with the doubling of capacity in its Tissue Paper segment is expected to cement its position further. The Textile business though facing challenges due to the macroeconomic scenario is expected to improve once the situation improves. We would recommend a BUY with a target price of Rs 905 in the next 9-12 months' time period thus implying a rise of 26% from the current levels.

Particulars (In Rs. Crs)	Q4FY23	Q4FY22	Var%	FY23	FY22	Var%
Net Sales	1,208.54	1,210.72	-0.18	4,799.65	4,130.95	16.19
Operating Profit	121.33	125.38	-3.23	527.33	444.51	18.63
Consolidated Net Profit	145.27	86.07	68.78	271.88	166.53	63.26
PBIDTM%	10.04	10.36	-3.06	10.99	10.76	2.14
PATM%	11.83	6.97	69.67	5.55	3.73	48.79
Equity	111.69	111.69	-	111.69	111.69	-
EPS (Rs.)	13.01	7.71	68.78	24.34	14.91	63.26

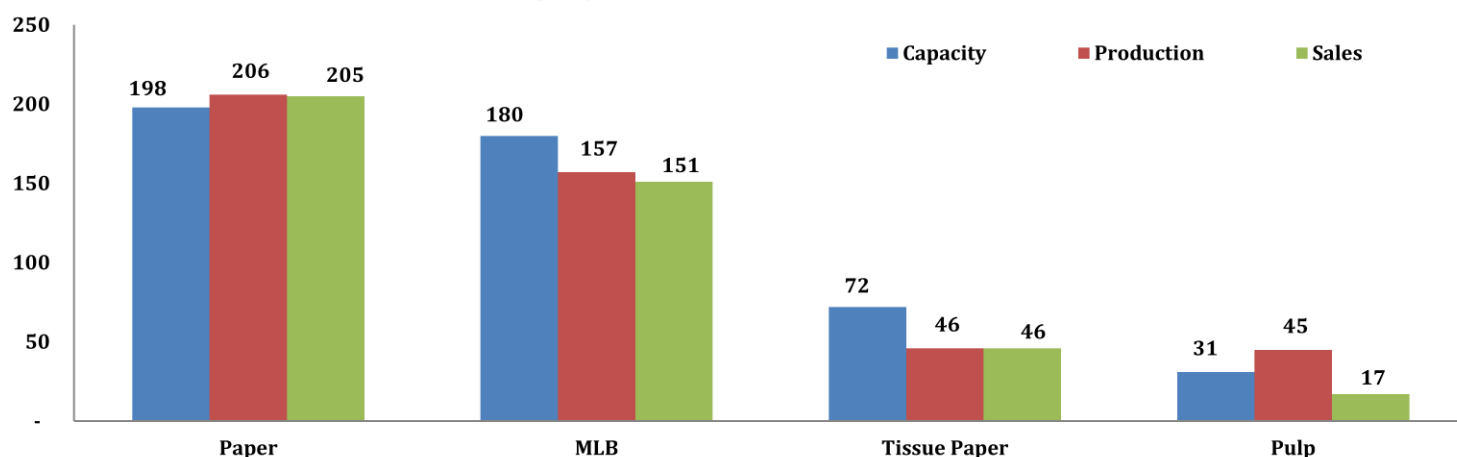
*Source: Company, Ace Equity, AUM Research

Company Overview

Paper & Pulp Business

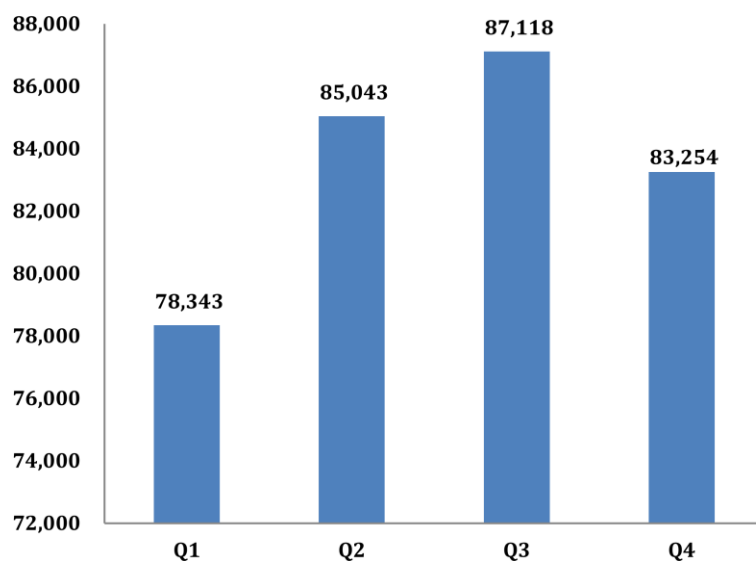
- CTIL's Paper & Pulp division has a production capacity of 4,81,130 Tons p.a at the end of FY23 along with a 86.8 MW captive power generation capacity through which it meets 95% of its requirements. The sole plant is located at Lalkuan, Uttarakhand.
- CTIL holds the distinction of being India's only integrated Pulp & Paper mill providing a comprehensive solution from a single location.
- The Northern India markets are stated to be the country's biggest paper market and CTIL has got a leadership position in it.
- CTIL's multi products portfolio helps it to cater to various customer segments and coupled with the Birla brand helps in preserving customer loyalty.
- CTIL has doubled the capacity of its Tissue Paper segment from 100 tons per day to 200 tons per day in FY23.

Capacity, Production & Sales In '000 Tons in FY23

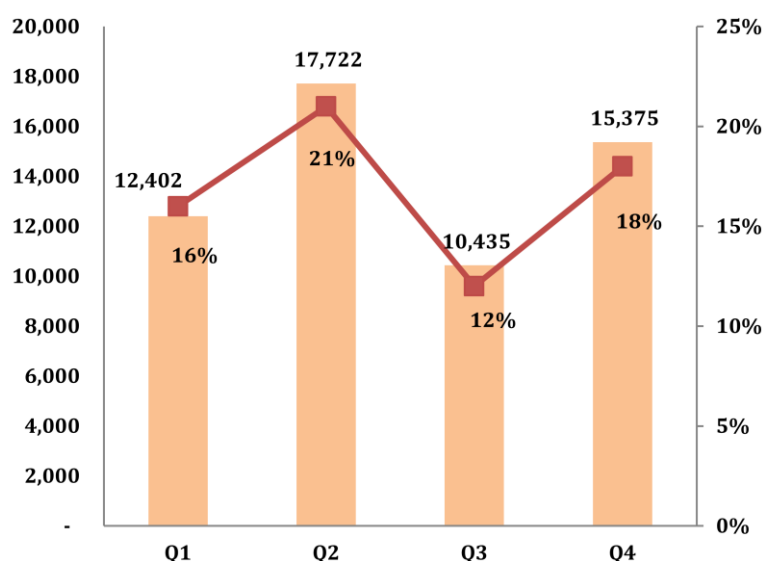


MLB- Multi Layer Board

Net Sales Realization Per Ton In FY23



EBIDTA/Ton & EBIDTA% In FY23

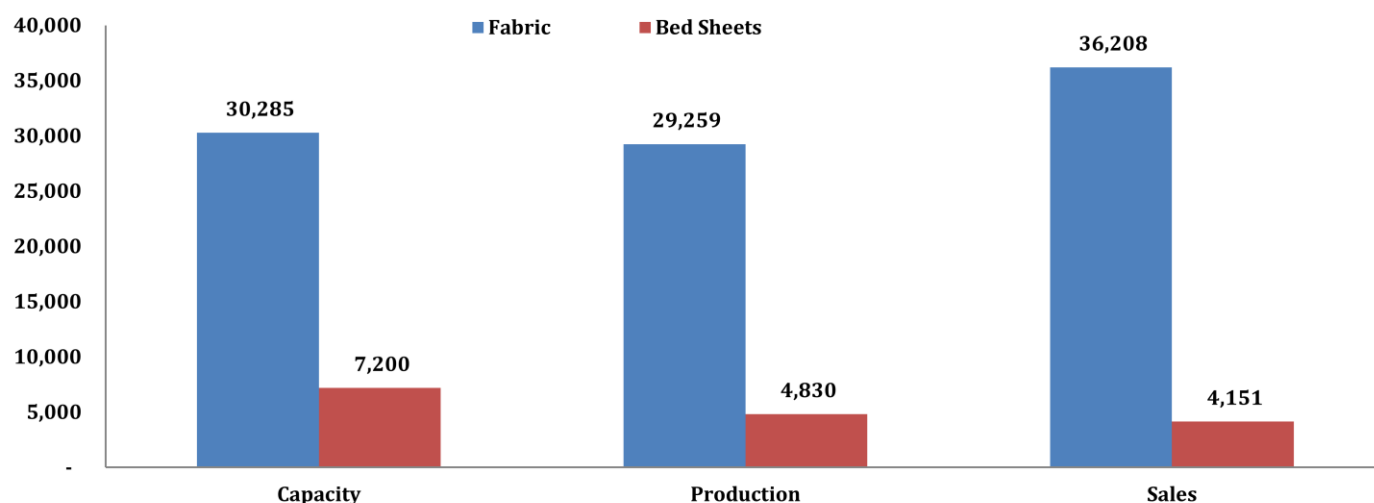


*Source: Company, AUM Research

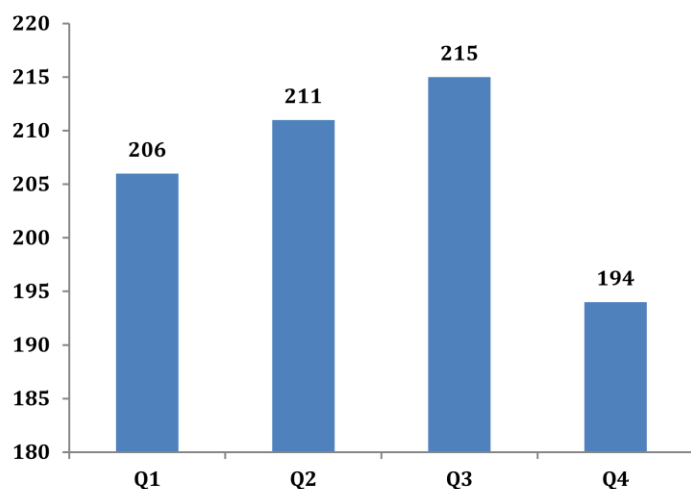
Textiles Business

- CTIL had first established the textile business in the year 1897.
- A state-of-the-art, vertically integrated plant, Birla Century (A Division of CTIL) was set up at Jhagadia, Bharuch, Gujarat, with an investment of about US\$ 180 million (Rs. 850 Crore) in the year 2009.
- CTIL's textile plant is spread over an area of 43.56 million Sq.Ft. (100 Acres) and uses the best modern machinery to produce a wide range of premium textiles — from Bottom weights & Suitings to Finer fabrics, household linen etc.
- The plant has world-class mechanical and chemical laboratories to test fabrics as per international norms and equipped with a pilot sampling facility for quick development of samples.
- Its research and development centre is equipped with a Design Studio for continuous innovations in designs and weaves in tune with the latest international trends allowing CTIL to keep abreast of competition.

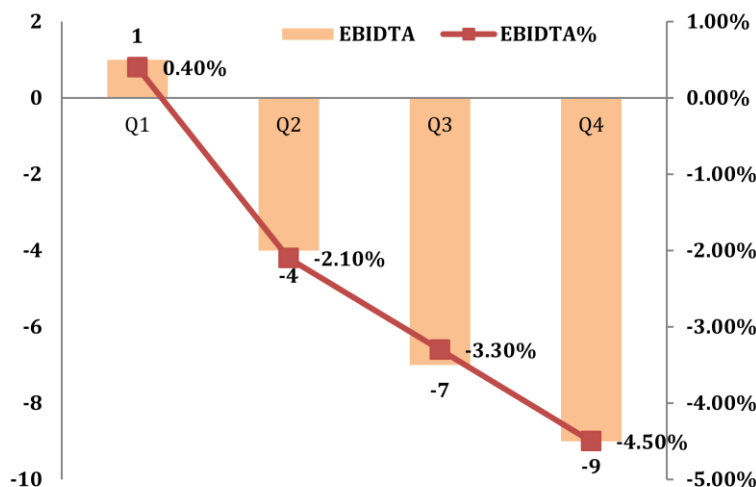
Capacity, Production & Sales In '000 Mtrs In FY23



Net Sales Realization/Mtr In FY23



EBIDTA & EBIDTA% In FY23

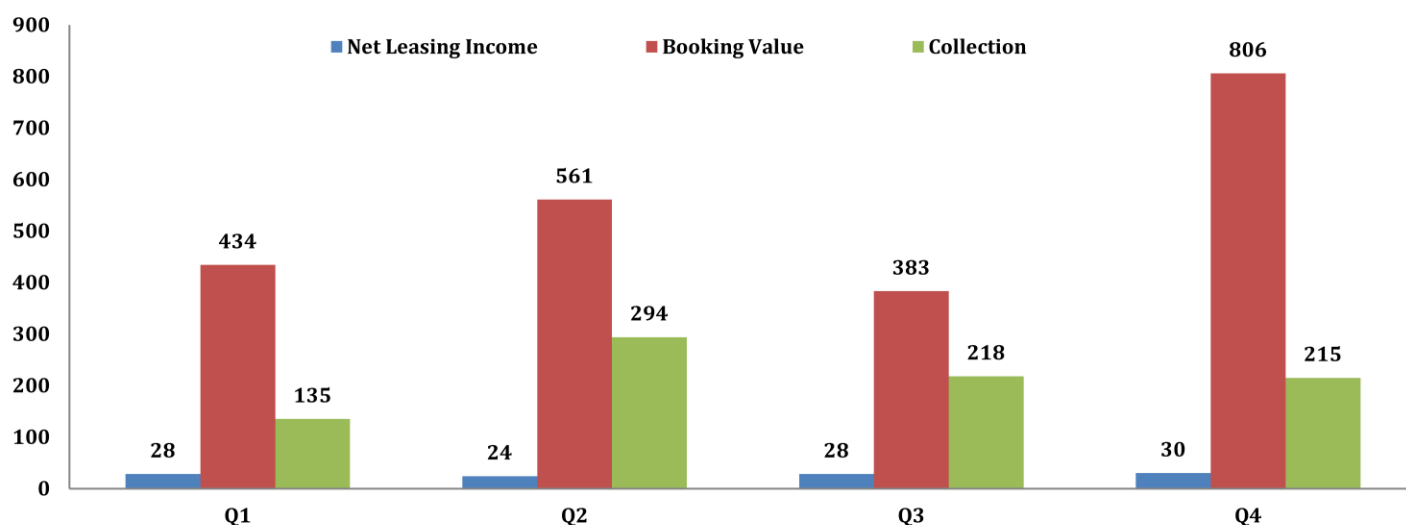


*Source: Company, AUM Research

Real Estate Business

- CTIL operates its real estate business through its wholly owned subsidiary, Birla Estates, and currently has many projects across key markets in the country.
- CTIL is developing land parcels through outright purchases and asset-light joint ventures apart from developing its land parcels.
- At present, CTIL is primarily focusing on developing world-class residential, commercial and mixed-use properties and aims to be amongst the top real estate companies in India.
- CTIL has a valuable portfolio of premium land parcels with a robust pipeline of owned and joint development projects.

Real Estate Sales In INR Crs In FY23



Net Leasing Income – Commercial

Booking Value & Collections – Residential

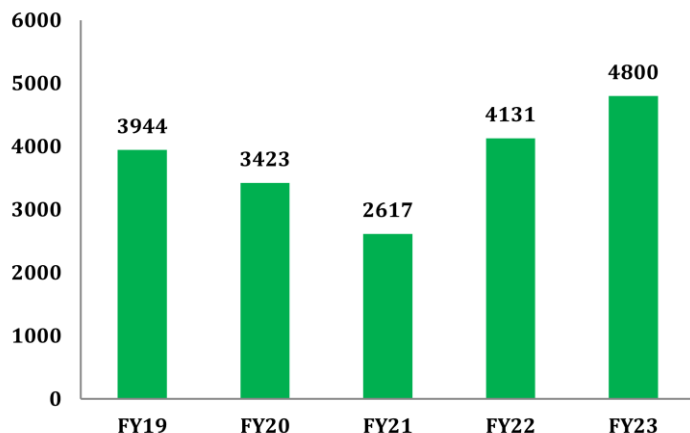
On-going Projects	Birla Vanya	Birla Alokya	Birla Navya	Birla Niyaara	Birla Tisya
Location	Kalyan	Bengaluru	Gurugram	Mumbai	Bengaluru
Launch Period	Q1FY20	Q3FY20	Q3FY21	Q4FY22	Q3FY22
Land Area In Acres	22	8	48	14	5
Own / JV	Own	Own	JV	Own	JV
Saleable Area In Lakh Sq Ft	13.3	5.5	17.8	24	6.5
Revenue Estimate In Crs	1,129	394	2,681	10,902	634
No. of Units	1,205	218	556	414	392
Amt Booked Till Date In Crs	652	353	1,302	2,360	513

*Source: Company, AUM Research

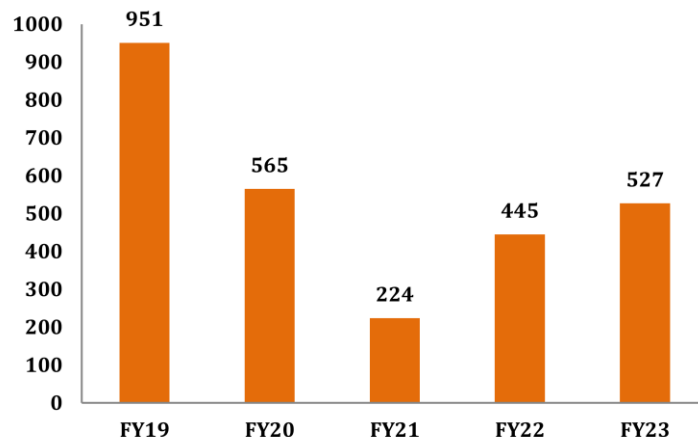
- In FY23, the real estate segment exhibited robust demand driven by strong absorption across all categories, including high-value units. The commercial real estate also experienced stable and healthy demand across cities.
- CTIL has recently acquired some important land parcels in Pune and Mumbai over the last few months. The company intends to start projects in the premium category segment with respect to these. The recent acquisition of a 28.6 acre land parcel in South East Bengaluru for development of residences for IT professionals is expected to garner revenues worth Rs 3,000 Crs.
- CTIL follows a prudent policy to wait for the right project, with the right financials, right valuations and locations. It never hurries to acquire whatever projects comes its way. Once the project is analyzed to be able to meet its expectations, only then it is undertaken.
- At present CTIL is utilizing the cash flows generated from the Paper & Pulp business to fund its real estate ventures.

Financial Overview

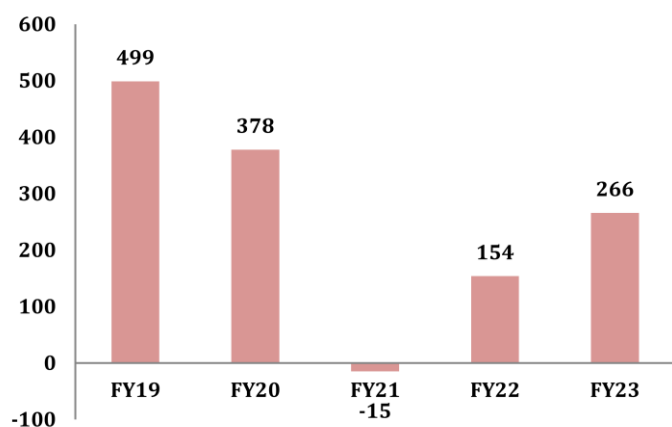
Net Sales In INR Crs



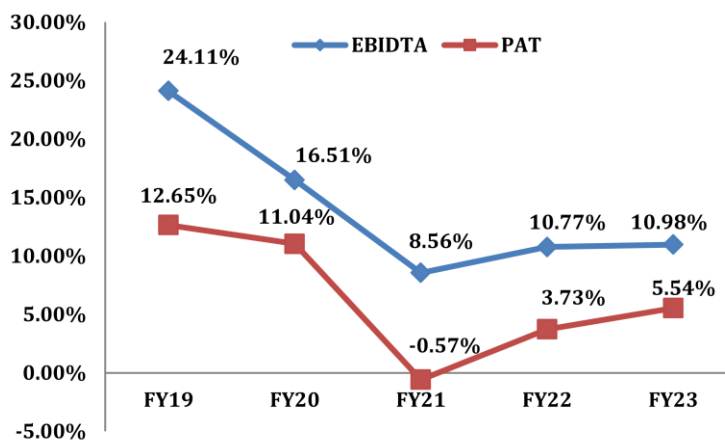
EBIDTA In INR Crs



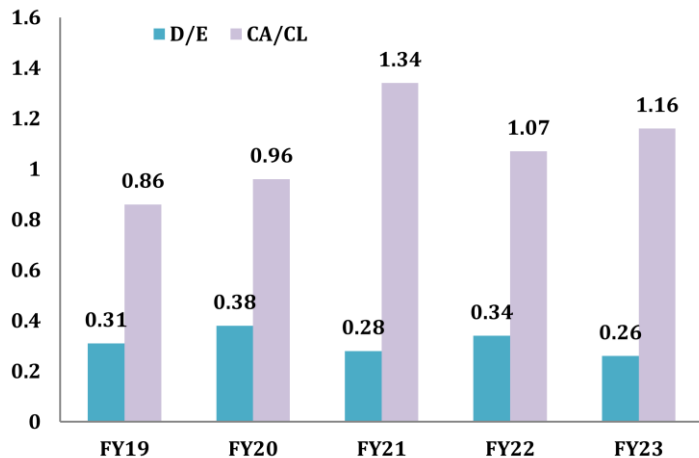
PAT IN INR Crs



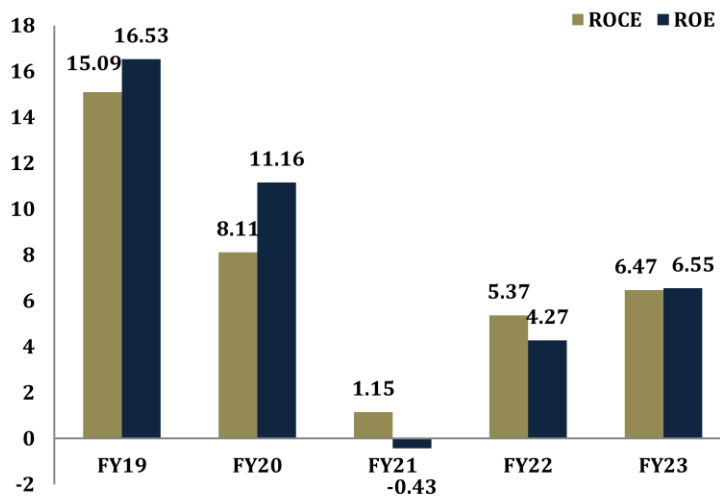
Margins%



Liquidity & Leverage Ratios (x)



Return Ratios %



*Source: Company, Ace Equity, AUM Research

Rationale For Investment

Healthy bookings and sales from the Real Estate Segment

- The residential sales across all key markets in the country were at an all-time high recently, resulting in doubling of the residential real estate industry in size in the last three years.
- The preference and trust of the customers for branded players like Birla Estates who can deliver in time is expected to keep CTIL on its growth focus as it cements itself as one of the leading players in the Indian Real Estate segment.
- All the ongoing projects are being sold at an exceptional pace and generating sufficient income just weeks after being launched.
- With the ongoing projects in full swing, CTIL expects Birla Alokya, Birla Vanya, Birla Navya Phase 1 to be ready for delivery in 2023 itself.
- The two commercial assets in the form of Birla Aurora and Birla Centurion, continue to generate stable rental as well with the fundamentals expected to remain stable.
- **The fresh land bank recently acquired in Pune, Bengaluru and Mumbai are expected to generate a revenue potential of Rs 2,400 Crs, Rs 3,850 Crs and Rs 600 Crs respectively in future as CTIL plans to foray into the super luxury real estate market with the launch of boutique residences.**

Paper & Pulp Segment expected to witness better performance after reopening of schools post vacations and government orders

- Has the distinction of being India's only integrated pulp & paper mill providing comprehensive solutions from a single location.
- Once the schools reopen post summer vacations, there is expected to be an incremental demand from the educational institutes which at present is a bit tepid.
- CTIL is expecting the Board segment to show an improvement in sales on the back of demand from the Pharma, Food & Beverage (Cup Stocks) and the FMCG (Rural) segments.
- With export orders from Europe expected to remain sluggish due to recessionary pressure, CTIL is increasing its focus on the domestic markets which can fetch it better realizations at present.
- **As the country enters into the election year with many impending State elections as well as the General Elections scheduled for April-May 2024, the segment is expected to witness a significant increase in orders from government authorities in the form of tenders from the Central Government**

Textile segment expected to put up a better performance once macroeconomic headwinds settle down

- A fall in raw cotton prices had resulted in a sharp fall in cotton yarn realization prices in FY23 due to which the segment reported a loss coupled with the fact that orders from Europe and USA remained lackluster due to recessionary pressures.
- Of the losses incurred 50% is business losses and 50% is one-time losses, provisions for inventory or some doubtful debt which CTIL believes is recoverable in future and is a one-time expenditure.
- The segment is expected to report better performance once the global macroeconomic headwinds settle down coupled with stability in raw cotton prices. CTIL though optimistic, is currently not allocating any significant capex to this division at present.
- **CTIL is constantly focusing improving systems catering to traceability and transparency and get international accredited certifications to give it an edge over other manufacturers. It has launched its own in-house patented product Far Infrared Technology (IRf) in USA and got good interest from brands.**

Healthy Balance Sheet with adequate liquidity and balanced leverage

- Net Debt to Equity Ratio stood at 0.26x, Current Ratio of 1.16x and an Operating Cash Flow of Rs 270 Crs undermines the fact that it is in a comfortable position to undertake new projects and capex without over stretching its balance sheet.
- To prevent over leveraging of the balance sheet, CTIL has undertaken a strategic decision to focus the cash flow generated from the Paper & Pulps Business to finance the ongoing real estate projects.
- **CTIL has been effectively managing its debt levels and has brought it down from Rs 1,300 Crs at the end of March 2022 to Rs 1,000 Crs at the end of March 2023.**

Financials

Quarterly Results (Value in Rs. Crs)						
Particulars	Q4FY23	Q4FY22	Var%	FY23	FY22	Var%
Net Sales & Other Operating Income	1,208.54	1,210.72	-0.18	4,799.65	4,130.95	16.19
Total Expenditure	1,087.21	1,085.34	0.17	4,272.32	3,686.44	15.89
PBIDT (Excl OI)	121.33	125.38	-3.23	527.33	444.51	18.63
Other Income	9.54	7.57	26.02	27.52	43.06	-36.09
Operating Profit	130.87	132.95	-1.56	554.85	487.57	13.80
Interest	14.19	14.74	-3.73	53.89	52.18	3.28
Exceptional Items	134.21	0.00	-	134.21	0.00	-
PBDT	250.89	118.21	112.24	635.17	435.39	45.89
Depreciation	56.93	56.73	0.35	227.08	230.66	-1.55
Tax	51.03	-22.91	322.74	141.70	50.44	180.93
Net Profit	142.93	84.39	69.37	266.39	154.29	72.66
Discontinued Operations (Net Of Tax)	0.00	0.00	-	0.00	7.54	-
Adjusted Net Profit	142.93	84.39	69.37	266.39	161.83	64.61
Minority Interest	2.86	1.64	74.39	7.33	4.83	51.76
Share of Associates	-0.52	0.04	-	-1.84	-0.13	-
Consolidated Net Profit	145.27	86.07	68.78	271.88	166.53	63.26
Equity	111.69	111.69	-	111.69	111.69	-
EPS (Rs.)	13.01	7.71	68.78	24.34	14.91	63.26

Income Statement (Value in Rs. Crs)			
Particulars	FY22	FY21	FY20
Net sales	4,130.95	2,616.57	3,423.42
Total Expenditure	3,686.44	2,392.87	2,858.57
Operating Profit (Excl OI)	444.51	223.70	564.85
Other Income	43.06	61.62	35.21
Operating Profit	487.57	285.32	600.06
Interest	52.18	70.70	87.09
PBDT	435.39	214.62	512.97
Depreciation	230.66	231.13	228.58
Profit Before Tax and Exceptional Items	204.73	-16.51	284.39
Profit Before Tax	204.73	-16.51	284.39
Provision for Tax	50.44	-1.44	-93.69
Net Profit	154.29	-15.07	378.08
Extra Items	7.54	-18.54	-17.65
Minority Interest	4.83	3.17	4.82
Share of Associates	-0.13	0.00	0.00
Consolidated Net Profit	166.53	-30.44	365.25
EPS (Rs.)	14.91	-2.73	32.70

*Source: Company, Ace Equity, AUM Research

Balance Sheet (Value in Rs. Crs)			
Particulars	FY22	FY21	FY20
EQUITY AND LIABILITIES			
Share Capital	111.69	111.69	111.69
Total Reserves	3,607.13	3,392.67	3,367.80
Shareholder's Funds	3,718.82	3,504.36	3,479.49
Minority Interest	158.03	143.03	132.09
Secured Loans	381.82	864.97	549.92
Deferred Tax Assets / Liabilities	-56.94	-55.49	-64.56
Other Long Term Liabilities	636.86	689.26	703.77
Long Term Provisions	1.50	0.75	0.74
Total Non-Current Liabilities	963.24	1,499.49	1,189.87
Trade Payables	857.96	620.52	531.95
Other Current Liabilities	1,477.55	672.42	1,128.24
Short Term Borrowings	324.43	8.48	33.84
Short Term Provisions	181.87	189.68	187.45
Total Current Liabilities	2,841.81	1,491.10	1,881.48
Total Liabilities	7,681.90	6,637.98	6,682.93
ASSETS			
Gross Block	6,770.76	6,648.79	6,573.63
Less: Accumulated Depreciation	3,550.88	3,370.35	3,177.77
Net Block	3,219.88	3,278.44	3,395.86
Capital Work in Progress	173.90	172.64	139.71
Intangible Assets Under Development	36.91	37.65	36.40
Non Current Investments	1,116.79	1,053.49	1,004.12
Long Term Loans & Advances	81.83	93.57	296.35
Other Non Current Assets	14.71	3.81	6.49
Total Non-Current Assets	4,644.02	4,639.60	4,878.93
Currents Investments	131.00	45.00	0.00
Inventories	2,330.86	1,508.29	1,337.74
Sundry Debtors	216.80	157.85	181.24
Cash and Bank	114.30	124.93	119.35
Other Current Assets	59.15	61.57	74.49
Short Term Loans and Advances	185.77	100.74	91.18
Total Current Assets	3,037.88	1,998.38	1,804.00
Net Current Assets (Including Current Investments)	196.07	507.28	-77.48
Total Current Assets Excluding Current Investments	2,906.88	1,953.38	1,804.00
Total Assets	7,681.90	6,637.98	6,682.93

*Source: Company, Ace Equity, AUM Research

Aum Capital RESEARCH DESK

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