

RECOMMENDATION SNAPSHOT					
*CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs492	Rs217	Rs650	32%	Buy	10.7

*as on 13 May, 2022

About the Company:

Century Enka Limited (Century Enka) was established in 1965 as a part of B.K. Birla group of companies, known for its legacy of trust and commitment. Century Enka is into the synthetic yarn segment of the textile industry, where it produces NFY for the apparel industry and NTCF for the tyre industry. It is the largest producer of NFY and the second largest manufacturer of NTCF in India with a capacity of ~30,000ton/annum and ~32,000ton/annum respectively. The manufacturing facilities are based out of Pune and Bharuch. Going forward, the company aspires to expand its horizon for the tyre industry into PTCF and eventually Rayon Tyre Cord Fabric (RTCF) owing to its growing demand in the automobile industry. Smt. Rajshree Birla is the Chairperson of the company.

Results: Quick Glance:

- The net sales for the quarter grew to Rs5,724mn as compared to Rs4,451mn in the same quarter last year
- The EBITDA margin for the quarter under review stood at 11.9% as compared to 15.8% in Q4FY21
- The net profit came in at Rs497mn as against Rs486mn in the same quarter last year
- The EPS for the quarter under review stood at Rs22.7
- For the full year, the company has reported net sales growth of 71.6% at Rs20,978mn as compared to Rs12,228mn in the previous year. The net profit came in at Rs1,842mn as against Rs791mn in the comparative period
- The Board has recommended dividend of Rs10 per share for FY22 (FV=Rs10 per share) as compared to Rs8 last year

Other Highlights:

- The full year product mix was 53% from Nylon Tyre Cord Fabric and 47% from Nylon Filament Yarn (NFY)
- The company signed power purchase agreement for Hybrid (Wind + Solar) power under group captive norms with capacity of 10.5MW for its Bharuch plant, which will be commissioned towards end of Q4FY23 and expected savings of around Rs150mn p.a in power cost compared to DISCOM power
- The caprolactam prices demonstrated rising trend and remained at elevated levels. Volatility in Caprolactam prices will be a key monitorable due to geo-political issues. On the NTCF expansion, it is indicated that commissioning would be from Q4FY23.
- The company targets commissioning of full capacity of Polyester Tyre Cord Fabric (PTCF) in Q4FY24. The technical approval process for PTCF from target customers is expected to start in FY23
- Value addition and expansion in NFY capacity is expected to be completed by Q4FY23 and Q4FY24 respectively
- The cash outflow on capex in FY22 was ~Rs857.7mn and for FY23 the same is expected to be ~Rs2,000mn.

Financials:

Performance (Q4&FY22)									
Q4&FY22 Result (Rs mn)	Mar-22	Mar-21	y-o-y	Dec-21	q-o-q	FY22	FY21	y-o-y	FY23E
Total Revenue	5724	4451	28.6%	5634	1.6%	20978	12228	71.6%	23450
EBITDA	681	704	(3.3%)	757	(10.0%)	2643	1204	119.6%	3048
Other Income	48	42	14.8%	46	3.9%	206	220	(6.3%)	206
Interest	3	4	(23.7%)	4	(21.6%)	12	16	(20.0%)	405
Depreciation	104	99	5.4%	98	6.7%	396	409	(3.1%)	24
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	125	158	(20.5%)	196	(36.0%)	599	208	187.6%	727
Net Profit	497	486	2.2%	506	(1.8%)	1842	791	132.8%	2099

Outlook and Recommendations:

It was yet another strong quarter on the revenue front but margins were impacted due to lower gross margins, which led to flat profits. The higher input costs when compared on y-o-y basis did offset the sales growth resulting in tepid operating profit for the quarter under review; the full year numbers have been encouraging. The supply chain constraints led to sharp spike in the inventories which impacted the inflows from the various operating activities. The profits for the year have more than doubled, even if considering a lower base in the previous year. During Q4FY22, the company did witness robust demand and off-take for its principal business of synthetic yarn. The company is pretty much on track with regard to the capex plans. Century Enka has been working on its strategy of cost optimization, increasing the customer base, improve plant efficiency, premiumisation of product range; all of these hinting towards good growth prospects going forward. We maintain Buy on the stock for the target of Rs650.

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