

Century Textiles & Industries Ltd. Witnessing strong demand and realization momentum

Call: **BUY** at CMP **833**

Target Price: **1,245 (upside 49%)**

Q4FY22 Result Update

Boost in residential sales booking; a resurgence in paper and textile!!

- ✓ In Q4FY22, Century Textiles and Industries Ltd (CTIL) reported revenues of INR 11,862mn, up 45% YoY basis and an Ebitda of INR 1,330mn, up 66% on a YoY basis. The operating growth was driven by robust performance in the 'paper' and 'textile' segments, up by 46% and 54%, respectively. We continue to remain optimistic about the Company on the back of strong domestic outlook on real estate and paper industry. Short to medium-term outlook appears positive, owing to demand recovery and realization growth. Hence, we expect CTIL revenues to grow at a CAGR of 15% between FY22 and FY23E.
- ✓ Birla Estates, the company's real estate segment has ~6.4mn sqft under construction. The company clocked a robust booking worth of INR 19.1bn in FY22, up 2.1x YoY which was majorly led by INR ~12bn clocked by the flagship project in Worli-Birla Niyaara. Additionally, the company has entered into an agreements for the joint development of a 52-acre land parcel in North Bengaluru with M.S. Ramaiah Realty on a profit-sharing basis. The potential revenue from the land parcel is ~INR 30bn and the company is in discussion for ten new projects. We believe the segment has tremendous potential in FY22-23E, owing to record-low home loan rates and growing homeownership sentiment.
- ✓ The company achieved its highest capacity utilization rate of 97% in the 'pulp & paper' segment, while overall revenues increased by 13% on a sequential basis. This segment has continued to witness a significant turnaround in demand and realization due to (1) Reopening of offices & schools (2) Packaging boards for e-commerce, FMCG, pharmaceutical sectors, and (3) Increased awareness concerning hygiene, resulting in strong order flows for the 'board and tissue' segment. Going forward, the Indian paper industry is expected to grow in parallel with the country's economy.
- ✓ The company's 'textile' segment achieved a capacity utilization rate of 97% up from 92 % in Q4FY21, as it posted its best-ever turnover in a financial year, contributing to 26% of total revenue. Overall segmental sales grew by 17% QoQ basis, largely driven by the apparel fabric division. In order to boost sales, the company is focusing its efforts on expanding its geographical footprint and product range/innovation.
- ✓ CTIL's financial risk profile continues to remain healthy, as indicated by sound capital structure and debt protection metrics. The company has a D/E ratio of 0.34x. We expect the D/E to remain below 0.45x, despite the additional capex initiatives in FY23 onwards.

Key Stock Data

Bloomberg	CENT:IN
Sector	Paper & Paper Products
CMP	833
NIFTY	17,120
Mkt Cap. (INR. bn)	98
O/s Shares (mn)	112
52 Week High / Low (INR.)	1025/462
Face Value (INR.)	10.0

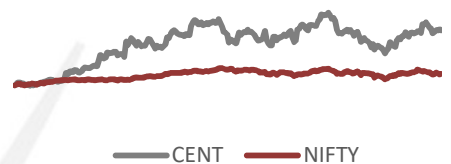
Shareholding (%)

	Q4FY22
Promoters	50
DIIs	16
FIIIs	7
Others	27

Financial Ratios

	FY22	FY23E	FY24E
ROE (%)	4.2	4.7	8.9
ROCE (%)	5.1	7.3	11.8
P/E (x)	61.6	54.4	26.7
P/B (x)	2.6	2.5	2.4

1 Year Relative Price Chart



Valuation: Robust demand and profitability matrix expected ahead

- ✓ We value the stock at a target price of INR 1,245 based on the SOTP method. We assign 5.8x EV/EBITDA and 5x EV/EBITDA for the paper and textile businesses—in contrast, valuing the annuity leasing segments of Birla Estate at an 8% cap. We believe the real estate segment to perform exponentially alongside a solid recovery in its paper and textile segment.

Financial Snapshot

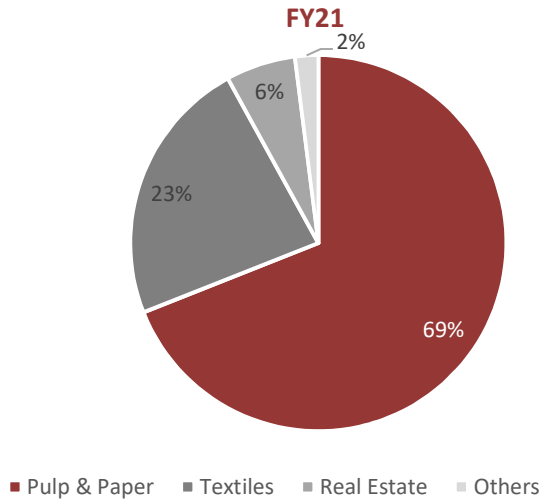
Figures (in mn)	Q4FY22	Q4FY21	Y-o-Y (%)	Q3FY22	Q-o-Q (%)	FY22A	FY23E	FY24E
Revenues	12,107	8,394	44.2	10,648	13.7	41,316	46,707	54,229
EBITDA	1,254	703	78.4	1,002	25.1	4,450	6,072	9,219
EBITDA Margins %	10.4	8.4	200bps	9.4	100bps	10.8	13.0	17.0
PAT	861	-84	NA	142	508	1,548	1,804	3,682
PAT Margins %	7.1	-1.0	NA	1.3	580bps	3.7	3.9	6.8
EPS	7.7	-0.8	NA	1.3	492	13.9	16.2	32.9
BVPS						333	346	372

Source: Company, ULJK Research

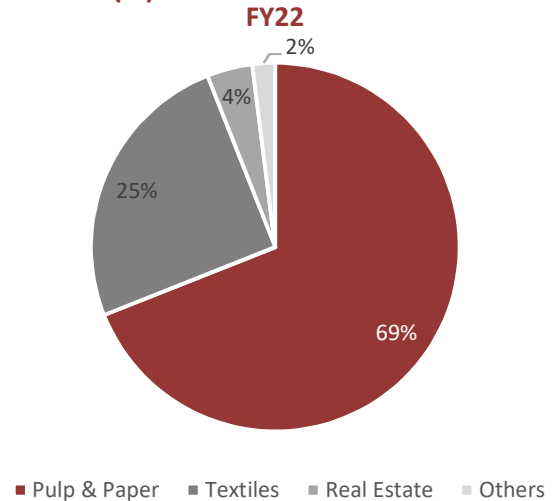
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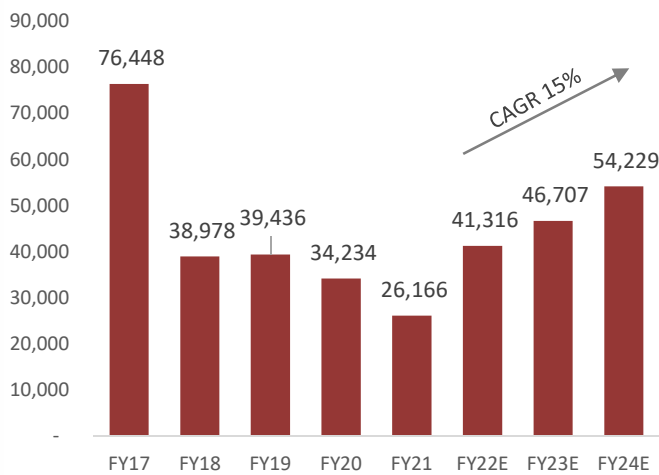
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Exhibit 1: Revenue Mix (%)


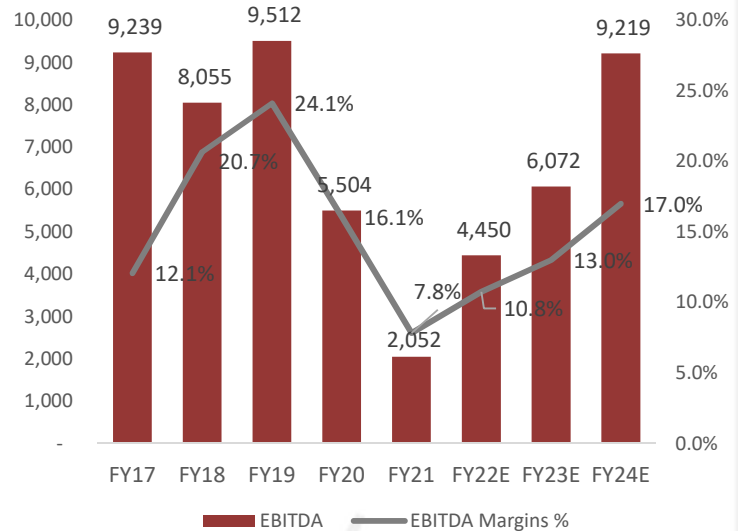
Source: Company, ULJK Research



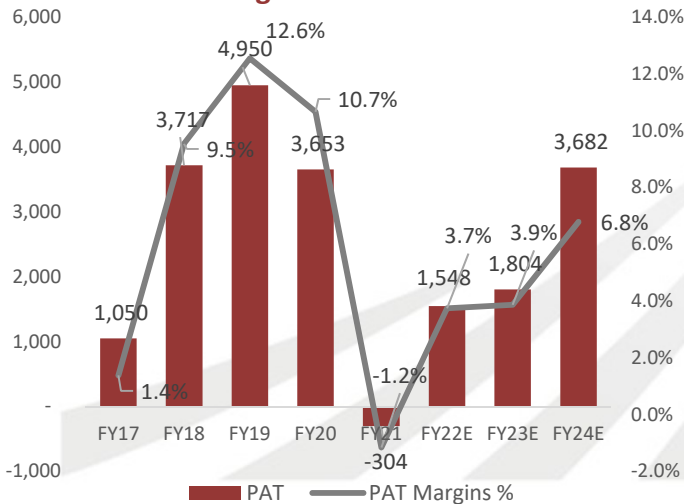
Source: Company, ULJK Research

Exhibit 2: 15% revenue CAGR over FY22-FY24E (INR mn)


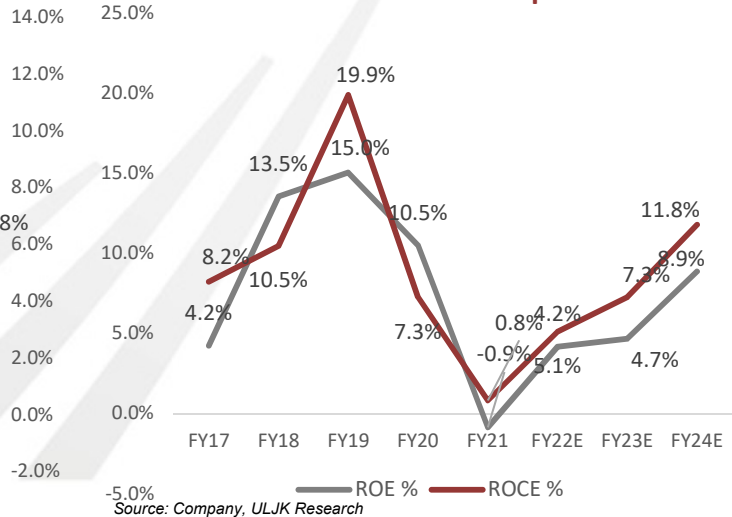
Source: Company, ULJK Research

Exhibit 3: EBITDA to remain strong


Source: Company, ULJK Research

Exhibit 4: PAT margins trend


Source: Company, ULJK Research

Exhibit 5: Return ratios to improve


Source: Company, ULJK Research

Company Overview

Century Textiles & Industries Ltd, an Aditya Birla Group company incorporated in 1897, has grown into a commercial powerhouse with operations in various industries. With over 3,200 employees, CTIL's management comprises industry veterans in its BOD under the leadership of Mr. B. K. Birla. The company is a pioneer in multiple sectors viz. Pulp & Paper, Cotton Textiles, and Real Estate.

Century Pulp and Paper (CPP) is one of the largest manufacturers of tissue, board, paper, and pulp in India. In a 400-acre facility, the company produces high-quality writing and printing paper, making it one of the India's biggest integrated single-site production plant for Pulp & Paper.

Birla Century is one of India's major textile companies, providing tailored solutions in the personal clothing and home textile sector. With over 100,000 spindles, 300 looms, and a manufacturing capacity of 37mn meter per annum, the company supplies high-quality products to top global brands. The company caters to consumers worldwide in shirting, bottom-weight, finer fabrics, and so on. Furthermore, the company is world's 2nd and India's 1st LEED V4 certified textile manufacturing company.

Birla Estates, founded in 2016, is a prominent player in the premium building sector. The company sold 1mn sq. ft cumulatively in less than two years. With 5 planned launches in MMR, NCR, and Bengaluru, the firm has ~3.4+mn square feet under development across three projects.

Industry Overview

On the domestic front, Indian paper and board prices will be highly dependent on aggressive Chinese buying, given that environmental regulations have restricted Chinese pulp manufacturing. This year saw an increase in its offering of value-added products such as tissue and paperboard, a trend that will continue going forward. While rising consumer consciousness for health and hygiene led to higher demand for tissues, the demand for pharmaceutical products raised the need for paperboard. Given the agility of operations, the business was able to make the necessary changes to shift to paperboard manufacturing with greater focus. Companies catering to this segment were thus able to sustain higher utilization levels and even undertake planned expansion for tissue manufacturing to cater to the increased demand.

India is embarking on a series of significant efforts aimed at boosting its technical textile industry. The government is assisting the industry by providing funds and sponsoring machinery. The sector's leading companies achieve sustainability in their goods by making textiles from naturally recyclable materials.

The Indian textiles sector continues to have a bright future, driven by both local and foreign demand. With rising consumerism and disposable money, the retail sector has grown rapidly over the last decade, owing to the arrival of numerous foreign firms into the Indian market, including Marks & Spencer, Guess, and Next.

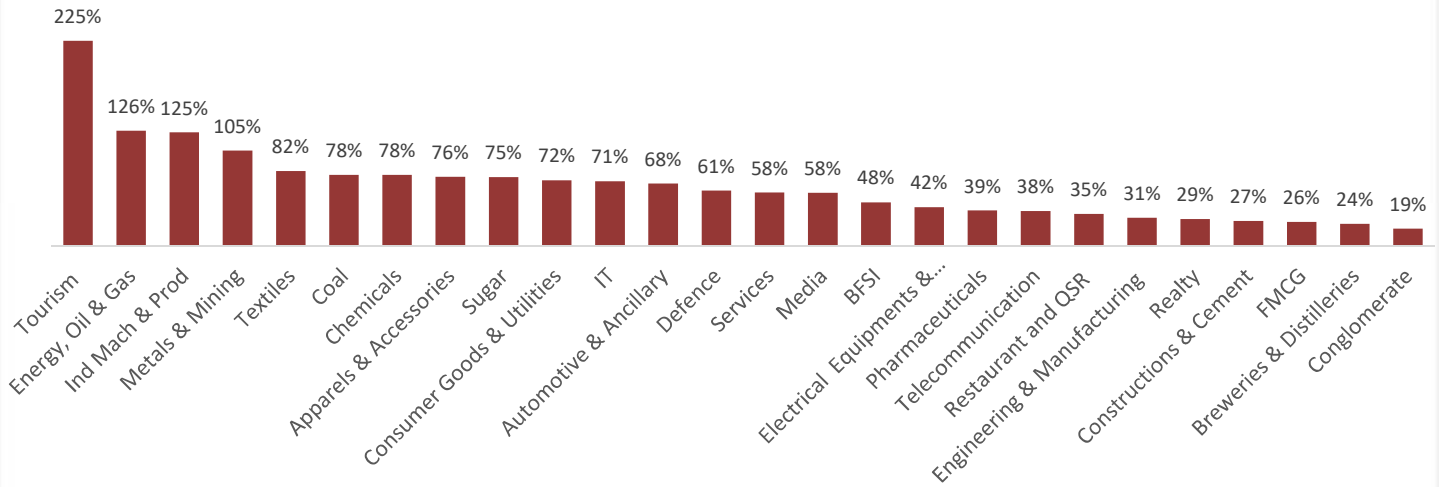
Economic expansion has resulted in an increase in disposable income. This has increased demand for items, resulting in a massive domestic market. The textiles industry has seen a boom in investment during the previous five years. Between April 2000 and March 2021, the sector (including dyed and printed) attracted an FDI of US\$ 3.75bn. The production-linked incentive (PLI) program for man-made fiber and technical textiles will boost manufacturing, expand exports, and attract investment to the industry.

Key Concall Highlights-Q4FY22

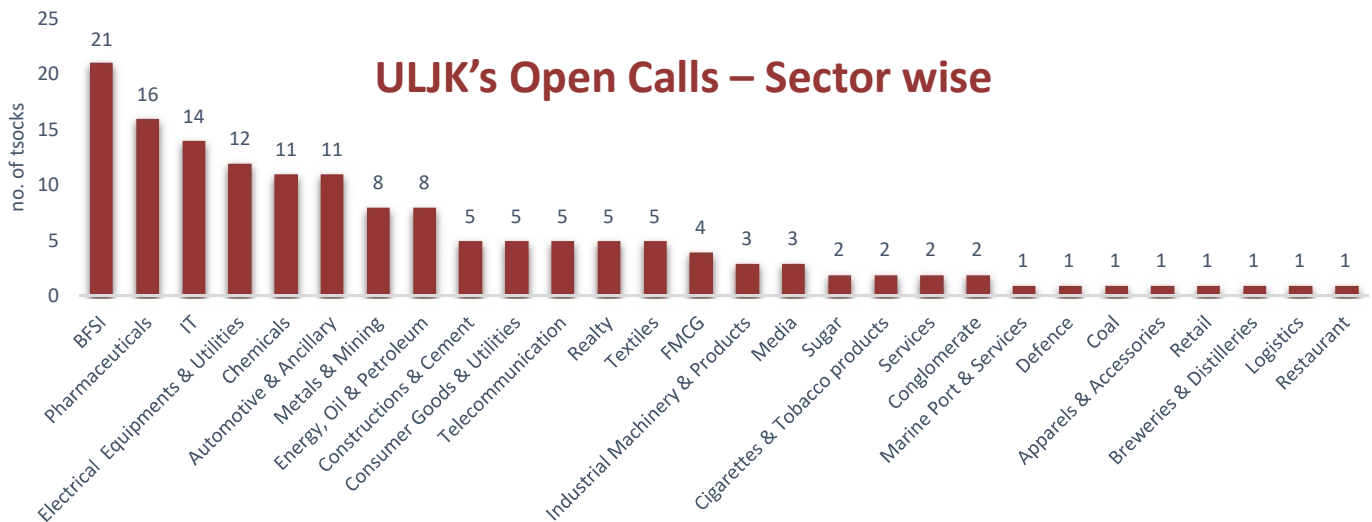
- ✓ FY23 is predicted to be more profitable, owing to capacity expansion in the board segment (by 20k tonnes per year) and writing paper (by 10-15k tonnes per annum)
- ✓ CENT launched its flagship project (Birla Niyaara) in 4QFY22, contributing to 93% of sales bookings.
- ✓ For FY22, CENT increased sales bookings by 208% YoY to INR19.1bn and collections by 129% YoY to INR3.5 bn.
- ✓ The apparel fabric business has predominantly fueled textile growth. However, the Home Textiles market remained sluggish, owing primarily to logistical difficulties.

ULJK's Performance Tracker

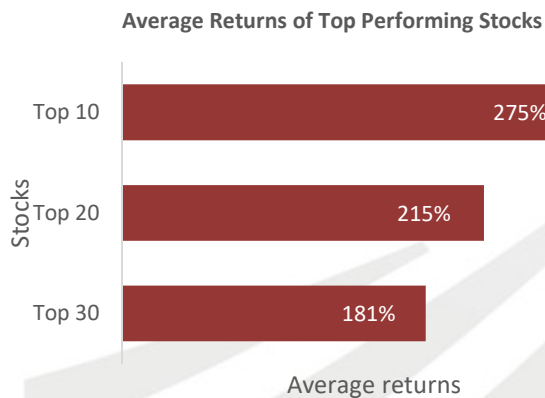
ULJK's Average Returns - Sector wise



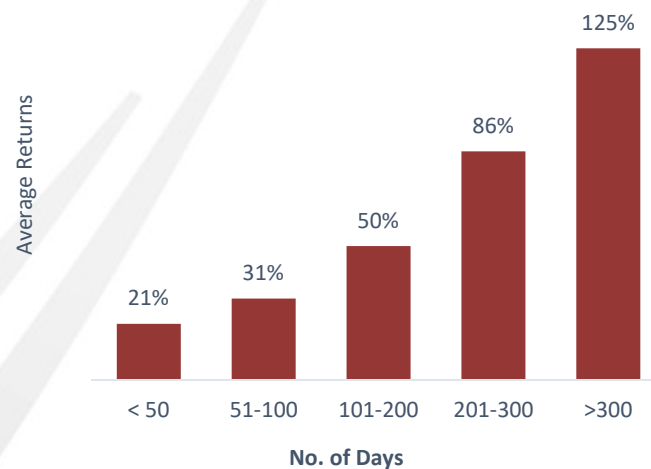
ULJK's Open Calls – Sector wise



Average Returns of Top Performing Stocks



Time wise (Days) to % Returns



ULJK returns compared to peers

Source: Bloomberg

Period (months)	ULJK Average Return %	Peers Average Return %	Outperformance compared to peers
1	3.4%	2.2%	54.3%
3	2.1%	1.4%	52.9%
6	9.3%	5.8%	59.8%
12	34.0%	29.6%	14.8%
24	36.7%	26.9%	36.4%
36	59.4%	39.9%	48.7%

ULJK's 190 Companies Under Coverage

ABB India Ltd	Chemplast Sanmar Ltd	Heidelbergcement India Ltd	LIC Housing Finance Ltd	Shilpa Medicare Ltd
ABB Power Products and Systems Ltd	Cipla Ltd	Heranba Industries Ltd	Lupin Ltd	Shree Cement Ltd
ACC Ltd	City Union Bank Ltd	Himatsingka Seida Ltd	Mahanagar Gas Ltd	Siemens Ltd
Adani Ports and Special Economic Zone	Coal India Ltd	Hindalco Industries Ltd	Mahindra & Mahindra Ltd	SPL Apparel Ltd
Adani Power Ltd	Coforge Ltd	Hindustan Oil Exploration Co. Ltd	Mangalore Chemicals & Fertilizers Ltd	SRF Ltd
Affle (India) Ltd	Container Corporation Of India Ltd	Hindustan Petroleum Corporation Ltd	Marksans Pharma Ltd	State Bank Of India
Amber Enterprises India Ltd	Cummins India Ltd	HT Media Ltd	Maruti Suzuki India Ltd	Steel Authority Of India Ltd
Ambuja Cements Ltd	Devyani International Ltd	ICICI Bank Ltd	Minda Corporation Ltd	Stove Kraft Ltd
Anupam Rasayan India Limited	Dhampur Sugar Mills Ltd	ICICI Lombard GIC Ltd	Mindtree Ltd	Sun Pharmaceuticals Ltd
Apollo Tyres Ltd	DLF Ltd	IDBI Bank Ltd	Monte Carlo Fashion Ltd	Sun TV Network Ltd
Ashok Leyland Ltd	Dr Reddy's Laboratories Ltd	IDFC First Bank Ltd	Motherson Sumi Systems Ltd	Sunteck Realty Ltd
Atul Ltd	Dynamatic Technologies Ltd	India Pesticides Ltd	Nath Industries Ltd	Syngene International Ltd
Au Small Finance Bank Ltd	Eclerx Services Ltd	Indiabulls Housing Finance	Nelco Ltd	Tata Chemicals Ltd.
Aurobindo Pharma Ltd	Eris Lifesciences Ltd	Indiabulls realestate Ltd	NMDC Ltd	Tata Communications Ltd
Axis Bank Ltd	Eveready Industries India Ltd	Indian Bank Ltd	NTPC Ltd	Tata consultancy services Ltd
Bajaj Healthcare Ltd	Everest Kanto Cylinder Ltd	Indian Oil Corporation Ltd	Oil and Natural Gas Corporation Ltd	Tata Motors Dvr Ltd
Bandhan Bank Ltd	Exide Industries Ltd	Indian Railway Catering and Tourism Corporation Ltd	Oriental Carbon & Chemicals Ltd	Tata Motors Ltd
Bank of Baroda	Expleo Solutions Ltd	Indo Count Industries Ltd	Parag Milk Foods Ltd	Tata Power Co. Ltd
Bank of India	Federal Bank Ltd	Indoco Remedies Ltd	Parsvnath Developers	Tata Steel Ltd
BASF India Ltd	Filatex India Ltd	Indus Tower Ltd	Parsvnath Developers Ltd	Tech Mahindra Ltd
Bata India Ltd	Firstsource Solution Ltd	Infibeam Avenues Ltd	Pfizer Ltd	Technocraft Industries (India) Ltd
BF Utilities Ltd	Fortis Healthcare Ltd	ITC Ltd	Piramal Enterprises Ltd	Tejas Network Ltd
Bharat Bijlee Ltd	Gail (India) Ltd	ITD Cementation Ltd	Poonawala Fincorp	Torrent Power Ltd
Bharat Electronics Ltd	GE Power India Ltd	Jaiprakash Power Venture Ltd	Poonawalla Fincorp Ltd	Triveni Engineering & Industries Ltd
Bharat Forge Ltd	GE T&D India Ltd	Jindal Steel & Power Ltd	Power Finance Corporation Ltd	TVS Motor Company Ltd
Bharat Heavy Electricals Ltd	GHCL LTD	JSW Steel Ltd	Power Grid Corporation Of India	Ujjivan Financial Services Ltd
Bharat Petroleum Corp Ltd	Gland Pharma Ltd	Jubilant Ingrevia Ltd	Praj Industries Ltd	United Spirits Ltd
Bharti Airtel Ltd	Glenmark Pharmaceuticals Ltd	Jubilant Pharmova Ltd	Prestige estates Projects Ltd	Varroc Engineering
Birla Corporation Ltd	Godfrey Phillips India Ltd	Just Dial Ltd	Punjab National Bank	Vedanta Ltd
Blue Star Ltd	Graphite India Ltd	Jyothy Labs Ltd	PVR Ltd	Vinati Organics Ltd
BSE Ltd	Greaves Cotton Ltd	KEC INTERNATIONAL LTD	Quess corp Ltd	Welspun Corp Ltd
Cadila Healthcare Ltd	Gujarat Fluorochemicals Ltd	Kotak Bank Ltd	Quick Heal Technologies Ltd	Welspun India Ltd
Can Fin Homes Ltd	Happiest Minds Technologies Ltd	L&T finance holdings Ltd	Railtel Corpertaion Of India	Zee Entertainment Enterprises Ltd
Canara Bank	HCL Technologies Ltd	L&T Financial Holdings Ltd	RBL Bank Ltd	Zensar Technologies Ltd
Care Ratings Ltd	HDFC bank ltd	larsen & Toubro ltd	Reliance Industries Ltd	ZF Steering Gear India Ltd
CDSL Ltd	HDFC Ltd	Larsen & Tourbo Infotech Ltd	Sadbhav Infrastructure Project Ltd	Zyklus Wellness Ltd
Century Textiles and Industries Ltd	HEG Ltd	Laurus Labs Ltd	SAKSOFT Ltd	

		Total Calls review: Closed Calls: 142 ; Average return: 64%; Average period: 187 days						
Stocks	Sector	Type	Call Date	Call Price	Target	Exit Date	No of Days	Total Return %
TATA Motors DVR	Automotive & Ancillary	BUY	8/3/2020	37	225	10/13/2021	436	508%
JSW energy	Energy, Oil & Petroleum	BUY	4/9/2021	88	388	9/30/2021	174	341%
TATA Motors	Automotive & Ancillary	BUY	7/7/2020	103	448	10/13/2021	463	335%
SAIL Ltd	Metals & Mining	BUY	7/9/2020	35	140	4/30/2021	295	300%
Dynatomic Technologies	Industrial Machinery & Products	BUY	2/16/2021	868	3175	4/13/2021	209	266%
IRCTC	Others	BUY	7/19/2020	4315	4470	11/6/2021	352	225%
Nelco Ltd	IT	BUY	1/18/2021	108	645	9/28/2021	253	209%
First source solution	IT	BUY	9/10/2020	54	150	6/3/2021	297	177%
Eclerx Services	IT	BUY	12/20/2020	394	445	9/16/2021	262	175%
Tata Chemicals	Chemicals	BUY	11/19/2020	352	949	10/5/2021	320	170%
Indian Bank	BFSI	BUY	8/20/2020	64	170	10/18/2021	424	166%
Ashok Leyland	Automotive & Ancillary	BUY	6/27/2020	52	136	2/2/2021	220	162%
State Bank of India	BFSI	BUY	7/7/2020	185	470	9/17/2021	437	154%
Mindtree	IT	BUY	3/15/2021	1935	4857	10/14/2021	213	151%
NMDC limited	Metals & Mining	BUY	7/1/2020	81	203	5/12/2021	315	151%
Mangalore Chemicals	Chemicals	BUY	12/9/2020	42	99	3/5/2021	86	136%
HEG Ltd	Industrial Machinery & Products	BUY	12/23/2020	865	2010	4/2/2021	100	132%
Zee Entertainment Enterprises Limited	Media	BUY	8/4/2020	141	31	9/22/2021	414	126%
Graphite India	Industrial Machinery & Products	BUY	12/13/2020	285	630	4/1/2021	101	121%
Tata steel	Metals & Mining	BUY	12/28/2020	63	1391	7/29/2021	213	119%
Stove Kraft Ltd	Consumer Goods & Utilities	BUY	5/14/2021	490	1052	9/18/2021	137	115%
ONGC	Energy, Oil & Petroleum	BUY	10/19/2020	12	154	11/5/2021	382	114%
Wockhardt	Pharmaceuticals	BUY	1/11/2021	332	685	5/19/2021	181	106%
NALCO	Metals & Mining	BUY	7/9/2020	36	74	5/7/2021	302	106%
Eveready Industries India	Others	BUY	1/11/2021	199	401	8/3/2021	204	102%
Triveni Engineering & Industries Ltd.	Sugar	BUY	10/9/2020	78	153	5/10/2021	213	96%
GHCL Limited	Chemicals	BUY	9/7/2020	164	318	7/15/2021	311	94%
SRF limited	Chemicals	BUY	4/26/2021	6205	11723	11/8/2021	196	89%
Minda Corp	Automotive & Ancillary	BUY	1/5/2021	92	170	11/1/2021	300	85%
Welspun India Limited	Textiles	BUY	8/28/2020	57	105	7/6/2021	312	84%

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