

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR886
Target Price	: INR1,191
Potential Return	: 34%

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4QFY22 RESULT REVIEW

Century Textiles & Industries (CENT)

Jump in residential sales booking; revival in paper and textile

CENT ended the year with a strong performance. Overall in FY22, CENT witnessed a very strong performance in all of its operational and financial parameters across businesses. CENT continued to report revenue growth (for the 7th consecutive quarter from its bottom in 1QFY21 during COVID lockdown). In 4QFY22, CENT reported revenue of INR12.1bn (14/44% QoQ/ YoY) on the back of strong demand revival in both paper and textiles businesses. For FY22, revenue was at INR41.3bn (58% YoY and 21% up compared to FY20). Pulp and Paper business continued to witness significant turnaround in demand and realisations and contributed 68% of total revenue. Textile segment reported best ever turnover in a financial year and contributed 26% of total revenue (INR10.8bn). However due to input cost inflation, margin continues to be under pressure; overall EBITDA margin in FY22 was at 11% (7% in FY21 and 15% in FY20). Due to cost inflation, expected margin remains to be uncertain in FY23. PAT at INR861 mn in 4QFY22 vs net loss of INR84mn in 4QFY21 (in FY22 INR1.7bn vs loss of INR304mn in FY21). In addition to the strong revival in these two segments, residential real estate saw significant jump in sales booking; in 4QFY22 sales booking was at INR13.2bn (285/297%) and in FY22 it was at INR19.1bn (3.1x of FY21). The jump in sales booking is on the back of successful launch of its flagship project in Worli - Birla Niyara. We expect similar number in booking in FY23 and further jump in sales booking in FY24 on the back of launch of new projects.

Strong residential performance on the back of successful launch of its Worli project

CENT's flagship project - Birla Niyara (Worli Mills) tower, which was launched in 4QFY22 (Feb'22), saw tremendous response in sales booking and till date sold inventory worth INR12.4bn. Phase I which is 0.85 mn sqft sold 215 of the 422 apartments. The expected cost of development of phase I ~ INR8.5bn. Phase II is expected to be launched in FY24 by when > 75-80% of the phase I expected to be sold out. Worli Mills Project has a total development potential of ~5 mn sqft expected to be developed over next 10-12 years. 3 phases of residential of ~ 2.5 mn sqft and 1.0 mn sqft of commercial + 0.10-0.25 mn sqft of allied retail as per current plans and remaining 1.5 mn sqft yet to be planned. Worli project expected to remain a key contributor to sales velocity going ahead. While the first phase of the project is expected to see strong sales velocity; subsequent price hike on account of upcoming social and physical infra in the Worli is expected to drive value going ahead.

Pipeline : Management has guided for 5-10% growth in sales booking for FY23 predominantly driven by sustenance sales in Worli project and new phases of Gurugram and Kalyan. FY24 expected to see significant jump in sales booking driven by Phase II of Worli project and launch of new projects (acquired in FY22/FY23). Recently it has acquired a project in North Bengaluru with development potential of 4.0 mn sqft and currently in discussion for 10 new projects. MMR, NCR, Pune and Bengaluru continue to be focus markets to drive future growth of its real estate business.

Paper segment continues to witness strong revival; cost inflation uncertainty remains

The segment saw a strong growth driven by both volume and realization growth. The capacity utilisation in FY22 was at 99% compared to 81% in FY21. FY23 is expected to be better both in terms of profitability as well as growth which will be driven by capacity expansion (7-8%) in board segment (by 20k tonnes per annum) and writing paper (by 10-15k tonnes per annum); the impact would be visible in 2HFY23. Copier grade paper remained in high demand due to opening up schools, colleges and offices. Increased focus on hygiene drove tissue segment in both home and non-home segment. Domestic market is witnessing strong demand revival and channels have started building up inventory. Operational cost increased sharply due to increase in wood, fuel and freight cost. CENT was able to pass on partial cost increase.

Our View

We value the company on an SOTP based valuation where we assign 6x EV/EBITDA and 5x EV/EBITDA on FY24E EBITDA for the Paper and Textile businesses respectively baking in steady growth over next few years while valuing the annuity leasing segment of Birla Estate at 8% Cap rate. Residential real estate is valued using NPV method at 11% discount rate and assigning a 20% premium to bake in strong growth potential going ahead. Re-iterate buy on the stock with a revised target price of INR 1,191.

Market data

Sensex	:	56,580
Sector	:	Textiles
Market Cap (INRbn)	:	99.0
Market Cap (USDbn)	:	1.291
O/S Shares (m)	:	111.7
52-wk HI/LO (INR)	:	1025/462
Avg Daily Vol ('000)	:	232
Bloomberg	:	CENT IN

Source: Bloomberg

Valuation

	FY22	FY23e	FY24e
EPS (INR)	14.2	19.7	41.1
P/E (x)	62.2	45.1	21.6
P/BV (x)	2.7	2.5	2.3
EV/EBITDA (x)	24.7	19.9	12.3
Dividend Yield (%)	0.1	0.1	0.1

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	5	4	12	92
Relative	6	6	21	63

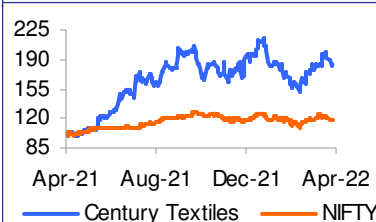
Source: Bloomberg

Shareholding pattern

Promoters	:	50%
Public	:	50%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg Indexed to 100

Concall highlights of 4QFY22

- FY22 was a challenging year in terms of business with commodity inflation and global tension (Russia - Ukraine War) remaining the key dampening factors for global as well as domestic economy.
- Real Estate business: CENT launched the flagship project (Birla Niyara) in mid feb'22 and achieved sales booking of INR12.4bn since launch (selling ~50% of the launched area). Birla Niyara accounted for ~93% of the sales booking for 4QFY22.
- CENT sold out phase I of Birla Navya in Gurugram on the back of strong demand for lower rise products in Gurugram market which is witnessing strong demand momentum.
- New business Development: CENT signed a new business development opportunity in North Bengaluru with M S Ramaiah Realty LLP. The project has an estimated revenue potential of ~INR30bn (4 mn sqft). The terms of the deal are 53:47% (Birla: MS Ramaiah) Profit sharing JV with INR650mn of upfront payment (adjustable with future cashflows). The project is expected to be launched within 1-1.5 years.
- For FY22, CENT achieved a sales booking growth of 208% YoY to INR19.1bn and a collection growth of 129% YoY to INR3.5bn
- Outlook on Real Estate: Management has guided for 5-10% growth in sales booking for FY23 and a significantly higher growth in FY24 driven by launch of new projects (acquired in FY23) and new phase launch of Worli project.
- Pulp and Paper segment: The segment saw a strong growth driven by both volume and realization growth. Copier grade paper remained in high demand due to opening up schools, colleges and offices. Increased focus on hygiene drove tissue segment in both home and non home segment. Domestic market is witnessing strong demand revival and channels have started building up inventory.
- Cost increase: Operational cost increased sharply due to increase in wood, fuel and freight cost. CENT was able to pass on partial cost increase.
- Outlook on paper segment: FY23 is expected to be better both in terms of profitability as well as growth which will be driven by capacity expansion in board segment (by 20k tonnes per annum) and writing paper (by 10-15k tonnes per annum).
- Textile: Growth in textile was largely driven by Apparel fabric division. However, Home Textile segment remained subdued largely on account of logistical challenges. Sharp increase in cotton price and fuel cost continue to hurt margins. CENT will focus on expanding global reach in FY23 and product innovation to drive sales.

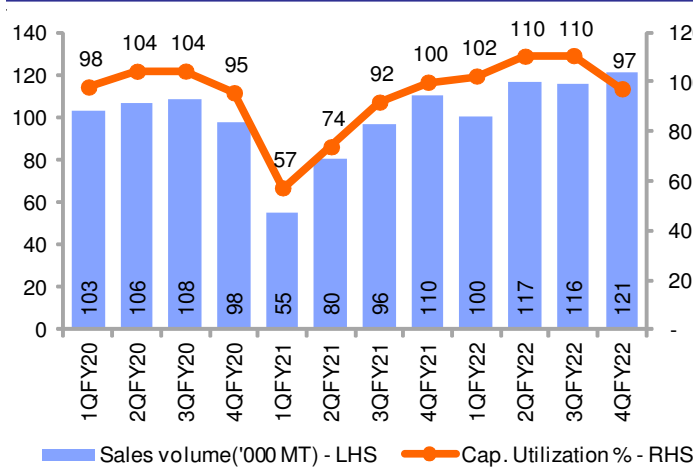
Quarterly snapshot

INR mn	4QFY22	3QFY22	QoQ %	4QFY21	YoY %	FY22	FY21	YoY %
Net Sales	12,107	10,648	13.7	8,394	44.2	41,310	26,166	57.9
Total Expenditure	10,853	9,646		7,642		36,864	23,929	
EBITDA	1,254	1,002	25.1	752	66.8	4,445	2,237	98.7
Margins (%)	10.4	9.4	95bps	9.0	140bps	10.8	8.5	221bps
Depreciation	567	589		582		2,307	2,311	
Interest	147	124		158		522	707	
Other Income	76	47		53		431	616	
PBT before EO expense	615	336	82.9	65	847.3	2,047	-165	NM
Extra-Ord expense	-	-		-		0	0	
PBT	615	336	82.9	65	847.3	2,047	-165	NM
Tax	-229	215		114		504	-14	
Rate (%)	-37.3	64.0		175.3		24.6	8.7	
MI & Profit/Loss of Asso. Cos.	-17	-20		-14		-47	-32	
P&L from Disc. Ops	0	0		-49		75	-185	
Reported PAT	861	142	508.3	-84	NM	1,665	-304	NM
Adj PAT	861	142	508.3	-35	NM	1,590	-119	NM
Margins (%)	7.11	1.33		-0.42		3.8	(0.5)	

Source: Company, Antique

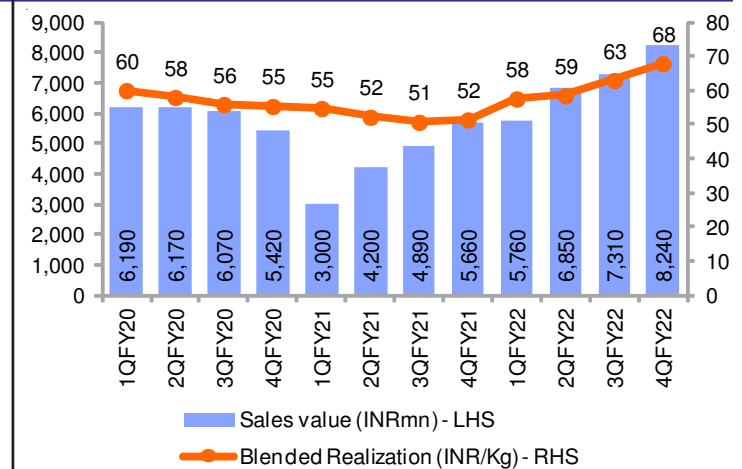
Story in Charts

Exhibit 1: Paper biz: Blended utilization and total volume



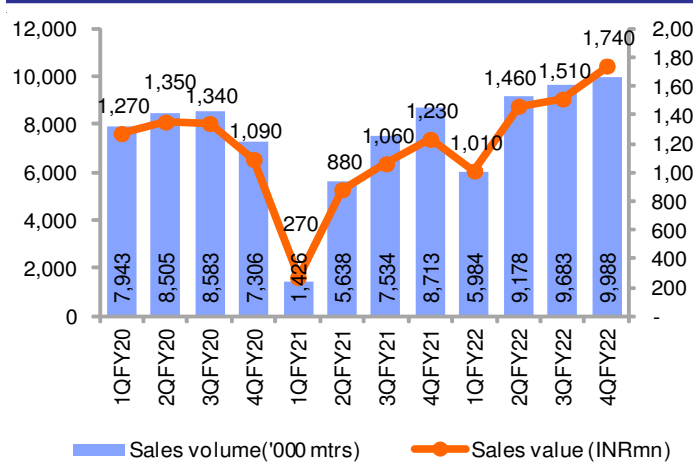
Source: Company, Antique

Exhibit 2: Paper biz: Total sales and blended realization



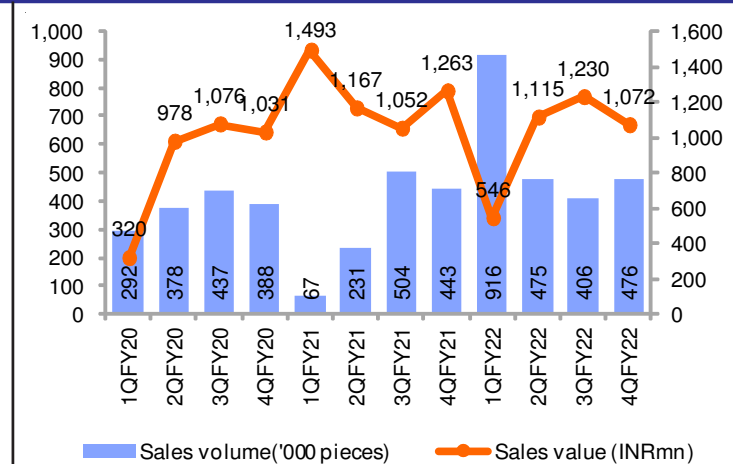
Source: Company, Antique

Exhibit 3: Fabric division: Sales volume/value



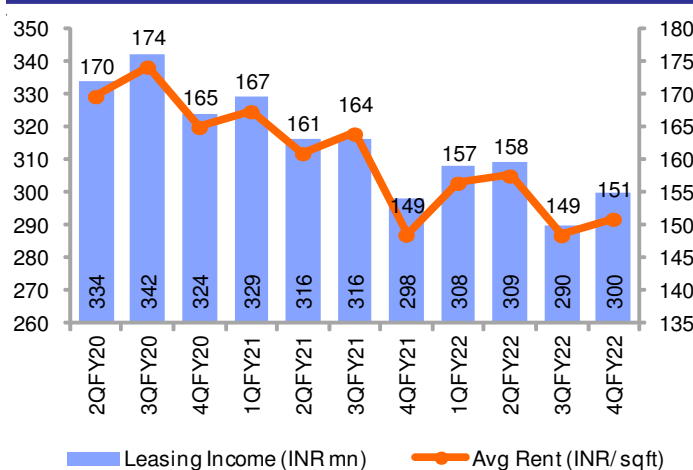
Source: Company, Antique

Exhibit 4: Bed linen division: sales volume/value



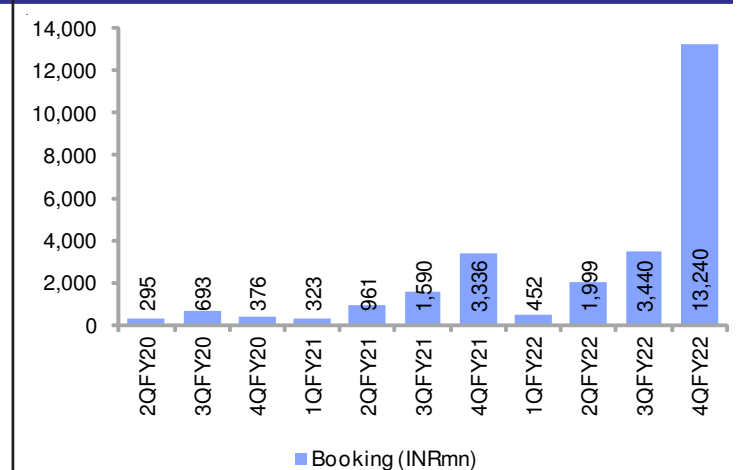
Source: Company, Antique

Exhibit 5: Leasing revenue and avg. rental trend



Source: Company, Antique

Exhibit 6: Real estate sales booking trend



Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	FY20	FY21	FY22	FY23e	FY24e
Net Revenue	34,234	26,166	41,310	43,113	51,668
Op. Expenses	(28,586)	(23,929)	(36,864)	(37,767)	(43,040)
EBITDA	5,649	2,237	4,445	5,346	8,629
Depreciation	(2,286)	(2,311)	(2,307)	(2,162)	(2,231)
EBIT	3,363	(74)	2,139	3,184	6,397
Other income	352	616	431	992	1,188
Interest Exp.	(871)	(707)	(522)	(1,274)	(1,454)
Extra Ordinary Items -gain/(loss)	(177)	(185)	75	-	-
Reported PBT	2,667	(351)	2,123	2,901	6,132
Tax	937	14	(504)	(754)	(1,594)
Reported PAT	3,604	(336)	1,618	2,147	4,538
Minority Int./Profit (loss) From Asso.	48	32	47	49	52
Net Profit	3,653	(304)	1,665	2,196	4,589
Adjusted PAT	3,829	(119)	1,590	2,196	4,589
Adjusted EPS (INR)	34.3	(1.1)	14.2	19.7	41.1

Balance sheet (INRm)

Year ended 31 Mar	FY20	FY21	FY22	FY23e	FY24e
Share Capital	1,117	1,117	1,117	1,117	1,117
Reserves & Surplus	33,678	33,927	36,071	38,112	42,523
Networth	34,795	35,044	37,188	39,229	43,640
Debt	5,838	8,735	13,156	15,156	17,156
Minority Interest	1,321	1,430	1,580	1,580	1,580
Capital Employed	41,953	45,208	51,924	55,965	62,376
Gross Fixed Assets	82,389	83,526	85,247	87,747	90,747
Accumulated Depreciation	(48,431)	(50,742)	(53,048)	(55,211)	(57,442)
Capital work in progress	1,397	1,735	1,746	1,746	1,746
Net Fixed Assets	35,356	34,520	33,945	34,282	35,051
Investments	10,405	11,353	12,840	13,840	13,840
Non Current Investments	10,405	10,903	11,530	12,530	12,530
Current Investments	-	450	1,310	1,310	1,310
Current Assets, Loans & Adv.	21,714	21,063	30,604	36,129	45,420
Inventory	13,377	15,083	23,309	23,624	29,727
Debtors	1,812	1,579	2,168	2,263	2,712
Cash & Bank balance	1,194	1,249	1,143	6,152	8,383
Loans & advances and others	5,331	3,152	3,984	4,091	4,598
Current Liabilities & Provisions	25,522	21,726	25,464	28,287	31,935
Liabilities	16,657	12,929	17,262	20,033	23,308
Provisions	8,865	8,797	8,202	8,253	8,627
Net Current Assets	(3,808)	(664)	5,139	7,843	13,485
Application of Funds	41,953	45,208	51,924	55,965	62,376

Per share data

Year ended 31 Mar	FY20	FY21	FY22	FY23e	FY24e
No. of shares (m)	112	112	112	112	112
Diluted no. of shares (m)	112	112	112	112	112
BVPS (INR)	312	314	333	351	391
CEPS (INR)	53	18	35	39	61
DPS (INR)	3.0	1.0	1.0	1.2	1.3

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	FY20	FY21	FY22	FY23e	FY24e
PBT	2,844	(165)	2,047	2,901	6,132
Depreciation & amortisation	2,286	2,311	2,307	2,162	2,231
Interest expense	871	707	522	1,274	1,454
(Inc)/Dec in working capital	(4,410)	1,565	(4,046)	2,306	(3,411)
Tax paid	(1,249)	1,632	(652)	(754)	(1,594)
Less: Interest/Div. Income Recd.	(95)	(398)	(99)	(992)	(1,188)
Other operating Cash Flow	(476)	12	(590)	906	-
CF from operating activities	(228)	5,664	(511)	7,804	3,623
Capital expenditure	(2,027)	(849)	(765)	(2,500)	(3,000)
Inc/(Dec) in investments	-	(445)	(1,133)	(1,000)	-
Add: Interest/Div. Income Recd.	(384)	378	136	992	1,188
CF from investing activities	(2,410)	(916)	(1,762)	(2,508)	(1,812)
Inc/(Dec) in debt	4,381	(3,184)	2,867	2,000	2,000
Dividend Paid	(1,010)	(337)	(115)	(155)	(179)
Others	545	(1,188)	(684)	(1,225)	(1,402)
CF from financing activities	3,916	(4,709)	2,068	620	419
Net cash flow	1,278	39	(206)	5,915	2,231
Opening balance	(875)	404	442	237	6,152
Closing balance	404	442	237	6,152	8,383

Growth indicators (%)

Year ended 31 Mar	FY20	FY21	FY22	FY23e	FY24e
Revenue(%)	(13.2)	(23.6)	57.9	4.4	19.8
EBITDA(%)	(40.6)	(60.4)	98.7	20.3	61.4
Adj PAT(%)	(23.3)	NM	NM	38.1	109.0
Adj EPS(%)	(23.3)	NM	NM	38.1	109.0

Valuation (x)

Year ended 31 Mar	FY20	FY21	FY22	FY23e	FY24e
P/E (x)	25.8	(831.6)	62.2	45.1	21.6
P/BV (x)	2.8	2.8	2.7	2.5	2.3
EV/EBITDA (x)	18.3	47.4	24.7	19.9	12.3
EV/Sales (x)	3.0	4.1	2.7	2.5	2.1
Dividend Yield (%)	0.3	0.1	0.1	0.1	0.1

Financial ratios

Year ended 31 Mar	FY20	FY21	FY22	FY23e	FY24e
RoE (%)	11.3	(0.3)	4.4	5.7	11.1
RoCE (%)	8.8	1.2	5.3	7.7	12.8
Asset/T.O (x)	1.1	0.8	1.1	1.1	1.1
Net Debt/Equity (x)	0.1	0.2	0.3	0.2	0.2
EBIT/Interest (x)	(4.3)	(0.8)	(4.9)	(3.3)	(5.2)

Margins (%)

Year ended 31 Mar	FY20	FY21	FY22	FY23e	FY24e
EBITDA Margin(%)	16.5	8.5	10.8	12.4	16.7
EBIT Margin(%)	9.8	(0.3)	5.2	7.4	12.4
PAT Margin(%)	11.1	(0.4)	3.8	5.0	8.7

Source: Company Antique

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