

Century Enka Limited.

Price Target : Rs. 260

Company Details

CMP	193.00
Face Value	10.00
Market Cap (Cr)	421.93
EPS (TTM)	43.65
52 Week High	269.00
52 Week Low	161.20
BSE Code	500280
Sector	Textiles

YOY - Financial Highlights [INR – Crore]

Description	Mar-19	Mar-18	Var %
Net Sales	1791.38	1416.48	26.47
Total Expenditure	1685.91	1346.71	25.19
PBIDT	105.47	69.77	51.17
Operating Profit	127.10	87.52	45.22
OPM (%)	9.61	8.94	7.49
PBT	119.10	109.03	9.24
Profit After Tax	76.58	70.09	9.26
EPS	35.05	32.08	9.26
Equity Capital	21.85	21.85	-

HY - Financial Highlights [INR – Crore]

Description	Sep-19	Sep-18	Var %
Net Sales	709.65	884.95	-19.81
Total Expenditure	683.84	818.40	-16.44
PBIDT	25.81	66.55	-61.22
Operating Profit	45.68	74.09	-38.35
OPM (%)	9.70	10.89	-10.93
PBT	44.26	72.34	-38.82
Profit After Tax	64.48	45.68	41.16
EPS	29.51	20.91	41.13
Equity Capital	21.85	21.85	-

Company Background

Century Enka Limited, a joint venture of B K Birla group and Accordis group of Netherland, was established in 1965. In 2006 Accordis group, sold its entire stake in the company to B K Birla Group. The Company manufactures nylon and other man-made fibres and fabrics. The company produces jumbo beams, specialty yarns, industrial/fiber grade chips, industrial yarns and tyre-cord fabrics. Its yarns are used as reinforcing material in tyres, conveyor belts, V-belts, hoses, ropes and cordage, and broad and narrow woven.

The Company has at present two operational manufacturing plants with state of the art technology located at Pune , Maharashtra and Bharuch in Gujarat . The company has an installed capacity of 1,10,000 tonnes per annum of Nylon Chips/NFY & Polyester Chips/PFY, with 12,000 tons/annum of Industrial Filament/Tyre Cord Fabric. Nylon Tyre Cord Fabric (NTCF) and Nylon Filament Yarn (NFY) contribute 54% and 46% respectively, to the revenue of the company and each commands about 25% domestic market share in the industry.

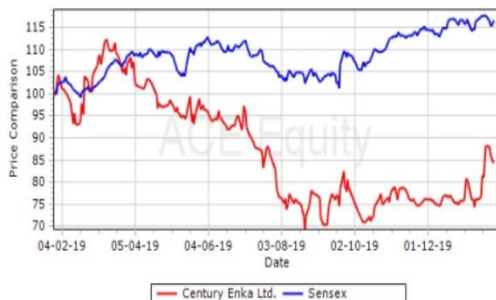
Financial Performance

The company's net sales and PAT at Rs 1791.38 cr and Rs 76.58 cr during FY19 were up by 26.5% and 9.3% respectively compared to those during FY18. The operating profit of the company at Rs. 127.10 cr in FY19 was up by 45.2% against that of Rs. 87.52 cr in FY18.

The Net Sales of the company during HFY20 are lower by 19.8% at Rs. 709.65 cr compared to Rs. 884.95 cr during the corresponding period in the previous year due to slowdown in economy. PAT at Rs. 64.48 cr is however higher by 41.2% against that of Rs 45.68 cr in the corresponding period last year due to tax adjustment of Rs.20.22 cr.

Investment Rationale

- Growing economy with upward movement of goods on road, unfavourable road conditions and increased activities of infrastructure development will continue to generate increased demand for tyres and consequently Nylon Tyre Cord Fabric (NTCF) in future.
- The company has a **strong distribution network across the nation**, and also has strong relationship with clients and fabric manufacturers which is expected to boost top as well as bottom-line of the company.
- The production and sales of Nylon Tyre Cord Fabric (NTCF) and Nylon Filament Yarn (NYF) was the highest ever in FY19 and the company has **carried de-bottlenecking in NTCF and installed additional cable corders and looms** to enhance NTCF capacity. These measures will help the company to add further revenues in the coming years.
- With the increasing focus of tyre industry on radial tyres the company is expanding the customer base and exploring exports opportunities in the market.
- The company has **started initial exports and qualified as approved supplier to international tyre companies**. This will enable the company to record growth in export market.
- The company is market leader in Nylon Filament Yarn (NYF) and planning to further focusing on value added products to add air texturing capacity. The company expects to do better in NFY products for textile applications and has made significant growth in **supplies to active wear, athleisure and functional wear** which augurs well for the company.
- The company has **declared a dividend of Rs. 7 in FY19** on FV of Rs. 10 per share and dividend provides tax-free dividend yield of 3.44%.
- The debt to equity ratio of the company as on 31-03-2019 was 0.04:1.
- The board of the company is meeting on 05-02-2020 to consider results of the quarter ended Dec19.



Shareholding Pattern

The Promoters of the company hold 24.8% equity shares of the company while FIIs holds 2.32%, Institutions hold 6.02% and the balance 66.86% shares are held by public.

Concern

The slowdown in economy and competition from peers are some of the main concerns.

Valuation

The share of the company is trading at TTM PE of 4.4x. Keeping in view positive outlook for the company, good past performance and future growth momentum in all businesses segments, we estimate the company to report EPS of about Rs.44.5 for FY20 and based on PE of 5.9x we see price of script at Rs 260 in the next 12 months (35 % appreciation).

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Stock Recommendation List

Company Name	Recommended Price	Target Price	Buy/Sell	Recommended Date	CMP
Gujarat Heavy Chemicals Ltd.	202	282	BUY	23-01-2020	190
Alembic Pharmaceuticals Ltd	599	740	BUY	17-01-2020	636
Petronet LNG Ltd.	270	391	BUY	10-01-2020	268
Fiem Industries Limited	444.45	564	BUY	03-01-2020	480
KEC International Ltd.	298.1	382	BUY	30-12-2019	342
Nesco Ltd.	639	895	BUY	21-12-2019	761
Eris Lifesciences Ltd	464	594	BUY	13-12-2019	530
Gujarat State Petronet Ltd	219.15	270	BUY	07-12-2019	254

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