Century Textiles and Industries Ltd (Revise)

September 29, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Commercial Paper issue	2200.00 (Rs. Two thousand two hundred crore only)	**CARE A1+ (A One Plus)**	Assigned

Details of instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the Commercial Paper issue of Century Textiles and Industries Ltd (CTIL) factors the parentage of the B. K. Birla group – one of the oldest and prominent business houses of India and vast experience of the promoters & management. The ratings also take into account the established and diversified operations, improved operational performance and comfortable liquidity position.

The above strengths are however, offset by modest financial risk profile marked by high gearing and modest coverage ratios and cyclical and commoditized nature of business.

Detailed description of the key rating drivers

Key Rating Strengths

Parentage of B.K. Birla group, vast experience of the promoters & management and implied support from Aditya Birla Group: Mr. B. K. Birla, the Chairman and his grandson Mr. Kumar Mangalam Birla (the Chairman of Aditya Birla group), vice Chairman of CTIL is supported by experienced professionals who look after each of the business verticals.

Well established and diversified operations: CTIL is a diversified conglomerate engaged in manufacturing of cement, textiles (cotton textiles, viscose filament yarn, continuous spun yarn and rayon tyre yarn), pulp and paper (writing and printing paper, tissue paper, paper board), chemicals (caustic soda, sulphuric acid, salt, etc.) and real estate.

Improved operational performance and efficiency: Overall revenue declined by 1% YOY in FY17 however, PBILDT grew by 32% in FY17 over previous year mainly on account of cost control measures undertaken by CTIL helped by improving realizations in certain segments.

Comfortable liquidity position: CTIL has superior fund raising ability with demonstrated track record of raising funds from capital markets as well as from banks being a part of BK Birla group. Also, fund based working capital limits to the extent of CPs maturing in a particular month remains unutilized as a backup for CP issue.

Key Rating Weaknesses

Modest financial risk profile: CTIL has modest financial risk profile marked by high gearing and modest debt coverage ratios. Overall gearing, total debt to gross cash accruals (GCA) and debt to profit before interest leases depreciation and taxes (PBILDT) for FY17 were at 2.3, 13.5 and 5.9 times, respectively.

Cyclical and commoditized nature of business: All the three key businesses of CTIL viz. cement, textiles and pulp & paper are commoditized and cyclical in nature makes it vulnerable to demand and supply dynamics and restricts CTIL's pricing power. However, from the last few quarters the performances of cement and paper businesses have shown improvements.

Analytical approach: Standalone

Applicable Criteria

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology-Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)
[Cement](#)
[Cotton Yarn](#)

About the Company

Century Textiles and Industries Limited (CTIL), a part of the B. K. Birla group, was established in 1897 to operate a cotton textile mill in Mumbai. Subsequently, the company has expanded and diversified its activities and presently, CTIL is a well-diversified conglomerate engaged in manufacturing of cement, textiles, pulp and paper products, and chemicals at ten plants located across different states of India. CTIL has also ventured into real estate by developing two commercial properties named Birla Aurora and Birla Centurion which has been leased to the extent of 95% and 60% respectively.

As of September 29, 2017, CTIL has total cement installed capacity of 13.1 million tonnes per annum (MTPA), tyre yarn installed capacity of 27,000 tonnes per annum (TPA), cotton cloth installed capacity of 300 lakh meters per annum and pulp & paper product installed capacity of 4.45 lakh TPA. Cement segment remained the main contributor to the total revenues at 51% in FY17, followed by pulp & paper segment and textiles segment at 23% and 18% respectively.

During FY17, CTIL posted PAT of Rs.192 crore on a total operating income of Rs.7958 crore against a net loss of Rs.106 crore on a total operating income of Rs.8019 crore for FY16. For Q1FY18, CTIL reported PAT of Rs.120 crore on a total operating income of Rs.2250 crore against PAT of Rs.6 crore on a total operating income of Rs.2241 crore for the corresponding previous period.

Brief Financials (Rs. crore)	**FY16 (A)**	**FY17 (A)**
Total operating income	8018.99	7958.03
PBILDT	730.45	964.70
PAT	-106.20	192.06
Overall gearing (times)	2.48	2.32
Interest coverage (times)	1.22	1.73

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact:
Name: Vishal Sanghavi
Tel: 022 6754 3430
Email: vishal.sanghavi@careratings.com

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About CARE Ratings:

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper	-	-	-	2200.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	-	-	-	-	-	-	-
2.	Commercial Paper	-	-	-	-	-	-	-
3.	Short Term Instruments-CP/STD	ST	-	-	-	1)Withdrawn (30-Dec-16) 2)CARE A1+ (27-Apr-16)	-	1)CARE A1+ (06-Aug-14)
4.	Short Term Instruments-CP/STD	ST	-	-	-	1)Withdrawn (30-Dec-16) 2)CARE A1+ (27-Apr-16)	-	1)CARE A1+ (06-Aug-14)
5.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (30-Dec-16) 2)CARE AA- (27-Apr-16)	-	1)CARE AA- (06-Aug-14)
6.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)Withdrawn (30-Dec-16) 2)CARE A1+ (27-Apr-16)	-	1)CARE A1+ (06-Aug-14)
7.	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (30-Dec-16) 2)CARE AA-	-	1)CARE AA- (06-Aug-14)

						(27-Apr-16)		
8.	Fund-based - ST-Working Capital Demand loan	ST	-	-	-	1)Withdrawn (30-Dec-16) 2)CARE A1+ (27-Apr-16)	-	1)CARE A1+ (06-Aug-14)
9.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (07-Apr-16)	-	1)CARE AA- (06-Aug-14)
10.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (30-Dec-16) 2)CARE AA- (27-Apr-16)	-	1)CARE AA- (06-Aug-14)
11.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (07-Apr-16)	-	1)CARE AA- (06-Aug-14)

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691