ADITYA BIRLA
CENTURY

SH/XII/2023 **24th July, 2023**

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Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th floor,
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Bandra (East), Mumbai-400 051.
Scrip Code: CENTURYTEX

Dear Sir/ Madam,

Sub: Transcript of Q1FY24 Earnings Conference Call of Century Textiles and Industries Limited ('the Company')

Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')

Pursuant to Regulation 30 of Listing Regulations, please find attached transcript of the Q1FY24 Earnings Conference Call conducted on 19th July, 2023 at 04:00 pm IST after the meeting of the Board of Directors of the Company held on the same day itself.

This is for your information and record.

The above information is also available on the website of the Company: www.centurytextind.com.

Thanking you,

Yours truly
For **CENTURY TEXTILES AND INDUSTRIES LIMITED**
ATULKUMAR MOHANLAL KEDIA
Digitally signed by ATULKUMAR MOHANLAL KEDIA
Date: 2023.07.24 16:50:57 +05'30'
ATUL K. KEDIA
Sr. Vice President (Legal) & Company Secretary
Encl: as above

CENTURY TEXTILES AND INDUSTRIES LTD. MUMBAI 400030

"Century Textiles and Industries Limited Q1 FY'24 Earnings Conference Call"

July 19, 2023

MANAGEMENT: **MR. R.K. DALMIA – MANAGING DIRECTOR – CENTURY TEXTILES AND INDUSTRIES LIMITED**
MR. VIJAY KAUL – CHIEF EXECUTIVE OFFICER – PULP AND PAPER DIVISION – CENTURY TEXTILES AND INDUSTRIES LIMITED
MR. K.T. JITHENDRAN – CHIEF EXECUTIVE OFFICER – REAL ESTATES – CENTURY TEXTILES AND INDUSTRIES LIMITED
MR. SNEHAL SHAH – CHIEF FINANCIAL OFFICER – CENTURY TEXTILES AND INDUSTRIES LIMITED

MODERATOR: **MR. ABHINEET ANAND – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, welcome to the Q1 FY '24 Results Conference Call of Century Textiles and Industries Limited, hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Abhineet Anand from Emkay Global Financial Services. Thank you, and over to you, sir.

Abhineet Anand: Thanks. Good afternoon, everyone. First of all, I would like to thank the management of Century Textiles for giving us this opportunity to host the call. We have with us from the management, Mr. R.K. Dalmia, Managing Director; Mr. Vijay Kaul, CEO, Pulp and Paper Division; Mr. K.T. Jithendran, CEO of Real Estate; and Mr. Snehal Shah. Over to you, sir.

Management: Thank you. A very good evening to everyone joining us today. It is my pleasure to welcome you all to the earnings conference call for the first quarter of financial year 2024. Let me first take you all through the quarterly industry and financial highlights. The global macroeconomic continues to remain challenging despite inflation easing from record high. As per IMF, the global growth is expected to drop to 2.8% in 2023 compared to from 3.4% in 2022. Developed economies are expected to see and especially pronounced growth slowdown from 2.7% in 2022 to 1.3% in 2023.

Global headline inflation is expected to cool off from 8.7% in 2022 to 7% in 2023 on the back of lower commodity and energy prices. However, underlying core inflation is likely to decline rather slowly. And a slowdown in global economy, India will remain the fastest growing major economy with growth expectation of 6.5% to 7% in 2023.

In the backdrop of global slowdown, sticky inflation and uncertain geopolitical conditions, we have been able to deliver satisfactory performance from all divisions. Talking about our financial performance for the first quarter of financial year 2024, the consolidated turnover stood at INR1,106 crores. The EBITDA for the quarter was INR129 crores, with consolidated EBITDA margin 12.1%. And there was a net loss of INR7 crores.

There is an exceptional item loss of INR65 crores due to the closure of its spinning and weaving process at the textile mill. Now let me take you through some of the key highlights across our 3 business verticals. Starting from real estate business, the Indian real estate business is currently experiencing a favourable up cycle, and one of the most buoyant periods in over a decade.

Residential trades across all major markets in the country has witnessed a strong growth with the industry growing nearly threefold in the past 3 years. Real Estates achieved bookings worth INR207 crores from already launched projects in Q1 FY '24. The collection demand is strong at INR369 crores from all projects during the quarter at an overall collection efficiency of 98%.

During Q1 FY '24, the company acquired 3 notable projects at premium location in Pune, Mumbai and Bangalore with a GDV of INR5,600 crores. The Pune project is 5.8 acres plot on

Wellesley Road with a gross potential of INR2,500 crores. We acquired a plot in Walkeshwar, Mumbai, which is a 0.2-acre plot with a gross potential of INR600 crores --

The Bengaluru project is 28.9 acres in Sarjapur with gross potential of INR2,500 crores. On the ongoing project from Birla Alokya Bengaluru, Birla Vanya MMR, and Phase 1 of Birla Navya, Gurugram are due to delivery in FY '24. The 2 earlier acquired projects in Bengaluru at near Devanahalli near Bengaluru International Airport and Rajarajeshwari Nagar are progressing well and is expected to be launched in second half of FY '24, in addition to the new phases of already launched projects.

The site 2 commercial assets Birla Aurora and Birla Centurion continue to generate stable rentals. Additionally, our 2 projects were honoured with 2 prestigious awards where is Birla Navya Gurugram received the Merit Winner Award trophy from British Safety Council and Birla Niyaara was recognized as an Iconic super luxury project of the year at the Times Real Estate Conclave Awards '22, '23.

Lastly, the Indian Real Estate sector poised sustained growth on the back of strong demand, led by rise in per capita income and shifting consumer behaviour. Despite moderate increase in property prices, the real estate sector is expected to experience continuous growth due to encouraging GDP per capita, disposable income and urbanization.

The company's strategy remains unchanged, which is to focus on the premium on luxury segment for sustained future growth. Moving on to the Pulp and Paper segment, demand was slow in the reported quarter due to general slowdown. Paper prices were under pressure due to raw material price volatility and increased price competition from international mills, resulting in lower NSR.

Demand across tissue and board segments declined due to better prices offered from international mills as well as demand from high consumption sectors like FMCG, F&B, Pharma remains stagnant. However, corrective measures on the cost management front helped the company to maintain its operating profitability. The first quarter of FY '24, the overall capacity utilization improved to 95% against 93% in Q4 of FY '23, with sales volume witnessing a decline of 8% year-on-year on 99,459 metric tons.

In Q1 FY '24, net sales declined by 2% year-on-year to INR836 crores, primarily driven by lower realization, while EBITDA stood at INR144 crores with margin at 17.2%. Pricing and printing paper demand is expected to remain subdued in coming quarters despite opening of educational institution as this government tender.

In Q2 FY '24, wood put pressure on market demand leading the price erosion. Tissue paper demand will see some seasonal impact in short term but should stabilize by Q3 '24. Demand in both segments expected to improve in Q2 FY '24 as FMCG market is shaping up. However, cost pressure to remain high in domestic markets due to imports and excess supplies from domestic mills. Export demand from Europe, U.S. are expected to remain low due to recessionary impact.

Lastly, talking about textile division, the first quarter under review, net sale was INR218 crores and EBITDA loss of INR12 crores. The Q1 FY '24, despite raw material prices being low, demand remains sluggish with most of the Indian mill operating at partial production capacity. Cotton prices in India have declined sharply by around 35%. And consequently, yarn prices also declined, but there is a slight demand for yarn due to weak market sentiment.

Apparel service demand remains weak on account of inventory getting piled up across the value chain. After a long lull in the bedlinen market, inquiries have started floating, but this segment being a part of discretionary spend, demand remains subdued. We have made a strategic decision to see operation of our in-house spinning and weaving units. Instead, we will source all our grey requirement from trusted vendors, ensuring quality control under our strict supervision.

This change will not impact on the revenue of the textile business. In fact, it is expected to enhance profitability due to savings in fixed cost. The company has provided INR46 crores for the impairment of spinning and weaving assets in this quarter, and INR18 crores towards VRS paid to the related workers. In terms of outlook, the textile retail demand is expected to start picking up by August '23 with the start of festive season.

The demand is expected to be moderate in Q2 and improve through H2 FY '24. The markets have turned highly price sensitive and retailers are preferring lower-ticket MRP items. U.S. and Europe imports of textile products have fallen sharply. Industry experts believe that FY '24 will be challenging here in global economy as well.

Over the medium term, global demand should stabilize from Q4 FY '24, and India will remain a big beneficiary supported by China plus 1 strategy and 3 trade agreements with developed countries. Thank you.

Moderator: Sir, should we open the floor for questions?

R. K. Dalmia: Yes.

Moderator: Thank you very much. Our first question is from the line of Kunal Khudania from DSP Asset Managers. Please go ahead.

Vivek Ramakrishnan: This is Vivek Ramakrishnan. I have 2 questions. The first one being on the debt levels, which have increased to INR1,935 crores, of its short-term debt is about INR686 crores. Do you expect that some of this debt will come down as your projects get completed and we get collections? Or is it all going towards the land bank and the total debt level will be around these levels? And if so, what is the peak? If you're okay, I'll ask a second question also, sir.

R. K. Dalmia: Yes, please go-ahead Vivek.

Vivek Ramakrishnan: Okay. The second question is on the real estate business. Are we seeing any slowdown in sales velocity when you see quarter-on-quarter at all, especially in high-value projects. We've heard conflicting reports about inventory at Worli not in your property sir, but overall. So, is there any slowdown in demand for really high-value properties? And any guidance on sales would be -- or the next quarter would be very useful.

Snehal Shah: Hi Vivek, this is Snehal here. To answer your first question, we expect the debt levels to remain the same by the end of next year because the cash flows from the businesses will start kicking in. It has increased because we made these purchases in the early part of the year. So that is one of the reasons why the debt levels have gone up, but they're expected to remain the same unless there is some new deals that the real estate business signs.

So therefore, the debt, we expect to be somewhere around INR2,000 crores, maybe if they spend another INR500 crores on a new deal that might go up to INR2,500 crores. To answer your question on the short-term debt, yes, we are going to release the short-term debt. We are in the process of replacing it with some long-term debts going forward. So those limits will be freed then. Is that okay with you?

Vivek Ramakrishnan: Perfect sir.

Snehal Shah: So, I will ask K.T. Jithendran to answer the second question.

K.T Jithendran: Hi Vivek. Thank you for your question. On the real estate demand, I see the other way. The prices are going up, velocities are increasing, number of players are reducing, inventories are lesser. So, we see a multiyear kind of a traction in sales velocities. So, some of our project's prices have increased more than 25% to 30%, and we are short of inventory. So right now, the challenge that we are having is we don't have enough inventory to sell otherwise we could have done much better sales than what we are reporting now. When our new launches come in -- the next -- I mean, either late this quarter or early next quarter, I think our sales velocities will pick up. But I don't see any sort of a slowdown in the next -- the foreseeable future. Vivek?

Vivek Ramakrishnan: If I can just ask a follow-up question on that. We are just looking at the number of units sold quarter-on-quarter. Is it that the late stage of the project, the pace of sales comes down, and that's the effect that we are seeing? Or is there...

K.T Jithendran: Worli, specifically, there's lack of inventory now, most of the projects have seen possession. If you look at many of the marquee projects they all have seen possession, most of the inventory is sold. There's a huge lack of inventory in the Worli market right now. So hopefully, when we launch our Tower 2 in Q4, we expect to get very strong traction at better prices.

Moderator: Thank you. Our next question is from the line of Pavandeep Bhatia from NV Alpha. Please go ahead.

Pavandeep Bhatia: Hello, sir. One of my questions answered by the -- asked by the past participants. So, are we telling that our inventory our collection number in booking value is down because of inventory getting sold off and new inventory -- price inventory not coming in?

And second question, sir, we used to comfortably clock INR140 crores -- INR135 crores, INR140 crores on rental side, I can see INR30 crores being booked -- being announced declared this quarter. So, it's around INR115 crores, INR120 crores. What is the reason of our rentals going down, sir, in this market?

K.T Jithendran: Yes. Thank you, Pavandeep. So primarily why we are not able to clock sales is lack of inventory. We are at a position where almost 80% of our inventory is sold in all projects. So largely, the impetus will come from new launches, which we are expecting to have in the future quarters. They're mainly Bengaluru, Worli, NCR, all of these projects. So that's one part of it.

The other part on rentals, INR140 crores we have never clocked. We have been clocking INR120 crores, INR125 crores over the last few years, the COVID years. Now with that rental has gone up to INR130 crores. Yes. Yes. So INR30 crores is a net figure, what you are seeing is, which means the gross rentals minus all the costs, the maintenance costs, etc. What you must be talking about is the gross rentals. But even gross rentals have not reached INR140 crores.

At best, it has gone about INR125 crores, maybe initially when in 2017 or '18, when we had Vodafone giving us INR250 crores -- INR250 per square foot, we had slightly higher rentals at INR135 crores. But otherwise, our rentals are currently, if you look at it, we are 100% leased out, zero vacancy. And we expect about -- we have an average rental of about INR187 per square foot, all leased out, and we expect close to about INR130 crores of annual rentals. And it is better than the last 2 to 3 years that we have seen.

Pavandeep Bhatia: So, this number will be stable going forward or we do...

K.T Jithendran: It will only increase from here, Pavan. We're only seeing the number increase, yes.

Pavandeep Bhatia: I'll join back in the queue. Actually, I have few more questions.

Moderator: Thank you. Our next question is from the line of from Biplab Debbarma from Antique Stock Broking. Please go ahead.

Biplab Debbarma: Sir, I have 3 questions. First question is regarding yesterday we saw from the India Hume Pipes filings that Century and India Hume Pipes signed a JDA of 6.8 acres project development in Badarpur, Southeast Delhi. Just if you could throw some light about the project, such as like what would be the expected GDV, what will be the area, by when it will be launched some timeline?

K.T Jithendran: Thank you, Biplab. So yes, we kind of concluded a deal yesterday only. This is in prime Delhi on the Mathura Road. India Hume Pipes, it's about roughly 7 acres of land with a total possibility of about 1.4 million square feet. We expect rental -- we expect the GDV of about INR2,800 crores or thereabouts over a period of 6 years, launch in about 12 months.

Biplab Debbarma: Okay, sir. And early in this month, I think. -- a few weeks back, you have announced 1 project in Thane from Hindalco. So, what would be the GDV and area of that approximately?

K.T Jithendran: That should be close to about 5.5 million square feet, 31 acres of land with a GDV of almost INR8,000 crores, approximately INR8,000 crores.

Biplab Debbarma: Okay. And 1 final question is on the Niyaara. So, I was just checking the numbers. So, if you see in terms of inventory, you have sold more than 80%. But in terms of value that we have given is, we have sold only 72% -- around 72%. That means the unsold inventory we have higher ticket size inventory. So, in that context, you're also planning to launch the tower 2 where the ticket prices will be higher. So, in that context, would you have a relook at the products because the -- if my understanding is correct, tower 2 would be very super luxurious kind of products. So, do you see some kind of slow traction or is it too early to see these as a trends?

K.T Jithendran: So Biplab, as we mentioned, the bulk of the inventory in tower A is sold. Right now, we are selling at about INR80,000 per square foot, INR78,000 to INR85,000 per square foot. One large apartment that at the top we sold even at INR85,000. We don't see any apprehension on that account. The only thing is that we are reluctant to sell inventory here because, as we mentioned, 80% of the units are sold, we need to keep to hedge against inflation, etcetera.

I think we can realize much better prices we hold on to this inventory and sell it at a later part. All the cash flow that we require is largely taken care of for Tower A. Tower B we are extremely confident given the demand supply situation in the market that we'll have very strong traction. The number of apartments will be much less in Tower B, we will be hardly having about 150 or less apartments. And I don't see any challenge in moving that inventory at much higher prices given the demand in the market.

Moderator: Thank you. Our next question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.

Dixit Doshi: Thanks for the opportunity. Firstly, you mentioned about the Hindalco land. Over how many years you think you can realize this?

K.T Jithendran: I think we'll take about 8 to 9 years.

Dixit Doshi: Okay. And regarding the Sarjapur, Bengaluru line, you mentioned INR2,500 crores potential. What kind of -- I mean, how many square feet we are planning to build there?

K.T Jithendran: It's about 2.7, 2.8 -- 2.8 million, about 3 million square feet. With top line expected about INR2,800 crores.

Dixit Doshi: Okay. INR2,800 crores Okay. And now my second question is regarding the launches. So, in the previous call, you have mentioned that we are planning almost INR5,000 crores of launch this year. So are we on track and I think...

K.T Jithendran: Yes, we are completely on track. Dixit, yes. We are going to launch either late this quarter or early next quarter our project in Devanahalli, Bangalore, 52 acres. And then we will also launch the Rajarajeshwari Nagar. We are also planning to launch Tower B of Birla Niyaara in Q4 this year. We're also planning to launch the Walkeshwar project this year. We are also planning another launch of Phase IV of Birla Navya in November, December. We expect the second half -- the latter half of the quarter of the year to be heavily launch.

Dixit Doshi: And one more question on -- so earlier, you mentioned that we are targeting annualized INR5,000 crores kind of run rate. So, after these recent purchases of land, do you want to revise it for, let's say, FY '25?

K.T Jithendran: No, no, I think right now, we'll keep it at INR5,000 crores. I think these are important because we are running out of inventory. This inventory is important for us. So, I think with this kind of inventory, we'll keep the target of INR5,000 crores. We will think about revising that as we acquire more projects.

Dixit Doshi: Okay. And one last question from my side. So, obviously, we are more rather than JDA, we are more into buying out...

K.T Jithendran: Project that we did yesterday completely was a JDA. That is the fourth JDA we have done so far. So, we have about 4 JDAs and about 4 outright. It's 50-50.

Dixit Doshi: Okay. So, in outright purchase, what kind of IRR we generally look at?

K.T Jithendran: Given today's market land price going up, etcetera, there is not many JDA opportunities in the market. Most people are preferring outright. JDA is largely opportunistic. So, with that, we look at, at least about 18% IRR post tax in our outright costs.

Moderator: Thank you. Our next question is from the line of Harsh Pathak from B&K Securities. Please go ahead.

Harsh Pathak: Sir, I wanted to check on this, the deal with Indian Hume Pipes. You mentioned that the potential is 1.4 million square foot and GDV of INR2,800 crores. So, is this value attributable to us? Or this is the entire potential of the project?

K.T Jithendran: This is the entire potential, Harsh, that's the entire project potential.

Harsh Pathak: Right. And from this, we have a 64% share?

K.T Jithendran: That's right. That's right.

Harsh Pathak: Okay. And this Thane project would be launched when in FY '25?

K.T Jithendran: No, because it's a large project, this needs a lot of work on it and cleaning up the land, etcetera. We bought it as is where is. So, we expect about 15 to 18 months is the target for launching this.

Harsh Pathak: Right sir, and one more question on this Indian Hume Pipe deal. So how much deposits have we already paid or are yet to pay? And from this revenue sharing whatever we have with them, what is the timeline? And as in when do this deposit get adjusted? Any color on that?

K.T Jithendran: Yes. So, we expect the land value is about INR625 crores, INR630 crores. The deposit that paying is about INR145 crores. Of it, we have paid INR25 crores now. The rest of the money will go for conversion, etcetera, will be directly paying to the authorities, about INR105 crores, and at the time of the launch, such as before launch, we will be paying another about INR15 crores.

Harsh Pathak: Right. So, this will be spread out in the next 12 months?

K.T Jithendran: Yes, yes, yes.

Harsh Pathak: Okay. Okay. Understood. And sir, on the balance sheet, you mentioned that on the debt side, we are looking to maintain the sales of INR2,000 crores, maybe at max it can go to INR2,500 crores. But this doesn't still include this pay out for Thane land and also Indian Hume Pipes, maybe the potential deals will be signing for the rest of the year. So, does this also take care of all these aspects or any upside you can see here?

Snehal Shah: I think answering the first question, I mentioned that -- as far as we are concerned, we have spent most of the money in the first half, but the cash flows from our manufacturing businesses are yet to come in during the year. So as far as they are able to manage any additional requirement because for Hindalco deal, for example, we just have to pay INR200 crores as an initial price because it is deferred payment.

So only if there are some major big deals that getting signed for which there is going to be an outlay required, only in that circumstances, I expect the debt to go up from its present levels. It might have some peaks in the middle of the year, but at the end of the year, as of today, I'm expecting it to be as it is unless there is some major deal signing that happens, of course, which is there in the pipeline, but we don't know when it will materialize.

Moderator: Thank you. Our next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, just a couple of questions. First, a clarification. So along with any other project gets left out in terms of the new projects that you have taken. So, you are mentioning in the presentation, one is Hindalco 4 and one is a JV, which we signed for Indian Hume Pipes. So, anything other than that?

K.T Jithendran: Other than that, what Dalmia Ji mentioned in the main speech.

Pritesh Chheda: Those were the 3 which were a part of the main speech, Pune, Walkeshwar, and Bengaluru, and then Indian Hume Pipes?

K.T Jithendran: As of now, these are the 5 things we have signed for the current year. We're expecting more deals in the pipeline. So, when it happens, we'll be happy to announce those.

Pritesh Chheda: And all these are JD's, right?

K.T Jithendran: No, it's not JD. These are outright and mix of outright and JDA. The Hindalco is a deferred outright. And what we did with the IHP is a JDA.

Pritesh Chheda: Okay. Other thing is, have we thought about how much project do we want to take on 1 at a time or you want to execute at a time. Is there any upward limit or basically, as and when basis, wherever you see your threshold IRR, you are willing to putting the capital?

K.T Jithendran: At this point of time, we have enough and more bandwidth to finalize as many projects as possible in each of these markets, bandwidth or the resource is not a constraint. We are looking for the right projects, right location, right product that we can get at the right market value. There is no other constraints at this point of time.

Pritesh Chheda: Which means the INR2,000 crores balance sheet debt level will be -- is not a sacrosanct number, right?

K.T Jithendran: No, no, not at all.

Pritesh Chheda: Not at all. Okay. Okay. And all of these 5 new projects, which one of them would start in FY '25?

K.T Jithendran: I think Walkeshwar will start in FY '24 only. We will launch it in FY '24. The rest of projects like Pune and Bengaluru will start in FY '25. We have planned to start even the Delhi project in '25, the Thane may take a little longer.

Pritesh Chheda: Okay. Okay. And you have paid INR300 crores initially for that in the Thane one.

K.T Jithendran: Yes, we will. As of now, we have not paid anything. We will be paying over a period of time.

Pritesh Chheda: Okay. Thank you very much sir. Ok, lastly, on theowned land, whichever projects that you take, there, what is the margins that you would look at?

K.T Jithendran: Depends Pritesh, from project to project. So, if you look at Kalyan, it's about 30%, 35%, Worli more like 50%.

Pritesh Chheda: And in terms of JD, there, what kind of margin in IRR is possible?

K.T Jithendran: Yes. So again, it is location to location. There's no one specific number. IRR subsequently look northof 30% for JDAs. Yes, margins look at close to 30%, 30-plus percent in outright deals. Yes. But again, it's completely -- moves from location to location, depending on what's the potential size, opportunity, etcetera, etcetera, lots of factors.

Moderator: Thank you. Our next question is from the line of Pinaki Banerjee from AUM Capital Private Limited. Please go ahead.

Pinaki Banerjee: Thanks for the opportunity, Coming to the presentation with your pulp and paper segment, you have stated that in the writing and printing paper that government order it's tenders in Q2 FY '24 will put pressure. But sir, actually going by whatever, we are -- country is scheduled to have the general elections coming next year in various states and the Indian government would look forward to complete all their projects. So, are you not expecting some better high quality of tenders in this regard?

Vijay Kaul: Yes, Mr. Pinaki, what is happening is that there are 4 or 5 new tenders which are coming up in the country for the publishing of books. But that will come sometime after August 15 to October, sometime between August 15 to October. And that bidding process will take some time and the orders cannot come before end of October or November. So, until that time, there is going to be a little bit of a difficult situation. Otherwise, it's still fine.

Pinaki Banerjee: Okay. And my last question is that on an overall basis and based on the presentation and whatever commentary you have given, like you are having just in the real estate segment, you are having some bit of optimism, while the paper and pulp and the textile segment is looking a bit subdued at this point of time, so is my understanding correct, sir?

Vijay Kaul: Not really. I think what we are telling you the true -- what is happening at the marketplace. So, until April, we were selling quite nicely. So, everything has changed in the last 1.5 month, 2 months. So, it can change back. if the tenders come in, maybe the sentiment goes back again. So, it is not that we have given a subdued picture for paper and very high picture for Birla Estate even though yes, Birla Estate is going to be the there is a quite optimistic view.

Pinaki Banerjee: It is a cash cow right, at this point of time for you? Am I correct to say?

Vijay Kaul: Yes. Yes.

Moderator: Thank you. Our next question is from the line of Dhruvesh Sanghvi from Prosperotree. Please go ahead.

Dhruvesh Sanghvi: Yes. Sir, I would just like to understand on the real estate side, if you can explain the cost structure because we are building up relatively new versus the leagues of Godrej or Oberoi or some of the southern players who are there in the market for a long time. And I'm sure we are learning and adapting a much better strategy from the start. So, considering that, how are we adapting the cost structures? And if you can give a holistic view on, how are we thinking about the fixed cost structures of the company. I mean, as I see today, it seems to be somewhere around INR200 crores per year. If you can give some thoughts on that, it would be helpful.

K.T Jithendran: Thank you, Dhruvesh for the question. we follow an outsource model for construction. Also, we don't take a project where we cannot afford good contractors, good consultants and designers, etcetera. So, we largely operate in the premium segment, where we know that we can -- we are able to afford good quality contractors who will deliver with all compliances in place. That's very important. Number one. Number two is that we budget very carefully. We budget for escalations; we budget for contingencies. And over and above that, we look for margins.

Number three, in our JDA projects, whatever we have done, most of them are profit sharing. So automatically, there is a hedging done. Even otherwise, when we do, we do it -- when we develop a project, we do it phase-wise. So, your first thing is that way taken care of. That's what you're sales. And we also keep some inventory to the end of the project, so that to take care of any kind of inflationary methods. And so, these are some of the things that we talk about when you talk about project costs. We have a very strong monitoring system to make sure that we stay within budgets. And as far as the...

Dhruvesh Sanghvi: Corporate overheads.

Snehal Shah: The overheads are concerned, as I said, Dhruvesh, you're right. Given our scale at the moment, our overheads look a little high. But you have to understand, previously, Mr. K.T. Jithendran, somebody asked him about whether we have the bandwidth or not, so we -- the current cost is because we have already built the bandwidth and sort of people are on the bench right now waiting for projects to launch.

So, over a period of time, this cost will get absorbed. And when we quote our what we call it, IRRs and our EBITs on projects, we have a process of providing x percentage based on the project size of our fixed cost to the project for arriving at the IRR and the EBIT. So that way, we are taking care of. So yes, they might look a little high right now, looking at...

Dhruvesh Sanghvi: I was not coming from whether it is looking high or not. I do understand it's a building phase. Just wanted to understand that -- so if you can expand a little bit more on this INR200 crores or whatever the number is on the corporate overhead, how does this team structure look like? How many people? What are they brought? I mean if you can give some color on that area? Like why do we require so many people at the planning stage? I'm sure there must be reasons, but some flavour to it.

K.T Jithendran: First of all, the IN 200 crores figure is a misnomer. It's only less than INR100 crores is our overhead. It's over INR100 crores, here about 250 to 300 people divided over this thing. So, as I see, the number is only about less than INR100 crores, the rest is all largely expenses for your marketing cost, what you have to expense out when you do your launches, etcetera. INR200 crores is not the right figure.

Dhruvesh Sanghvi: Perfect. Right. And one question related to margins because of -- I mean, if I -- please correct me if I'm wrong because I'm relatively new to this company. On the broad level, Worli is the owned land, the one which is launched last year and sales happened amazing. But most of the newer aspects are going to be land, which will be purchased or via JD or JV or the route that we do.

And therefore, I think I read the previous con call, where you had indicated margins to be like 70%, 80% on the existing project, which is going on. So how should we see the profitability after taxes, I mean, is it sensible to say when we start executing INR4,000 crores and INR5,000 crores, and when we reach the possession and when we start booking them, it will be 3, 4, 5 years ahead. Is it easy to see 20%, 25% net profit margin after taxes? I mean, if I do the math, it reaches there, but I just wanted a confirmation or some affirmation there.

K.T Jithendran: I can't confirm that much. But I think at this point of time, if you take a mix bag of your own projects and that, I think 20%, 25% is easy. I think more like it will be about 20% PATmargin. For example, some of our projects which you have taken like Delhi, we are clocking almost 50% EBIT margins. So, it's a mixed bag Dhruvesh. Some of the projects, it has done very well. They are done. We are getting more than 50%. Some of the projects is more like 25%, but nothing is below 25% EBIT margin. The profit we will be -- anyway, we will be completing 2 or 3 projects this year. So, we'll know for sure what kind of profit margins were able to crack at the price level, yes.

Dhruvesh Sanghvi: Right, right. And sir, last one. In terms of strategy where you mentioned that we are focused a little bit more towards the premium side. But when we think about expanding in 4 cities and probably do 12 or 13 projects at a point in time, is this a fairly good approach or a slightly mass-market approach should also start kicking in or some talks around that?

K.T Jithendran: Yes. So, at this point of time, I think there is enough and more room at the premium segment for us to expand in each of these chosen markets. I don't see a situation coming up at least the next 5 years. But yes, as we grow higher and as we have to build more and more capabilities, as we grow larger and larger, of course, we will be looking at -- flanking at the other mid-segment market also. That will be a future growth strategy once we completely consolidated in the premium segment.

But I think for the foreseeable future, I think there is enough and more gunpowder available -- enough of demand available in the premium segment. When I say premium segment, largely look at above around INR6,500 to INR7,000 and above per square foot.

Moderator: Thank you. Our next question is from the line of Mr. Ajit from Nirzar Enterprises. Please go ahead.

Ajit: Sir, just to expand on the previous participant's question on debt levels, I just want to understand, is there any thought process internally that we don't want to go beyond a particular debt limit INR3,000 crores, INR3,500 crores. Is there any thought process around that? And related to that, what will be our blended cost of borrowing as of now?

Snehal Shah: Right now, to answer your last question first, right now, my blended cost is around 7.5%. But that is primarily because majorly, most of the borrowings are sitting in the short-term bracket. It is expected to go up to close to 8% once we shift that to long-term borrowings. In terms of -- there is -- actually, there is no ballpark that we put ourselves in terms of how much we can -- how much we will borrow. It all depends on how much -- how fast growth of the real estate business does.

Broadly, we have a number that based on mix of working capital loans plus long-term loans plus some unsecured loans, we may -- we are capable of going up to INR5,000 crores also if the need arises. But of course, we'll go cautiously and we'll see if there is actually a need for doing that. And that will happen only if we are expecting the real estate to fuel its growth through its own cash flows from FY '27 onwards. So, if that does not happen, there might be a slight pressure on the debt levels. But broadly, we are looking at INR3,000 crores to INR4,000 crores max at the moment.

Ajit: Okay. And sir, have you also explored the lease rental discounting model for...

Snehal Shah: We're doing that right now. We are in the process of doing that. That's how we are going to move from the short term to the long term. That is one of the possibilities that we have.

Ajit: Can there be any cost saving on that front?

Snehal Shah: Cost savings?

Ajit: Yes.

Snehal Shah: In what sense you are asking cost saving -- you're talking about interest rates?

Ajit: Yes, interest rates.

Snehal Shah: No, no. I told you that we are -- at the moment, we are close to about INR800-odd crores of short-term borrowings. So, it is almost going to replace. So that is going to replace the lower cost into a higher cost borrowing, right?

Ajit: Okay. Okay. Okay. And sir, just last question, if I may squeeze in. Can we also try to explore because as you are mentioning that if we get great deals and more land acquisitions can happen, we can go to INR3,000 crores, INR4,000 crores of debt levels. Can we also try to explore some platform strategic tie-ups like Mahindra has done in the past, Mahindra and Godrej...

Snehal Shah: We are open to that right now, absolutely open to right now. But at the moment, the funds are not really interested and we are only interested in taking equity, which the funds, particularly 2 problems. One, they are not interested in residential; and number two, they are not interested in equity at the moment. But I think we have some talks going on if something fructifies, we certainly are looking at those idea to further fuel our growth. But we are looking at that as an additional growth capital.

For our present plans, we are pretty well capitalized right now. So, we don't see any problem in our -- unless we get a very good opportunity, and we don't want to miss it or something like that, maybe at that time, we'll look at, but we are already in the works in terms of tying up platform funding.

Moderator: Thank you. Our next question is from the line of Anil Raika from Tradelink. Please go ahead.

Anil Raika: This is for Thane land, which we have acquired, is it a JD or it is an outright?

K.T Jithendran: So, Anil, that's an outright, but payable over 4 years -- 4 to 5 years.

Anil Raika: So, this INR595 crores is INR200 crores plus 4 to 5 years scattered payments?

K.T Jithendran: Yes, yes, yes.

Anil Raika: And this Worli Niyaara, we have launched the project in 14 acres. So, I think we have more land available there, no?

K.T Jithendran: Yes, yes, that we'll come on later.

Anil Raika: What is total land area in Worli?

K.T Jithendran: Developable land is 30 acres.

Anil Raika: 30 acres. Sir, one last question. This -- as a strategy, we are spread in 5 cities. And in every city...

K.T Jithendran: Four.

Anil Raika: There is 4 -- so 4 cities. So as a strategy, every market is a different market. Every market has a different taste about the real estate. So how do we manage this? And how we are comfortable for this?

K.T Jithendran: So that's why we are not in more than 4 cities, Anil. We are only there in 4 cities. We understand all these 4 cities very well. These 4 cities together constitute about 65% of the overall market, residential market, and they are least volatile and they command the highest amount of traction, demand, etcetera. And we are very well versed with the functioning of these markets. We understand the consumers of each of these markets. Therefore, we are there in 4 markets, and we are restricting ourselves to only 4 markets at this point of time. We are not going into 10 markets or 8 markets or all the other Tier 3 or Tier 2 cities.

Why it is very important to be there in at least 4 markets is because otherwise, there will be too much concentration of risk if you operate in a single market. There could be -- when one market is going through a change in terms of regulations, in terms of demand, etcetera, your balance sheet can be totally lopsided. So therefore, I think it's a balanced act to be there in these 4 markets.

Moderator: Thank you. Our next question is from the line of Dhananjai Bagrodia from ASK. Please go ahead.

Dhananjai Bagrodia: Congratulations, sir, on good set of numbers and a very well-outlined on a strategy, and how we're thinking about it. But just a question follow-up from the previous participant, how are we considering there's been some issues with other developers recently regarding their quality in some of the new projects, which they have done. What are we doing to ensure the same that out quality will always be of the highest standard and we don't have those kinds of issues?

K.T Jithendran: So, I think there is simple principle focus, laser sharp on execution, constant review, constant acquire the best quality of people, work with the best contractors, best consultants, partners, strong review process, focus, top management focus on review and making sure that we give the best quality. That is the commitment and the understanding that execution is very important, not taking execution for granted.

Dhananjai Bagrodia: Sure. Because just regarding the contractor part, is there any particular list of contractors who we will only work with because one of our larger peers has now started facing issues with some other contractors, anything along those lines?

K.T Jithendran: So, we choose horses for courses. For example, if you look at for our Kalyan project, we are working with Shapoorji. He is a very top-rated contractor and the product is coming up very well. Our flagship project Niyaara, we're working with Leighton, the multinational contractor, have done marquee projects across the globe. While for our projects in NCR, we are working with a strong local contractor. SMC, manage the quality, our own focus on quality commitment, review, etcetera. The contract is important, but also the man from our side who is running the project at the site, the project manager and focus on processes is also very, very important.

So, I think your question is right. It's very important to focus on execution. If you take that for granted, then projects will slide and consumers are going to complain. We are very aware of that thing, and it's easily one can potentially part of in the quest for growth, etcetera, I know sometimes people oversee this part. But I think we're very well aware of that. This is very important for the long-term sustenance of the company.

Moderator: Thank you. Our next question is from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.

Biplab Debbarma: Sir, just first is, I think I missed, what is the total GDV in Delhi? Is it INR1,800 crores or INR2,800 crores?

K.T Jithendran: INR2,800.

Biplab Debbarma: Okay. Okay. Okay. My first question is that as we have demonstrated astute land acquisition strategy at a very -- I think it is relatively very low cost. Excellent selling ability also more than 80% of your inventory. So, the only thing that remains is on the product, how the product is executed? So, the 3 projects in Bengaluru, Kalyan, and in first phase of Gurugram are expected to be delivered? So, can you tell us by when these 3 projects should be ready delivered?

K.T Jithendran: By the end of this financial year, all 3 will be delivered.

Biplab Debbarma: Like in the last quarter?

K.T Jithendran: So, start from quarter 2 this quarter onwards, start handing over from September onwards.

Biplab Debbarma: Which project?

K.T Jithendran: September, March.

Biplab Debbarma: September, which project, sir?

K.T Jithendran: September, we'll start with Alokya. Alokya will go from September to December, December to March will be Kalyan, and February, March will be Navya.

Biplab Debbarma: And my last question is, Sir, you have a very good launch pipeline in the second half of this year and also next year based on the current projects. Sir, do you think in this year working at robust month pipeline, we will be able to cross INR3,000 crores of sales booking business?

K.T Jithendran: We are targeting INR3,000 crores of booking this year and about INR5,000 crores we hope to cross next year. So, at this point of time, we hope to achieve these targets.

Moderator: Thank you. Our next question is from the line of Raj Rishi from DCPL. Please go ahead.

Raj Rishi: Could you share with us your aspiration regarding becoming top 2 or 3 real estate developers in India? By when do you plan to achieve this?

K.T Jithendran: As much as the size is important, we're also very particular that we want to be the most admired real estate company in India, the most reputed. So quality, delivery, long-term products is as much important as the size. So, we have to do both hand in hand in a balanced way. We are looking at reaching about INR10,000 crores of booking in about the next 3 to 4 years, yes. And then we'll start out according to. But more important is to deliver it, focus on execution, be the most admired, most customer-centric real estate company.

Raj Rishi: And the group has how much land, which something like this Hindalco deal can fructify for essentially?

K.T Jithendran: See, we are focused on our chosen geographies -- so there, we have mostly land from our own parent company, Century. And there -- and right now, this is only this Hindalco land. We don't have any other in the horizon. But as we expand into other markets at the right time, when the growth story continues, I think there will be lots of opportunities unlocking.

Raj Rishi: For the -- from the group line?

K.T Jithendran: From the group itself.

Raj Rishi: Okay. Okay. And by when do you expect that to happen other geographies?

K.T Jithendran: Yes, anybody's guess, we don't know. At this point of time, I think we'll be focused to establish ourselves in these 4 markets, maybe a few years later. So, I'dont like to put a number on that.

Raj Rishi: And the Worli land, you said is total 30 acres, right?

K.T Jithendran: Yes, 30 acres of developable land is there. So, we will be developing it in phases.

Raj Rishi: And presently, you're working on how much of the area? Right now, the projects which are on...

K.T Jithendran: Yes, 14 acres is under development.

Raj Rishi: Ok, ok, and the issue with the Wadia Group is regarding 10 acres, right?

K.T Jithendran: Yes, that's not included in this. That is a separate land.

Raj Rishi: Okay. Any comments on that issue which is going up?

K.T Jithendran: That's in the court, that will take its own time.

Moderator: Thank you. Our next question is from the line of Manish Maheshwari from Manu Group. Please go ahead.

Manish Maheshwari: Yes, all my questions have been answered.

Moderator: Thank you. Thank you. Our next question is from the line of Mr. Aagam from Flute Aura. Please go ahead.

Aagam: Congratulations for a good set of numbers. Most of my questions were answered. I only have 1 question in the textile division. We are now looking at restructuring, by the way, by way of spinning out the division. So, I just wanted to understand, is it specific to this segment? And how are we looking for textile division in general? Are we looking to make it asset-light going future?

R. K. Dalmia: No, it is not asset-light in future, the spinning and weaving which departments we have closed because we can outsource the grey fabric, which is no more USP in the textile business. Of course, process house, we want to run it properly, which we will run. So, this is an asset-light model, and it will increase the EBITDA also and give the good return.

Moderator: Thank you. Our next question is from the line of Karan Mehta, who is an investor. Please go ahead.

Karan Mehta: Yes, I have one question on the paper business. We have taken most of cost-saving measures in the last financial year. So, can you please quantify the savings approved from each of these measures on a full year basis?

Vijay Kaul: No, we cannot go on. So, we cannot go on saying that because of what measure we have achieved, what -- but yes, overall, I can tell you on an overall basis, whatever measures we have taken, we have almost cost reduction to the tune of INR80 crores to INR90 crores.

Karan Mehta: Okay. Okay. And sir, my second question is on the textile business. So, when do we expect a turnaround in this business?

R. K. Dalmia: It depends on a lot of factors, so many, because at present the market is subdued, and we expect in the last quarter of the FY '24, it will improve further when demand will come, both from the international and domestic market.

Karan Mehta: Okay. And sir, just continuing on the paper business question. So, do we expect more cost savings in this, like any strategies or any plan to further enhance the cost savings?

Vijay Kaul: Yes, definitely. We are always looking for measures by which the cost could come down in the organization. That's our day-to-day job, and we are looking at so many aspects as to where we can further bring down the cost.

Karan Mehta: Okay, sir. And sir, like we have done in paper business, do we expect similar cost savings in the textile business as well?

R. K. Dalmia: Yes, yes. I think you can say, yes, that's a -- so yes, this is without saying. It is a continuous process, and we always make all out efforts to save the cost wherever it is possible.

Snehal Shah: So, on a current basis, not for you -- not just for you, but everybody, this question on cost savings, yes, in fact, the restructuring that we have done in the textile mill is primarily because we want to save cost. So that's going to save a lot of fixed cost. Yes, we are not planning a lot of capex in the textile business, but we are always providing for capex paper business.

And the capex that is provided in the paper business is threefold. One is to increase the capacity. So, we may -- we are looking at increasing the capacity from current roughly around 5 lakh tons to about 6.25 metric tons over a period of 3 years. Plus, we are looking at some efficiency improvements, plus also we are looking at some cost rationalization measures through this capex.

So, it is all part of the game, as Mr. Kaul said that we are there for that purpose only. So certainly, we are expecting one is to increase the capacity and increase the margin, which are roughly should take us to around 22%, 23% EBITDA margins going forward.

Karan Mehta: Okay. And sir, it seems that most of our textile peers are -- have started becoming profitable and have started seeing good growth. So, when do we expect a better growth in this business segment?

R. K. Dalmia: Difficult to say. But as I said earlier, it should start in quarter 4 FY '24 when the market sentiment will improve, hopefully.

Moderator: That was the last question of a question-and-answer session. I would now hand the conference over to the management for closing comments.

R. K. Dalmia: Thank you all for participating in this earnings con call. I hope we have been able to answer your question satisfactorily. If you have any further question or would like to know more about the company, please reach out to our IR manager at Valorem Advisors. We are thankful to all our investors who stood by us and had the confidence in the company's growth plan. And with this, I wish everyone a great evening. Thank you.

Moderator: On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.