CENTURY
Textiles and Industries Limited

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Scrip Code: 500040

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

Dear Sir/ Madam,

Sub: Q4 FY 2020-21 Earnings Conference Call Transcript of Century Textiles and Industries Limited ('the Company')

With reference to the above subject, please find attached the Q4 FY 2020-21 Earning Conference Call transcript of the Company regarding the Earnings call held over video conferencing on 07th May, 2021 to discuss Q4 FY 2020-21 earnings.

This for your information and record.

Thanking you,

Yours faithfully

For **CENTURY TEXTILES AND INDUSTRIES LIMITED**

ATUL K. KEDIA
Company Secretary

Encl: As above.

Century Textiles and Industries Limited
Q4 FY 2021 Earnings Conference Call
May 07, 2021

Moderator: Ladies and Gentlemen, good day and welcome to the Century Textiles and Industries Limited Q4 and FY 2021 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. If you wish to download the presentation participants are requested to click on the sharing tab on the left panel of your screen. Click on the presentation to download.

I now hand the conference, over to Mr. Anuj Sonpal -- CEO, Valorem Advisors. Thank you and over to you, sir!

Anuj Sonpal: Thank you, Stanford. Good morning, everybody, and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Century Textiles and Industries Limited.

On behalf of the Company, I would like to thank you all for participating in the Company's earnings conference call for the fourth quarter and financial year ended 2021.

Before we begin, as mandatory, I would like to mention a short cautionary statement. Some of the statements made in today's earnings concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the Company's fundamental business and financial quarter under review.

Now I would like to introduce you to the management participating with us in today's earnings conference call and before I give it over to them for opening remarks. We have with us Mr. J. C. Laddha -- Managing Director; Mr. R. K. Dalmia -- Senior President, Century Textiles and Whole-Time Director; Mr. J. P. Narain -- CEO, Century Pulp & Paper; Mr. K. T. Jithendran -- CEO, Birla Estates; and Mr. Snehal Shah -- Chief Financial Officer; and Mr. Nilay Rathi -- Senior Vice President of Commercial.

Now, without any further delay, I request Mr. Laddha to start with his opening remarks. Thank you and over to you, sir!

J. C. Laddha: Good morning, Anuj. Very good morning, once again. It is my pleasure to welcome you all to the earnings conference call for the fourth quarter and full year of the financial year ended 2020-2021. Firstly, I hope that you and your family members are healthy and keeping safe in this pandemic environment.

Let me first take you through the performance of our company on a consolidated basis. The net sales for quarter four were Rs. 820 crores, which was 6.5% growth from last year's quarter four. EBITDA was Rs. 80 crores, which translates to an EBITDA margin of 9.8%, and the net loss for the quarter stood at Rs. 5 crores. For FY 2021 the net sales were Rs. 2,567 crores. EBITDA was Rs. 285 crores, which translates to EBITDA margins of above 11% and there was a net loss of about Rs. 15 crores.

As we all know, FY 2021 has been a particularly difficult period for the business environment due to the COVID-19 pandemic. The fourth quarter marked a change in business sentiment as unlock measures gathered steam and rollout of vaccine got imminent. I am happy to report that in the fourth quarter operations across all three business verticals returned to normalcy.

I would also like to highlight that the company is committed to the wellbeing of all the stakeholders and has undertaken various initiatives under ESG (Environment Social and Governance) Framework, during the year. Businesses have worked on deploying facility environmental modules and facility social labor model for management of raw materials, energy saving, water conservation, emission control, etc.

Further, CTIL has engaged services and expertise of M Power Foundation for the mental wellbeing of our employees and their families, especially in the current pandemic period. CTIL also has a strong governance framework thereby, adhering to all the compliances in letter and spirit.

Now, let me take you through some of the key highlights across our three business verticals. Starting with a Real Estate division, talking about the financial performance during the quarter for this segment, lease income from the commercial project stood at Rs. 35 crores; EBITDA loss in the Real Estate business for the quarter was Rs. 1 crore. For the year as a whole, for FY 2021 on a consolidated basis, lease income from the commercial projects stood at Rs. 142 crore, it was a marginal decline of 3% year-on-year. EBITDA for the year was Rs. 31 crores with an EBITDA margin of about 22%.

The Real Estate sector continued to gain momentum in quarter four of FY 2021 after a strong performance in the festive season in Q3 FY 2021, with top developers reporting improvement in their sales. The industry is witnessing a continuous shift in preference towards branded developers from customers, along with consolidation, as landowners and smaller developers seek to partner with reputed developers.

While our two commercial assets, Birla Aurora and Birla Centurion continued to generate stable rentals, we registered strong sales performance across all our three launched projects, that is Birla Vanya at Kalyan, Birla Alokya at Bengaluru, and Birla Navya at Gurugram on the back of the healthy demand in the residential real estate segment. We sold residential inventory worth Rs. 334 crores in the fourth quarter and total sales in FY 2021 stood at Rs. 621 crores. I am happy to report that Birla Navya, Gurugram crossed sales of Rs. 500 crores and the project also received the iconic sustainable township in Gurugram Award from Hindustan Times in the quarter. We achieved the milestone of cumulatively selling 1 million square feet of inventory, which is worth more than Rs. 1,000 crores in a span of less than two years.

The buoyant consumer sentiment, renewed appreciation for the need for own spaces and the trust in the Birla brand will hold us in good faith as we accelerate our growth plans.

Moving on to the Pulp & Paper segment for the fourth quarter of financial year 2021, the sales from this segment stood at Rs. 556 crores. EBITDA for this segment was Rs. 80 crores with EBITDA margin of about 14%. For the FY 2021 as a whole, consolidated revenues from the Pulp & Paper segment stood at Rs. 1,774 crores, EBITDA for the year was Rs. 221 crores with EBITDA margin of about 12.5%.

The demand for the segment picked up in the quarter with the anticipation of higher paper consumption on account of the re-opening of schools, offices, etc. an indication of the Indian and global economy returning to normalcy. This resulted in quarter four FY 2021 performing significantly better than the previous quarters of FY 2021. Sales volume grew by 15.7% in Q4 FY 2021 as compared to Q3 of FY 2021 and 4.6% compared to Q4 FY 2020.

The capacity utilization during the quarter was 100%. During Q4 demand for lower GSM non-copier paper improved due to offline examinations proposed to be conducted by CBSE and State Education Boards. This increase in demand also increased raw material prices. Copier demand also picked up due to the reopening of offices, judiciary, as well as schools in some parts of the country. Copier purchases were made by the traders in the market with an intent to build up channel inventory levels. Consumption of tissue also saw an uptake due to the reopening of major consumption centers like cinemas, restaurants, etc.

However, export business got negatively impacted due to disruptions in supply chain and logistics services, which primarily increased freight charges and created scarcity in container availability. Order flow for packaging board increased from pharma sector as compared to the previous quarter, the OPD services in the country re-opened and demand from FMCG sector was also positive.

Other products under this segment, that is wedding cards, book covers, cup bottoms and cup tops also saw a slight improvement for the first time during the financial year. In the international market, there was a sharp increase in the softwood pulp prices in this quarter. As a result, paper manufacturing costs went up.

Finally, I am happy to report that the new tissue plant has been commissioned in March 2021, which is having a capacity of 36,000 metric tonnes per year and this means that our tissue manufacturing capacity is gone up by 100%. Now we have a total tissue manufacturing capacity of 72,000 metric tonnes per annum. This will help in driving good sales growth in FY 2022. Although the medium-term to long-term outlook for the Indian paper industry remains strong, the second wave of the muted COVID-19 virus can affect demand in the domestic as well as global market.

Now let us move on to the Textile division. I would like to request Mr. R. K. Dalmia, who is a Senior President of Century Textiles and the Whole-Time Director of the Company to give the key performance highlights. Over to you, Mr. Dalmia.

R. K. Dalmia: Thank you Mr. Laddha. Good morning, ladies and gentlemen. And welcome you all to this earning conference call at the company. Talking about the financial performance for the quarter, which cannot be compared to the previous years due to ongoing pandemic; our sales stood at Rs. 200 crores with a loss of Rs. 9 crores. And full-year revenue for the Textile segment stood for Rs. 582 crores, with a loss of the year standing at Rs. 48 crores.

I am happy to inform that overall business environment and production across India return to the normalcy driven by healthy demand in retail, domestic and international market. Supply was lower than demand causing inventory to decrease and subsequently increase in order booking. We witnessed strong demand in U. S. for home linen, which led full capacity utilization to this quarter four.

The apparel business order booking was also good throughout the quarter leading to 100% capacity utilization. However, a sharp increase in yarn prices led to margin pressures. The demand momentum is expected to continue as one export customer has started shifting their order from China to India. However, the global market outlook is still not clear because of the new virus strain of Corona worldwide.

Apparel fabric product demand is gradually picking up. However, this proportionally including raw material prices mainly yarn cannot be fully passed on the fabric customer. Hence, margin is under pressure. Our current product mix is now more focused on sustainability, having innovative finishes to cater to the market once domestic and international market re-open in full swing.

Now, I hand over the call back to Mr. J. C. Laddha.

J. C. Laddha: Thank you, Mr. Dalmia. To conclude, as we see surge in the COVID-19 cases due to the second wave, our top most priority is the safety of our employees and stakeholders. We can only hope that the situation improves sooner than expected and the vaccination drive gives some respite. It is difficult to predict the gravity of the impact on businesses and sectors today. But we can only hope and pray for the best.

With that, we can now open the floor for the question-and answer-session. Thank you very much.

Moderator: Thank you very much, sir. We will now begin the question-and answer-session. While we check the line for Mr. Sameer Dalal, we take the next question from the line of Vijay Subramaniam from TrustLine Holdings. Please go ahead. Mr. Subramaniam, you will have to unmute your line and go ahead with your question. We cannot hear you.

Vijay Subramaniam: This is Vijay from TrustLine Holding. My question is regarding this, you have increased the capacity of tissue paper from 36,000 tonnes to 72,000 tonnes. Now, is the demand enough that you will be able to fully utilize this capacity or it picks gradually over a period of time? I also like to know, how is the tissue paper prices? And do you see any structurally good things happening over there and also about some color on the import trends.

J. P. Narain: Hi, Vijay. Morning, this is the J. P. Narain. In terms of tissue machine loading, I think we have got an order book for next two months. And in this case, I think we are exporting 50% of our total production. And we do not see any issues specially that tissue loading of this machine, because this market, especially in **Virgin** grade is growing at the rate of 15%.

And with the awareness, the personal consumption, especially the consumption in home sector has gone up during this pandemic. And we are anticipating that this demand will jump further in future, because away-from-home is a little dormant right now. Still, the order book is good. Once the away from home segment is open the demand will be further bullish.

On tissue prices right now, the international pulp prices are very high, soft wood prices are in the range of $1,000 per tonne. So till time international prices of pulp will be higher, the manufacturing cost in the other countries will be very high for the tissue. And it will give a good leeway for us to export the tissue at a higher realization. For future outlook for the tissue, we are quite optimistic that the future outlook of the tissue, especially in this country as well as in the international market will be very good. So we do not see any loading issue on this machine. And we are anticipating that next four months to five months we will be able to load this machine 100%.

Vijay Subramaniam: Excellent. Thank you for that. Can you give some outlook on the pricing? How is the pricing of the tissue paper?

J. P. Narain: Right now, the pricing of tissue is very attractive. We are on the EBITDA margin of in the range of 24% to 25%. And it is in the range of above the Rs. 70,000 per tonne right now. So it is going good because it is proportional to the softwood pulp prices because in tissue manufacturing, a lot of hard wood as well as softwood is being used.

Moderator: Thank you. We take the next question from the line of Venkat Samala from Tata Asset Management. Please go ahead.

Venkat Samala: Start by helping me understand, how the capacity utilization levels across the different segments are at this point in time and have you been impacted to an extent by the second wave regulatory norms, whatever restrictions could be imposed by the local or state authorities at this point in time?

J. P. Narain: First question that the capacity utilization in all three segment, I think tissue we are operating at 100%. Old the machine at 100% and new machine at 70%, so putting together in the range of somewhere 75%. Especially, the packaging segment we are operating at 100%. Regarding the writing, printing it is slight slow, but there is no restriction from the regulatory authorities because packaging as well as the tissue comes under Essential Commodity Act.

Venkat Samala: Right. Sir, what would be the blended asset utilization level for about the Pulp & Paper business?

J. P. Narain: Last quarter we have achieved 100% capacity utilization.

Venkat Samala: Right. So, it is slightly off now as I understand, because of pulp and writing paper?

J. P. Narain: This quarter we are anticipating somewhere around 85% to 90%. Whatever the drop we are anticipating that will be there in writing and printing paper.

Venkat Samala: Understood. Sure. And across the other segments, sir?

J. P. Narain: They will be full, tissue and packaging that we will issue 100%.

Venkat Samala: Right. No, I mean, Textiles and Real Estate impact now because of the restriction?

J. P. Narain: Real Estate, I will request Mr. K. T. to pitch in and Mr. Dalmia is there for textile.

R. K. Dalmia: Yes, in Textiles also, in quarter four, we have run with full capacity, order position was good. We are overbooked, but in apparel and home textiles is already booked because the U. S. market. Because of work-from-home culture has created a good demand for the home textile. But due to this second wave of COVID now, the lockdown in the country and particularly in big markets, so now they are delaying some orders and they are holding some order. So this will put restrictions on that capacity, because we cannot create the stock. And secondly, the color breakup etc. all will wait so, we cannot go ahead for that. Otherwise, overall textile market demands are good and hope after this second wave demand will again pick up because of inventory in the market are almost bullish because no new order there picking during the first quarter. Overall demand is good.

Venkat Samala: Right. Sure.

K. T. Jithendran: Good morning, Venkat. About the Real Estate, of course, the demand is going to get impacted because of the April lockdown. Lockdown started with Maharashtra moves on to Karnataka, then Delhi, now Haryana, so it has created an impact. In the overall sentiment, also people are not at this point of time looking at buying real estate, they are just hoping that with the proliferation of vaccines, etc., this short-term crisis will remain short-term. It will not become to too long. And we are hoping that the good times will come back. Last quarter was exceptional, we did more than 100%-110% increase in our sales compared to Q3. And I am hoping that once this major situation right now improves a bit the demand will come back into the market.

Venkat Samala: Sure, sir. We are hoping for the same. So just with respect to execution. Is there any impact because of workforce migration as such on the ground…

K. T. Jithendran: Yeah. So largely couple of things because of some kind of experience of the last time some workforce has quit the sites. Some people have come back or we have been able to replenish. Overall, I would say there has been about a 20% - 22% reduction in manpower. But largely, our manpower are in place, work is going on. Again, Venkat, if this situation prolongs then it will have an impact. As of now we have contained it. But we are keeping our fingers crossed.

Venkat Samala: Understood. Right. While we are talking about Real Estate segment, just wanted to understand how is the launch pipeline at this point in time? I know, things can be a little fluid, but as things stand now, how is the launch pipeline like in FY 2022?

K. T. Jithendran: Yeah. So the launch pipeline, we are hoping that we will be able to do all of our planed launches this year, nevertheless, they will get delayed. We were supposed to launch Kalyan Phase Two, sometime in May, of course this will not happen, it is not the right time to launch it, we will hopefully launched it in Q2. Bangalore, Magadi Road again, hopefully in Q2, Worli as of now we are still on track for Q3. The second phase of NCR we are again on track for a September, October launch, provided the sentiments remain robust. And this is a product plan that we have as of now.

Venkat Samala: Understood, sure. And sir, we have not added any projects in the year gone by, fiscal year gone by. So any outlook with respect to that? I mean, how is the pipeline shaping up there?

K. T. Jithendran: So, Venkat, we are aggressively looking at adding projects in this financial year? We will be adding, yeah. We are looking at it. Hopefully, before the next quarter, we will able to share some information.

Venkat Samala: Right. So, should we hope for some project addition to come through by the next quarter?

K. T. Jithendran: We are hoping, yeah. Again, we are doing due diligence, some of the projects. But the things have got slowed down a bit. So the situation could impact a little bit. But I am hopeful that we will be able to add some projects there by the time we meet again for the next quarterly call.

Venkat Samala: Right. Sure. Okay. And as things stand as of now, how should we think about the project additions in FY 2022 versus say FY 2020, which was more like a normalized year, right?

K. T. Jithendran: Yeah. So I am hopeful that we should add at least another two projects or three projects, three projects at least.

Venkat Samala: Okay. Sure. So related to some numbers, what are the constructions spent in a FY 2021, construction plus approval?

K. T. Jithendran: Yeah. So I do not have that number off hand. So, we will have to circle back to you, offline we can give that number to you.

Venkat Samala: Okay. And one last question. This is about the textile business. So just wanted to understand how much integrated are we? And to what extent do we have exposure to increase in the yarn prices?

R. K. Dalmia: We are fully integrated, we have the spinning, then we have our own weaving, and then chemical processing, and stitching also at the home textiles. And the yarn prices has also affected us, the yarn prices have increased by 40%. But it is very difficult to pass an entire increase in particular, in two months - three months. So 25% we could pass on. But still 15% remain there, which we will pass on hopefully by next quarter.

Venkat Samala: Sure. No. But I am just trying to understand, if you are fully backward integrated, why are we facing margin pressures? Because then, the large part of the input would be cotton, right, rather than yarn?

R. K. Dalmia: Yes. The yarn capacity we have around 60%, and have specialized yarn like 100 count and all. We are manufacturing inside. But other yarn we purchase from outside. Spinning we can meet our production after weaving around 60%.

Venkat Samala: Okay. So our vertical integration is around 60% level, right?

R. K. Dalmia: 60% on spinning and 60 70% on looms. In processes we have 100% capacity. So we have our own entirely. But we are outsourcing yarn as well as fabric also grey fabric and the…..

Venkat Samala: Right. So, quarter-on-quarter we witnessed…

R. K. Dalmia: Yes. And further to add, the cotton prices has also increased and now with our demands more of organic cotton and demand in Egyptian there prices of cotton has increased considerably. Even organic cotton are into supply and there is huge premium on this organic cotton. Of all the businesses, the customer wants in USA on in organic cotton, even in India also, which has also put a lot of pressure on the margin.

Venkat Samala: Right. So how should we expect this quarter margin I mean Q-o-Q because Q4 versus Q3 margins have dipped, right? So how should we think about margins in the recent quarter and maybe Q2 as well? Because I think, slowly as the new contracts will be coming for renewal you will gradually passing on the cost increases, right? So, I am just trying to understand how would Q1 and Q2 margins look like?

R. K. Dalmia: Q1 margin, if this continue second wave and markets continue to under lockdown, quarter one of this financial year will also affected to some extent, but if markets are not in Q2, we hope by June everything should be normal and the second wave is also subsiding. So, we hope this lockdown will also not be there. So we hope a good demand, because pipeline is already empty. So there is a good demand and price increase will be also there.

Venkat Samala: Right. So should we expect by this yearend or maybe H2 of this fiscal year, is the impact of a second wave surprise and obviously, there is no third wave. So should we return to normal margins that we witnessed in say I mean, in H1 of a FY 2020?

R. K. Dalmia: Yes. I am expected but better than that, after this, because the demand will be there. Then we will be able to increase the prices also.

Snehal Shah: Venkat, Snehal here. Circling back to the question you asked, you know our project development costs last year, which consists significantly of the construction cost was around Rs. 188 crores and our collections were Rs. 154 crores.

Venkat Samala: Right. Does this include any approval costs etc. that we will incur?

Snehal Shah: Yeah, the project development cost would include some of the approval cost. If you want I can give you a break-up out of this Rs. 188 crores, but I can only say, a significant part would be the construction costs.

Venkat Samala: Right. And what is the expected approval cost which is to be incurred for Worli, sir, I mean, pre-launch?

Snehal Shah: Pre-launch roughly, I think it would be around Rs. 400 odd crores. K. T., am I right?

K. T. Jithendran: Yeah. So, pre-launch, yeah, there will be a lot of construction premium, etc. So we are expecting Rs. 470 crores thereabout about Rs. 500 crores.

Venkat Samala: Right. And large part of that would be spent in FY 2022, only, right?

K. T. Jithendran: Yeah, this all fully will be spend in FY 2022.

Moderator: Thank you. The next question is from Sameer Dalal from Natverlal & Sons. He has posted a text which say, on the Textile business. He says, I would like to ask a question on the Textile business.Okay, you can ask the question for me. I want to understand why the sales in Textile business is down? And the rest is incomplete? So yeah, the question is, why the sales in Textile businesses down?

R. K. Dalmia: In the last financial year, the sales were down in the Textile business, because of this lockdown, and factory was also closed since 22nd, March, 2020. And we have opened in the second week of May, when the government has given the permission to run the factory. But worker shortage and all, we could not reach the entire production capacity. And even the market was also not opened up. The demand was less and that is why, our revenue turnover was less, during the last year. This year, we are hopeful that we will achieve better turnover and we will reach on the original turnover of the previous year even the better on. Is it okay or?

Moderator: Right, thank you, sir. The next question is again, a text question, which is from Rajesh Ranganathan. The question is, what is the reason for the lower EBITDA and EBITDA margin in Q4 compared to Q3 despite strong sequential growth and sales?

R. K. Dalmia: You are talking in Textiles or?

Snehal Shah: No, sir. I think he is talking in total. So Mr. Ranganathan, I think, you are right in looking at our numbers, we were Rs. 109 crores in Q3. But Rs. 109 crores in Q3 included a one-time credit of an income tax refund interest of about Rs. 33 crores. So, if you reduce that, then we are more or less in line with the current EBITDA of Q4. I hope that helps. So roughly, you can say we are almost online Rs. 109 crores minus Rs. 33 crores. So we are somewhere around Rs. 76 crores against current EBITDA of about Rs. 80 crores

Moderator: Thank you. We take the next question from Nagraj Chandrasekar from Laburnum. Please go ahead.

Nagraj Chandrasekar: I have a few questions on Paper and Textiles. Just on Paper, I see, compared to last year our NSR is still like Rs. 51 - Rs. 52 rupees a kilo. Just want to understand what segments have been hit most in April and May? And by when do we see this NSR going up? And also, as I heard, we heard about ITC Bhadrachalam having to divert a lot of its oxygen in the pumping plant towards the production of medical oxygen, is this also hitting a lot of paper suppliers in the country including investors? And what is that sort of main for paper industry capacity utilization going forward?

J. P. Narain: Hi, Chandrasekar, good morning. Our NSR, out of our three segments I think tissue and packaging were doing really good. But the drop was there in the writing, printing, and the drop was in the range of somewhere around 20%. And in quarter four, all three segments has touched the pre-COVID level and with the appearance of COVID wave two, we are anticipating further drop-in writing, printing paper whereas packaging and the tissue will perform on a strong foundation. So this time, the scenario will be different because the last time, there was a huge fear and all the consumption center were completely close. This time that situation is not there, packaging is doing great, tissue is going fairly well. And the impact is being seen on the writing, printing paper. So I am not anticipating that kind of drop in this time, especially on the whole business. In terms of oxygen shortage, the industrial oxygen for us has been also stopped by the government. But that is not affecting in a bigger way to all the paper mills because there is a substitute for that. You are using the oxygen for bleaching, so you can see using more chemical like hydrogen peroxide to bleach the pulp and reach on the same whiteness. So it is not affecting the production. Yes, it is affecting the slight manufacturing cost.

Nagraj Chandrasekar: Understood. So that is the increase in input costs that you were mentioning, because I think the cost otherwise on board would not have gone up for us that much except for the softwood that we import, but not so much in writing and printing, maybe the coal cost would have gone up because of the increase in the auction coal prices. So just want to get a sense of what the average cost per kilo was very broadly in 4Q 2020, 4Q 2021 and what it is sort of right now in the paper industry?

J. P. Narain: Yes the raw material cost specifically has gone up specifically for the chemical segment and chemical consumption contributes somewhere around 12% of the total cost of the paper conversion. Fuel cost is also in the range of 10% to 11% and fuel cost has also gone up, the coal cost has also gone up with 2% to 3% then those who are using imported softwood as well as the imported hardwood to customize, you can say the paper properties that has gone phenomenally up. Softwood prices have gone up by 40% and hardwood prices have gone up by 30%, but the usage is very less that is being used only in the packaging. But I can say there will be input price hike will be in the range of 4% to 5%.

Nagraj Chandrasekar: But the ability for us to raise pricing at keep this 14% margin at 90% utilization is not in doubt it is just the demand has to be there in terms of volumes and has to come back in printing and writing paper that should get as close to 20%?

J. P. Narain: Yeah that should be because right now if the COVID second wave will stay for a longer time then it will be affecting the demand of writing printing paper otherwise if it gets subside well in time then the demand will be very high because the new education policy is getting ruled out. So, all the books will be printed newly across the country. So, writing printing demand will be very high once that demand will come on to the market.

Nagraj Chandrasekar: Sir, one question on the textile segment just you mentioned the increase in the yarn prices we just want to get a sense and we are not fully backward integrated, but you said 60% backward integrated, so just want to understand what was the yarn to cotton spread maybe on a per kilo basis in the middle and upper count setting which is in third quarter 21, fourth quarter 21 and what is it right now that spread?

R. K. Dalmia: Cotton is around 60% in the fabrics and remaining 40% is the other cost, but that depends again the quality-to-quality sometime it is 50% and sometimes 60% or 65% to 70%, that depends and the overall demand last financial year because of this COVID it was not there. For this year if the situation improve they will get a full demand that we believe pipeline and stock with the buyers are empty. So that is we are looking good quarter after second or after first half.

Nagraj Chandrasekar: And sir also cotton prices and cotton production if you have a view on cotton prices this year, last year was a recurred crop, what are you seeing this year for India?

R. K. Dalmia: Last year cotton crop was good and cotton prices were almost stable some increases were there, but the major problem in cotton now everywhere the demand is organic cotton and which is not grown in India for that much quantity and demand is huge. I tell you the premium suppose a cotton particular cotton of 29 mm is 42,000 per candy and then on premium for organic cotton is 24,000. So that cotton becomes 42 to 24,000 so that is the problem and that is putting lot of pressure. Secondly, for our whole textile business and for our apparel business buyers are also asking for imported cotton like Pima which is from US and Egyptian cotton from Egypt their prices have gone up considerably. So, as far as prices of current cotton season which will start from October I believe the cotton prices should remain stable, but we have to keep a watch on organic cotton and international prices particularly of Pima and Giza which is from US and Egypt

Moderator: We take the question from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.

Giriraj Daga: So my first question is related to our real estate division, you mentioned 188 crore project development cost which includes construction this is for FY21?

K. T. Jithendran: Yeah that is correct.

Giriraj Daga: And what was the last year number?

K. T. Jithendran: This is last year's number.

Giriraj Daga: Last year I mean FY19-20?

K. T. Jithendran: We do not have that number immediately; we will come back to you on that Giriraj.

Giriraj Daga: What will be the construction cost and development cost next year FY22?

K. T. Jithendran: Yeah we will have to come back to you on this detail figures. We are looking almost 1,100 crores of cash outflow in terms of construction cost and approval cost for the coming year.

Giriraj Daga: If you can include these numbers in the PPT since many of the other companies do that in terms of construction cost and development that include in the PPT if I can do it from next quarter that would be really helpful? My second query is related to cash collection so last two year we had seen a good amount of booking in terms of almost close to 1,000 crores, but when we obviously look at collection it is relatively muted so far as you know 250 crore in two year when can we see this collection picking up will it be in FY22 or FY23?

K. T. Jithendran: So we are expecting about close to 400 crores of collections in FY22.

Giriraj Daga: And FY23 can you say?

K. T. Jithendran: Yeah FY23 should be close to about I mean we are not giving forward looking statement at this point of time. So depending on the launches etcetera we will come back to you on that as of now the forward looking statement I do not know can be given these cost, but depending on how many launches happened this year we will figure that out.

Giriraj Daga: Just my last question on the textile and the paper side textile first have you seen the worst of the spread in the Quarter 4 or it can hit in the Quarter 1 also?

R. K. Dalmia: It is too early to say how long this lockdown will continue that we have to watch that will depend on that.

Giriraj Daga: I am actually looking at the spread like the cotton prices finished price minus yarn price, so I agree that problem would be low we will be making more money, but has the spread hit in the bottom or spread might also compress further in Quarter 1?

R. K. Dalmia: In Quarter 1 we will have a hit, but hopefully in Quarter second we will be able to get a better price and we will be able to recover it.

Giriraj Daga: Last thing on the paper side like if I had to look at on FY20 to FY22, do you think we can be able to reach FY20 performance in paper in terms of volume side of it or that looks difficult as of now?

J. P. Narain: If the COVID second wave will get subside within next two to three months definitely we will meet that volume, but if get prolonged then there will be impact on writing printing paper.

Moderator: Thank you. The next question is from the line of Sanjeev Mohta from B&K Securities. Please go ahead.

Sanjeev Mohta: I have two, three questions one was a clarification this was regarding your tissue paper so you said that we will go to 72,000 tons this year and I guess second half we are talking about 100% product utilization there, so shall we assume that the prices remained where they are, should we assume that for the entire 72 K we can do the similar EBITDA margin and we are doing now?

J. P. Narain: Not exactly because right now that international pulp prices are on the higher side, but we are anticipating that it should get stabilize somewhere around $750 right now it is selling somewhere $1000 so the tissue prices are based on that. If the international pulp prices will fall by $200 proportionally the tissue prices will also come down. So, what we are anticipating it will be somewhere in the range of Rs. 63,000 to 65,000 per ton. Right now it is at a higher price so that will be the stabilization bench for the tissue prices.

Sanjeev Mohta: Margins 24% what you are saying currently can come down to what 21%?

J. P. Narain: EBITDA margin will stabilize in the range of 21%, 22% right now it is 24%, 25% it should stabilize on 21%, 22%.

Sanjeev Mohta: Second thing on the real estate side so we did have multiple drop last year what are you seeing on the selection right now and are there any renegotiations coming up or are you actually seeing some renegotiation is happening on the lease rental?

K. T. Jithendran: Sanjeev can you explain your question again if you do not mind.

Sanjeev Mohta: The question was that whether there is a renegotiation of lease rentals it come down slightly, so the question was largely on that?

K. T. Jithendran: This is sort of a rhetorical question, totally depends on how this current lockdown prolongs, how the whole thing unfolds as of now I do not see that, but we cannot rule it out. I would suppose to think that we are have settle down that negotiation agreement last year and I am hoping that there will not be any more such agreements, but totally depends on how the business environment unfolds. So, I am really putting a finger on that.

Sanjeev Mohta: You are supposed to have one of your group companies as the lease was getting over, has that been renewed?

K. T. Jithendran: No, we had Vodafone which was having 5 floors in Birla Centurion they have reduced it to 3 floors. We have renewed the lease for the 3 floors, 2 floors they have vacated that happened in last quarter itself, that happened at the end of December. All other leases have been renewed including a Vodafone for 3 floors, 2 floors of course they have vacated.

Sanjeev Mohta: And last question on debt side so what is the peak debt that we are expecting so roughly we have bought down the debt, but this year what is the peak debt that we think will happen and second is there a debt to EBITDA that you want to go more than that?

Snehal Shah: I will just give you kind of a ballpark figure considering, what I will do is I will probably give you little aggressive targets of our real estate business for the next two years and I will give you some sort of pessimistic number for our manufacturing businesses free cash flows. So, right now debt is around 1,000 crores roughly and in the next two years there is an aggressive plan in the real estate business where probably because some is the carry forward of the last year which we could not do because of the pandemic. So, all put together we are looking at roughly around 2,500 crores spent in the real estate business in the next two years that is this year as and FY22 and FY23. So, this 2,500 minus I am taking a pessimistic view of about 500 crores coming from the manufacturing business. So, we will probably require about 2,000 crores additional debt to be raised and that is the peak debt that I am expecting you can expect about 3,000 crores peak debt by the end of FY23 and post that there will be significant cash flows coming from the real estate business as well as the other business. So, our debt will keep on reducing. Now this question of EBITDA is a little difficult one for me to answer because of a very simple reason is that I am not recognizing the EBITDA of the real estate business every year. It will only be recognized in the year in which the projects are completed. So, there will be significant jumps and dips from the EBITDA debt-to-EBITDA margin and even considering that roughly at the peak debt with the current EBITDA estimation I would probably be around level of 5 which would be my peak. I hope that helps you.

Moderator: Thank you. We take the next question from the line of Pratibh Agarwal from ITI Mutual Fund. Please go ahead.

Pratibh Agarwal: Couple of questions I have been answered, but I have few things to further ask what is in paper division so like you mentioned that if the education policy gets rolled out then the demand could be back for the writing and printing paper, but in case that takes a little bit of more time and if we take a scenario where the lockdown is like lefted, so what is the possibility of FY20 volumes coming back, so why I am asking is that just to understand that many of the functions have started happening online, so is there any major impact on the volumes of paper due to that?

J. P. Narain: Yes you are right Mr. Agarwal that once this institution, judiciary and the offices will not happen that the writing and printing paper will get affected, but it is not that it will affect in a bigger way. Our total volume reduction max can go up to 10% because what we are anticipating we are anticipating somewhere a 20% drop in writing, printing paper whereas tissue and the packing segment will drive aggressively. So, on a whole if I take I can maximum drop of 20%. So, we are in the range of 80% to 85% of our volume compliance what we have projected right now.

Pratibh Agarwal: Like if it goes above regarding capacity I am trying to ask if thing fall out for the positive, so how much capacity increase can we take above of 4.5 lakh ton that we have as of now?

J. P. Narain: Right now our new capacity is 4.8 lakh tons because there is an additional of 36,000 tons of issuing and beyond that I think it is hardly 1% or 2%, but beyond that it cannot be stretched.

Pratibh Agarwal: So that is why I was trying to ask in case everything falls out to be positive and education policy comes up writing and paper for volume demand goes up, so how much that can be catered from a capacity, is it sufficient?

J. P. Narain: Quite obviously during that time the demand of writing printing will be very high because the entire country is changing the entire the complete syllabus. So, all publisher has to reprints up old syllabus will not work with the new policies. So, during that time demand will be quite higher. So, what we can cater whatever the maximum capacity we have and with the slight change in the production we can increase by 5% to 10% but not beyond that.

Pratibh Agarwal: And sir one little final details that I am trying to ask in your packing divisions number so that in your presentations your volume numbers as well as revenue numbers are given so if I work out the realization so it is coming out to be 3%, 4% drop for the Q4 YoY and I have been reading in some news articles that the packing paper cost because of ecommerce and pharma are going up, so I am trying to bridge the gap between these two sets of information if you can just throw some light upon that?

J. P. Narain: You are absolutely right because you are seeing the Q4 and during Q4 what happened we have got a certain commitment with our converters and those commitment has been locked during the leaner time in Q3. So, we have got some rate contract which needs to be fulfilled because once there will be a price increase it takes some time to negotiate with the customer and to take the new price and we need to fulfill the old commitments and old contacts at old prices. So, those have impacted in Q4 and it has now started giving the result in end of Q4 and Q1 of FY22.

Pratibh Agarwal: So, going ahead with new contracts is there possibility of a bigger hike because this ecommerce and pharma all these things are driving the demand for packaging paper quite a lot?

J. P. Narain: We had already taken that and it is showing the result now in Q1 and onward. So, that had that hike has already come it has already taken now.

Pratibh Agarwal: And just last clarification on the number of 500 crores approval cost for Worli, so just trying to understand that 400 crores is only approval cost and does not include any other element in that?

K. T. Jithendran: Yeah so that is largely the approval cost the premium cost it is about 470 crores which is largely the premium cost will be paying there will be other cost also.

Moderator: Thank you. We take the next question from the line of Venkat Samala from Tata Asset Management. Please go ahead.

Venkat Samala: Sir, with respect to paper and pulp segment just wanted to understand now that we expect obviously assuming the pandemic is not really prolonged, FY22 volumes to be similar to FY20, so when do we expect margins to normalize by I mean 20% mark when do we expect that to hit that range?

J. P. Narain: Venkat we have already touched the pre COVID level and now with the COVID waves 2 it is slightly started affecting on writing printing paper. So, let us see how long it will stay, but I am not seeing any tissue as well as packaging. So, they will be at FY20 level.

Venkat Samala: My question was with respect to margins I understand that with respect to the volumes the guidance is fairly good and your capacity utilization is also good, but I am just trying to understand when would that translate to normalization of margins?

J. P. Narain: I am answering on those lines only that margins especially in packaging and tissue has come to the Pre COVID level which were there in FY22. Writing printing paper we are struggling because the environment is fluctuating very fast and once the prices have gone up for a quarter or so and it has again started dropping. So, till the time this environment is not getting stabilized we cannot predict anything especially on writing printing, but in tissue and packaging we are good.

Venkat Samala: So as I understand the packaging and tissue paper margins and demand both has sort of normalized, but the impact on margins is because of the sluggish demand on the writing and printing segment and as and when that normalizes you expect that margins to also normalize?

J. P. Narain: Yes.

Venkat Samala: So sir you did mention that you expect peak debt to go up around 3,000 odd crores this seems to be meaningfully higher than 2,000 to 2,200 crores that you stated before is it because I am not really considering the impact of the collections here because we are just looking at the slow from the manufacturing against the outflow which is construction and of approval expenses?

Snehal Shah: In the beginning of answering that question I said I took a very aggressive target of our real estate business and I took a very pessimistic target of our other businesses cash flows. So, from that perspective I gave you I mean these are all kind of as I said not real numbers, but kind of expected numbers they can be here and there by almost 500 crores. What has happened from the earlier thing which I was telling you because the entire spent of last year has now I have actually put them in the next two years. So that has kind of added up the whole thing which should have normally kind of spread across the year or something like that. So, earlier I was talking about three years and now I am talking about just two years.

Venkat Samala: And what would be that quantum sir I mean which is sort of push forward from FY21 to 22?

Snehal Shah: Roughly would be say around 500 odd crores. Mainly it is related to Worli because Worli got delayed because of the pandemic and we are not getting any approval etcetera and BMC for MCGM were completely working on the pandemic, there was not much activity on that.

Venkat Samala: So I mean more realistic I know this looks to be more like a very pessimistic case, but against the construction spent of 2,500 crores we are manufacturing business in flow of 500 crores and 400 crores annually from a collection would this be more like a realistic scenario?

Snehal Shah: So, when I gave you the number for requirement of real estate of about 2,500 crores this was after considering the realizations collections, this is net off everything collections during those two years.

Venkat Samala: And does this also include some of the possible project that intend to sign on in this current year?

Snehal Shah: Yes, I have also included about 300 odd crores spend on some new projects two, three projects which we might do during those three years. These are all ballpark number as you say I am just giving you guidance.

Venkat Samala: And project now for the Kalyan project, that we have executed it to some level, so whenever it hits the P&L what can we expect the EBITDA margin for that particular project to be?

Snehal Shah: As far as EBITDA margins are concerned I think probably we will be somewhere between 30% to 40% margins and IRR we are looking at a threshold of 20% plus.

K. T. Jithendran: So roughly about 25% to 40% margins is what EBITDA margins we are looking at depending on various projects.

Venkat Samala: And for Kalyan, it should be 30-40% because that is your own land you expectation?

K. T. Jithendran: Yeah.

Venkat Samala: And our collection from that particular project making up for the constructions spend for that particular project I mean is it sort of a self-financing project now?

K. T. Jithendran: More or less it is you may require very little of construction finance largely because of the strong response and all market so far we have been largely funding it from our customer receipts. Our total construction finance that we have taken so far is only about 30 crores the rest is all been funded by customer receipts.

Venkat Samala: So 30 crores is across all the three projects is it?

K. T. Jithendran: That is correct of course the deposits and upfront payments we are taking from CTIL is funding that. I am largely talking about.

Snehal Shah: Just to add of the 2,000 crores that I am going to raise almost 1,000 is about the construction finance which will be raised by Birla Estate Private Limited.

Venkat Samala: And we expect the interest cost to be between 7, 7.5 even for that I mean for the construction cost that we intent to do?

Snehal Shah: I mean quite honestly yes we are getting good rates, so I mean I would say given the current market scenario we should be in that range, but of course things might change and tomorrow RBI decides somewhere else then we might feel a little bit of pressure, but I would assume that roughly the borrowing rates between the parent company that is CTIL and the construction finance that the subsidiary gets is not more than 30 to 40 basis points.

Venkat Samala: And one last question how is the reception to the Bangalore project I know the other projects have done exceptionally well, so one possible if it could be it is slightly dragging behind the other two project so anything that you would like to mention about it?

K. T. Jithendran: I do not think so Venkat I think you are mistaken that project was also equally done in fact in this month also we did very well it is the highest selling project this month, in the month of April. So, of course the ticket size is much higher it is 2 crores, 2.5 so it is done very well.

Venkat Samala: So the reason I am asking that is other projects are close to completely sold?

K. T. Jithendran: Yeah, but that is because of their location their demand their very prime location is on the outskirt, but as far as amount spend etcetera this has been very good, much beyond our expectation.

Venkat Samala: And the margins which is expected here since it is not like an outright this thing so what margins can we expect here?

K. T. Jithendran: So, Bangalore yeah we are expecting about 30% margins there.

Snehal Shah: And since we are on a subject I think I just saw on the chat box question by Nitin so Nitin I think I mentioned about 2,000 crores to be raised and you can roughly assume 50-50 over the next two years I mean I cannot exactly give you the numbers, but it is more or less you can put it as 1,000 crores in one year and 1,000 crores is next year. It all depends on how our plans pan out.

Moderator: Thank you. The next question is from the line of Himanshu Jhaveri from Dhruv Jain Associates. Please go ahead.

Himanshu Jhaveri: I just want to ask on the Worli project land have healthy margin over there they are going to have healthy margins over there, but I was just looking at like kind of plans for the future growth because if you want to be in the top three or five developers in the country then we also have to add a lot of projects all over Pan India in the top four markets since the last one or two years I think we have been pretty slow in adding the projects in the JV model or the outright purchase so any news you like to share and company like Godrej and all added 50 million in the last two, three years so is it a strategy to go on very high margins and just be slow in the addition of BDs, can you just share your views please?

K. T. Jithendran: As I mentioned Himanshu last year we are little circumspect in terms of how we were not clear how this pandemic will unfold so were holding our horses to see how the market would react, how the entire sentiment real estate so were more circumspect, but now that having seen that and we are seen how the real estate market has bounced back I think they are all gungho ho now and we are looking for the right deal of course we are not going hammer and tongs going up to every other deal, but we are looking at good profitable deals with good partners, good profile of our JV partners we are looking in for all the four markets which we have chosen and we are in the lookout for the right deal and I am quite hopeful that we should be making a reasonably strong addition to our portfolio in this financial year. I was saying we also realize that is very pertinent and important from the point of view of being amongst the top developers in India we are pretty aware of that and we are going to take steps towards that direction.

Himanshu Jhaveri: And one more question regarding the Worli project, are we on track for October, November launch? We are seeing only 30 lakh sqft before we were projecting 50 lakhs square feet there. This is the residential, there is another commercial or the total potential is only 30 lakh square feet.

K. T. Jithendran: We had sold anywhere between 40 to 50 lakh square feet what we are talking about 30 lakh is the residential part of it, commercial is another 10 lakh and 30 lakh is also it could go up as of now it is an estimated 30 lakh it could go up to maybe 30, 35 lakh also, but as I told you this is on the first FSI for this mill land they are still under abeyance and we have gone for stricter of the two rules and as a basis today what we have in hand is about 30 lakh it could go up and this is only the residential part of it and on the launch tracker we are as of now on track, the April this much there has been no movement in April. So, we are in line for MOEF clearance we are in line for the IOD, etc. We are hoping all that approvals and all in place by September, October and then we should be hoping for a good launch in the end of Q3. So, if the situation improve from here and everything goes we are well on track for the timely launch.

Moderator: Ladies and gentlemen that was the last question. I now hand the conference over to Mr. J C Laddha from Century Textiles and Industries Limited for closing comments.

J C Laddha: First of all thank you Anuj for organizing stimulating discussions. There were very insightful questions, and we are confident that this current year should be very good. In fact we feel that the lockdown impacted largely in the previous year and the second wave perhaps will be contained by the efforts of everybody and we see after Q1 things should become normal and thank you very much once again and we are confident all the business during FY22 will do very well. Please take care and stay safe. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Century Textiles and Industries Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.