CENTURY
Textiles and Industries Limited

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1 BSE Ltd.
1st Floor, Phiroze Jeejebhoy Towers,
Dalal Street, Fort,
Mumbai-400 001
Scrip Code: 500040

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

Dear Sir,

Re: Transcript for Q3 for FY 2020-2021
Earnings conference call held on 25.01.2021

With reference to the above, please find attached herewith a transcript for Q3 for the FY 2020-2021 – Earnings conference call held on 25.01.2021 for the information of investors.

Please acknowledge the receipt

Thanking you,

Yours truly,
For Century Textiles and Industries Limited

Company Secretary

Encl: as above

Century Textiles and Industries Limited
Q3 FY21 Earnings Conference Call
January 25, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Century Textiles and Industries Limited Q3 FY21 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. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal, CEO, Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you, Rutuja. Good morning everyone 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 third quarter and nine months ended of financial year 2021.

Before we begin, 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 conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Let me now 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. I now request to Mr. Laddha to give his opening remarks. Thank you and over to you, sir.

J.C. Laddha: Thank you, Anuj. Good morning to everyone. Hope all of you are safe and well. It is my pleasure to welcome you all to the earnings conference call for the third quarter of financial year 2021. As you know, Century Textiles and Industries Limited is evolved from a single-unit textile mill in 1897 into a diversified conglomerate under the visionary leadership of our late

Chairman Shri B.K. Birla. The company's 123 years old legacy is built on a steadfast commitment to the development of the nation, with an unwavering focus on quality and innovation, combined with agility and customer-centricity. Today, the company has a well-diversified presence in the Real Estate, Textiles and Pulp & Paper businesses, and is in a good state to capitalize on market opportunities.

Now, let me first take you through the financial performance of our company on a consolidated basis. The net sales for Q3 was Rs.757 crores. EBITDA was Rs.109 crores, which translate to EBITDA margins of 14.4% and the net profit for the quarter stood at Rs.37 crores. For the nine months of FY21, the net sales was Rs.1,747 crores. EBITDA at Rs.205 crores, which translate to EBITDA margins of 11.7% and there was a net loss of Rs.10 crores. As we all know that the nine months of FY21 have been particularly a tough and a difficult period for the business environment globally and in our country due to the pandemic. The third quarter clearly marked a change in business sentiment, as unlock measures gather steam and rollout of vaccine appears imminent. Our performance across businesses witnessed a positive momentum. Overall, operational efficiencies for all the businesses were very good. However, the market conditions impacted the financials for the quarter.

Now, I would like to give you an overview of the performance and key highlights of our three business verticals. Starting with the Real Estate division; let me first give you an overview of this business vertical. The company marked its entry into the real estate sector in 2016. As you may know, we currently have two prestigious commercial real estate landmark towers which are fully occupied and continue to garner decent lease income for the company. Apart from that, we have three ongoing residential projects at Kalyan, Bengaluru and Gurugram. We are focused on developing land parcels owned by the group as a priority, as well as growing the business with joint development agreements and strategic tie-ups across four major cities in India.

Talking about the financial performance during this quarter for this segment. Lease income from the commercial projects stood at Rs.36 crores, which was a marginal decline of 3% year-on-year. EBITDA for this segment was Rs.8 crores with EBITDA margin of over 22%. The occupancy rate at our two commercial assets, Birla Aurora and Birla Centurion remains at a high level, ensuring stable lease rentals. Although preceding nine months experience shows that pandemics induced restrictions will impact occupancy at the commercial assets going forward.

I'm happy to inform you that during the quarter we sold residential inventory worth Rs.159 crores, with total sales in nine months of FY21 standing at Rs.287 crores. We continue to see good traction in sales and collections across all launched projects, that is Birla Vanya at Kalyan, Birla Alokya at Bengaluru and Birla Navya at Gurugram. Overall bookings at Birla Vanya in Kalyan closed 500 units, which is 92% of the total inventory. We also launched a digital sales platform in October 2020 for a seamless online sales experience. The platform takes the customers through the entire sales journey from understanding the project to finally making the purchase and the payment. We will continue to improve our digital footprint further.

With vaccine rollout, there is a fresh optimism for Q4 FY21 for the real estate sector. Residential demand was at healthy levels across regions in view of lower home loan interest rates and stamp duty cut by state governments. Additionally, the consolidation scene is accelerating and branded developers are expected to perform well. Our focus remains on business development to strengthen the portfolio with the deals at attractive terms. The continued shift in the customer preference for branded players, fresh appreciation for the need for owned space and the trust in the Birla Brand, will help us achieve our targets.

Moving onto the Pulp & Paper, Century Pulp & Paper is a producer of high quality writing and printing paper and the leading manufacturer of tissue and paperboard, as well as Rayon Grade Pulp products. Established in 1984, with relentless focus on quality, the company manufactures international grade products and is now a leading a player in India's pulp and paper industry. For the third quarter of financial year 2021, the sales for the segment stood at Rs.489 crores, EBITDA for this segment was Rs.60 crores with EBITDA margin of over 12%. Sales volumes were marginally higher than Q2 at 96,283 metric tonnes, and the capacity utilization for the quarter reached 92%.

Due to gradual unlocking, the tissue segment saw some relief in the major consumption centers. Order flow from pharma sectors in the board segment improved in the comparison to the previous quarter as OPD services in the country reopened post COVID-19 unlock guidelines. While in the writing and printing paper, the demand remained muted due to the consumption segments still remaining shut to a large extent. The increase in the soft wood pulp prices in the international market supported net realizations in domestic markets, while the export market was impacted due to scarcity in container availability and increased ocean freight rates. The short to medium-term outlook for Indian paper industry appears to be decent.

Post the unlock phases and with vaccine on the anvil, order flows are expected to improve with reopening of major consumption segments. The partial opening up of education centers and announcement of CBSE Board exams is likely to lead recovery of demand in printing and writing segment. The uptick in e-commerce transactions will also add to the growth of packaging industry. Tissue demand is expected to improve further as major tissue consumption centers are gradually opening up as per new unlock guidelines. Lastly, the commissioning of our new tissue plant is expected in the month of February 2021.

Now, I would like to request Mr. R.K. Dalmia, who is the Senior President of Century Textile and the Whole-time Director of the company to give an overview and performance highlights on the Textiles division. Over to Mr. Dalmia.

R.K. Dalmia: Thank you Mr. Laddha. Good morning, ladies and gentlemen. It is my pleasure to welcome you all to this earnings conference call of the company. As you know, our textile division is the oldest business vertical under Century Textiles and Industry Limited. It was incorporated in 1897 in Mumbai.

Talking about the financial performance for the quarter, which cannot be compared to the previous year due to the ongoing pandemic. Our sales stood at Rs.228 crores, with an EBITDA of Rs.12 crores and EBITDA margin of 5.3%. With recovery in demand and good order inflow in the third quarter, plant was operating at 88% utilization level. Home textile segment is doing well, both domestically as well as internationally because of people spending more time at home and are looking for a change or upgrade in home furnishing. Apparel fabric demand is gradually picking up, 95% capacity utilization was attained in the month of December. Raw material prices started going up and could not be passed on the fabric customers, hence margins remained under pressure. The situation is however expected to balance out in a month or two.

During the quarter, Birla Century has done technical collaboration with globally acclaimed chemical supplier, with an aim to produce sustainable health and hygiene category of fabrics which are in demand at present. Our focus remains on RMG, exports and online players, keeping in mind the priority to run production at maximum capacity. The business is expected to come back on track by the end of quarter four of financial 21 and will run full swing by mid-financial year 22. With an increased focus on sustainability, the product mix will serve the market with new range of recycled and sustainable products. The fashion market is expected to show some improvement in quarter four financial year 2021. Our major focus remains on health and hygiene products which has seen an increase in demand due to current pandemic. Now, I hand over the call back to Mr. J.C. Laddha. Thank you.

J.C. Laddha: Thank you, Mr. Dalmia. In conclusion, at Century Textiles and Industries Limited, there's a clear turn around and a positive momentum in performance across the businesses this quarter. And we believe things will only get better from here. The COVID-19 situation is well under control across the locations and safety of our employees remains the top focus. With that, we can now open the floor for the question-and-answer session. Thank you and stay safe.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nibha Agnihotri from Master Capital. Please go ahead.

Nibha Agnihotri: My question is, sir I want to know about Century Rayon which is given on lease to Grasim Industries. Sir, actually I want to know the total land bank on which factory is located in Kalyan and other land bank also of Century Rayon?

J.C. Laddha: Snehal, you would like to take over?

Snehal Shah: Good morning, Nibha. I have not really understood your question. As far as Century Rayon in Kalyan is concerned, it is a division of Century Textiles which has been given on an operating lease to Grasim Industries, against which we have received an advance lease of about Rs. 600 crores for 15 years. And that is all that we have involvement in Century Rayon, it is completely run by Grasim.

Nibha Agnihotri: Sir, actually I want to know total land bank in Century Rayon?

Snehal Shah: Of just the plant?

Nibha Agnihotri: Yes.

Snehal Shah: Land bank of the plant K.T. can you help me, I think it is around 100 odd acres.

K.T. Jithendran: It is about 150 acres.

Moderator: Thank you. The next question is from the line of Sameer Dalal from Natverlal & Sons Stockbrokers. Please go ahead.

Sameer Dalal: So, actually I had a question on the real estate business. Now the project that you're developing at Worli, that land bank is owned by Century Textiles, but the division Century Estate will be doing the development. Now, you talked about in the future maybe making Century Estates an individual company running on its own. So how would the revenue share and the profitability share for both these businesses go. At the moment it's all under one unit, but in the future for all other land projects that you develop, does Century Estates just earn like a percentage of the revenue. How do they earn, and even for joint venture projects, how do you, which you are doing where land bank is owned by someone, what kind of deals do you get into and what kind of deals would you look at getting into in the future?

K.T. Jithendran: Thank you, Sameer, for your question. Usually when we do a JDA, it's either a revenue-sharing JDA or a profit-sharing JDA or an area-sharing JDA. So with Century Textiles also, between BEPL, that is Birla Estates Private Limited and Century, we would finally come to an arrangement which is the most tax efficient backed structured that we have to figure that out. So it could be either a development manager fee model or a revenue sharing arrangement or something like that. So when we get further into the project, when we head closer to the launch, we will finalize that structure and then we would let you know.

Sameer Dalal: And for other company, now other projects that you're looking at, maybe tying up, there was talk in the middle of certain other projects that you're looking at doing some sort of joint development with, any progress on that and what kind of deals would you set up for that?

K.T. Jithendran: Sameer, the one in NCR with Anant Raj, that is a profit-sharing arrangement, 50:50. And there's another one in Bangalore which is Magadi Road with Subhadra Textile Mills, that is again a profit-sharing, 60:40, 60% to the joint venture partner. So pure profit sharing, these are the two deals that we have so far concluded on a joint venture basis.

Snehal Shah: And K.T. can I, this is Snehal here. Sameer, to give you more in principle, what you have to understand is Century Estate is a division of Century Textiles and Birla Estate is a subsidiary company of Century Textiles. Now, Birla's Estate,that is BEPL actually undertakes joint venture deals. Now whether it is with an outsider or whether it is with Century Estates, it will both be on the same line as a joint venture agreement. And as K.T. mentioned, it will either be a revenue sharing or a profit sharing or an area sharing, that's how it will work. Just to provide a little bit of clarity. So there is no really major difference between us going outside and doing joint development work of our land.

Sameer Dalal: Okay. Just one last question on this front. Now when you all do these projects, you'll are only doing the marketing and the, but all the construction activity you'll outsource to different vendors, you all don't have an in-house team that is actually doing the construction activity also, right?

K.T. Jithendran: Sure. Yes, but we take responsibility of it. So, as far as we are concerned, as far as our development agreement is concerned, we take responsibility for everything, for getting all approvals, design, construction, marketing, execution, delivering it to the customer, end-to-end we take full responsibility for the whole thing.

Sameer Dalal: And the funding is also done for the construction for you all?

K.T. Jithendran: All by us, everything is done by us. The landowner is a passive partner who just contributes the land.

Sameer Dalal: Sure. And like I was saying, you'll don't have the people of who are doing the actual construction work on your payroll, it's completely on an ad hoc basis given to somebody else?

K.T. Jithendran: Yes. Sameer, we have a project management offices. So we have a very lean team which takes overall monitoring of the construction. We also manage the procurement part of it. We buy steel and cement and we give it on a basic rate to our contractors. So we have a project management office which controls in, but yes, but the overall hardcore construction bit is outsourced to a contractor and we also employ a project management consultant, PMC to monitor the constructions. But we have an overall look on the safety, quality, sustainability, overall scheduled management, all that we have. So we have a project management office, it's a very minimal office which overall monitors the schedule and quality of the project.

Sameer Dalal: Excellent, thank you. Second question is on the textile business. You talked about the fact where certain prices of raw materials have gone up, but you are not able to pass them on to the end customer. I want to understand, yes, I know that yarn prices have shot up through the roof but why is it that you are unable to pass on, because most other players are passing on price hikes?

R.K. Dalmia: No, in textiles this cotton yarn prices have gone up disproportionately, which is around 30% to 40%. And on the end product, just like home textile or in fabric, which converted into the apparel, the MRP is almost fixed. So it is very difficult to increase the MRP. So we have been able to pass on around 60% yarn prices. But it will take two, three months to catch up that and to neutralize that price. But at present, we are not able to pass on the cotton yarn prices. This is a raw material for the fabric and cotton prices have also gone up.

Sameer Dalal: Correct. So my question is, do you think these yarn prices have, will start coming back down, because it doesn't seem like there's some extraordinary demand, it's just supply side problem. So what's your take on the yarn prices and in the future for the next say six months to at least a year for the?

R.K. Dalmia: No, yarn prices will come down, these prices are not sustainable and because of the less demand which is in the market, it will come down very soon. In a month or two we hope to see the correction in the yarn prices. Because ultimately the demand of the fabric or the garment is not great. So how long this prices will sustain, the major reason to increase the yarn prices was because of home textiles. Home textile was doing very well and still doing well, both in the overseas market particularly USA and in India also to some extent. So that is a reason because of demand the price have gone up because of the home textile. And that is also particularly on the more finer count side, which is 60 and above because that is more in the home textile and remaining, the prices of 30 and 40 count have not gone up to that extent. So, I hope in two, three months it will be neutralized.

Moderator: Thank you. The next question is from the line of Abhishek Shah from Valcore Capital. Please go ahead.

Abhishek Shah: This is with regards to the real estate business that we have. Just wanted to get some clarity on our vision for the next five years in terms of, is there any annual target that we have in terms of project addition, because we've got some really ambitious plans to be among the top five in the country in this decade. So maybe if you can delve a little more on this. And second is, what is the, our project IRR or return on equity or return on capital, any of these metrics if you could sort of explain, that would be helpful?

K.T. Jithendran: Thank you Abhishek for your questions. So we definitely have very strong ambitions to be among the top real estate players in the next few years. So right now we have five projects running, including if you consider Worli also, which is in the pre-launch stage. So, our primary focus for the coming year would be for the launch of Worli, which itself will take us to be among the top players, because we expect a launch of close to about Rs.900 crores to Rs.1,000 crores whenever we launch it. And this year we have launched NCR, we are hoping to do another launch of the second phase of Kalyan. And next year we hope to launch another phase of Kalyan, another phase of NCR project and Worli and another project in Bangalore. So there will be four launches expected next year and in the coming years, I hope we'll be able to add more projects. We don't have a definite number, wherever we get a good project in a good, with a good returns, we will go all out and acquire it. Our focus markets are NCR, Mumbai, Bangalore, and we're also looking at Pune. So, for the next couple of years at least we hope to add, grow our booking numbers there, almost 100% year-on-year at least the next two to three years till we reach a stable of about Rs.3,500 crores, Rs.4,000 crores. By that time we will be having enough projects which will take us to that stable state and become one of the top players in the country.

Abhishek Shah: Sir, I was actually also trying to understand from the balance sheet perspective. I'm guessing with the growth that we are looking at, the real estate business will consume capital rather than throwing cash, so just from that perspective?

K.T. Jithendran: So Abhishek, yes we're expecting that once this Worli launch happens and it progresses a bit, there'll be enough and more cash coming out of that project, which will be able to sustain us in the long run. And by that time projects like Kalyan, the one which is happening in Kalyan, NCR and also will start throwing up cash, because now we are in the construction stage. But come FY23 end, most of these projects first phase would have got over. And there will be enough cash coming out of these projects. So that should help us to sustain the growth for future. And if required, we are not averse to tying up with any capital funds with institutions for funding for growth. In the short and medium term also we may look for something like that whenever there is a requirement. But right now we have enough and more availability at Century Textiles itself for us to fund growth. At least we could do about two to three projects, new projects every year. This being a difficult year we have been very cautious. We've been looking how the market would turn, et cetera, there is lot of uncertainty, but now things are clearing up, things are looking better. So we will be looking for very strong opportunities in the market, Abhishek.

Snehal Shah: Abhishek, Snehal here. Just to give you in terms of, you mentioned the balance sheet. If you look at our debt right now, it is just about Rs.1,100 crores. So based on the plans that we have for real estate at least for the next three years, with the existing projects that we've already announced or are talking about, we broadly have a requirement of Rs.1,300 crores finance requirements for these projects that we have already launched. This is something which we are going to spend in the next three years. Simultaneously, our business of Pulp & Paper as well as Textile is expected to give us, on a very conservative basis Rs.700 crores free cash flow, that is accounting for all their CAPEX, they're going to give Rs.700 crores. So the gap is roughly around, if you count it 13 minus 700, is 600 additional funds that we would like to add, borrow. So even if you take that into account, our debt would be somewhere around Rs.1,700 crores to Rs.2,000 crores. And even today, our debt equity ratio is just around 0.3. And even if we double that, we'll probably be at 0.6. And if any additional projects that come to us, even if we go through the PE funding route and we have to invest some amount of our funds, let's say, about Rs.500 crores, even if you add that we are still in a comfortable position in terms of our leverage. I hope that helps.

Abhishek Shah: Understood. And sir, the second question on the IRR at project levels that we look at?

K.T. Jithendran: Yes. So Abhishek, usually we make sure that most of the projects are, at least, at 20% IRR when we are finalizing the project. And we have a very strong monitoring system to make sure that we achieve that. And usually we play for cash so that the IRRs are protected. So far, whichever projects we have launched, we have had very strong volume launch. We believe in of taking strong volumes in the beginning so that the financials of the project and the funding is in place. And so far we've been able to do that very successfully.

Abhishek Shah: Understood. Sir, just one, in the future any plans of demerging the real estate business and make it perhaps self-sustaining. I'm sure it will be interiors, but just any plans of getting that separately listed or anything on those lines?

Snehal Shah: So, Abhishek I just mentioned to you that we are heavily dependent on the free cash flows of our manufacturing business, and at least for the next two to three years. Post which real estate will start generating a lot of cash flows. And maybe once we probably assess that it can stand on its own feet, maybe that would be the right time to think about all these questions and suggestions that you are making.

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

Amit Srivastava: A couple of questions. One is on the paper business basically. So we are getting the good volume improvement with the, on a quarter-on-quarter what we have seen that the average realization has still come down, which is despite just, we were getting the flow of pricing high, price hike has happened. So just wanted to get your view on that and despite improvement in volume and meeting to utilization of 90% our margin is still at the 12% kind of level. So just wanted to get an outlook on that, how the prices are moving, how the volume is moving now and how the profitability we can look at for the next year. That's the first question.

Management: J.P, would you like to take that?

J. P. Narain: Yes. Hi, good morning. I think it's very good question. Yes, if you see the previous quarter, especially the margin has gone down from 27% to 11% especially in writing, printing segment. In case of packaging and tissue, it has also dropped from somewhere around 20% to 14%, but in case of writing painting it has dropped drastically. But if you see the quarter three performance, in quarter three all the segment has shown the improvement. Writing painting, margins had moved to 11% to 12.3%, board margin has moved from 13% to 17%, and tissue margin has been improved from 14% to 20%. If I see the, you can say the quarter four perspective, things are looking more positive because we have taken the increase in writing, printing, we have also taken a double increase twice in the packaging board and we had also taken the price increase in the tissue. And if you see the quarter four performance in terms of market overview, the market is looking very bullish in terms of packaging as well as the tissue. And we are anticipating that we will be able to take another price hike by end of February or so. So quarter four is looking more promising as compared to quarter three. And we are anticipating that in quarter four we will clock somewhere around +16% EBITDA on the entire volume. That's the kind of anticipation we are looking in the Pulp & Paper business.

Amit Srivastava: Okay, sir. What about the tissue paper which is now almost like commissioned but we are not yet getting the commercial operations from that business?

J. P. Narain: Tissue line we have complete direction and you can see the installation of line by November. But unfortunately within that, you can say the technicians were not willing to travel to this country due to high number of COVID cases. So we requested our Embassy at Delhi and they have addressed the industry at their end and asked the technicians to submit their paper and travel as early as possible. And we are ready to take their, you can say all the precaution and their safety care. So right now all the technicians are on the site and we are anticipating that by fourth week of or the third week of Feb, the commercial production will be out.

Amit Srivastava: Next question is on real estate side. So basically just wanted to understand recent development which has happened in Maharashtra, that cabinet has cleared the cut on government levies on premiums by 50%. So just wanted to understand what it means for our Worli project, how it will be?

K.T. Jithendran: So Amit, we are still studying the final print of it. There is, they have generally announced 50% premium, but there is also addendum to it saying that one has to bear the entire stamp duty for the consumer wherever you use that FSI, so that's not very clear. So the advantage doesn't look like it is really a great advantage, we are still studying it. We are also not sure this construction or whatever premiums are there, this is applicable to what all, whether it's applicable to staircase premium or it is for fungible FSI or is it for development premium or open space deficiency premium. So that for Mumbai has not come out, we are studying it. We also have to look at the cash flow implications of that as we go phase by phase. But I don't think it is as attractive as it sounds, because the 5% stamp duty that we have to pay for all the customers, which is upfront whomever you sell. So that has to be taken into account. So, I don't think it will have a huge advantage for somebody like us.

Amit Srivastava: Okay. Yes, second question on the Gurgaon project, how it is moving sir, how's the booking?

K.T. Jithendran: Gurgaon is doing pretty well; it has been the strongest project for us in the last quarter. We have, let's say Rs. 212 crores of booking we have done since we've launched it. So pretty strong, we've sold almost out of the 300 units in the first phase we've sold 120, 112 units. And it continues to be performing very strongly despite all the challenges in the NCR market about this kisan dharna, the farmers dharna, the resurgence of COVID, et cetera, still the project is doing very well. Primarily because of the sort of inventory that we've bought in which is very different from what the group housing inventory is. So pretty happy to note that it's doing very well, it is at least about 10%, 15% premium to the market, we are selling at about Rs.10,500 per square feet. So far it has been doing very well and we're hoping that we'll be able to launch the second phase of it sometime next year.

Moderator: Thank you. The next question is from the line of Hardik Jain from White Stone Financial Advisors. Please go ahead.

Hardik Jain: Most of my questions are answered, only one question sir. This Kalyan land, how big is the land, so right now we've launched 20 acres in the first phase, so how big is the total parcel of the land?

K.T. Jithendran: So, Hardik, thank you for your question. The whole land is about 22 acres, we have launched one phase of that 22 acres which was about 5 lakh square feet. Now we are gearing up to launch the second phase of it. The overall land is about 22 acres with the potential of about 1.3 million square feet.

Moderator: Thank you. The next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.

Giriraj Daga: Just few questions. First, can you give me the current spread on the paper side, we mentioned about the 13,200 for the 3Q, can you just highlight what is the current spread we are seeing in January, gross contribution?

J. P. Narain: Spreads in terms of contribution?

Giriraj Daga: Yes. So, paper we reported that we had a gross contribution of 13, 200 in the third quarter. So if you can tell what is the contribution in the month of January and what is the quantum of price hike we are anticipate in February?

J. P. Narain: See, the contribution, especially in paper is somewhere around 44% and price hike we have already taken Rs.1,500 price hike in paper and it has been absorbed in the market nicely, especially the writing, printing paper.

Giriraj Daga: Are we expecting another price hike in the month of Feb, right you mentioned?

J. P. Narain: We are expecting another price hike in the market because international hardwood and softwood prices are going up. And which will definitely give us a lever to increase further price hike in the segment.

Giriraj Daga: Okay. Second, similarly on the textile side you mentioned a gross contribution of Rs.42, so can you, would you be able to share the numbers for the month of January also, where we are right now?

J. P. Narain: Yes, January will be around almost same, but in February, March it may improve. But January will be around 42% to 50%. It will remain same.

Giriraj Daga: Okay. My last question on the real estate side. As you mentioned about the couple of project launch coming in, would you be able to be a little bit more precise in terms of timeline. So we mentioned Worli in FY22, so what is the size of first phase, and what is the timeline in terms of, let's say quarter are we looking at a first quarter middle of the year or end of the year?

K.T. Jithendran: Yes. Thank you for that question. See, we are looking at Q3 for this launch. If everything goes well, we should be able to launch this in Q3. We are in the process of getting various approvals. So we're making good progress there. And after that to get all the approvals we'll apply for RERA. And once we get the RERA clearance, we'll start warming up the market, warming, et cetera and then we will launch it. Our current estimated is it should be in Q3.

Giriraj Daga: Okay. And what is the size of Phase 1?

K.T. Jithendran: Yes. So Phase 1 should be about 5 lakh square feet.

Giriraj Daga: Okay. If you can like, the thing is that if you can also highlight about the FY22 other launches in terms of size and in terms of quarter, which quarter we will be following there?

K.T. Jithendran: So we will be looking for a launch for our new project in Bangalore in Magadi Road in Q1, that should be in the range of about 5.5 lakh square feet. That would be one launch, one single phase, because they are two towers, we will launch it as one single phase. So that will be Magadi. We are looking for a third phase launch in Kalyan once we reasonably do well in the second phase and we consume the inventory we're looking for a third phase launch in Kalyan sometime in Q4 of next financial year. And similarly for NCR

Giriraj Daga: What is the size of Kalyan?

K.T. Jithendran: So Kalyan right now we're selling at Rs.7.500 per square foot.

Giriraj Daga: No, size of the launch, like in terms of square feet.

K.T. Jithendran: So, size of that will be about 3.5 lakhs.

Giriraj Daga: 3.5 lakhs, okay. And you were mentioning about Gurgaon.

K.T. Jithendran: Gurgaon we will do another phase launch. That should be some time again in Q3 of next year.

Giriraj Daga: Okay. And that would the size of?

K.T. Jithendran: That's smaller size, that's about 2.5 lakhs.

Giriraj Daga: Okay, understood. Thanks a lot.

Moderator: Thank you. The next question is from the line of Dhimant Shah from OneUp Finance. Please go ahead.

Dhimant Shah: Just one question, rather two questions. If one sees the operating level in each of the divisions you are coming back, and nine months, the current nine months compared to the previous nine months we are roughly at about 12% OPM. And if you compare it with the previous reported nine months, we were at close to about 20% OPM. So how early can we get back to those level of profitability, number one. Number two would be, what would be the dispensation of the cash flows. So which division would you be inclined to first kind of allocate your cash flows that you earn, given the current status and whatever is known. So, you have already alluded that each of the division is seeing a massive uptick in demand and we are seeing an improving trend, but what would your dispensation be, would it be real estate, paper and textiles in that order or would the order be something different?

J.C. Laddha: Snehal, would you like to take this?

Snehal Shah: So, Dhimant, good question. Let me take the first one, from whatever little plans that we are making, in terms of getting back to pre-COVID levels, it is still at least a year away. So maybe from FY23 onwards we will probably be able to say that we'll be back to pre-COVID levels.

Dhimant Shah: Why would it take so long, sir despite reasonably strong trends that you seeing. Because as you rightly pointed out, the paper both the packaging and the tissue should see you through and even textiles, I think so large portion would be amenable to price hike just one or two quarters down the line. So, not exactly sure why you're kind of stretching the entire thing to one year.

Snehal Shah: We will be happy to see it happen early. But at the same time, you have to understand textile contributes 25% of our revenue. So for things to really be normal for us pre-COVID, paper business has to kind of do the most of the jump that we want to see. And given the fact that things like paper, for example writing and printing paper, the demand was supposed to go up by roughly around 5% annually. But with all and then gradually go, but that particular cycle has almost preponed by almost five years, because of the COVID, because everybody went into digitization, et cetera, and all that. So by the time that comes in, it will take time. And I guess, the prices of the other products and the demand, et cetera, will also take some time to go. And there are some additional capacities coming in the market during that period. So we have to consider all that and of course, we are hoping that it will happen in the six months.

But to give an answer to you which is a little more kind of close to realistic, I would say that it is 12 months.

Dhimant Shah: Fair point. And the second question if you can?

Snehal Shah: Second point, I mentioned to you earlier that we have all our CAPEX plans of various divisions in place. And therefore, I said that we expect that the free cash flows after meeting the requirements of the respective business will still have free cash flows of Rs.700 crores in the next three years, which will be utilized for the Real Estate business. That's how we have planned. So you've already plugged in all our plans in terms of growth, et cetera, maintenance, CAPEX, regulatory CAPEX, capacity increased CAPEX, et cetera of our existing business. And post that, we expect roughly around Rs.700 crores cash flow to come from the running businesses for use of Real Estate.

J.C. Laddha: And Snehal, in addition to what you've just explained, you're given the right perspective. However, just to aid additional point that in the Pulp & Paper out of three segments, the writing and printing paper is about 45% of our total capacity or even little more than that. And that perhaps will take little more than what we're anticipating, because all these schools, educational institutions, judiciary, everything is closed and everybody is sitting with the capacity, lot of paper is there in the pipeline as well. So this particular segment may take a little more time. That is why we're telling it will take about a year. However, other two segments, definitely demand is robust, it is going up very nicely and that is why we are commissioning the other tissue paper plant as well. However, the volumes is not an issue, but to catch up on the margins going forward, because everybody has particularly in the board paper, the capacity, JK has put up a new plant, ITC is having surplus capacity than what perhaps they internally consume or sell in the market. So there'll be pressure on the realization, and that is why we are considering all these aspects, it may take about say, nine to 12 months to come back to the pre-COVID levels.

Dhimant Shah: Yes, sir. And just as a corollary to what I asked, can you just help us revise from what to what would the capacities be post the expansion undertaken?

J.C. Laddha: JP, this tissue capacity post commissioning and paper board and writing and printing, you can just give the percentage.

J. P. Narain: Yes. I can give that. See, we had made few changes in our capacity. Let me give you the pre-COVID capacity. The pre-COVID paper was 54%, board was 36%, tissue was 7% and pulp 3%. After COVID, because we have.

Dhimant Shah: No. Sir, I was looking more from the tonnage. So if your current tonnage of is 100 and what would it go to, post expansion. So if you can just help us division wise?

J. P. Narain: Yes, I'm just giving you. See, the paper tonnage it's going down, it's going from 54% to 44%, that is 197,000 to 147,000. Our board production is going from 180,000 to you can say 225,000 tonnes. Our tissue production is going up by 100%, 36,000 to 72,000 tonnes.

Dhimant Shah: Okay. And in textiles?

R.K. Dalmia: In textiles there is not going to be any change in capacities.

Dhimant Shah: Okay. There is no change in textiles. Okay, great. And sir, given the current whatever land bank we have, what is the land bank on which construction is yet to happen. So how much would that be?

K.T. Jithendran: So we start all these projects on a phase wise basis. So Worli, as I said, the total land is about 40 acres, of which 10 acre is disputed and put aside, so we have net of 30 acres. It is divided into two parts, Worli East and Worli West. Worli West is 10 acres, we can take it up at later stage. The first phase will be 20 acres which we will take up initially. Of that 20 acres, which has got about 3 million square feet, that itself will be done in phases, that itself will take about eight to nine years. And then we have something in Prabhadevi, that we are planning to start immediately. Focus is on Worli, once Worli gets set then a couple of years later we will start it, that might take about another four years to complete. Kalyan, as I said, the first phase, the first land parcel of 22 acres we should be delivering by FY23 end. Then we will sort of look at the other parcel which are slightly more remote locations, they are agricultural parcels, et cetera. So we are examining what is the best use of those ones. And then we have something in Pune, which we will look at it eventually, not today maybe another three years down the line. So we have these parcels itself, to consume all of them will take a good 10 to 12 years. But we will not be relying on them, we will be of course looking parallelly to grow through other acquisitions also.

Dhimant Shah: Great. And then the JDA, last question sir. In JDA, given the new accounting standards, is there something that would, the way you report, would it be some line items would change dramatically and so can you just help us understand or would that be a dramatic change?

K.T. Jithendran: So for us it will be right beginning it will be new one, the newer accounting rules. So we were not there, because the accounting rules came post 2016. So it is very clearly, it's only on project completion not on progress this thing. So we have to wait for each phase to be completed so it will be lumpy at this thing and it will require quite a few projects to get it on a steady-state that we have revenue and profit reporting for every quarter, that will require quite a few projects today. Till then, for the next few years it will be lumpy. Whenever there is a phase getting completed, that's the time we will be booking our revenues and profits. Till then it will be shown as advances and we will be reporting bookings and collections. So, we'll have to wait for that. Unless there are some DM fees, et cetera, development manager fees, which we can routine basis. So right now, we'll have wait for each of the phases to get completed to the actual revenue. Till then, those revenues over the real estate business will be largely from our commercial rental earnings.

Dhimant Shah: Is it that till 70% you can't book or there is nothing prescribed?

K.T. Jithendran: 100% only on phase, only on the completion of the phase you can the 100% of the income. There's no 70%.

Moderator: Thank you. The next question is from the line of Monish Ghodke from HDFC Asset Management. Please go ahead.

Monish Ghodke: Sir, I have a very basic question. Sir, your group entity Grasim Limited also has a textile division and Century also has a textile division, so what am I asking is, why the textile business of both the companies can't be under one entity, could you throw some light on that?

R.K. Dalmia: Snehal, would you take this question?

Snehal Shah: So, Monish right now you have to understand that we are into cotton textiles, number one. And the Grasim is into viscose fiber and viscose yarn and linen, et cetera, and we are not very much into cotton. And number two, you have to understand is that, right now this integration aspects between ABG and all are not really being planned in any manner or something like that. So right now it will continue to remain a division of Century Textiles. Just because somebody else has textile business we don't really look at it from that perspective. So it is a completely different company and a completely different division right now. So what you suggest is a good suggestion, but there are other implications of all those things. And when the right time comes we'll think about it.

Moderator: Thank you. The next question is from the line of Vidhi Dadhia from Raedan Securities. Please go ahead.

Vidhi Dadhia: Sir, since the soft launch for our Worli project was expected to be set in motion in October. And now that the timeline is being extended to FY22, Q3 of FY22, sir would you please state the reason for the delay?

K.T. Jithendran: So, there is no delay. We said Q3, October is also Q3. So it's the same time, it may happen anytime in that quarter.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Sir, firstly, if we take this other income component out from the P&L part, we are left with only Rs.1 crore profit. So operationally, sir as sir has already explained that we are working with utilization levels of 88% and 92% respectively for the segment, where will the delta come going forward, if we take this quarter numbers and with utilization levels of 88% and 92% for Textile and Pulp & Paper, how do you explain the increase in probability going forward, what is the reason for lower numbers even having a higher operating utilization levels?

J.C. Laddha: The delta will come from the Pulp & Paper segment, because the Pulp & Paper segment is contributing somewhere around 72% to 75% total revenue of CTIL. And right now we are operating at 92% and we are anticipating from this month onward we will be 100% or +100%.The delta will be come from the Pulp & Paper business, because all three segments improving are their margin paperboard and tissue, and we are anticipating that there will be a further hike in the pricing, considering the acute shortage of the pulp as well as the disruption in supply chain, especially the container availability. So what we are anticipating that we are planning to close next quarter by 16% of EBITDA, and that delta will make up the gap.

Saket Kapoor: 16% EBITDA for the Pulp & Paper segment?

J.C. Laddha: For Pulp & Paper segment for Q4.

Saket Kapoor: For Q4. And sir, can you give the split sir between, you told the split, I just missed it between the various segments and the tissue you told about 3%?

J.C. Laddha: No tissue, it's not 3%, it's 7%.

Saket Kapoor: 7%. And the remaining breakup between paperboard and the writing paper?

J.C. Laddha: Just now I'm giving you the new split, because we have commissioned our new lines. So paper will be 39%, board will be 43%, tissue will be 13% and pulp. We are selling the green pulp as well as the dissolving grade pulp to our sister concern that will be 4.7%.

Moderator: Thank you. The next question is from the line of Akshay from Nirja Securities. Please go ahead.

Akshay: Thank you for the opportunity, sir. In your opening remarks in the press release you have mentioned that Birla Estate will continue to develop the land parcels held by the group. So are we in any advance stage of concluding any deal of developing the group land, can you share with us if there is any proposal going on in advance stage with Aditya Birla Group companies land development in particular. And my second question will be on the Kalyan land parcel, that how much will be the total area in development for next maybe 15, 20 years, that would be from my side.

J.C. Laddha: K.T, you can take over.

K.T. Jithendran: Yes. So Akshay, so right now we are not in any discussion with any land with the group, with the larger group. I don't think anybody has any property in these prime areas, which is our target segment. But there are opportunities and the right time we will pick it up when we also decide to grow on a broader basis into other regions, et cetera. So right now Century Textiles itself has so much of prime land available, so our focus will remain on Century Textiles and whenever there is a good opportunity, when we decide to spread our wings geographically, we will look at those opportunities. And as far as Kalyan is concerned, as I told you we have this 22 acres. And beyond that we have land which is more than 100 acres, but again divided into several parcels. Now how to exploit that, that is a strategy we'll look at it because these are largely agricultural lands and it needs to be in the new zone when the zone changes, et cetera. So we will keep looking for what is the best use of this land parcel, what is the best way we can, it need not be residential or commercial, it could be many other ways also. So we'll keep exploring that. So we will only be able to mention that when that time happens. As of now we have these 22 acres, which is about 1.3 million square feet, which we hope to complete by end of FY23.

Akshay: Thank you, sir. Just a follow-up question on the Kalyan land parcel. I want to know how much land parcel we have leased to Grasim for the plant and for the residential areas of the employees, total how much area and other state?

K.T. Jithendran: That's about 150 acres.

Akshay: Residential colony is also included in these 150 acres?

K.T. Jithendran: Yes. I'm not too sure maybe that residential colony maybe a little more, but around its approximately 150 acres.

Akshay: Okay. And sir, any timeline we have decided for the Prabhadevi land?

K.T. Jithendran: No. Not yet.

Moderator: The next question is from the line of Amit Srivastava from B&K Securities. Please go ahead.

Amit Srivastava: Basically this question is for Snehal sir. Sir, we have a currently a debt of around Rs.1,100 crores plus, and we are saying that this will increase by around Rs.13,000 crores in next two, three years, and then we'll have around Rs.700 crores cash flow from the existing business. So basically Rs.2,000 crores and then we'll have a cash flow from the our Worli launch and other projects. So just wanted to understand, how is the breakup would be there further on a project wise this funding will go. So if you could give a broader sense about the funding side?

Snehal Shah: Hi, Amit you want to know how much will Worli need and how much will Kalyan need, that kind of a breakup?

Amit Srivastava: Yes, sir.

Snehal Shah: Okay. I don't have it ready with me, so we can offline discuss and give it to you.

Moderator: Thank you. Ladies and gentlemen, unfortunately we have run out of time, due to which that was the last question for today. I would now like to hand the conference over to Mr. J.C. Laddha from Century Textiles and Industries for closing comments.

J.C. Laddha: Thank you very much. We had a very good conversation. There were very good questions. Hope we have answered all the questions to the extent in the current circumstances. Whatever indications we have given, those were on the conservative basis. Definitely our endeavor is to recover as fast as possible. The announcement of vaccine really is very good news and that has really changed the sentiments. I perhaps feel that things will be much better sooner than later and that is what we are aiming for. Thank you very much. Thanks a lot.

Moderator: Thank you. On behalf of Century Textiles and Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.