CENTURY
Textiles and Industries Limited

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CIN-L17120MH1897PLC000163

OUR REF. :

SH/XII/558/2020

27.11.2020

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

Listing Department
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 Q2 and H1 FY 2020-21
Earnings Conference Call held on 19.10.2020

With reference to the above, please find attached herewith a Transcript for Q2 and H1 for FY 2020-21 – Earnings Conference Call held on 19.10.2020 for the information of Investors.

Please acknowledge the receipt.

Thanking you,

Yours truly,
For Century Textiles and Industries Ltd.,

(Atul K. Kedia)
Company Secretary

Encl: as above

Century Textiles and Industries Limited
Q2 & H1 FY21 Earnings Conference Call
October 19, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Q2 & H1 FY21 Earnings Conference Call of Century Textiles and Industries Limited. As a reminder, all participants' 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. Good afternoon 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 second quarter of financial year 2021.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's con call 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 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.

Now I would like to introduce you to the management participating with us in today's earnings conference call and 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 and Paper; Mr. K. T. Jithendran – CEO, Birla Estates and Mr. Snehal Shah – Chief Financial Officer.

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

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B K BIRLA GROUP OF COMPANIES

J. C. Laddha: Thank you, Anuj. Good afternoon everybody. It is my pleasure to welcome you all to the first ever earnings conference call for the second quarter of FY21. I hope everybody is safe and in good health. We hope to continue such interactions with our investor community more proactively henceforth and this will hopefully be a beginning to many such future interactions.

As you are aware Century Textiles and Industries Limited has 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 year 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 and paper businesses and is in a good stead 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 the second quarter was Rs. 596 crores. EBITDA was reported at Rs. 66 crores which translate to EBITDA margin of 11.1% and there was a net loss of Rs. 10 crores. For the first half of financial year 2021 the net sales were Rs. 990 crores, EBITDA was reported at Rs. 97 crores which translate to an EBITDA margin of 9.8% and there was a net loss of Rs. 47 crores.

As you know the first half of FY21 has been particularly a tough and a difficult period for the business environment globally and in our country due to the pandemic. Business impact due to the pandemic continues despite gradual lift of lockdown hence the quarter is not comparable to other quarters. Operational performance was overall good but the business was primarily impacted by external factors.

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 realty sector in 2016. Our real estate business is housed under Birla Estates Private Limited, a 100% subsidiary of CTIL with a foray into residential and commercial real estate with an aim to deliver exceptional and premium home and office spaces and to transform the perception of Indian real estate sector by delivering an exceptional experience and creating value at every level for every shareholder.

We currently have two prestigious commercial real estate projects that are completed and fully occupied which continue to garner consistent lease income for the company. Apart from that we have three ongoing residential projects at Kalyan in Maharashtra; Bengaluru in Karnataka and Gurugram in Haryana. We are focused on developing land parcels owned by the group as well as growing the business with joint development agreements and strategic tie-ups across major cities in India.

Talking about the financial performance during the quarter, lease income from the real estate segment stood at Rs. 35 crores which was a flat growth Year-on-Year. EBITDA for this segment was Rs. 10 crores with EBITDA margin of 28.6%. I am happy to report that we achieved our highest quarterly sales as compared to past five quarters with booking value of Rs. 96.1 crores. There is 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. The total sales in first half of FY21 stands at Rs. 128 crores.

Site operations at our launched projects are underway with complete focus on safety of all stakeholders and construction progress has picked up pace substantially, due to increase in manpower and material movement with easing of lockdown restrictions across the country. The occupancy rate at our two commercial assets Birla Aurora and Birla Centurion remain at high level ensuring stable lease rentals.

Our primary focus is to ensure a safe and healthy environment for all the stakeholders at our properties especially with the economy opening up leading to an increasing inflow of people in the premises. Our outlook on the sector and the real estate vertical is promising with the measures announced by the RBI and the Government like lower interest rate on home loans, reduction in stamp duty by Maharashtra Government is expected to provide relief to the sector.

Home loan interest rates are at an all-time low due to reduction in REPO rates. NRI interest and investments in real estate is also looking promising. The gradual opening up of industry and businesses and the coming festive season is also likely to improve customer sentiments further. The second half of this financial year looks positive due to improved customer demand, the shift in the customer preference for branded players like ours and the trust in the Birla brand.

Now moving on to the pulp and paper segment; Century Pulp and Paper is a producer of excellent quality writing and printing paper and a leading manufacturer of tissue and board 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 player in India's pulp and paper industry. For the second quarter of financial year 2021 the sales from this segment stood at Rs. 419 crores. EBITDA for this segment was Rs. 53 crores with EBITDA margin of 12.6%.

Sales volumes were marginally higher in Q2 at 81,928 metric tons as against 80,340 metric tons in Q1. The capacity utilization for the quarter was 73%. All plants operated as per production plan under specified MHA guidelines and environmental norms. Overall demand continue to be low in all the three segments of paper, tissue and boards as the major consumption centers were almost shut.

There was a slight increase in demand for tissues in the retail segment albeit low in volume, although we are seeing positive sentiments in the markets for board and tissue. Proactive participation in the government tenders where margins are lower but volumes are large have been initiated in order to keep the capacity utilization going. Our outlook for this segment looks positive in the medium to long term scenario due to the recently announced New Education Policy by Government of India. Although considering the present domestic and global economic scenario the short term outlook for Indian paper industry appears to be weak and flat.

With gradual opening up of the education institutions, cinema halls, malls, theater multiplexes, entertainment parks outside containment zones, a slow improvement in consumption and demand from the retail segment is expected. Relaxations to social gatherings like family gatherings, cultural gatherings, religious as well as political meetings, B2B exhibitions etc will result in improvement of demand overall. The immediate festive period would also lead to a short term reprieve.

Now I would like to request Shri Dalmia Ji, who is the Senior President of Century Textiles and the whole-time Director of the company to give an overview and performance highlights on the textile division. Over to you, Dalmia Ji.

R. K. Dalmia: Thank you, Laddha Ji. Good afternoon, 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 Industries Limited. It was incorporated in 1897 in Mumbai. As real estate in Mumbai started becoming expensive in the year 2009, a state-of-the-art vertically integrated plant was set up at Jhagadia, Bharuch, Gujarat using the best modern machinery to produce a wide range of premium textiles.

Our focus is on manufacturing products of excellent and consistent quality; adding value by offering a variety of weaves, designs and finishes; innovating continuously to create new products and satisfying our customers with our excellent service and timely delivery.

The company’s USP is the customization it offers clients in terms of the weave, design and texture of products. It has an extensive network of distributors and dealers in India and we also sell our exclusive range of home textiles and other products in global market. 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. 125 crores with an EBITDA loss of Rs. 15 crores.

As you know COVID-19 is an unprecedented event and it has hit consumption globally in all segments. To counter the situation, we at Birla Century have made some structural changes in the organization to make it lean and agile and train our staff to multitask and collaborate with the supply chain partners. Due to impact of COVID-19, customers all over the world have become more health and hygiene conscious. To keep pace with the current situation we have launched health and hygiene category under the brand name 'Birla Care'. We are offering fabrics, accessories and home textile with antimicrobial, antifungal, anti-allergen and virus resistance properties.

The textile segment faced huge challenges in running the operations during the quarter due to high number of positive cases in the industries in and around our plant which lead to labor shortage. The situation however turned normal in the month of September. Various precautionary measures were adopted and utmost care was taken to ensure the safety of all the employees.

Aggressive efforts were undertaken to maintain optimum capacity utilization which resulted in the plant running around at 74% capacity utilization in the month of September. Orders from the export markets for bed linen has improved, however demand in domestic apparel fabric segment is low since the retail business in fashion wear and formal wear is yet to pick up. There was high pressure on the pricing due to idle capacity in the market. Collections are good and overall working capital is managed well in both bed linen as well as the apparel segment.

The company increased its focus On R&D during the quarter and also developed several health and hygiene products for international brands as well as domestic markets in the core category fabric and made-ups under the brand Birla Care and it is getting a positive response from the market. The company launched antimicrobial and antiviral products in collaboration with HeiQ Switzerland and DuPont.

We have also received the order to supply antiviral sheets for DRDO, Defense Research & Development Organization. Going forward the major focus would be on the health and hygiene products which are seeing increase in demand due to ongoing pandemic. The overall textile market is expected to open up towards the end of fourth quarter and normalize by mid of financial year 22.

Now I handover the call back to Sri Laddha Ji. Thank you.

J. C. Laddha: Thank you, Dalmia Ji. In conclusion, at Century Textiles and Industries Limited, we remain focused on navigating steadily and safely through the turbulent near term business environment while being prepared to ride the eventual post-COVID recovery. Over our 123 year old history the company has witnessed dramatic disruptions across businesses. However, it has always emerged stronger after periods of turmoil. Resilience is embedded in the DNA of your company.

This explains the enduring trust of all stakeholders in your company. We are a customer centric organization, determined to offer best in class products to our customers, while leading the way towards better and sustainable outcomes and augmenting value for our stakeholders. During these trying times, it is our resilience and focus on creating safe and steady business environment that has helped us tide through this difficult period.

Proactive engagement with all our partners across the supply chains and taking them along through the tough period has strengthened the trust. Our use of technology and digitalization has yielded good results and helped us with good sales and collections in our real estate business even during the trying times. The upcoming festive period is an opportunity for all businesses with demand likely going up.

Safety of our employees and partners remains our primary focus. With that we can now open the floor for the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Hardik Jain from ISJ Securities Private Limited. Please go ahead.

Hardik Jain: Sir, I have a couple of questions. So company is planning to launch its project in Worli, what is the timeline and by when we are planning to launch the project? What will be the size? How much will be the residential? How much will be the commercial? How much will be the size in the first phase?

My second question is that we have 10 acres of land at Worli which is under litigation with Wadias. So what is the update on that? And you can answer these questions, then I have two more questions which I can ask later.

J. C. Laddha: KT, can you take this question please?

K. T. Jithendran: The timeline for Worli is, we are hoping that we will be able to launch this project by October of next year that is 2021. Currently we have already got the layout approval that is with us, and we are in the process of getting the other approvals. Obviously because of this crisis, the entire timeline has moved because the BMC was operating at a very slow pace and focus was somewhere else. However we are hoping to make up for the lost time as quickly as possible. It is actually a mix of Residential, commercial and retail so we have in all about 40 acres of which 10 acres as you very rightly mentioned is under litigation and the progress is slow.

That is going to take time, so that has been earmarked separately and we are focusing on the balance development. Our first, as I said it will be a mix of Residential and commercial, largely Residential would be when the whole thing happen at about close to about 3 million square feet. Commercial will be about 1 million square feet and some mode of support retail of about 150,000 square feet. So that is the broad thing. Of course we will keep fine tuning it as we keep on getting the approvals. Our first phase, which we are hoping that by October of next year we will be able to launch would be about 6.5 lakhs square feet of residential.

Hardik Jain: So in first is we will launch residential?

K. T. Jithendran: That is correct. Yes. Probably that would help further cash flows also. That is the whole idea to keep residential and then move on to commercial at a later stage.

Hardik Jain: Right, and sir in Kalyan how is the demand scenario? We were planning for Phase II launch, so are we going ahead with it or what is the update on that?

K. T. Jithendran: Yes so as you know in Kalyan of course we had a tremendous response when we launched the first project, the first phase in April of last financial year and as of now within that is about in a year's time or a year-and-a-half time, we have almost done with the first phase. We have done about 90- 91% of the inventory of the 520 odd flats we have sold about 482 or 484 so balance is hardly left with anything. We are all gearing up for the next phase of the launch. We are hoping that in the last quarter of this year, we will be able to launch it.

Again there has been an approval issue because of the crisis everything got slowed down a bit. We are getting some TDR etc, everything is slowed down. Kalyan was one of the most badly impacted areas during this period. The corporation again was focused somewhere else. We are again trying our level best to get back on track. So I am quite hopeful that we should be able to launch it before the end of this financial year. And we expect very, very strong demand here also, response in the market.

Hardik Jain: So how big will be the Phase 2?

K. T. Jithendran: Roughly about 3.5 lakhs to 4 lakhs.

Hardik Jain: And my last question is we purchased some 50% stake in Gurugram JV, so how is the demand scenario there, what is the update? Is there any new investment that we will be putting in the JV or if you could just update on that?

K. T. Jithendran: So in Gurugram of course we got a tremendous response from the market though we have not officially launched it. We are hoping to launch it, we were planning to launch it in March of last financial year when we came down with the crisis, we postponed the launch. However the project kept getting sold over the last six months. We have sold close to about Rs. 90 crores of inventory already.

Very strong response market at a very high price of Rs. 9,700 is the kind we are clocking that kind of price on saleable area per square foot. Extremely strong response because of the location the product it is an independent floor product which is not easily available in that market. So we were quite excited by it and this is the quarter where we are hoping to further accelerate the sales. We are doing some market activation during Diwali time, and I am hoping that we will be able to further accelerate that kind of response we are getting in the market.

Hardik Jain: Okay and we do not have to put in any fresh capital in the JV?

K. T. Jithendran: We have to, as you know we have promised about Rs. 400 crores of deposit over a period of 12 months to 15 months. Part of it is for the independent floors, part of it is for the group housing license. When the group housing license comes about Rs. 216 crores, we will be investing. So far we have invested about Rs. 140 crores odd, another Rs. 30 crores to Rs. 34 crores are still balance which is on a periodic stage depending on certain milestones we will invest it. So that is going as per the broad plan.

Moderator: Thank you. The next question is from the line of Chetan Cholera from Pragya Equities Private Limited. Please go ahead.

Chetan Cholera: I just wanted to understand we have three different divisions and what eventually we are going to do for all three, whether we will demerge, we will sell or what is the long term on long horizon, what we are going to do in all three divisions?

J. C. Laddha: Basically just to answer the question definitely all the three segments will continue. Textile is already there in Bharuch and doing well. They have decided to go for the Birla Care brand new products, which is the need of the hour. The pulp and paper business has a very good potential. It has presence in the North in a big way.

We also have land in Gujarat, Bharuch, so we have everything required in place and seeing the very low per capita consumption in India as compared to global, there is a big opportunity to grow this business. Of course we have discussed in a bit of detail the real estate which is a new startup business, we started in 2016 and our major focus will remain on four cities primarily in residential areas. So that is the plan as of now.

Snehal Shah: Let me take this question additionally. This is Snehal here from CTIL. So I am sorry I did not get your name?

Chetan Cholera: Yes, it is Chetan Cholera.

Snehal Shah: Chetan, what you have to understand is we have two kinds of old businesses in textile as well as in pulp and paper and they are generating a lot of cash flows right now, and we have a sunrise subsidiary which is the real estate which requires a lot of funds. So right now we are looking at most of these cash flows to fund the real estate business till the time it can stand on its own and we are pretty hopeful that probably it will happen in the next two, three years.

And therefore the decision about, right now all the businesses will stand under CTIL. Also some of the land, which the real estate business is developing belong to the company so that also needs to be developed. So right now as Mr. Laddha said we will continue with all the businesses housed under CTIL, with a 100% subsidiary that is the real estate business.

Chetan Cholera: Okay so it is a two, three years down the line you may think?

Snehal Shah: Maybe yes, because we are very hopeful that the real estate business with the success that it has achieved in the three launches that it has had so far, I think it will be a self-sustaining business very soon.

Chetan Cholera: Sir, eventually the real estate will be the largest business?

Snehal Shah: Absolutely, yes.

Moderator: Thank you. The next question is from the line of Hitesh Doshi from Nirzar Securities. Please go ahead.

Hitesh Doshi: My only question is that there is a corporate presentation you released today and on Page 11, you are talking that the company is focused on developing land parcels owned by the group. So I mean when can we have some green shoots in this direction where we can have at least one or two projects on JV model with one of the group companies?

J. C. Laddha: KT, you can take this question?

KT Jithendran: So the Group when we said, we also meant that CTIL land, of course as you know we have already started on Kalyan in a big way and we are progressing that well. We are also very strongly in the process of the pre-construction or pre-launch process in Worli, and we are very hopeful that that will also get consummated very soon in terms of launch. As far as the Group's, the larger group's land parcels are concerned, we are actively talking for a few parcels and so when the right time comes, I think we will not shy away from doing a joint venture deal with any of them.

Right now it is not the appropriate time and nor has these talks or discussions matured to that level that we are in a position to sign any of them but at the right time we will look at it. However that is not going to be a constraint because right now I am focusing on our own land parcels belonging to our own this thing and also the joint ventures that we are focusing on. As you know we have signed three deals outside of Century Textiles; two in Bangalore, one in NCR and also we are looking at several new deals.

So I think the focus remains there and whenever the appropriate time comes and our discussions mature, we will sign up for with the larger group also.

Hitesh Doshi: One more question on paper is that I mean recently we are in the process of increasing the prices, so by what percentage and right now what capacity utilization we are operating as of date when we are talking in October month or as of latest what capacity utilization? It was pre-COVID and now this month what is the capacity utilization as against what it was pre-COVID levels?

J. C. Laddha: So pre-COVID level it was above 100%. As of now, we are running at about 74- 75% and it is gradually going up as the markets are opening up.

Hitesh Doshi: Okay and what price increase we have taken recently or we are in the process of increasing prices, something like that on paper?

J. C. Laddha: Basically it all depends on how soon the position becomes normal. This is a difficult time and we are just closely watching the situation, but yes every quarter is going to be better than the previous one and we are hopeful that in the coming festive season, demand will go up. However there is excess inventory lying in the pipeline and considering that we will have to closely watch about the price increase at appropriate time.

Moderator: Thank you. The next question is from the line of Rithvik Sheth from One-Up Financial. Please go ahead.

Rithvik Sheth: Couple of questions on the real estate side. Firstly on the Gurugram and Bangalore JV, what is our share or you know how does the cash flow get distributed between the two partners?

J. C. Laddha: KT, you can take up this?

KT Jithendran: Thank you for the question. Gurugram of course it is a 50:50 profit share deal. So the cash flow will get divided in the same way. First of all the capital goes for funding the costs etc and whatever surplus is there, the surplus gets divided 50:50. Of course because we are doing all the development we have an 8% over and above the development manager fee owned overall topline which is an additional cash flow which comes to us. In Bangalore, one of the projects we have bought outright so there is no JV partner. In the other one, we have a JV partner with a profit sharing of 60:40. So it is in the same proportion the cash flow gets distributed.

Rithvik Sheth: Okay, 60% is our share in the Bangalore project?

KT Jithendran: No 60% is the landowner’s share, 40% is our share.

Rithvik Sheth: Okay so looking at the Gurugram one which is a sizable one, what is the kind of cumulative investments that we will make over the life of the project? You mentioned that initially you will spend about Rs. 400 crores and?

KT Jithendran: Over the next 18 months on a staggered way is what it is. The other thing is as you know this is a residential project. So I do not see much investment required. Largely it will be funded by customer receipts and so maybe another about Rs. 100 crores or so.

Rithvik Sheth: Okay so about Rs. 500 crores, Rs. 600 crores over the life of the project?

KT Jithendran: Yes.

Rithvik Sheth: Okay so the Bangalore one, any figure on the Bangalore one?

KT Jithendran: Bangalore one, again it is just a Rs. 50 crores advance. And then another maybe about another Rs. 40 crores- Rs. 50 crores for the balance peak investment.

Rithvik Sheth: Okay, sure. And you mentioned that Worli that we will be doing about a 30 acres which will include commercial, residential and some portion of retail also. So residential is the understanding correct that residential will be 20 acres and the balance will be split in commercial and retail?

KT Jithendran: So overall we expect over the life of the project we will be able to exploit about at least 4 million of square feet, of which 75% we expect to be residential and the rest commercial and say about 150,000 square feet largely to support the residential and commercial, will be retail.

While we are thinking retail could add lot of value in that because that has got a huge frontage. So I thought that the best way to exploit retail, it has got great frontage, great location and of course the captive demand from the residential and the commercial towers could add value to that.

Rithvik Sheth: Sure okay and the retail will be per leasing, right?

KT Jithendran: Retail will be for, I did not get you?

Rithvik Sheth: For leasing or outright?

KT Jithendran: Yes, we would rather lease it; hold it, lease it and then we will see whether we can REIT there or something like that.

Rithvik Sheth: Sure okay and on the two Worli projects, the commercial project what is the kind of renewal coming for second half of FY’21 and FY’22 and how are the negotiations going on, are the tenants asking for a reduction or if you can throw some light on that?

KT Jithendran: So pretty relevant question. I think we have been doing pretty well in terms of our engagement with our leasing tenants. Our average rental is in the region of about Rs. 190 to

Rs. 200 per square foot on both these projects together, which has about 6 lakh square feet and so far we have been able to hold on to all of them. However, I expect some pressure on these things because of the work from home culture extended. There are many companies and most of our companies are A-grade multinationals and private equity companies etc.

So we expect many of them would be starting working from home for longer periods of time, so there could be some pressure. So far we have not yielded to anyone, it has been going well but as you very rightly pointed out when they come for renegotiation, they come for the renewals, there we anticipate some kind of a pressure. Difficult to quantify at this stage of time. When we actually sit and deal with it, we will let you know.

Moderator: Thank you. The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.

Ritesh Poladia: Just wanted to know what is the gross and net debt division wise?

J. C. Laddha: Snehal, you can take this please?

Snehal Shah: Yes Ritesh. So the gross debt if you mean is about Rs. 1,330 crores right now, as of 30th September 2020. We have about Rs. 100 crores of mutual fund investments. So roughly we are on net basis Rs. 1,200 crores.

Ritesh Poladia: If you can give us division wise, how much is for textile, paper and real estate?

Snehal Shah: I mean most of it is actually see roughly we have about Rs. 300 crores to Rs. 400 crores of core working capital requirements and rest of it is all related to real estate, because of the two buildings that we have plus whatever joint venture deals that they are doing right now. So most of the debt is towards that particular business.

Ritesh Poladia: So Rs. 1,000 crores roughly would be towards real estate?

Snehal Shah: Yes.

Ritesh Poladia: And of this Rs. 1,000 crores, major portion would be for this two commercial towers which is already operational? Is my understanding correct?

Snehal Shah: Absolutely.

Ritesh Poladia: And what would be the investment required for next two years for the existing projects you have?

Snehal Shah: So roughly I think it all depends upon how successful we are in getting deals etc. So I think broadly around in the next one to two years probably we will require about Rs. 1,000 crores additional, but that will not go in terms of increasing the debt because there will be good cash flows from the real estate business itself, from the sales that they have already done. If you understand that we have so far collected only maybe 20% to 25% of the milestone.

So balance money will also come in from the real estate business. So we are expecting a peak debt, Right now of course because of Covid and all there is a little bit of staggerness but probably we might just go around Rs. 2,500 crores peak debt. Somewhere maybe two years down the line.

Moderator: Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.

Sanjay Shah: Sir, it is a question regarding the same real estate. I would like to understand, can you elaborate on the same, what will be the mix of the total Worli region? Will it include the residence, commercial and will everything will be outright sale in residence or there will be on rental also and even on commercial side? That is my first question. And my second question is, will it be right to see a lumpy sales business coming towards in next year?

J. C. Laddha: KT, you can take this question please?

KT Jithendran: Thank you, Sanjay for your question. Yes, so obviously now till we get a certain traction of projects, certain amount of projects, certain critical mass of projects it is going to be lumpy. Whenever there is a launch it is going to be a peak and then after that it is going to be a more sedate and in order to smoothen this, we will need many more projects and that is our endeavor to get as many new projects as possible.

Particularly in Worli our idea is for the commercial part, we would like to retain, lease it and then eventually look at the portfolio to REIT it. We are not in the idea of doing a STRATA sale or outright sale for floors or dividing floors and selling it. I do not think that gives the best way to manage commercial real estate. So we would like to retain control of the building and manage it well.

That is very important for getting the best yield for the building for the asset so that is the plan. The long term plan is to hold it and then REIT it. And between residential and commercial we will first go for residential focus on the cash flow, collect the cash flows and then put that money into commercial.

So that is the plan. I think we are in the process of finalizing our plans for Worli. Still there is time. Largely we were looking at ticket sizes between Rs. 4 crores and Rs. 10 crores, under Rs. 10 crores largely. I think there will be very huge traction for that sort of ticket sizes, very well designed, highly efficient with lots of common areas, lots of common amenities, etcetera. That is the overall plan. Does that answer your question, Sanjay?

Sanjay Shah: Yes, very much. But sir, when we are launching that residential?

KT Jithendran: So we hope to launch it as quickly as possible. Unfortunately because of this crisis the entire processes of getting approvals has got delayed a bit however quite hopeful that we are pulling back and by October of next year that is before Diwali of next year we should be able to bring it into the market.

Sanjay Shah: And that will be how many square feet?

KT Jithendran: So we will bring tower by tower, the first tower should be about 6 lakhs square feet to 6.5 lakhs square feet.

Sanjay Shah: Sir, regarding commercial, it is understood by us that if the Worli being so crowded, there is no demand right now over that side. There is an oversupply there. So how do you see the rental income on that commercial space because right now it is not prudent to do any rental business because income is very poor as we understand? So how do you see that and how you would like to make money from that venture?

KT Jithendran: Sanjay, you know currently my commercial is completely booked in Worli what I am holding today this Birla Centurion and it is getting an average rental of almost Rs. 200 per square foot. It is in great demand, it is fully occupied, zero vacancy is there now and I think it is one of the best rated green platinum rated building and it is fully for commercial use. I disagree with the view that there is no demand.

There is very strong demand for the right kind of product and the right thing. However I take your point and my commercial is not coming anywhere now, it will take at least five years. And the entire demand supply current situation will totally change. I am not going to launch it anywhere in the near time. My current focus is on residential. We will build the residential, get our cash flows, and through that cash flows invest in commercial. So there is it is quite some time away and so we can take a look at it at an appropriate point of time, Sanjay.

Sanjay Shah: That is great. My second question is regarding textile. Can you highlight how the business is ramping right now and how do you see the future on textiles right now?

J. C. Laddha: Dalmiaji, can you please take that question?

R. K. Dalmia: Yes, the textile will remain there. There will be always a demand for the fabric. Of course it will be of a good quality and at a competitive price. And second the demand now, with this health and hygiene products, the requirement of the clothing and this will be changed domestically and we are on that line in our textiles. We have our R&D is continuously working and we have developed so many new products with sustainability as well as the health and hygiene under Birla Care. So demand will be always there. Of course, you should be ahead, for that R&D, which we are all focusing very seriously and on top priority.

Sanjay Shah: Have we planned any CAPEX on textile side for next two, three years?

R. K. Dalmia: Next year we can plan it but that again depends how the situation will improve but always we are spending for continuously upgrading our technology and wherever we need for the further expansion, we invest in that, but now lot of capacities are available outside which are idle. We are utilizing those capacities.

Moderator: Thank you. The next question is from the line of Rajan Shah, an individual investor. Please go ahead.

Rajan Shah: My question is regarding the land parcel owned by group companies. Can you throw some light on the land parcels owned by Ultra Tech, Grasim and other group companies, Hindalco and all that? If we can get some idea on that?

J. C. Laddha: KT, you can take this?

KT Jithendran: Sure, thank you Mr. Rajan Shah for your question. So largely the biggest holder of land parcels in the group is Century Textiles itself. The most premium land parcels are held by Century Textiles and they are all in Maharashtra, Mumbai, largely something in Pune, etcetera. The other parcels today for example if it is let us say Ultra Tech or Hindalco these parcels are more in the up country areas. There are a few of them in the outskirts of Mumbai, but largely most of them in the up country area so I do not think that is in our immediate focus. As we expand and we see opportunities coming up in the future, the growth of India expanding into the 2 tier and 3 tier cities.

So that is the time we will be focusing more on them. There are parcels in Nagpur, there are parcels in some parts of Kerala, some parts of UP etc. It is not my focus today but as we expand and as the new cities etcetera come up with the development of India growth, definitely there is a great opportunity for us, but not in the immediate future.

Rajan Shah: Okay so then what would be the approximate value of the land with Century Textile itself is owing as of today approximately if we can get some idea?

KT Jithendran: As I told you these are all very prime lands one as I said about 40 acres of land in Worli, about 2 acres of land in Prabhadevi on the seashore. We have about more than about 150 acres of land in Kalyan, we have about 45 acres of land in Pune. So we have not done an immediate valuation of these lands, but these lands with the full potential with the new FSI rules coming up, etcetera these all will be in thousands and thousands of crores when you really exploit the real estate potential of this.

For example I expect in Worli my topline coming to almost Rs. 20,000 crores with the full potential with the new FSI rules coming in. Similarly about Rs. 3,000 crores in Prabhadevi, close to Rs. 8,000 crores, Rs. 9,000 crores in Kalyan. So that is the sort of value, there is huge amount of value. So I do not think selling land or valuation of the land we will be able to get the full potential. The full potential can be only realized when we actually convert them into high end real estate and then take out the value of this.

Rajan Shah: Right and during the con call I heard that the total debt over the next probably 2.5 years, 3 years would be approximately Rs. 2,500 crores, right? So in that case I had a couple of suggestion. One yes, I am very, very aware that Century is known for textile and it is a 100 year old business but why emotional attachment, even after 100 years of being in business our top line is about Rs. 1,000 crores. Why cannot we exit that, why cannot we exit the paper business when it touches 90%, 95% capacity?

There is cash of about Rs. 3,500 crores. Secondly why cannot we exit Birla Aurora and Birla Centurion because on Rs. 1,500 crores of asset, what we get is about Rs. 100 crores of bottom line, so why cannot we exit these three assets, raise about Rs. 5,000 crores or something, and then go debt free, and have cash on hand to really take up this business to a different level?

J. C. Laddha: KT, you can take about the two commercial buildings, the last question?

KT Jithendran: Yes, so Rajan as these buildings are very much in the plot that we are going to develop, it is an integrated part of it, so I do not think we can do that and in my larger scheme of things, today we are very well able to manage the debt and these buildings are giving us very good yield and in the future I expect these yields to increase drastically and they will get redeveloped in the larger scheme of things.

So this is the part of the same plot we are going to develop and our view is that we would continue to hold these commercial assets, and after that at the appropriate time when we get to a reasonable size we would like to REIT it. And the value that we can get out of it is humongous. I mean it is in multiple fold.

So I do not think selling it out today though it is not warranted and it is a good strategy. That I think will be hugely undervaluing these assets and not doing the optimal value, sub optimal solution in my view as far as the commercial assets. So I think it is great value to hold it and at an appropriate stage list it through a REIT.

J. C. Laddha: Other two factors basically some time back Snehal has given a view that we would remain in all the three businesses. Raising money is not difficult. You know, when do you sell your existing businesses, when you are not able to go to the market and raise money. We are in a very comfortable debt equity position and we would like to grow as I said pulp and paper business is the per capita consumption in India is very less. We are in three segments, writing and paper modes which basically goes for pharmaceuticals, cosmetics and also tissue paper which is hygiene product.

Rajan Shah: Sir, I have one question. If you see paper companies and textile companies, they trade at very low PE multiples in the market. You take any paper company or any textile company, PE multiples are very low. Now if you take property companies, Godrej Property is trading at a PE of 75. The moment Century becomes a pure property play, the stock is going to go up because valuations are going to throw haywire because once you are out of Century Paper and Textiles, it will be looked at as a company which is purely into retail and Birla enjoys a great brand.

So a great brand in a great business which has got enormous potential, the whole re-rating would happen of this company and the market cap would really go up and you can in fact raise money via QIP or maybe through placement and really take this company in to a different level. Because of being in to paper and textiles, this company is not getting the valuation it deserves. So that is my only thing which I would like to convey to the management.

J. C. Laddha: So I value you suggestions. Snehal, would you like to add?

Snehal Shah: Yes sir, of course we value your suggestions and we will consider but I think the only answer I will give is that this is not something that we will have to do right away. I think we have explained to everybody in the beginning itself that we need the cash flow and right now at the other end is if I want to sell, I mean you will not sell your house jewelry for a cheap price. And there has to be some buyer also in the market etcetera. So that is something that there are a lot of consideration it is not so easy but we certainly value your suggestions and keep it in mind at the right time.

Moderator: Thank you. The next question is from the line of Ravindranath Naik of Sunidhi Securities. Please go ahead.

Ravindranath Naik: I have a couple of questions on the paper segment. So you have 4 grades of paper. Can you please give the size of different grades of paper that currently you have sold in the first half of this year and also what was the price of the same grade of paper in FY20? And the regional trend of the market for paper for you as of now? So those are the two questions and I will go for the next question on the paper segment.

J. C. Laddha: So know in the paper we have writing and printing paper, then we have Board, we have tissue and we have pulp. So if you are talking about H1, then for the paper the FY21 first half the price was over Rs. 50,000 a ton, the board was about Rs. 53,000, the tissue was about Rs. 66,000 per ton, the pulp which we sell is about Rs. 60,000 a ton.

A year back for the same period for the paper the price was over Rs. 58,000 a ton, for board it was Rs. 57,000 a ton approximately, on the tissue it was over Rs. 77,000 a ton, and on the pulp it was over Rs. 66,000 a ton. So if you take the average of all, in the FY21 the average price comes to about Rs. 53,200 a ton as against last year of Rs. 59,000 or over Rs. 59,000 a ton. Does it answer the question?

Ravindranath Naik: Yes sir. What is the regional spread of market for paper for you?

J. C. Laddha: JP, would you like to take over this question?

JP Narain: Yes, we are selling somewhere around 40- 45% in North and remaining 27% to 30% in West and 25% in East. We are not present in South.

Ravindranath Naik: Okay and what are the key raw materials for paper and board making? How the price of raw material as of now?

JP Narain: Raw material prices are stable right now. There is no big movement and from last 15 days there is a slight inch up of some prices in the international market. So that will impact our prices within next 30 days to 45 days.

Ravindranath Naik: Okay and you use wood or agro material for making paper or you use predominantly wood for making paper and board?

JP Narain: We are in three components. We are using 33% agro based material that is bagasse. 30% we are using recycled paper and remaining we are using 35% to 37% both.

Ravindranath Naik: Okay so predominantly you will be using for recycled paper pulp plus wood-based paper for making board, right?

JP Narain: Board is wood based paper, so writing printing we are using bagasse and recycled.

Ravindranath Naik: Okay. And sir you are completely self-sufficient in internal pulp generation or you need to buy pulp from outside for your requirements?

JP Narain: We are 85% self-sufficient; we are buying 15% just to customize the properties of the board like stiffness and strength.

Ravindranath Naik: Okay and sir regarding this capacity expansion that recently you told, was in Gujarat what is the quantum that you are looking at and what are the category of paper you are looking at for this expansion in Gujarat?

JP Narain: See whatever the expansion we are looking in future that is tissue and packaging board. So just now we have commissioned our new tissue plant which is going to start in month of

November having a capacity of 3,000 tons per month and once this capacity will be fully booked then we will think for another expansion that might be in the West coast or South coast.

Ravindranath Naik: Okay West coast and South coast it is for tissue or it is for packaging boards?

JP Narain: Most probably either tissue or packaging board, not writing.

Moderator: Thank you. The next question is from the line of Viddhi Dedhia from Riddhi Securities. Please go ahead.

Viddhi Dedhia: I have two questions sir. First one, regarding the Prabhadevi land area. How are we going to take it forward considering it is one of the prime location, in the sea facing area? And the second question, okay so I will post the second question later.

KT Jithendran: So Prabhadevi as you very rightly mentioned, it is a very premium location. It is about 2 acres of land. So it is bang on the sea at the beach. So at the appropriate point of time we will start the development of that property. We are in no hurry because it is going to be a large formatted one. Today as you know we have no dearth of supply of such format in Prabhadevi Worli area. So my current focus is to launch Worli and in a couple of years' time maybe when the time when the demand picks up for such kind of properties we will start the development of this.

So I am going to take a little more time to actually time this. We need to time this in the market so therefore we will be a little patient in the development of this.

Moderator: Ladies and gentlemen, due to time constraints 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: Thank you very much for asking very great questions and I hope we were able to answer all the questions very satisfactorily. Thank you very much and looking forward to have a conversation with you during next quarter. Thank you.

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