Century Textiles & Industries Ltd

Focussing on the Future…

CTIL Performance 2017 – 18

Century Textile & Industries Limited		
Description	**FY 17-18 in Rs. Cr**	**FY 16-17 in Rs. Cr.**
Turnover	8385	8399
EBITDA	1368	986
EBITDA %age	16%	12%

*Figures in Rs. Crore

Textile

Sales	633
EBITDA	51
EBITDA %	8.1%

Cement

Sales	4,306
EBITDA	544
EBITDA %	12.6%

Pulp & Paper

Sales	2,229
EBITDA	485
EBITDA %	**21.8%**

Real Estate

Sales	215
EBITDA	161
EBITDA %	**74.9%**

Total Net Debt Outstanding is ~Rs. 4,330 Cr. as on 31st March, 2018,
3.1x (Net Debt / FY18 EBITDA).

Note:
Other Key ratios : Debt Equity Ratio: 1.6x, Interest Service coverage ratio: 2.33x

Exploring Strategic options to grow on various fronts

Real Estate

- Own land parcels at premium locations with value of > Rs. 7500 Cr.
- Opportunity to unlock value of own land parcels
- Require capex of ~Rs. 2,000 crs for development over medium term

Paper

- Profitable business with current EBIDTA Margin of ~22%.
- Plan to double tissue capacity and modernise plants
- Require capex of ~ Rs. 300 crs over

Textiles

- Plan to modernise and upgrade facilities
- Require capex of ~ Rs. 20 crs every year to ensure growth in EBIDTA

Cement

- Marginal player in the cement industry with ~3.25% capacity share
- Require ~Rs. 500 crs of capex to modernise, acquire land and mines etc. and ~2500 Cr. every 3 years to maintain capacity share

Demerger of Cement Business will help focus on RE and P&P

Business	Funds required
Real Estate	~2,000
Cement	~3,200
Paper	~300
Textiles	~20
Total	**5,520**

Total capital requirement of ~Rs. 5,520 Cr. over the medium term

- CTIL is constrained with a stretched balance sheet to meet its future growth capex needs
- Given the large potential in real estate and its relatively marginal position in the cement business, it has been decided to demerge the cement business along with debt of Rs. 3,000crs
- Demerger of Cement Business will result in deleveraging the balance sheet reduction of Net Debt to EBITDA to 1.6x, giving firepower to invest in Real Estate and Paper business

Shareholders will continue to participate in cement growth through UltraTech shares with value unlock through re-rating of cement assets

Demerger of Cement Business

Cement Business – Investment required to maintain marginal market position

- Average age of plants ~24 years, with Raipur and Maihar plants being comparatively older plants
- Manikgarh Cement (I) of 2 Mn Ton is cost ineffective. Lack of demand in the region has led to the plant running at a sub-optimal utilisation of 64%.
- Raipur plant earlier had limestone reserves only adequate for the next 7 years. New mines purchased under auction, additional capex required ~Rs150crs for land acqusition
- Shortage of Clinker Capacity by ~1 mtpa
- Rs. 2,500crs of capex is required to add capacity to maintain capacity share and Rs. 350 Crore required to upgrade / modernise the existing plants at all locations.

Given stretched balance sheet at CTIL, the company is not in a position to invest in this business

Century Cement – One of the lowest EBITDA/Ton vs Industry

Particulars	UOM	FY16	FY17	FY18
Capacity Utilisation	%	79.8%	75.6%	74.1%
EBITDA	**Rs. Per Ton**	**212**	**294**	**367**

- Century is a marginal regional player at ~3.25% capacity share in India.
- The industry has grown by 8-10% over the last 2 years but CTIL has remained flat in terms of volumes.
- Compared to pan-India players, the cost structure for CTIL is inefficient.
- Also, Business has a low EBITDA / Capacity of Rs367/t at a capacity utilisation at 74%, indicating lower profitability.

Despite investment in cement, it will remain a marginal player in the cement industry, hence CTIL has decided to be strong focused player through RE and P&P instead of maintaining a weak diversified portfolio

Snapshot of Assets & Liabilities transferred

Assets :

Land

- 252 Ha of acquired land for mining at Raipur
- 1088 Ha of acquired land for mining at Maihar
- 303 Ha of acquired land for mining at Manikgarh

Plant & Equipment

Figure in mtpa	Clinker	Cement
Maihar	3.0	4.2
Manikgarh	4.5	6.0
Raipur	1.6	2.4
Sonar Bangla	-	2.0

Liabilities :

- All liabilities pertaining to Cement units including debt of ~Rs. 3,000 crs
- Contingent liabilities (Rs 742 crs) will be transferred, shielding the company from future potential cash out-flow.

Transaction Summary

Transaction Overview	▪ Cement Division of Century to be demerged into UltraTech ▪ ~3,000 Cr. Of debt would be transferred along with the division
Valuation & Consideration	▪ Consideration would be discharged to shareholders of Century ▪ Swap ratio : 1 New Equity share of UltraTech for every 8 equity share held in CTIL.
Key Approvals	▪ Consent of Board of Directors ▪ Shareholder's approval (incl. majority of minority) ▪ SE/ SEBI / NCLT / CCI approval ▪ Mining authorities approval ▪ Lender's Consent
Timeline	▪ 6 – 9 Months
Advisors	▪ Legal – Vaish Associates ▪ Joint Independent Valuer – Bansi S Mehta & Co. and Walker Chandiok Co & LLP ▪ Fairness Opinion – JM Financial & Co.

The Next Phase of Growth for CTIL….

Real Estate

Step Towards more Focus on Growing Business ..

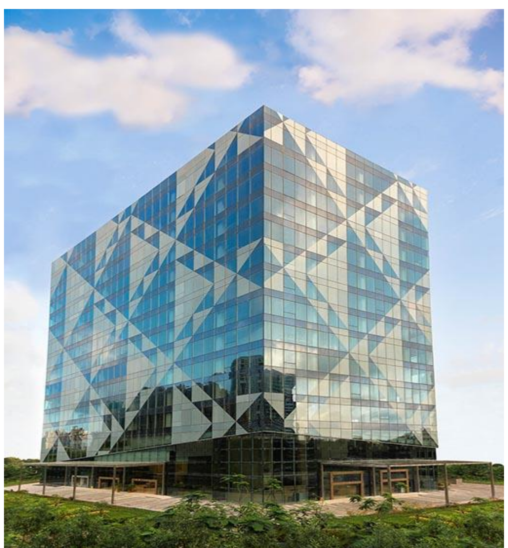
Real Estate

Strengths	Opportunities	Strong Vision & Strategy
		
▪ Birla Brand ▪ Dynamic team with Real Estate Experience. ▪ Strong Project in Pipeline of owned projects. ▪ Strong Sales & Execution Capability.	▪ Rise in Per Capita Income, reducing Mortgage Rates, rapid Urbanisation ▪ Smart City Project & focus on affordable Housing ▪ RERA & GST has led to consolidation, hence opportunity for large corporates & organised player with strong brand, customer franchises & development capabilities	▪ Focus Markets – Mumbai, Bangalore, NCR & Pune. ▪ Focus Segment – Mid Income & Premium Housing Residential Segment. With an opportunistic approach to commercial development. ▪ Capital Efficient, Asset light joint Development model.

The team has created landmark Commercial Projects.

Birla Aurora, Worli.

- 2.55 Lakh Sq. Ft. of Commercial Space
- Unconventional elliptical design
- 22 Storey Building



Birla Centurion , Worli.

- 3.5 Lakh Sq. Ft. of Commercial Space
- LEED Platinum Certified Building
- 13 Storey Building

Overview of 2 Buildings

- Superior Quality
- Strong execution abilities
- Assets 100% leased, commanding high rentals
- INR 150 Crore annual leasing revenue from assets.

Valuable portfolio of Owned Land parcels.

Asset / JDA Overview

Leasing

- Birla Aurora
- Birla Centurion

- Leasable area of 6.05 Lakh Sq. Ft.
- Rentals 150 Crore

Own Land Parcels

Plot	Area (Acres)
Worli Land	30.8
Kalyan Land	132.4
Talegaon Land	45.0
TOTAL	208.2

The company has an FSI of 13 Mn Sq. Ft. on its ownership land parcels out of which 5 Mn Sq. ft. FSI is in prime land at worli.

Joint Development NCR, MMRDA, Pune & Bangalore

NCR : MOU signed with M3M
LAND at Gurgaon : 5.18 Acres
Saleable area : 1 mn Sq. Ft.
Profit Sharing Deal

Apart from the above evaluating several deals of around 12 Mn Sq. Ft. to establish Birla Estate presence

2-3 deals targeted every year.

Hence development plan of 25 Mn Sq. Ft. in 5 Years, which require loan of Rs. 2000 Crore.

With a strong brand equity and national presence, Birla Estates is poised to capitalise on immense opportunities and focusing on becoming a significant player in the next 5 – 10 years.

Pulp & Paper

Step Towards more Focus on Growing Business ..

CTIL : Pulp & Paper

Industry Growth

- Total Demand 18.5 Mn Mt in 18-19.
- Total Supply Domestic 14 Mn Import 4 Mn.
- Top 9 Players cater 35% of the domestic supply.

Growth Driver

- Rising Income levels.
- Pickup in Education Sector.
- Growing Per Capita Expenditure & increasing urbanisation.
- Board requirement of better quality packaging for FMCG, Pharma, E-Commerce Products etc.

Advantages

- Strong presence in North. No other "A" grade mill is present in the north.
- Board -> largest share in North & 2nd Largest in India
- Tissue -> Increased usage in hospitality / household commodity. 50% tissue is being exported.

Pulp & Paper Business – Overview

Year of Installation	Product (Description)	Installed Capacity (in Metric Tons)	Production for the Year Ended 31.03.2018 (in Metric tons)	Capacity Utilization 2017-18
1984	Paper (wood)	37,250	49,375	133%
1996	Bagasse Paper	84,600	81,278	96%
2007	Recycle Paper (Waste Paper)	75,960	84,718	112%
2009	Tissue Paper	36,000	26,672	74%
	Total Paper Capacity	2,33,810	2,42,043	104%
1984	Pulp	31,320	36,589	117%
2012	Board	1,80,000	1,51,668	84%

Full Capacity Utilised on GSM Basis

- The business has grown its revenue at a 25% CAGR to Rs 2,229crs
- Highest ever EBITDA achieved at Rs. 485crs with 86% CAGR from FY 12 to FY 18.
- Business plans to improve growth in P&P with a capex of Rs. 300 Crore in 2 years period:
  a. Doubling the Tissue Capacity
  b. Outsourcing of Board & focus on value added product.
  c. Modernising the machines of paper plant to have required product mix.

Business intends to invest in building new capacities , focus on VAP's and modernise and upgrade plants to ensure growth in EBITDA

Textiles

Step Towards more Focus on Growing Business ..

Textile

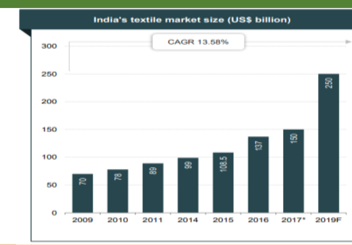
Strengths

- State-of-the-Art Vertically Integrated Plant (Fibre to Finishing).
- Birla Century Brand
- Fine spinning up to count 200 ne.
- Legacy of Textile for more than 100 years.

Advantages

- Increased penetration of organised retail, better demographics and rising income levels
- Abundant availability of raw materials such as cotton, wool, silk and jute
- Growing Exports Demand and direct catering to big brands in USA

Strong Industry outlook



- The size of India's textile market as of July 2017 was around US$ 150 billion, which is expected to touch US$ 250 billion market by 2019, growing at a CAGR of 13.58 per cent between 2009-2019.
- Govt. policy aims to achieve US$ 300 billion worth of textile exports by 2024-25

Source : Technopak, Make in India, News articles, Ministry of Textiles, Aranca Research

Textile Business - Overview

Year of Installation	2008
Installed Capacity (in Million Meters)	35.00 Million Meters
Production for the Year Ended 31.03.2018 (in Million Meters)	35.15 Million Meters
Capacity Utilization 2017-18	101%
Turnover 2017-18	633 Crore
EBITDA	51 Crore

Spinning

Weaving

Processing

Stitching

Business intends to maintain the current capacities and normal modernisation and upgradation of facilities will be done to ensure growth in EBITDA

Disclaimer

No statement in this presentation is intended as a profit forecast or estimate for any period and no statement in this presentation should be interpreted to mean that cash flow from operations, free cash flow, earnings, earnings per share basis for any of parties, as appropriate, for the current or future financial years would necessarily match or exceed the historical published cash flow from operations, free cash flow, earnings, earnings per share or income on a clean current cost of supplies basis for any of the parties, as appropriate.

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