CENTURY
Textiles and Industries Limited

REGD. OFFICE : "CENTURY BHAVAN", DR. ANNIE BESANT ROAD, WORLI, MUMBAI-400 030. INDIA.
TEL.: +91-22-2495 7000 FAX: +91-22-2430 9491, +91-22-2436 1980
E-Mail: ctil.ho@birlacentury.com Website: www.centurytextind.com
CIN-L17120MH1897PLC000163

OUR REF. : SH/XII/2021

09th November, 2021

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

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

Dear Sir/ Madam,

Sub: Q2FY22 Earnings Conference Call Transcript of Century Textiles and Industries Limited ('the Company')

With reference to the above subject, please find attached the Q2FY22 Earnings Conference Call transcript of the Company regarding the Earnings call held on 14th October, 2021 to discuss Q2FY22 earnings.

This for your information and record.

Thanking you,

Yours faithfully

For **CENTURY TEXTILES AND INDUSTRIES LIMITED**

ATUL K. KEDIA
Company Secretary

Encl: As above.

B K BIRLA GROUP OF COMPANIES

Century Textiles and Industries Limited
Q2 FY22 Earnings Conference Call
October 14, 2021

Moderator: Good day and welcome to the Century Textiles and Industries Limited Q2 FY22 Earnings Conference Call. As a reminder, all participant lines will be in 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. Now, I hand the conference over to Mr. Anuj Sonpal, CEO Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: Thank you. Good afternoon, everybody and a very 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 2022.

Before we begin, as mandatory, I would like to mention a short cautionary statement. Some of the statements made in today's Earnings Conference 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 by an information currently available to management. Audiences are caution 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, let me introduce you to the Management participating with us in today's earnings concall before I give it to them for opening remarks. We have with us, Mr. J.C. Laddha – Managing Director, Mr. R. K. Dalmia – Senior President of Century Textiles and Whole-time Director, Mr. JP Narain – CEO of Century Pulp and Paper, Mr. KT Jithendran – CEO of Birla Estates, Mr. Snehal Shah – Chief Financial Officer and Mr. Nilay Rathi – Senior Vice - President of Commercials. Without any further delay, I request Mr. Laddha to start with his opening remarks. Thank you and over to you, sir.

J.C. Laddha: Thank you Anuj. A very good afternoon to everyone joining us today. And it is my pleasure to welcome you all to the earnings conference call for the second quarter of financial year 2022. I hope that you and your family members are healthy and keeping safe. At outset, I'm happy to inform that in Q2 FY22 with a stellar performance especially across the manufacturing businesses supported by higher operating efficiencies and a good turnaround in the market sentiments which helps the company achieve its highest quarterly turnover in last two years.

Now, let me start with briefing you on the financial performance of our company on a consolidated basis for the second quarter of financial year 2022. The consolidated net sales for the quarter in the review 67% growth year-on-year, to Rs.998 crores from Rs.596 crores in the same quarter in the previous financial year. This was majorly driven by textile businesses grew by more than 100% with sales at Rs.261 crores from Rs.125 crores last year and Pulp and Paper business also grew by 64% with sales at Rs.686 crores from Rs.419 crores last year. The consolidated EBITDA for the quarter under review improved by more than 100% to Rs.133 crores from Rs.66 crores last year. This was again mainly driven by the textile business were EBITDA saw at turn around to Rs.7 crores from an EBITDA loss of Rs.15 crores last year and Pulp and Paper EBITDA grew by 115% to Rs.114 crores from Rs.53 crores last year. The consolidated net profit for the quarter also witnessed the major improvement to Rs.32 crores in the quarter from a loss of Rs.10 crores in the same quarter last year.

Moving on to the cash flow for the company. We had an operating cash flow of Rs.102 crores and free cash flow stood at Rs.53 crores for the quarter. As you can see overall this quarter we saw a healthy turnaround in financial performance especially in the paper and textile businesses. Sales as well as production for Pulp and Paper segment for the second quarter of the financial year 2022 operated at more than 100% and these the lifetime highest ever volume. EBITDA for this segment also improved with 16.6% margin compared to 12.6% last year same quarter. Capacity utilization in the textile business to reach 91% level and continuous increase in dispatches we were able to bring down inventory to normal level. Lastly for the real estate division, revenue remain stable.

Now let me take you through some of the key highlights across our three business verticals. First being the real estate business. In the month of September, we launched the second phase of Birla Vanya at Kalyan, we received strong response from the customers and we clocked over Rs.105 crores of sales in the first month itself. We achieved sustained sales of around Rs.200 crores during quarter two of FY22 and robust collections of Rs.76 crores from all the projects. On the bank of strong customer connect and outreach. Overall, we have achieved total booking value of Rs.245 crores and collections of Rs.124 crores in the first half of FY22. Our two commercial assets Birla Aurora and Birla Centurion continue to generate stable rental.

Talking about yet to launch projects, the approval process for the first phase at Century Mills, Worli and Magadi Road project in Bengaluru is progressing well. We have also received the building plan approval for our Magadi Road Bengaluru project and the launch preparations are ongoing. During quarter two FY22 we saw the gradual opening up of the country with the second wave of the COVID-19 pandemic and a significant ramp up of the vaccination across the country. This in turn significantly improve job security to robust hiring in the IT/ITes and financial sectors. And with record low home loan rates, and growing home ownership sentiment, supported residential housing demand as well. The economic activities expected to further gain momentum because of strong fundamentals over the coming quarters laid by favorable monetary conditions and improved customer sentiment due to festive season. The work from home and e-schooling realities have become the fulcrum of home buying decisions in the post pandemic world. The customer predisposition towards the branded developers with credibility, well designed apartment and project, superior location and reliable post sales activity will hold us in good state as a built up on our growth story over the coming quarters. On the ESG initiatives for the real estate business we continue our effort from our previous quarter benefiting 3500 nearby villagers with water for their crops and personal use by constructing a check dam at Adavali village near Kalyan, Maharashtra in collaboration with Rotary Foundation. Lastly, the business is fully committed to governance with robust compliances in place for its regulatory requirements.

Thanks now moving on to the Pulp and Paper segment. This quarter marked a major achievement for the Century Pulp and Paper. Highest quarterly sales and production volumes since the plant commenced operations 30 years back. During the quarter we observe various relief and relaxation measures in the country, resulting in the ground level situation improving gradually. Quarter two FY22 sales volumes grew by 64% year-on-year to Rs.686 crores and EBITDA grew by 115% to reach Rs.114 crores with overall capacity utilization above 100%. This was due to an improvement in demand for writing and printing paper, especially in the copier segment with opening offices and judiciary, which boosted retailers to build up stock for smooth supplies on increased consumption. The non-copier grade paper demand also improved with opening of educational institutions, including high school classes after a gap of almost 18 months. The Board segment continues to perform well with robust demand from pharma, FMCG, food packaging sector, and even uptick in demand from the non-packaging sector. Due to increase in input prices of wood and imported pulp during the quarter, multiple price increases were taken in the Board segment to cover our increased cost of production. Impact of these price increase will get fully reflected from October month. The rising awareness towards hygiene amongst general public further health by second COVID wave greatly enhance the consumption of tissue products in the quarter itself.

With regards to the new tissue plant. The same is still under stabilization, team from Sweden will be visiting in the current month that is in October 21 for the final time, we are hopeful of achieving full capacity utilization in quarter three of FY22. Improved medical infrastructure facilities in the country, and the aggressive vaccination drive has negated the earliest speculation the third COVID wave, and with most of the paper consumption points presented to open completely soon, the order flows are expected to remain stable or improving going forward. The shortage of containers globally has increased logistics cost which has impacted exports considering the present domestic and global economic scenarios short to medium term outlook for Indian paper industry appears to be flat or positive.

Now let me highlight on the various ESG initiatives undertaken during the quarter for the Pulp and Paper business. Started an initiative to collect dry pine tree leaves in the hilly areas of Uttarakhand, which cause wildfire and 65 metric tonnes pine tree leaves were processed in plant boilers during the quarter, which reduced our carbon footprint as well. On the social front, around 275 chairs and tables were provided to classrooms for students in government primary school and 40 toilets were constructed in the quarter at Bindukhatta & Shantipuri for poor people which benefits approximately 40,000 people. Also 30 hand pumps were provided for the drinking water at Shantipuri village benefiting about 3750 people.

Now, let us move to the textile division. I would request Mr. RK Dalmia, who is the Senior President of Century Textiles and the Whole-time Director of the company to give the key performance highlights over to you Mr. Dalmia.

RK Dalmia: Thank you Mr. Laddha. Good afternoon ladies and gentlemen and welcome to this earning conference call. In that second quarter of financial year 2022, domestic demand which remained subdued for a long time started picking up due to upcoming festive season and dispatches increased bringing down the inventories to normal level and the production increased by 35% against last year and the plant reaching 91% capacity utilization. The sales on the quarter grew by 109% year-to-year to 261 crore while EBITDA grew substantially from a loss of Rs.15 crore in that same quarter previous year to Rs.7 crore in this quarter. The order flows in the apparel segment was good, as normalcy attained after the vaccination drive.

Price trend was also coming upwards and we are expecting market to get stabilize even further. Home textile segment the margins were reeling under pressure with increased sea freight cost due to ongoing container shortages issue and with global brand emphasizing on high priced organic cotton and imported fiber. Raw material prices again started increasing, normalcy is expected for Q3 provided that new crop brings stability to cotton prices. With the new normal business is expected to increase with good demand locally as well as from the international market. Overall it is expected to be a good year for textile players in India. Further, I'm happy to inform that Birla Century is working on product development in various cotton blends using substantial options of viscose, polyester, etc. seems to be the new trend.

And lastly, let me highlight to you on various environment social governance initiatives undertaken during the quarter for textile business. We have successfully completed Foundation & Progressive level of “Supplier to Zero” certification of Zero Discharge of Hazardous Chemicals which confirms about our leadership in Chemical management. On social front, we installed oxygen generation plants at Sevarshram hospital, Bharuch which is sufficient to cater 30-35 patients at a time and classroom was also constructed in nearby villages.

Towards customer centricity, we adopted SAC sustainable apparel coalition, which are guidelines for improving transparency and traceability as sought by the global brand. Now, I handover the call back to Mr. Laddha.

J.C. Laddha: Thank you Mr. Dalmia. In conclusion the vaccination drive accelerates, we are hopeful of our continued performance. We can now open the floor for the question-and-answer session. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Venkat Samala from Tata Asset Management. Please go ahead.

Venkat Samala: Sir, my first question is with respect to margin. So, I understand that we have done very well across the segments when it comes to the top line. But then we also see a Q-o-Q decline in margins of about 150 odd bps, so I'm just trying to understand if you could give a segment wise color as to what has led to this decline and how should we as investors look forward to it and given the backdrop of, I know you've been taking some price hikes, is that good enough to sort of mitigate the pressures that we are seeing across this segment?

J.C. Laddha : Okay. So, if we talk about segment wise, in fact if we talk about Pulp and Paper business, the margins have gone up from last year same quarter the EBITDA margins were 12.6%, which is now at 16.6%. But what you say is right, it is still lower than the normal levels, which we had pre COVID. The main reason is basically the increased prices of raw material and other inputs, which we are passing on in the market. But there's always a time lag, when we procure and we produce and we are able to pass it on. So, I'm sure in the coming quarters, quarter three, quarter four, definitely these margins will go up. Even if you see textiles, the margins are much better than in the same quarter last year, they were negative. However, as of now in the quarter two FY22 the margins are positive, and going forward situation will further improve. Hope this answers your question Venkat.

Venkat Samala: To understand that while we are discussing about the demand scenario improving and also with respect to paper business, the mix would gradually be shifting to the stationary paper segment where the margins that we enjoy are usually higher due to the higher realization. So I'm just trying to understand that when will we get to that 20% odd mark at the console level, because at the top line we are already there but at the EBITDA level we still have some distance to cover. So I'm just trying to understand.

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

Snehal Shah : Venkat just to clarify, you were doing the EBITDA margin comparison on an overall basis. Textile and paper have shown improved margins, the reason why you're saying the lower margin on an overall level, because the EBITDA of real estate has gone down from last quarter. And which according to us is a good thing, because we have actually started spending on heightened activity. Therefore, the EBITDA is almost zero compared to what it was in the last quarter.

Venkat Samala: In terms of standalone level, we are seeing still margin of around 13, 13.5 which we used to do +20% pre COVID level?

Snehal Shah: Yes, in terms of paper business, JP will answer this question.

JP Narain: See, your question is valid right now we are in the range of 16.5%. And writing, printing segment has started moving we have taken, two price hike in that segment, but we have bought an order of the last month so you say the benefit will be coming, the impact will be coming in the price in mid of November or so. So in next quarter it should touch somewhere around 19% to 20% margin. And beyond that in Q4 it will further improve.

Venkat Samala: Okay. So basically then we can expect by Q4, if there are no more supply side pressures in terms of RM. At the current situation we expect the margins to normalize at the standalone level right?

JP Narain: Correct.

Venkat Samala: Okay, thanks a lot for that. And my second question is with respect to the increase in the inventory that we are seeing on a standalone level, which actually is taking a toll on the cash flow generation which is especially the cash flow generated from operations if I look at it it's negative 60 crores and that is despite the good EBITDA that we are doing. So, I'm just trying to understand and a large portion of that is to do with the increased inventory of around 400 odd crores so, what exactly is this?

JP Narain: Snehal can you answer this?

Snehal Shah: It comprises majorly of real estate development around whatever project we are completing now, as per IndAS, we have to do till the time we launch the project it comes in inventory only. So, it around 250 - 260 crore is towards real estate and balance as compared to previous periods in paper and textile, little bit inventory has increased.

Venkat Samala: Okay. So, that real estate business inventory also gets reflected in the standalone entity?

Snehal Shah: Correct.

JP Narain: Inventory in the Pulp and Paper business it's reducing very fast, it will be get through in the next month or so.

Venkat Samala: Right. And just to understand a little bit further on this real estate inventory on the standalone, is it like a transitory thing, and then whenever the projects are completed that will move to the other Birla Estate entity, that is the way to look at it?

Snehal Shah: So Venkat you have to understand right now the two major projects that we are doing, one is the Kalyan project and the other one is the Bangalore project. Now, particularly the Kalyan project is actually a land, which is in our parent books, so all that work that is happening is actually getting booked as inventory in the parent company. And you're right, absolutely once everything is over, this will be squared off. And therefore at that particular time, we'll be actually showing the EBITDA of the project itself.

Venkat Samala: Okay. So just because we are seeing impact of that in balance sheet, so what would be the real estate related expenses, which will be coming above the EBITDA level for the real estate business on the standalone segment?

Snehal Shah: So, right now what we are showing as EBITDA is basically the RE Lease rental income that we received from our two commercial buildings and that is the only EBITDA that is booked in the, correct me if I'm wrong, it's booked in the parent company, not in the subsidiary.

Venkat Samala: Okay. And against that, do we also book any expenses as a parent company?

Snehal Shah: Most of those expenses to run the commercial buildings, those are booked against that.

Venkat Samala: Okay. So, largely happens in the subsidiary level itself whatever expenses are there.

Snehal Shah: Yes.

Venkat Samala: Okay, thanks for that. And my last question is with respect to the MMF JV that we are undertaking with Grasim. So which stage are we in currently, have we decided on a land parcel or anything of that sort and what are the timelines for that, and are we thinking of getting any benefits from the PLI scheme for this project specifically?

RK Dalmia: Venkat to your question, land it will come in our existing facility of our textile factory. There we have a land and we will sub lease to the our JV. Secondly the PLI scheme, we will take the benefit of the PLI scheme we are eligible for that. And as our guideline there at the initial stage we are placing the order and the hopefully by the end of this financial year or by end of the June we will able to start the trial production it will take at least nine to 10 months to stabilize the factory, so by June next year we expect the result to start to pick up.

Venkat Samala: Okay. So, Q1 FY23 is when we expect the commencement of that particular project.

RK Dalmia: You are right Venkat.

Venkat Samala: Okay. And what would be the margin that we can expect from that particular segment?

RK Dalmia: 20% to 25%.

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

Pritesh Chheda: Sir, I have one question on the paper, what is the NSR movement beginning September and until now, because was that reflected in quarter two obviously the average for the quarter and there is a lot of NSR movement towards the end of the quarter, correspondingly whatever is the incremental NSR movement, how much of it do you think will slow down to your profitability?

JP Narain: We have got around 10% in terms of paper and 4% in terms of Board from beginning of September.

Pritesh Chheda: So, this Rs.58 NSR which you have reported in the quarter that should go up by whatever percentage you are mentioning as of now, until October right?

JP Narain: Yes, it will overall NSR moment will be somewhere around 2%, it will go for 59.5 because writing printing segment is 46%. And there will be a gradually increase for the entire, you can say the price is increase and impacted in earlier NSR mid of November.

Pritesh Chheda: Yes, so eventually at least eventually the NSR space there is a 10% price hike which has to flow down NSR right?

JP Narain: Yes.

Pritesh Chheda: Okay. And what is the corresponding increase in the cost of production if any?

JP Narain: Till now from last three months the 8% manufacturing cost has gone up. What we are anticipating is coal will not impact us so it's going to remain stable around 1% or 2% here and there. If any chance coal is getting impacted then the manufacturing cost may jump by another 3%.

Pritesh Chheda: So, you were saying it has gone up by 8% as of now in the last quarter?

JP Narain: Yes, in the last quarter.

Pritesh Chheda: Okay, it has gone up. But that 8% is already based in the last quarter P&L right?

JP Narain: Yes, it's already covered in the last quarter P&L. And that has gone nullified with increase in realization prices. So as input prices are going up same time we are taking a call to increase the prices in the margin for these products.

Moderator: Thank you. The next question is from the line of Nilanjana Roy from Ventura Securities. Please go ahead.

Nilanjana Roy: My question is regarding the project in Magadi Road, Bangalore. So, when is this expected to be delivered and what is the expected cost of this project?

KT Jithendran: The Magadi Road project is expected to be launched sometime in November waiting for its RERA approvals, once we obtain that we will start market activation, etc.. And then hopefully late November or early December is what you're planning to launch. The project is expected it's two high rise towers of about 30 story so it will take about 3.5 to 4 years for us to be delivered.

Nilanjana Roy: And the expected cost?

KT Jithendran: So, it's a project which will have a topline of about 600 crores around and we are expecting a 20% IRR there.

Nilanjana Roy: And the project into the JV in Golf Course Extension, Gurugram. So, even this I wanted to know when is it expected to be delivered by and what is the expected cost?

KT Jithendran: So, Nilanjana this is a project which will again be built in phases large project with about 1.8 million square feet. It's a project of about 1.8 million square feet, 200 crores so we have just launched first phase which is about 630 crores top line, it's a 50:50 profit share and now we are getting into the next phase of the launch. So, there will be a couple more phases so overall it should be done in about six years' time of which one year has gone so maybe another five years.

Nilanjana Roy: And what's the cost here?

KT Jithendran: Yes, so we are expecting about 40%, 45% of margins here.

Moderator: Thank you. The next question is from the line of Sanket B an Individual Investor. Please go ahead.

Sanket B: So can you tell us about your JV with Grasim?

Snehal Shah: Can you be a little more specific what you want to know we had earlier answered this question. So any additional things that you want to know?

Sanket B: Wanted to understand what this JV is about and what are the future prospects of it?

Snehal Shah: Okay. Dalmia would you like to answer?

RK Dalmia: Yes, JV is 50%:50% with the Century Textiles and Grasim and it is for the man-made fiber to knit specialized product which at present is very less available in the country and then the mainly import from China. So we want to develop and manufacture those products and on the quality side, so we want to develop this business further on MMF.

Sanket B: So, how big will this opportunity be for us and by when should something come in the books for the same?

RK Dalmia: Again, tell me I could not able to hear you.

Sanket B: So, how big will this opportunity be for us and when can we see revenue on it?

RK Dalmia: Revenue is around 450 to 500 crores roughly and margins will be between 20% to 25%.

Sanket B: Got it. And can I get a little update on the Century Mills Worli project like when is it expected to launch and how many phases will it be?

KT Jithendran: Sanket so, it will be in about three phases. The first part of the launch was the Worli East land, the first phrase will be in the range of about 8 & 8.5 lakh square feet. We are expecting this to be launched sometime in early January.

Sanket B: Okay and going forward the other two phases by when are they expected?

KT Jithendran: Yes, so largely this totally depends on how phase one gets sold and what velocity at what speed. So, based on that once we sell about 15%-16% of the phase one inventory we will start because we need variety for inventory we will gear up for phase two is to be another tower. So, I'm hoping a period of a year from the first launch.

Sanket B: Got it, thanks. And are there any other projects which are there in the pipeline which has not been mentioned on the presentation?

KT Jithendran: No, so whatever is there has been mentioned, Magadi is going to get launched, the project at Delhi it's next phases gearing up for launch, Kalyan another phase will come up for launch soon. So largely these are the projects which is being launched so work is going on at full swing. Of course, there are other parcels of land available with us but that will be at future, that will be at least a couple of years ahead. And of course we are looking at several new acquisitions/ JVs/JDs. So, once we sign it up, then we would be happy to announce them.

Moderator: Thank you. The next question is from the line of Shrimant Didoria, an Individual Investor. Please go ahead.

Shrimant Didoria: Just had a question and clarification in the paper segment wherein you mentioned that there has been an 8% impact on the cost and with the coal cost increasing that would be additional 3% increase in the cost and overall NSR on a blended basis would be an increase of 4%. So, is it fair to assume that the NSR has to still interrupt to cover up the additional increase in the cost, because it looks like about 11% increase in cost and about just 4% increase in NSR?

JP Narain: See, I told that there is a 8% cost already has happened, increase had already happened, 3% we are anticipating from right now that impact is not there because with the help off coal we are covered for next one month and during that one month if there will be any adverse effect then we have to go into a market and that additional impact will be there. But till now, we are not anticipating them because we are in talk with Coal India and we have a delivery due which is likely to get delivered after 18th. So, this is a lower possibility if this comes then we will take a further call to increase the prices in all our three variants tissue, packing board and paper.

Shrimant Didoria: Sure. So, with the price increases which has happened so far, most of our cost increase have been covered?

JP Narain: Yes, that has been covered.

Shrimant Didoria: Okay, secondly sir on the power generation wanted to know how much of our generation is based on black liquor or how much it is based on coal fired captive power plants?

JP Narain: We have got a 40% power related shift through renewable resources and 60% from coal.

Moderator: Thank you. The next question is from the line of Neerav Shah from GC Holdings. Please go ahead.

Neerav Shah: Sir just a question on the Worli project, any pending approvals that we are awaiting before the launch and related question is, what is the likely rate at which we plan to intend to launch that project?

KT Jithendran: Thanks Neerav, so as I mentioned all critical approvals are in place. So, there are a few routine sorts of approvals which are still expected from BMC, which we will be getting in the due course. But that will not stop the construction, but just for good order sake, we are awaiting for them so that by the time we launch, all the tick mark on all approvals are there. These are in the sense factory NOC, high rise committee clearance, etc. So all very routine, we will be applying for RERA now and then we are expecting RERA clearance in about a month's time. And then we will start warming up the market gearing up our PR and marketing activities, which should start from next month itself. Pricing, that's something which is still in the discovery process, I would not like to wager on that right now. We are once closer to the launch; we do a market discovery that time I would be more comfortable talking about that. But it should be in more or less the range in which market is in that area, in that micro market. So maybe once we get a more stronger hold after getting the RERA we do a bit more research, then I'll be comfortable talking about the price.

Neerav Shah: Got it and second question is, during which phase will we club the commercial part of that Worli project?

KT Jithendran: So, the first focus will be in launching the residential and collecting cash is very important, there is a huge amount of cash expect unlocking capital and cash unlocking expected from phase one, phase two launches. Once we get comfortable on that in the process there will be a very strong launch, so maybe in two to three years we will be in a better position to launch the commercial.

Moderator: Thank you. The next question is from the line of Tarun from Sunder Ispat Limited. Please go ahead.

Tarun Sonthalia: I had a few questions on the Worli project but quite a few questions have already been answered. But, I really wanted to know that seeing the rising steel prices, will that have an effect on the pace of the project which you're going to take forward?

KT Jithendran: Are you talking about steel prices?

Tarun Sonthalia: Yes, the steel prices and the cement as well?

KT Jithendran: No, not at all, be rest assured. Absolutely no impact but yes we will take care of that.

Tarun Sonthalia: Okay. So, are there any new projects which are in the pipeline which are going to introduce, like in different cities other than Bangalore and Bombay and Delhi?

KT Jithendran: So, we are working on several proposals and options. Hopefully before the end of Q3 and more particularly before the end of this financial year, I'm hoping that we will be able to announce a few projects, largely the markets that we are operating in at this time, we are completely focused on the stated markets, we need to consolidate in these markets but at least doing four to five projects, etc. Only then we will be looking at new cities, there is enough and more demand and activity happening in these four metro cities that we have mentioned, Bombay, NCR, Bangalore and Pune. So our focus will remain on these markets for the medium term.

Tarun Sonthalia: Okay. Also, one of my last questions is, will we expect any new JV announcements this year?

KT Jithendran: Sure. We are working on several of them once we sort of do proper due diligence and sign on them then we are happy to announce them. But till that, we are not sure there are several proposals. So once we sign on it then we are happy to announce.

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

Saket Kapoor: Sir, firstly coming to this part about this inflationary trend you mentioned that for steel and cement prices going up there is no impact. So, could you please dwell deeper what is our annual requirement in case of the real estate activities in terms of the steel uses that goes a rough estimate and how do we hit them?

KT Jithendran: Saket, so the point I wanted to mention is that usually we have escalation process, and we supply steel at basic prices. So, what we look at is the incremental increase and on a period of four to five years there are several cycles sometimes it comes down, sometimes it goes up for example, we had a basic price for Kalyan project around Rs.40,000 - Rs.42,000 per metric tonne when we started the project in between it came down to 36,000 - 37,000. Now it is at 50,000. So it keeps balancing out and we have an escalation budget we always keep so considering that, that sort of hedging is there with minimal impact.

Saket Kapoor: Okay it is the execution period that is higher, that is the reason.

KT Jithendran: Yes, so it even our period of four to five years. For example, I can tell you in specifically as in Kalyan even if our entire requirement is about 10,000 metric tonnes or so, the balance requirement so even if prices go up another Rs.10,000 the impact is worth 50 lakhs so that's the sort of thing, it's not going to impact so much.

Saket Kapoor: Correct sir. Now coming to my point with respect to firstly to the paper segment, there also coal prices are rising, so even chemical prices in caustic soda in particular, the prices have risen sharply so if you could give us some estimate what are the trends in the caustic soda prices and how is that going to impact that I've been moving up off literally?

JP Narain: Yes, especially coal is not impacting us because we have FSA agreement with Coal India and we have got a tie up, we have got a regular supply from them. So we are covered till next one month and during that month, if the scenario goes little worsen then we need to procure from the market then that impact will be there. And during that time, we can take a price hike in all of our three segments. In terms of chemical and other inputs, yes slight increase is there, caustic is around more than 20% price hike is there, but there is a reduction in some other chemicals also. So, if it is overall that together of all the chemicals, there is a 5% to 6% price hike is there. So we are taking care of that by increasing the price as and when it's required.

Saket Kapoor: And lastly on this quarter, our textile segment also there will be increase in import duty and also the cotton prices of all various varieties going up, however the margin is likely to look sir going forward?

RK Dalmia: At present the margins are under pressure because the cotton prices have gone up abnormally high both for imported as well as in domestic cotton. And the order placed by their retailers and the customers are well in advance of six months or a year in a home textile, particularly the U.S. market. All place order for a year and subject to revision is in very rare case or very abnormal situation. Now since the new order if retailers are ready to absorb the prices of increase in the fiber for next time. So we will be able to manage this increase in the cotton prices as well as the duty, because duty is already one year as far as when the duty has increased that are already has been accounted for.

Saket Kapoor: Okay. And my last point if I may be allowed sir, how is the revenue mix and the profitability contribution from the various segments are going to look say one to three years down the line, how is this contribution, currently it is the paper that contributed to the maximum, correctly me there. Going forward also sir depending upon the business plans and the expansion that we were taking, how is the mix likely to look and sir on the paper segment any update on the new education policy in fact, not much has been spoken about the new education policy being unveiled and how is that going to impact the demand scenario in the paper industry with printing of the new syllabus and stuff like that?

JP Narain: This year, the new policy is not getting implemented they have postponed to next year. The reason was that the trader has given the representation to the Government of India that they are holding a lot of inventory. So they have asked to liquidate whatever the inventory they were carrying and asked the government to postpone that for next year. And whenever that policy will come quite obvious there will be a shortage of paper across the country. Because all the textbook from all levels will be replaced with the new printings. So, the requirement will be quite high and there will be a shortage for a year or so.

Saket Kapoor: And how is this our industry prepared for it. So depending upon the capacity enhancement by you and other players especially in the printing segment and also sir with the non-availability of the reuse paper the import which used to happen from China, how are the things balanced for the paper industry as a whole and what advantage you and the other major players are in a position to enjoy going forward depending upon this mismatch in the demand supply situation?

JP Narain: Here you have asked two, three question so one in the recycle paper there is a disruption because last year there was a low you can say sale of 40% paper. So, India is normally consuming some 22 to 24 million tonnes of paper in a year. So, last year only 16 million tonne paper has gone into the market. So that is getting recycled and there is a shortage. So there is a big disruption specially sourcing of recycled paper. And right now the cost of recycled paper is very high and it's not feasible for the recycling industry to earn business, that is one. In terms of preparedness, in the normal scenario, there is a good amount of balance is there in the country. But still there are times when these disruptions are not being neutralized, because we need to improve the recycled paper that will neutralize the disruption of recycled paper availability. Then there is a disruption in coal, there is a disruption in chemical. So, till the time these disruptions are not being utilized, there will be uncertainty in this market and this industry cannot be add further capacity because, the demand of new book phasing will be only for one year. So, that will be gradually you can say the fulfilled by the industry manufacturing capacity and remaining year it will just stabilize.

Moderator: The next question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.

Niraj Mansingka: Thank you, I have few questions, one is the textile. So, there was in the last two quarters there was an increase in the cotton prices as well as the yarn prices and companies might have taken advantage of building lower inventory cost do you see, environment where the margins sort of textile will be compressed because of resilience in the passing small increase in prices compared to what should be needed to maintain the margins?

RK Dalmia: The cotton prices are abnormally high and expected to be stabilized in the coming month, because of new crop based on in the domestic market. As well as the imported fibers are concerned which is mainly in our case from the U.S. and Egypt, there also prices abnormally high. Normal retailers for the new order, they are gearing up to give the increase in the prices of the end product. So it will affected the margin in present situation also. But I don't think in future order, it will be affected so much as far as both in domestic as well as in international business of our textile business.

Niraj Mansingka: So just one hypothetical question, how much will be the price hike emitted by the customer, by you for selling customers to maintain the margin for last year?

RK Dalmia: No, for customer that like our retailers are ready to give at least 40% to 50% in such cases 30%, this is the price increase in the cotton and other input. As far as customers are there it depends on MRP, there price is also they will revise the MRP to meet our this cost increase.

Niraj Mansingka: Okay. So, the reason I'm deliberating here because generally this is one of the sharpest increase in the prices in the last few years. So wondering if your margin will compress or it will remain the same, that is deliberating on that?

RK Dalmia: This question I could not understand the question.

Niraj Mansingka: Sir, the thing is that I have not heard of any time when the retailers from other companies is going, will have increase prices from +10%, so just wondering that if that much price hike possible to pass on the higher cotton prices?

RK Dalmia: Because you see, earlier the cotton prices has not gone up to that extent. And apart from cotton prices other input cost like chemical and coal prices have gone up. Now, if retailers did not accept these prices, then they will not get the project. So, they have to go for that. They have no option because there pipeline is also divest. So, they have to place the order on the higher prices, otherwise they won't get the end product.

Niraj Mansingka: Right. So my question is on the paper side. Do you see because the syllabus has been moved year later so demand for writing & printing papers will still be muted for the month?

JP Narain: No, it will not be because there is a lot of the pipeline is completely empty right now, because they are not looking at the price and people were scared about the third wave. So they have not bought the material what they require. So now they have started while the materials are publishing as well as for the note books so demand is good enough and it's coming back. So, I don't see any reason for muted demand, especially for a year or so.

Niraj Mansingka: And then sir, lastly there will be the syllabus change which will have a two year of good demand is it right?

JP Narain: Very good demand yes.

Niraj Mansingka: And other thing on paper is that, considering the current cost and current prices are your margins higher compared to what it reported in last quarter, or is it same or lower from current prices.

JP Narain: It’s 1% higher, but I'm sure it will jump by further 2% by month of November.

Niraj Mansingka: Okay. So basically, we may have to take higher prices because what I understand is that caustic prices have increased further, but there is a monthly resell that they do, the company. So then there's a higher margin impact and the higher raw material impact which we have to incur higher prices. Is it right to assume that?

JP Narain: Yes because that price hike we had already taken, further impact it will gradually come in our NSR.

Niraj Mansingka: Okay, got it sir. Sir last question, the real estate side KT sir on the Worli project, what would the estimate of your spend in per square feet on average for the project. Okay, and my last question for Mr. Laddha. So now that the launch of the real estate is very close, and the company are a mix of a conglomerate due, do you have some thought internally how the corporate structure is all or there is a demerger possibility over the next two, three years?

J.C. Laddha: I would mention at this stage that as of now, there is no discussion on that, as and when that happens we will come back to you.

Moderator: Thank you. The next question is a follow from the line of Nilanjana Roy from Ventura Securities. Please go ahead.

Nilanjana Roy: My one question is on a consolidated level, do you have any guidance on the CAPEX for the next few years?

J.C. Laddha: Snehal can you take that?

Snehal Shah: On the CAPEX, our major expenditure is all going to be on the real estate. So, there is not major CAPEX planned in the textile business little which would be there would be mainly on maintenance or environment related and it would be made out of their internal cash flows of the division. Similar case with Pulp and Paper also, most of the CAPEX that they require through a certain extent to increase their capacity as well as improve their costing, etc., efficiencies, etc. that would be met out of their internal, to be roughly around is around 100 crores per year. Plus, we have kind of also kept in our plan the possibility of in case we get some good stress assets, etc. in small, stressed asset somewhere, we might probably attempt so, maybe we will probably spend another 200 crores on them over the next three years. So, roughly 500 crores you can say roughly spread over three years in the Pulp and Paper business. Coming out of their internal divisional cash flows. And most of the other things, we expect our post all that, all our divisions to generate at least 300 crores free cash flows, which will be properly used included in real estate business. I hope that answers your question.

Nilanjana Roy: Yes, just one question, the textile you said will be mostly maintenance CAPEX how much is that?

Snehal Shah: You can roughly say around maybe 20 crores at a higher side.

Nilanjana Roy: Okay. And the rest will be real estate?

Snehal Shah: I'm sorry, I said real estate would be up, this is 20 crores of the textile business will be coming from their cash flows. And once that is deducted from the cash flow the free cash flow available in of textile plus paper business would be roughly around 300 crores which we will use in the real estate business. I hope that helps.

Nilanjana Roy: Okay. So, this 300 crores will be over three years?

Snehal Shah: Of course, I'm just giving you kind of a ball park number, 300 also depends on what is their profitability, what EBITDA levels they achieve, etc. over the next three years, 300 can be 600 crores also.

Nilanjana Roy: Okay. And one more question on the Worli project the flagship project, what is the estimated cost of this project, the entire project?

KT Jithendran: So, cost is an estimate. So, we are looking at various aspects because we need to finalize costs. So, for example construction cost that will be construction area has about 6000 to Rs.7000 per square foot on the constructed area.

Nilanjana Roy: Okay. And this is expected to be completed by which year?

KT Jithendran: So, phase one should be in five years and overall project may take about 8 to 10 years for completion the entire Worli parcel.

Moderator: Thank you. We will take one final question from line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir my question was, which was pending firstly, what are the utilization levels for the paper for us and for the industry currently. And going forward, say three to five years down the line how are the revenue mix and the profitability contribution to the company from the various segments likely to shape up?

JP Narain: Right now, the plant productivity usage is around more than 100%, the manufacturing capacity is being utilized more than 100%. And, in terms of revenue mix Snehal can you answer?

Snehal Shah: Sorry, Sanket what was your question on the revenue mix?

Saket Kapoor: Sir, I'm looking at the revenue mix and the profitability mix going forward, say two, three years down the line when the expansion and the real estate projects will start really kicking in the estimate, how is that at that time the pie going to look for the company sir?

Snehal Shah: So, that's a good question. Right now, the pie is, if you leave aside the 5% pie that we have on the real estate business which is essentially the leasing business, we have 70% coming from paper business and the 25% coming from textile business. What is going to happen Sanket is that in terms of profitability, it would be very difficult for me to give you a pie on a consistent basis because the way the real estate business is that once the project is completed the entire profit of that particular project is within that particular year in which it is, in one year you suddenly have a big huge contribution from the real estate business. And if there are a couple of projects together then maybe in the next year when the project is completed you might actually have nothing to show on that front. So, it is very difficult to therefore tell you on a very consistent basis what the mix is going to be. But as far as I understand at least I can give you, if you take away the real estate business on an average we will continue to maintain this what you call it 70% & 25% ratio between textiles and paper business with a slight bias that the paper business turnover might actually increase and maybe go even to 75% or 80%.

Saket Kapoor: That accountant tissue part?

Snehal Shah: Yes, including the new tissue, I'm talking about the entire paper division, tissue business.

Saket Kapoor: Right. Sir lastly on the tissue business there is a new unit being commissioned now when is the commissioning expected to happen and what would be its contribution going forward and the ramp up will happen sir gradually or what is the process?

JP Narain: Right now, we are running on this at 70% efficiency and we were waiting the technician they had to come from Sweden they're likely to reach here by last week of this month and we are anticipating by end of Q3 the machine should run between 90% to 100%.

Saket Kapoor: Okay. And there is at least when you say that the 70%:25% will be the ratio for paper and the textile part and 5% would be from the real estate, currently what is the dependence of this real estate on the other segment I'm talking about the cash flow and also the working capital requirements is on a standalone basis the real estate segment can look after itself or it needs cash flow from the other two segments that will take care of the same**?**

Snehal Shah: Sanket, right now of course this real estate business is kind of dependent not just on the cash flows of the existing business, but also on borrowings from the parent company. But we expect the real estate business once it delivers couple of projects, say in a couple of years or so, it will be on its own and probably that is the time there was another question which was asked that would be the time when we will actually start thinking about if there is a need for any restructuring in conglomerate.

Saket Kapoor: Thank you sir. And our concentration is mainly towards the luxury segment and it is only to the Western and the Southern part of the country or the East is also an area where we are looking to explore the real estate segment?

KT Jithendran: So, currently our focus is on four metro cities, NCR, Bombay, Bangalore and Pune. So these four cities constitute about 80% of the residential real estate market 70% to 80% somewhere around that. And these are the most consistent market compared to any other markets, compared to East or other parts of the country. Therefore our focus will be on these four markets sometime to come until we stabilize and really establish ourselves very strongly in this market. So, beyond that, there are some great opportunities come up any of the new cities, etc. we will be open to it. As of now for the next few years it will be focused on these four markets.

Moderator: Thank you.

Snehal Shah: Anuj, can you check if Venkat is there I just wanted to give you a clarification on an earlier question that he asked.

Moderator: Sure sir. Sir he is connected you may please.

Snehal Shah: Venkat, just a small clarification you had asked me about the inventory question on a standalone basis. So actually the major increase in that standalone inventory is essentially for our Worli project where we have paid a premium of around +200 crores that is the reason why the inventory has gone up.

Moderator: Sir, he was there in the call. Thank you. I now hand the conference over to Mr. J.C. Laddha from Century Textiles and Industries Limited for closing comments. Over to you sir.

J.C. Laddha: Thank you all for participating in this earnings concall. In this quarter we have observed excellent performance and confident that coming quarters will be even better and will not get impacted by COVID-19 challenges. I hope we have been able to answer your question satisfactorily. And if you have any further questions or would like to know more about the company, would be happy to be of assistance. We're very thankful to all our investors who stood by us and had the confidence in the company's growth plans. And thank you Anuj for organizing this wonderful concall and with this, I wish everybody a great evening and great festival season particularly Happy Dussehra. 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.