

CENTURY Textiles and Industries Limited

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Listing Department
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Exchange Plaza 5th floor,
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Bandra (East), Mumbai-400 051.
Scrip Code: CENTURYTEX

Dear Sir/ Madam,

**Sub: Q3FY22 Earnings Conference Call Transcript of Century
Textiles and Industries Limited ('the Company')**

With reference to the above subject, please find attached the Q3FY22 Earnings Conference Call transcript of the Company regarding the earnings call held on 20th January, 2022 to discuss Q3FY22 earnings.

This for your information and record.

Thanking you,

Yours faithfully

For **CENTURY TEXTILES AND INDUSTRIES LIMITED**



ATUL K. KEDIA
Company Secretary

Encl: As above



Century Textiles and Industries Limited
Earnings Conference Call
January 20, 2022

Moderator: Good afternoon everybody and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors and we represent the investor relations of Century Textiles and Industries Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the third quarter of financial year 2022. Please note that this is a webinar format and if you would like to ask any questions post the management opening comments you can use the raise hand button which is at the bottom of your screen and at that point, I will announce your name and unmute your lines and you can then go ahead and ask your questions. Alternatively, you can also use the Q&A button at the bottom of your screen to post your questions there and I will ask the management these questions on your behalf.

Now before we begin as mandatory, I would like to mention a short cautionary statement. Some of the statements made in today's earnings call maybe 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 belief as well as information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now let me introduce you to the management participating with us in today's earnings call before I give it to them for opening remarks. We firstly have with us Mr. J C Laddha – Managing Director, Mr. RK Dalmia – Senior President Century Textiles and Whole Time Director, Mr. Vijay Kaul – CEO of Century Pulp and Paper, Mr. K T Jithendran – CEO of Birla Estates, Mr. Snehal Shah – Chief Financial Officer and Mr. Nilay Rathi – Senior Vice President of Commercials. Now without any further delay I request Mr. Laddha to start with his opening remarks. Thank you and over to you, Sir.

J C Laddha: A very good afternoon to everyone joining us today and it is my pleasure to welcome you all to earnings conference call for the third quarter of FY22. Firstly, I wish you all a Happy New Year and I hope that you and your family members are healthy and keeping safe.

The third quarter of FY22 was an excellent quarter in terms of operational efficiencies and turnover particularly in manufacturing business with capacity utilization saw a substantial

improvement driven by the better market sentiments. I am also extremely delighted to inform that the company attained a major milestone as we received all approvals for our much-awaited flagship project Birla Niyaara at Century Mills, Worli and we have now commenced prelaunch market outreach activities as well.

Now let me start by briefing you on the financial performance of our company on a consolidated basis for the third quarter of financial year 2022. The consolidated turnover for the quarter under review saw a 38% growth year-on-year to Rs. 1,050 crores from Rs. 758 crores in the same quarter in the previous financial year. This growth was majorly driven by both the manufacturing businesses with the pulp and paper business growing by more than 49% with sales at Rs. 731 crores versus Rs. 489 crores for the same period last year and the textile business also grew by 22% with sales at Rs. 263 crores versus Rs. 216 crores for the same period last year. The consolidated EBITDA for the quarter under review declined by 3% to Rs. 105 crores from Rs. 109 crores last year.

Please note the quarter of last year contains Rs. 28 crores of exceptional one-time income of interest on income tax. So, EBITDA is not comparable on a YoY basis. Without the exceptional income in Q3 FY21 the EBITDA has increased by 31% in the current quarter over the same quarter last year. The pulp and paper business EBITDA grew by 52% to Rs. 91 crores versus Rs. 60 crores for the same period last year and textile EBITDA grew to Rs. 10 crores from Rs. 1 crore for the same period last year. The consolidated net profit for the quarter declined to Rs. 12 crores from a Rs. 37 crores in the same quarter last year.

Moving on for the cash flow for the company wherein operating cash flow of Rs. 85 crores and free cash flow stood at Rs. 24 crores for the quarter.

Now let me take you through some of the key highlights across our three business verticals. Starting with the real estate business in Q3 FY22 we achieved sustained sales of around Rs. 34 crores with robust collections of around Rs. 69 crores from all the projects on the back of strong customer connect and outreach.

Overall, we have achieved total booking value of around Rs. 589 crores and collections of Rs. 193 crores in the 9 months of FY22. Our two commercial assets Birla Aurora and Birla Centurion continue to generate stable rentals as well.

As I mentioned earlier, we received key approvals commencement certificate and RERA approvals for our flagship Birla Niyaara project at Century Mills Worli and kicked off the launch campaign for Birla Niyaara with an exclusive red carpet event and the unique and innovative show with 300 dawns lighting up the night sky. We also launched Birla Tisya in Bengaluru which received a stellar market response from customers by clocking in more than Rs. 250 crores in just four days' time. Making it one of the most successful launches in Bengaluru in recent years.

The increasing demand in the overall real estate sector goes back by robust momentum in manufacturing and services sector, improved hiring in companies, positive market sentiments due to festive season and continued record low home loan rates led to the highest quarterly residential sales numbers in the top 7 cities since 2015. A strong Q3 FY22 clearly indicates that the real estate market is in route to recovery and a long term upcycle. I am also proud to announce that Birla Estates was awarded the “Iconic real estate brand of the year” at Times Real Estate Conclave Awards 2021 and “Best Brands 2021” at Economic Times Best Brands Awards 2021, Birla Niyaara was also awarded the “Iconic Residential Project of the Year” and “Iconic Residential Project Launch Campaign”.

Going forward the third wave of the COVID-19 pandemic could result in short term disruptions due to labor shortages at sites, although the demand fundamentals remained robust and would reinforce the idea of self-owned home being the center point of our lives. The Birla brand and the well-established digital channels will ensure our continued steady performance over the coming quarters.

Now moving on to the pulp and paper segment, the quarterly outperformance momentum of century pulp and paper continued with the business achieved the lifetime highest ever total production of 1,22,888 metric tons with an overall capacity utilization at 110%, in Q3 FY22 sales grew by 49% year-on-year to Rs. 731 crores and EBITDA grew by 52% to reach Rs. 91 crores while EBITDA margins for this segment also improved marginally to 12.45%.

The improvement in demand for writing and printing paper especially in the copier segment due to the opening of offices and judiciary systems boosted retailers to build up stocks. The non-copier grade paper demand also improved with opening of educational institutes including high school classes after a gap of about 18 months. The board segment continues to perform well with robust demand from pharma, FMCG, food packaging sectors and even uptick in demand from the non-packaging sectors.

Q3 FY22 saw a major impact on operational costs with a sharp increase in raw material prices that is wood, imported pulp, coal, chemicals, and increased freight cost due to containers unavailability.

Thus, to balance out costs, CPP undertook multiple price increases in all segments. All price increases have been absorbed in the market. I am also happy to announce that as against planned budget of planting 1 million trees in FY22 the company has achieved plantation of 1.5 million trees in 9 months of FY22 itself and planning to reach to 1.75 million trees by end of this financial year. Post detection of Omicron variant, short term market conditions for paper and paper products demand as well as its consumption are facing slowdown. Writing and printing paper demand is facing slowdown as government has not yet cleared its guidelines on new syllabus as a result book publishing segment will continue to remain under pressure. Major

tissue consumption centers are operational with restricted guidelines which may curtail tissue demand.

However, due to COVID-19 people are more hygiene cautious which will push tissue demand in the long run. Board demand continue to expand with good order flow from pharma, FMCG and food sectors. Export demand is also expected to remain good especially in the Middle East and Africa.

Now let us go on to textile division I would like to request Mr. R.K. 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 Mr. R.K. Dalmia.

R K Dalmia:

Thank you Mr. Laddha. Good afternoon, ladies and gentlemen and wish you all a very Happy New Year. In the third quarter of financial year 22 apparel demand was good in the domestic market as well as international market during Q3. China's supply disruption affected certain products, but with a domestic marriage season, the demand has picked up faster than expected. Bringing down the inventory to normal level and production increased by 10% against last year with the plant reaching more than 95% capacity utilization. The sales of the quarter grew by 22% year-on-year to 263 crores while the EBITDA grew substantially from 1 crore in the same quarter previous year to 10 crores in this quarter.

Unfortunately, the bed linen segment is going through tough time in US which happens to be our main market as inflation touched 6.8% in US (highest since 1982), thereby leading to consumers shift towards non-essential items. Furthermore, the late rains have delayed the cotton crop arrival resulting into unexpected rise in the raw material prices. Also, steep price increase observed in coal, power, dyes, and chemical and container cost which has further put pressure on the product cost by about 45% to 50%. Stability of raw material prices is most important. Market will have to absorb the new prices, but fluctuations in rates and demand is not good for the business. We expect stability by February in the market to have a better start for the next financial year.

Finally, I am happy to inform that we have successfully completed the Facility Social Labor Module of Higg Index which score 72%. The Higg facility social and labor modules measure the social impact of manufacturing across area such as wages, working hours, health and safety and employee treatment. This is the first time when FSLM score is verified by third party auditing agency Teks Tech to fulfill brand requirement. Now I hand over the call back to Mr. Laddha.

J C Laddha:

Thank you Mr. Dalmia.

Lastly let me highlight to you on the various ESG initiatives undertaken during the quarter.

The pulp and paper businesses has embarked on program to use wood bark as fuel in boilers after being fed to chipper which earlier used to be discarded. 1,278 metric tons of wood barks was used as a fuel in boilers which resulted in saving of approximately 543 metric tons of coal during Q3 of FY22 alone. On the social front repairing water proofing and painting work was done at government run Girls High School in Lalkuan and Adarsh Inter College Bindukhatta District, Nainital and 25 toilets were constructed during this quarter at Bindukhatta for poor people. Also, the toilet block was built in a government girl's schools at Badi which will benefit approximately 1,500 students.

Further developed the Ambedkar Park at Sanjaynagar Bindukhatta which will benefit around 10,000 people. In our textile business to our sustainable sourcing, we have taken one more step to strengthen our journey of manufacturing excellence by initiating to purchase wind power as a renewable power source. We have initiated to take 3-megawatt wind power per day from renewable power sources this will further help us in gradually decreasing carbon footprint.

On the social front, we are constructing a training center building at VGTK Seva Rural Jhagadia where the Plant is located. Key objective of this initiative is to setup a high-quality training center at Seva rural to impart training and improving technical skill in tribal community of nearby villages. This activity will also help us in getting trained workforce for our present setup as well as for coming new factory.

In our real estate division, we conducted campaigns on several safety topics like behavioral based safety, construction safety, management P&M operator, fire, and road safety. We also kicked off the project of ESG roadmap for Birla Estates, documentation is in progress for BREEAM precertification for Worli project. We initiated the air purification solutions for preventive measures to reduce air pollution impacts. We also carried out various initiatives for sustainable construction and water saving solutions.

In conclusion, we are proud of the many milestones achieved by the company during this quarter and are confident of continued performance in coming quarters. With that, we can now open the floor for the questions and answer sessions. Thank you very much.

Moderator:

Thank you. The first question we can take from Biplab.

Biplab:

Sir my question is on real estate the first question is you have done extremely well in the newly launched project in Bengaluru just wondering there is 290 crore and out of your 350 crore 290 crore is from the booking is from the Bengaluru project, so it looks like the sales booking from the remaining projects seems to be muted, is it the right way I am reading your sales booking, what is happening in other projects this is the first question?

K T Jithendran: You are absolutely right, we have almost run out of inventories of most of our other projects at NCR we have sold out entire inventory of our first phase. Kalyan we did extremely well in the previous quarter where we launched the second phase. As you know phase 1 is again an almost a sold out situation, we have sold about 50% of the inventory and the balance what you are seeing is basically Kalyan. So, basically then the one is this project as you know in Birla Alokya in Bangalore is also almost 75%, 80% sold out and now we are looking for a price revision etcetera so that we save the balance inventory closer to the launch, closer to the delivery. So, largely the impact has been because of the where the inventory was maximum because of Birla Tisya, so largely is driven by Birla Tisya.

Biplab: So does it mean that going forward what would be the next two, three quarters pipeline besides the Niyaara, do we have some visibility or we are focusing on Niyaara for the sales booking in the next going forward?

K T Jithendran: Birla Niyaara will be one of a prime focus in addition to that we will have a new phase of NCR coming. As you know of 2,200 or 2,250 crores we have so far launched only 600 crores odd. We have plenty more to come so that will be really a huge boost sale for Birla Estates and of course the new phase from Kalyan will also come up.

Biplab: And on the Niyaara can you give us some insight on what kind of response you are seeing I mean you have been taking EOI so how has been Niyaara response?

K T Jithendran: I am very happy to say that the response is very encouraging, and you know it is beyond expectations and we are hoping that once we start booking our sales in the month of February we will be able to announce good numbers.

Biplab: Sir one final question is on the business development just one question, if I may squeeze, on the business development how is the things on business development front, I mean yes Niyaara is your focus and we want to see Niyaara performing and that will give you a lot of leverage, but in general also on business development front could you give us some color where are we because last one and half years, two years we have not seen much business on business development I understand why, but going forward the next one year where do you see ourselves in business development front?

K T Jithendran: So, we are extremely focused on business development and expansive growth. Our key focus markets remain Mumbai, NCR, Bangalore and also Pune, we are very aggressively looking at these markets, but we do not want to tie up any deal which is not sound. At this point of time, I would be very happy to say that we are working on several deals and as soon as something gets finalized we will be very happy to announce them, but be rest assured that we are working very aggressively and positively on several-deals.

Moderator: Thank you. Next, I would request Mr. Venkat Samala.

Venkat Samala: Sir my question is firstly on Niyaara so you did mention that you are seeing very good response if you could also sort of give some color as to you had given an earlier guidance of 1,500 crores from this year right, so would you want to sort of revise it and are we good for 2,500 number for the next fiscal?

K T Jithendran: As I mentioned right now we are in the process of book building EOI building etcetera and we are quite encouraged by the response it is coming despite temporary setback because of the COVID lockdown etcetera so it might take a little more while for us to confirm our bookings and the exact numbers or guidance. I would be happy to let you know maybe in due course of time, maybe about a month later I will be in a much more firmer to give you a more firmer guidance.

Venkat Samala: But the FY23 number is kind of still intact and this again goes down to the linking with the same question that Biplab also asked I mean in terms of BD visibility we do not have much as on today and we just have to subsequent one phase each coming from Gurugram and Kalyan apart from Niyaara so that is the crux of my question?

K T Jithendran: As I mentioned that we are very aggressively working on new deals, and I completely understand your point. New deals are very critical to show sustained growth and we completely understand and we are totally focused on that.

Venkat Samala: Sir any reason why there is some kind of a delay I mean is it because the expectation from the landowners are kind of elevated seeing the pickup that everyone is talking about in real estate?

K T Jithendran: If you have seen the number of the new deals which has got closed in the last one year is not what it was in the previous years and largely because landowner expectations is definitely gone up and that is one reason and also we want to make sure that whatever we do we do it the right way. It is to the extent possible we would like to be a JDA joint venture. If it is a great opportunistic deal we do not shy away from an outright also. We are looking at new markets and also a lot of a focus is to get Niyaara off the ground, but as it may be right now our focus is completely on building new pipeline of business.

Venkat Samala: And just two more questions one is just related to the collections if I look at the collections in Q3 and compare that with Q2, so obviously the sales number is quite encouraging, but that has not really translated into improvement in collections, any particular reason?

K T Jithendran: That is very simple Venkat. This is basically the sales number is encouraging because they are launch sale obviously the collections will come with a phase lag so that you can expect in the next quarter.

Venkat Samala: So that improvement will be visible in Q4?

K T Jithendran: Absolutely.

Venkat Samala: And my last question largely pertains to the EBITDA margins so I think last quarter we did speak about improvement in the margins especially on the paper side and you also spoke about some of the price hikes that were taken in quarter and market seeing good reception and then you also spoke about margin expectations of maybe around 19% in Q3, so what has really changed between the quarter and I understand that you mentioned that since the raw material prices have gone up and to some extent you also been able to pass that on, so my question is how do we look at the margin trajectory knowing the prices where they are now largely on the paper segment?

J C Laddha: I think what has happened as I mentioned the pre COVID margin levels were definitely 20% plus however, continuously after first wave there was a second wave and when it was settling down and paper market was becoming better again there is a third wave. So, these ups and downs is really impacting our sales particularly of writing and printing paper. Definitely the margin for the quarter could have been better, but for increase in the raw material prices particularly imported pulp plus the logistic cost basically there is lot of disruption internationally on availability of containers. So, in my opinion the things are settling down and slowly, slowly it will improve, in my opinion, the current quarter also will have little impact of third wave, but after that we are hopeful that will be again going towards pre COVID margin levels.

Venkat Samala: So just as a small follow up so then are we likely to see more margin pressure in Q4 meaning is it likely to get more worse before improving or this is the bottom?

J C Laddha: No in my opinion it would not worsen only thing is we are hopeful of achieving good volumes. However, the impact of lowering or softening raw material prices will gradually come into the bottom line and off course there is lot of uncertainty about availability of containers. So, it all depends on external factors, but I am hopeful it would not worsen in Q4.

Venkat Samala: In what capacity utilization levels you are running the paper segment as off today?

J C Laddha: As off now in Q3 we are running at about 110% capacity utilization. Particularly the demand on the board is absolutely very good, even writing and printing paper was good, tissue definitely has been very good we have the additional installation of tissue capacity which is basically under trial runs, and we are running at 70%, 75%. So, in my opinion the capacity utilization for the quarter and going forward will remain good.

Venkat Samala: So, for current also we are running close to 100 is that right understanding despite the impact of phase 3?

J C Laddha: Yes, as off now.

Moderator: Thank you. Next question I will request Amit Srivastava.

Amit Srivastava: So I just want to chip in more on the same question which the Venkat has asked on a paper business, so last quarter if you remember in a call itself you have said during the Q2 our cost inflation is already factoring whatever increase has happened in raw material so it was around 8% increase and the price increase has come with a lag effect so that should benefit us during the Q3 so that was during the mid of quarter and again we were expecting a margin improvement whereas the decline is very sharp, so if the raw material increase has happened during the quarter was so sharp that we are not able to pass on and how the current prices versus the raw material scenario?

J C Laddha: In fact what you say is right that the raw material prices has further gone up and there was a added factor of disruption in the logistics the availability of containers globally and that really has increased the freight substantially. So, whatever we were hoping that did not happen though with the increase in the raw material cost we had increased the prices of the finished products as well multiple times, however that was not commensurate with the increase in the raw material prices. However, we are seeing the trend of raw material prices softening now in the month of January. So, I am hopeful that if the third wave does not impact the demand too much the current quarter would be much better.

Amit Srivastava: Next question to KT Sir, first of all congratulation for successful launch of Bangalore project which was remarkable and second sir in terms of the Birla Niyaara project which we have given in presentation we have area of around 2.4 million square feet enough for space which we are looking at 14 acres so that is giving a revenue potential of around 10,000 crore so implied realization could be around Rs. 41,000 so are we factoring the current prices, or we have been factoring the like inflationary scenario into the price first is that, and second is that after this 2.4 million area what is going to be remaining in a Worli considering we will have a commercial as well as one of the staff colony area will be there so if considering all these things how much will be remaining?

K T Jithendran: Largely you know overall I had in the previous call our conversations also mentioned that overall we have potential of almost about 5 million square feet monetized 5 million or thereabout if you monetize all of them the potential is close to more than 20,000 crore it will be ranging anywhere between 20,000-22,000 crores. Obviously, there is a price inflation price escalation I would say because this is a period of 10 years, 12 years and there are several infrastructure and many other price trigger points which is going to happen over a period of time. So, therefore there are price increases and based on that this whole business plan has been made. Yeah you mentioned right now we are launching the tower 1 which is about 8.5 lakh square feet then we will go with tower B, then tower C on a phase wise manner each time we will see the response how each tower is fairing in the sales market and with after certain amount of inventory is sold we will embark upon the next phase considering into what is the consumer changing demand, what kind of amendments we need to do in the design etcetera

and once we do this at some point of time when we have enough and more cash we will also start the commercial development of a million square feet and then of course as you very rightly mentioned the other side of the road where there are Worli West the labour colony start and the demand is very strong maybe we can do all these action even earlier. So, broadly that is the plan Amit.

Moderator: Thank you. Next question I would request Saket Kapoor.

Saket Kapoor: Sir as you have already informed that for the paper segment, we are already at the optimum level even more than that the utilization levels and also the realizations have moved up over quarter-on-quarter period. So, the impact of the increase in the raw material prices have the pass on happened or are we expecting more price increases if you could explain how are you explaining this decrease in margin for the paper segment?

J C Laddha: Saket you are right that there have been multiple price increases in all the verticals of paper business. However, we could not pass on the entire increase in the raw materials as well as logistics cost in the market particularly in the writing and printing paper segment. This definitely will happen gradually. We have to balance what market basically can absorb seeing the demand. In fact, we could have done better, but for this third wave which again has temporarily spoilt the sentiments particularly the schools are closing down, offices again working with the lower capacity. So, it is impacting overall once we see the improvement again the next wave comes and that really impact the sentiments. However, we feel that as far as volumes are concerned we will be definitely having the same volume or better than this. However, we will have to see how the imported raw material prices and logistics challenges which are there globally shapes up in the current quarter. So, we are keeping a close watch and as and when there is an opportunity definitely there will be further increase in the prices so that at least we can recover the increase in the variable cost at least.

Nilay Rathi: Sir one more thing in addition to what Mr. Laddha had said everyone is asking for paper it is from 82 crore to 60 crore it had gone down. So, it is 13 crores is one time income of EPCG reversal during last period. So, genuinely if we say apple-to-apple if we compare it is only from 69 to 60 crore only 9 crores had gone down it is not a huge amount it is a last time one time income had been booked in the books of account as the EPCG provisions. We have completed the obligation during last period that is why we have done reversal of some provisions. So, it is against 69 crores, 60 crores, 9 crores is towards whatever raw material prices we could not passed it to the customers.

Saket Kapoor: This reversal was for the second quarter or the last year December quarter?

Nilay Rathi: Last year December quarter.

Saket Kapoor: So, if we compare quarter-on-quarter say September to December there is also with the increase in the turnover the commensurate margins have gone down so that is totally on the inflationary part only that have played out?

Nilay Rathi: In last quarter I have said in July to September we had done one time reversal of EPCG provision because of completion of our obligation.

Saket Kapoor: What was the value sir 19?

Nilay Rathi: 13 crores.

Saket Kapoor: So, 13 crores need to be strike off to have the apple-to-apple comparison?

Nilay Rathi: Yes.

Saket Kapoor: Sir if we take the mix in the paper segment sir what should be the writing part issue and the packaging and overall, how is our integration, by what percentage are we vertically integrated from pulp to the finished product?

J C Laddha: See the mix of three verticals is about 45% is writing and printing paper, about 41% is the board and the balance is tissue. So by and large it is likely to be the same in the short term whatever plan we are making to improve the capacities further that perhaps will change the mix. We are also thinking of creating some flexibility in terms of converting the capacity of writing and printing paper that if the demand is not sufficient whether we can produce the board, so those experiments are going on. So, it will all depend on once we finalize our plan.

Saket Kapoor: You said 45-41?

J C Laddha: That is right.

Saket Kapoor: And sir for the vertical integration part by what percentage are we integrated from the pulp meaning how much we have to depend on pulp on imported pulp and how are the prices being for these imported pulp quarter-on-quarter?

Vijay Kaul: I think the tissue segment we are totally 100% on imported pulp and for board and for the paper segment we are totally on the domestic pulp which we may cover ourself.

Saket Kapoor: Sir please could you repeat it once again I miss it for the tissue?

Vijay Kaul: For making the tissue paper we are depending on the imports and for board and paper making process we have our own internal pulp.

Saket Kapoor: And lastly sir can you explain standalone and consolidated what is the difference from which the numbers are down on a consolidated basis lower numbers for the consolidated numbers wherein the real estate also we are posting PBT losses wherein on a standalone side there are profit, so if you could explain the reason rationale for the same?

Snehal Shah: The way it works is the numbers for the standalone includes the leasing income of our two building because they are housed in the parent company. So, we take income of the leasing in the standalone statement and when we add the losses basically are the overheads etcetera which are incurred by the real estate subsidiary so that actually is all expenses because as of now there are no income in their particular balance sheet. So, as you know the project EBITDA is to be added only when the projects are completed. So therefore, all those expenses which are incurred by the real estate subsidiary when it gets consolidated with the parent company the profit level-drop.

Saket Kapoor: So to have the clear picture we are looking at the consolidated number only just to understand what is the potential of real estate two, three years down the line when the projects will start kicking in the revenues will be booked, what kind of potential on grounds are can you give us a ballpark number how should we look at this segment because other than that the paper segment the textile segment we are able to get the utilization levels and extrapolate the same, but for the real estate part how should we see the clarity that what should we expect going forward from this vertical?

Snehal Shah: Saket the way everybody looks at the real estate business is basically you first look at whether our booking value is growing that is what are the sales that we are clocking. Then based on the booking value you have to see whether our collections are actually in line with the projected progress of the project. Now the question comes about profitability unfortunately the current accounting standards does not allow us to book the EBITDA for the profits of the business as we progress. You can only account for it once we get an OC for a particular project. So, most of the EBITDA would be lump sum closure to the time when we expect the project to get completed. For example, our first EBITDA of profit booking for the real estate business possibly will happen in the year FY24 when two of our earlier launched projects, which is the first phase of Birla Kalyan and Birla Alokya project in Bangalore will get completed and we will probably try to book. So then suddenly we will see a big EBITDA booking over there then again there will be full for couple of years or maybe a year and then again, we will start booking our EBITDA for the Gurugram project for example. So, accordingly that is how you will have to see, and I mean in terms of what you call it projections etcetera I think in terms of booking value there will be some guidance which the real estate business will keep on giving all of you from time-to-time.

Moderator: Next question let me take from Anurag Jain.

Anurag Jain: My question was more on the textile business so there was an opening comment made that the home textile of the made-up business in US is kind of seeing the slow down, so is this a

more recent phenomenon or because at least two, three quarters back we were witnessing a huge demand an enquiries from that segment maybe as a industry as a whole, so is this a recent phenomenon where we are seeing challenges in the US business on paid up?

R K Dalmia:

This is a recent development in the home textile business since two quarters particularly. Earlier after this lockdown when the market has opened in May in India also and US also demand was very good because at that time work from home was there and everybody was looking to change their home textiles at home to feel comfortable and lot of orders were there even it was very difficult to meet out the supply chain, afterward most challenges has come because of the container shortage and constraint at the port then all the company home textile send their goods they could not reach to the retailer on time because of congestion. So their shelf was empty and they could not sell. So, now they have a lot of inventories. First in their warehouses because of which the goods which were on the water and then the season has also gone down and because of this Omicron and further aggravate the situation the demand in home textile has dried up. So, this is the main reason total time and secondly as present the cotton prices has gone up so much it is around 100% as I said and top of that other cost of the container cost which has got last 21 months 374%. These are the challenges which home textile is facing because most of the home textile business cost to CIFA so in CIFA the cost comes to the seller and now it is difficult to pass on that and now that industry has started selling FOB and that the cost has increased on their part of the retailers. So, it is very difficult to pass on entire price on MRP and because of these challenges at present home textile market has dried up. So, hopefully in next few months, I am not saying next quarter, but in few months, it will again pick up.

Moderator:

We will take the next question from Alpesh Thacker.

Alpesh Thacker:

Just a small question from the leasing business so can you throw some light on the drop in leasing income and leasing rental this time so was it that there was some tenant renegotiation on the rental part?

K T Jithendran:

No, I think there is one of the clients in Birla Centurion who reduce his demand by one floor which is the coworking space were taken three floors I think the business was not doing well flexi of spaces. So one floor they got out of one floor so that is where slight dip in the leasing income that we are seeing, but currently in Bombay region the average vacancy rate is 22% and for us in our portfolio the vacancy rate is about 10% and the other redeeming thing is that at present we are talking to four or five of very promising clients for both our buildings where vacancies are there and if this current lockdown and prices does not go deeper I think we should be able to redeem our position.

Moderator:

Biplab if you can unmute yourself and go ahead.

BiPlab: I have mainly two questions on real estate and one small question on paper. K T sir one thing is the pipeline you mentioned in Gurugram, Bengaluru, Kalyan to be launched sir what would be in each of these project how much you plan to release in the next coming months or quarter?

K T Jithendran: So Kalyan we have launched about 370 plus 300 about 670 crore, 700 crores so the rest of the 400 crores, 430 crores we will be launching either next month most probably this quarter itself because we have all the approvals we are just waiting for the right environment because current COVID things etcetera it is not the right time, but once we get the right time we are all ready for the launch so that is about Kalyan. In Navya again we have got the approvals we are waiting for the RERA clearance. So, this parcel will be about 200, 300 crores this 350 crore or so this parcel and then of course next year we will be launching a large big chunk that will be close to about 900 crores.

BiPlab: And there is no new launch at Bengaluru?

K T Jithendran: So Bengaluru, I think both these projects that we have we have fully launched it now because these are relatively smaller size launches so we have completely launched it and the sustenance sales will go on.

BiPlab: And sir if we assume that you have received significant response in Niyaara so does it mean that you will launch I do not know I properly recall somewhere you told that you would be launching the second tower once 50% is sold, so if you have that kind of sales do you see another tower launch second tower launch say in next 6 months or so in Niyaara?

K T Jithendran: Difficult question to answer today, 6 months definitely looks too short we need to first confirm the sales of this, we need to take the customer feedback etcetera into consideration for any amendments, design etcetera, we have to go through the approval process so it will take more time than that.

BiPlab: And second tower will be another 0.9 million square 0.85, 0.9 million square feet?

K T Jithendran: Must be roughly around that.

BiPlab: My final question is on the paper business sir just wanted to understand the paper business what you have given increase in revenue and there is a margin squeeze I am just trying to understand how do I see this number, sir the increase in revenue is because of the volume increase I might have missed all it is because of cost inflation you have increased the price does the revenue has shown growth so this is my question what is the reason behind the revenue, is it because of the volume and price or just price increase in the paper business?

J C Laddha: So you are right Biplab this is coming from both the volumes as well as the price increase both are contributing to this and as far as margin is concerned as I said that it is very difficult to pass on the total input cost increase which is settling down and as you know that were we are depending on the imported material it takes time to come in and once we consume that the impact of that will come only after that. So basically, it is a mismatch between the increase in the input cost and our ability to pass on that at the same time, does that answer your question.

Biplab: Sir you mentioned the capacity utilization and since the volume also seem to have increased, so beyond this if the volume the demand keeps on coming so what will happen because you have 110% capacity utilization in paper, so do you outsource the incremental demand in terms of volume how do you want to tackle or you are planning for CAPEX in the same?

J C Laddha: So, there are two things one is of course we are increasing the tissue capacity by 36,000 metric tons which perhaps will happen by the end of this year. So, the capacity will increase from 4,50,000 to about 4,86,000 metric tons. There will be some low-cost debottlenecking which our business is looking for and of course we are also trying to create the flexibility between the capacity which we have on paper whether we can switch over to board as and when required depending on the economics. So, all these factors definitely will contribute to that and of course there is no plan of having a large CAPEX investment, but definitely whatever is required little bit definitely we would take care of that. As far as CAPEX is concerned as we mentioned it will be in the range of about 100 crores per year for next 3 to 5 years roughly.

Biplab: And this CAPEX is increasing that total capacity as you are increasing, or it is just a enhancement or maintenance kind of CAPEX?

J C Laddha: It is both, actually one is the CAPEX which we are spending which will lower down the variable cost it will be improving the margins based on that and wherever there is a possibility of the debottlenecking we will have to spend little bit money and increase our capacity to the extent possible.

Snehal Shah: Biplab just a small addition I guess you are trying to compare the quarter-on-quarter volumes and price right? To answer I think in terms of total volumes I think the volumes of last quarter were 116,000 tons which is more or less what we sold in this quarter also on the overall basis. Number two what happened was we sold less of paper and more of tissue and also because of that mix and the increase in price realization is what has taken our sales higher.

Moderator: Thank you. Next question I will take from Dhiral Shah.

Dhiral Shah: Sir my question is again on the paper side so particularly on the packaging board side so we have seen one of the largest player in the paper industry have recently commissioned its packaging board facility so wanted to know does it will have any impact on the demand supply

economics and what is the annual demand of packaging board in India and how is the supply scenario right now?

Vijay Kaul: The point is recently the capacity increased by JK Paper yes it will be about 15,000 tons a month which they have increased and today our capacity is about 15,000 tons a month and there are certain other capacities also prevailing in India, but the demand for the paper board is quite high both internationally and domestically and by the time they achieve their capacity we would have also rather increased our capacity from 1,80,000 tons to about 200,000 tons by next year. So, the demand for such things are growing and it is already growing at the rate of more than 10% to 12%. So, we see that there should not be any issues in fact paper board was being imported into the country in a very huge quantity that imports will stop into this country that is all. I hope I have answered your question.

Dhiral Shah: So, what is the annual demand of the paper board if you have any explanation for that?

Vijay Kaul: It is more than about 600,000 tons.

Dhiral Shah: Per year.

Vijay Kaul: Yeah 600,000 tons per year.

Dhiral Shah: And sir how is the import in that so how much Indian players are supplying and what is the import?

Vijay Kaul: As I told you earlier the import was there that is why JK Paper went through increase the capacity by 180,000 tons in a year. So around 2 lakh tons was getting imported into this country, but in the meantime during the recent because of this pandemic the demand for board has gone up because so many things which the FMCG businesses which has grown up like anything during the COVID time they require this board for packaging purposes so that is why the demand has gone up and even the food deliveries because the food deliveries have gone up which was not there earlier. So, demand in food segment has also gone up. So, the consumption of board has increased more than I would say 20%, 30% during this last one year.

Dhiral Shah: So, it will not disturb the overall paper packaging board industry?

Vijay Kaul: No not at all.

Moderator: Thank you. Unfortunately, that is all the time we have for today. I will request Mr. J C Laddha to give his closing comments. Over to you, Sir.

J C Laddha: So, thank you all for participating in this Earnings Concall. In the current quarter we have observed excellent operational efficiencies and turnaround on the back of improved market sentiments. We are hopeful in Q4 FY22 third wave of COVID-19 will soon subside with marginal

impact on the business. Going forward I am confident that coming quarters will be even stronger in lieu of the robust business fundamentals and market dynamics. I hope we have been able to answer your question satisfactorily. If you have any further questions or would like to know more about the company, we would be very happy to be of any assistance. We are very thankful to all our investors who stood by us and had the confidence in the company's growth plans and with this I wish everyone a great evening. Thank you and stay safe. Thank you very much.

Moderator:

Thank you everyone. Thank you, Management.