

# CENTURY Textiles and Industries Limited

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OUR REF. :

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Corporate Relationship Department  
**BSE Limited**  
1<sup>st</sup> Floor, Phiroze Jeejeebhoy Towers  
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**Scrip Code: 500040**

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

Dear Sir/ Madam,

**Sub: Transcript of Q1FY23 Earnings Conference Call of Century Textiles and Industries Limited ('the Company')**

**Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')**

Pursuant to Regulation 30 of Listing Regulations, please find attached transcript of the Q1FY23 Earnings Conference Call conducted after the meeting of the Board of Directors of the Company held on 26<sup>th</sup> July, 2022, for your information and record.

The above information is also available on the website of the Company:  
[www.centurytextind.com](http://www.centurytextind.com).

Thanking you,

Yours faithfully

For **CENTURY TEXTILES AND INDUSTRIES LIMITED**



**ATUL K. KEDIA**  
**Company Secretary**  
Encl: As above





# “Century Textiles and Industries Limited Q1 FY 23 Earnings Conference Call”

**July 26, 2022**



**MANAGEMENT:**

**MR. J. C. LADDHA - MD, CENTURY TEXTILES AND INDUSTRIES LIMITED**  
**MR. R. K. DALMIA - SENIOR PRESIDENT AND WHOLE TIME DIRECTOR, CENTURY TEXTILES AND INDUSTRIES LIMITED**  
**MR. SNEHAL SHAH - GROUP CFO, CENTURY TEXTILES AND INDUSTRIES LIMITED**  
**MR. K. T. JITHENDRAN - CEO, BIRLA ESTATES, CENTURY TEXTILES AND INDUSTRIES LIMITED**  
**MR. VIJAY KAUL - CEO, PULP & PAPER DIVISION, CENTURY TEXTILES AND INDUSTRIES LIMITED**  
**MR. NILAY RATHI - SENIOR VICE PRESIDENT, COMMERCIAL, CENTURY TEXTILES AND INDUSTRIES LIMITED**

**MODERATOR:** **MR. AMIT SRIVASTAVA - BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**



**Moderator:** Good morning, ladies, and gentlemen. Welcome to the Century Textiles and Industries Q1 FY'23 Earnings Conference Call, hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Srivastava from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

**Amit Srivastava:** Yes. Thank you, Gizel. Hello everyone. On behalf of B&K Securities, welcome you all to the 1Q FY'23 earning conference call with the management of Century Textile. We have with us the top management of Century Textile management is represented by Mr. J. C. Laddha, MD; Mr. R. K. Dalmia, Senior President and Whole Time Director, we like to congratulate him for getting promoted as MD; Mr. Snehal Shah, Group CFO; Mr. K. T. Jithendran, CEO, Birla Estates; Mr. Vijay Kaul, CEO, Pulp & Paper Division; and Mr. Nilay Rathi, Senior Vice President, Commercial.

I would like to thank the management for giving us the opportunity to host the earnings call. We would start the call with opening remarks from the management, which will be followed by Q&A. Over to you, sir.

**J. C. Laddha:** Thank you. A very good morning to everyone joining us today. It is my pleasure to welcome you all to the earnings conference call for the first quarter of the financial year 2023. Let me start by briefing you on the macro environment before moving onto the performance of the quarter in Q1 FY'23.

Although the financial year started off with high commodity prices, but later we witnessed some cooling down in some of these prices, which brought a bit of respite. Other sectors on a macro level, such as the falling retail sales, consumer confidence at 70-year low, and the ongoing geopolitical situation are matters of concern.

Global growth is projected to slow down from an estimated 6.1% in 2021 to 3.6% in 2022, as well as 2023. Despite these disruptions highlighted before, Century Textiles and Industries witnessed a strong consolidated performance. Our real estate business saw steady sales due to a sustained demand momentum with Birla Niyara project sales reaching 58% of the launched inventory in less than 6 months of launch.

The Paper segment is witnessing improved demand and higher net sales realizations, although rising input costs remain a concern. Innovative cost-effective product launches lead to increased production, sales volumes, and turnover in the Textile segment, although input costs pressures played a dampener on the margins.

The financial highlights for the first quarter of the financial year 2023 were that the consolidated turnover grew by 41% year-on-year basis to INR 1,172 crore due to a significant demand revival in both the manufacturing businesses of paper and textiles, the Pulp & Paper business grew by 49% and Textile business grew by 31% Y-o-Y.

The EBITDA for quarter 1 FY'23 grew by 22% Y-o-Y to INR 143 crore with consolidated EBITDA margins of 12% and the net profit after tax stood at INR 45 crore, which grew by 80% Y-o-Y.

Now let me take you through some of the key highlights across our three business verticals. Starting with the Real Estate business, in Q1 FY'23, the real estate market was stable in line with seasonal trends and although the repo rates were increased twice during the quarter to bring it to 4.9%, home loans remain largely affordable. On a broad level sustained infrastructure investments increased connectivity and better job opportunities in the metropolitan cities have pushed the real estate demand throughout the country, buyer confidence remained positive due to stable overall economic scenario.



The relaxation in restrictions after the short-lived Omicron wave in early 2022, along with significantly improved vaccination rates have also uplifted the commercial sector. For the quarter under review, the revenue for this segment stood at INR 33 crore, sales for the quarter were INR 434 crore as against INR 45 crore in the same quarter of the previous financial year. Collections for the quarter stood at INR 135 crore with a growth rate of 179% Y-o-Y.

As you may all be aware recently in February 2022, we launched our Birla Niyaara project and within less than 6 months, we have achieved sales of almost INR 1,600 crore or about 58% of the launched inventory. We saw sustained sales at all of our already launched projects, namely Birla Niyaara at Worli; Birla Vanya at Kalyan; Birla Alokya and Birla Tisya at Bengaluru, underscoring the strong customer confidence in our brand and the product.

The construction work is at full swing at all these projects with strong focus on safety, quality, and timely delivery. I am happy to inform you that we have completed a total of more than 10 million safe man hours at all our under-construction projects. We also implemented robotic process automation in procurement, lead management and customer centricity processes, which will reduce turnaround time of tasks, reduce errors, and improve overall customer experience.

Overall India's real estate sector outlook remains positive backed by residential upcycle buoyed by high absorption and low inventory scenario, sustained demand momentum and ongoing consolidation trends. We are in a prime position to ride with upcycle, with our best-in-class governance standards and access to institutional funding.

Now moving on to the Pulp & Paper segment. Although demand revival continued in the first quarter of the financial year, rising input costs continued to put pressure on margins. For the quarter we achieved a production of 116,394 metric tons with an overall capacity utilization, at 97% with sales volumes of 107,655 metric tons. In quarter 1 of FY'23, our net sales grew by 49% Y-o-Y to INR 857 crore driven by higher volumes and better net sales realizations, while EBITDA grew by 40% to INR 134 crore with EBITDA margin of 15.6%.

Average net sales realization trend has shown consistent increase quarter-on-quarter primarily due to rising input costs like coal, wood and imported pulp. Multiple price increases were taken across product categories to balance increased input cost pressures due to which our average realizations improved by 15.4% versus quarter 4 of FY'22. Demand for writing and printing paper was low in the month of April and May due to seasonal holidays in education sector, but it picked up in June due to the government tenders in the market. From 1st July onwards, Central Government's decision to put a complete ban on single use plastic products has increased the demand and market size for cup stock and grade paper.

The Tissue segment continued to witness improved demand due to opening of tissue consumption centers. We added in our list of traditional export markets, Spain and for this quarter, major part of the volumes came from export demand. New tissue plant, that is TM-7, is still under stabilization. Demand for board was good but started softening in June mainly due to slowdown in pharma and FMCG sectors.

Globally post slowdown of COVID-19 impact, paper and paper products demand as well as its consumption started improving. Therefore, this segment short- and medium-term market conditions look positive.

Now moving on to the 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 you Mr. Dalmia.

**R. K. Dalmia:**

Thank you, Mr. Laddha. Good afternoon, ladies, and gentlemen. For the first quarter of financial year 2023, the business performance was better as compared to the first quarter of financial year '22, as regard to production, sales, sales turnover and although invariably high input cost kept margins low.



On sales grew by 31% year-on-year to INR 268 crore, while the EBITDA stood at INR 1 crore. In apparel fabrics overall demand was good in domestic and international market. However, the cost remained inflated due to high cotton cost, high cost of power and steel, etc, which has affected the margins. In Bed Linen segment, our main market is U.S., which is going through tough time because of high inflation and consumer confidences at very low level. In addition to it the stocks got piled up due to delayed logistic and high booking in the last year by brands, as a result, the market as a whole is experiencing a low demand and it will take few months for them to come out from the current situation.

To resolve this situation, we have started exploring other international markets, further in domestic markets last quarter, we launched the Hill & Glade line of home textile products range in Retail segment. We are receiving good response for our products by dealers and customers. There is a lot of market uncertainty, which is expected to normalize by H2 of financial year '23. Our focus is on cost effective and innovative development. Thank you. Now I hand over and call back to Mr. Laddha.

**J. C. Laddha:**

Thank you, Mr. Dalmia. Friends, lastly, let me highlight to you on the various environment, social and governance that is ESG initiatives undertaken during the quarter. In our Real Estate division, we completed our submission for obtaining an assessment by GRESB, that is Global Real Estate Sustainability Benchmark which scores and benchmarks ESG data. This will help benchmark and showcase our commitment to the environment internationally. On the social front, during the IPL season, we increased our interactions with our customers through our customer engagement event, titled as Predict and Win. And we also had an event Lose to Win, which is an initiative to improve employee fitness. In the Paper division, we did some interesting work on the ESG front like collection of about 54 metric tons of fallen pine tree leaves called as Perul, which has high chances of causing wildfire during the summer season, which would be used as a fuel in our boilers.

In Haldwani, we built 12 catchment area with total capacity of 2.3 crore liters, which initially will recharge the ground water reserves. And when needed it may even serve as a source of water for wildlife. We also renovated a government primary school at Bindukhatta, which includes repair of building and boundary wall paintings, etc. And we set up four hand pumps in the same region to provide safe drinking water to the nearly 150 residents.

Under our Textile division, we scored 90.2% in recent Higg Index audit for Facility Environment Module 2021, which is the highest score in our journey of Higg Index implementation. This index will empower our business to make meaningful improvements that protect the wellbeing of factory worker, local communities, and the environment.

On the social front, we organized women's health and hygiene camp in Fulwadi and Talodra Villages nearby Birla Century plant to spread awareness about women's health and hygiene among tribal women and the nearby villages. This initiative involved distributing sanitary napkins to around 1,400 women in these villages. And lastly, on the governance front, we have received our new certification, FT-USA towards social responsibility. This fairtrade certification will serve the Home Textile business segment related to U.S. market for customers like Macy's, Williams Sonoma.

In conclusion, we are proud to start this year on a strong footing, despite the macro headwind. The focus remains on managing the inflationary input cost scenarios.

With that, we can now open the floor for the question-and-answer session. Thank you very much.

**Moderator:**

The first question is from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.

**Biplab Debbarma:**

So, sir, my first question is on the real estate. So almost all of the projects in Gurgaon, Kalyan substantially sold out, but we didn't see any launch of new phases in these two projects. So what's the company's thought process here? Are you planning to launch new



phases here and in this, or you are planning in second half of this year, just trying to understand how you're going to go about it?

- KT Jithendran:** Hi, Biplab. Thank you for your question. Yes, so we were actually planning to launch new phase in Kalyan and a new phase in NCR for Birla Navya. What happened was that because of the delay in approvals, etc, that got delayed. However, we did launch Kalyan. Now we have launched, the last phase of Kalyan, which is in the pre-launch stage right now, market warming is happening. In Navya, we are still awaiting the RERA clearance, in NCR it takes huge amount of time. So, we are quite confident that when it gets launched, we'll do very well. We got part RERA for a small portion, the other portion we're expecting the RERA clearance to come any moment now. As soon as we get this, we will be launching that phase fully. So, I'm pretty confident that this quarter we will be launching the Navya phase and Kalyan also we will be showing some traction because of the launch of the last phase.
- Biplab Debbarma:** Okay. Sir, so basically Kalyan you have done pre-launch, right? Or you have formally launch?
- KT Jithendran:** Yes, premarket warming, this channel partner warming up, etc. That is started. We have all the approvals we have started in full swing.
- Biplab Debbarma:** And just one more thing on this, on real estate. Sir, have you finalize a contractor for Worli?
- KT Jithendran:** Yes. We have finalized a contractor for Worli now. We have given the contract to Leighton from Australia. They're going to be the structural contractor.
- Biplab Debbarma:** Thank you, sir. Now one question on paper. So, we have seen demand improvement in terms of sales value, and the realization in overall paper business. But if you compare the quarterly numbers, last three quarters with this quarter, the sales volume is down. And so, anything to read into it, or am I reading it correctly? The sales volume is down. Your sales value is up, your realization up, your margins are also going up. So how to read into it?
- Snehal Shah:** Basically, what has happened is from this financial year, we have changed the basis of sale from earlier when we used to do X factory, we have changed it to FOR basis. So earlier when we used to record the sales as it happens, now we have to record the sales based on the receipt of material at the customer's site. So therefore, just for this quarter, because of that difference, we have not been able to take cognizance of sales of roughly around INR 25 crore to INR 30 crore and on which our roughly margin would've been about INR 4 crore to INR 6 crore. But then from next quarter onwards, it'll get regularized, because then it'll fall into a proper cycle. So, since it is the first quarter, when we have made the change, there has been a little understatement of the sales because of that.
- Biplab Debbarma:** So basically, you're saying sales volume also increased?
- Snehal Shah:** Yes. Sales volume has actually gone down, primarily because we had certain breakdowns, our production was a little lower, that is why, if you see, we have not been able to achieve the same capacity utilization that we did in the last quarter of previous financial year. So, we had certain breakdowns, so there was a lower production and hence there was a little lower volumes. But I think because of the higher NSR we could record almost closer to the sales figure.
- Biplab Debbarma:** Okay. Sir, last final question on this, is it possible to go back to more than 20% EBITDA in paper in this financial year?
- J. C. Laddha:** Kaul sahab, you want to take that answer?
- J. C. Laddha:** I will just take that. I think for the current year, as the input costs are very high, definitely it'll be difficult, but will be around that little less than 20%. So, we hope to catch up to almost 18% by this year end.



- Moderator:** The next question is from the line of Saurabh Dutta from Minerva India. Please go ahead.
- Saurabh Dutta:** As of now, how much of Century's BCTMP sourcing is imported and how much of it is produced in-house?
- J. C. Laddha:** Kaul sahib, you want to take that?
- Vijay Kaul:** We do not make any BCTMP pulp in Century, so whatever we consume is 100% imported.
- Moderator:** The next question is from the line of Raj Nahar from Mili Consultants. Please go ahead.
- Raj Nahar:** My question is, how is the current market scenario of paper? Because we seen that there is a two, three price increase in July already taken, but that can take care of cost increase. Now coal cost is also coming down, caustic-soda price is also coming down. So, if you can highlight what is our current export utilization?
- Vijay Kaul:** No at present, the coal cost will come down only after about a month or so, because they just announced something, but whatever stocks you have, you have to consume that, which at a higher price. And the cost and all that, the reduction has been very minimal. Not much. But yes, I presume that in months to come, it may go down. But as on today, the costs are there and the demand is okay, but cost pressure is still there. So, I think after a month or two, it may ease out a little bit.
- Raj Nahar:** What is the current price, if it is possible to highlight the current price?
- Vijay Kaul:** Current price, we make different, different varieties, so there are different, different prices for different, different varieties. So, I don't have all the prices with me here at present.
- Moderator:** The next question is from the line of Ajit from Nirzar Securities. Please go ahead.
- Ajit Darda:** Sir my question is, what is the power and fuel cost for the Paper segment?
- Vijay Kaul:** Yes. Power and fuel cost is almost about 20%.
- Ajit Darda:** 20% of what, sir?
- Vijay Kaul:** 20% of the total price of the paper.
- Ajit Darda:** Total sales value of the paper. Is it?
- Vijay Kaul:** Yes.
- Ajit Darda:** And what is the quantity of imported pulp, sir?
- Vijay Kaul:** That is about 15%, 20%, depending upon the type of pulp we use,
- Ajit Darda:** Sir, just wanted to confirm one thing, this power and fuel is 20% of the sale.
- Vijay Kaul:** Yes.
- Moderator:** The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.
- Pritesh Chheda:** Sir, to what extent is our paper unit integrated? And how much reliance do we have on bought out pulp? And second, your comments on the supply scenario in paper and your expectation on the pricing of paper?
- Vijay Kaul:** No, we produce 80% to 85% of pulp in-house. And around 15% to 20%, depending upon the type of paper we make. We import that. And over a period of time, maybe within the next 6 months, this import may come down to around 15%, only. So, 5% we will improve our efficiency in the pulp mill, so that we can get about on a consistent basis

about 85%. So that would be our endeavor to do that. Sorry, what is your second question?

- Pritesh Chheda:** Sir, my second question was the supply scenario in paper and your comments on the incremental pricing that you see in the paper market?
- Vijay Kaul:** No, you see, the incremental prices are due to the cost push. It has nothing to do with anything else because we cannot absorb all the costs. We have been absorbing, but we have to pass on certain costs to the customers. And the scenario is okay at the moment, there is no problem of the demand, but the moment we go beyond a particular price limit, there would be pressure on the substitutions. So, we have to keep that in mind while doing our pricing,
- Pritesh Chheda:** There were a lot of capacity closures globally. So, they continue to be the same that you mentioned?
- Vijay Kaul:** Yes. At present Europe is not in the right condition because lot of factories are closed and some factories have taken an annual shutdown keeping in view that they have a problem at present, so they may reopen maybe after September or so.
- Pritesh Chheda:** And when is our next capacity expansion lined up? We had some capacity to be added, right? So, when it's coming and what does it take your total capacity to?
- Vijay Kaul:** No, our total capacity as on today is around 0.5 million ton of all the varieties put together. So gradually we are doing certain investments during this year. And maybe by next year we would be another 25,000, 30,000 tons higher than what it is this year.
- J. C. Laddha:** Just to add to what Mr. Kaul said on the pricing. If we see Q-on-Q, the price increase has been 14% as compared to the last quarter. And if we see Y-o-Y, the price increase has been 33%. So, for example, in quarter, 1 of FY'23, the average price of all our verticals, paperboard, tissue, pulp, etc, has been 77,358. In the last year if you see Y-o-Y it was 58,255 only. And even from the last quarter it has gone up from 68,131 to about 77,358, roughly. So, this is helping us to cover the increase in the input cost to some extent, but yes, there's a limitation in the market. And one has to really constantly watch and take a call.
- Pritesh Chheda:** Sir, you are able to take these pricing because of the fact that there is supply tightness as well, right? So, until the supply tightness continues, your ability to take price hike would exist. Is that a fair way to look at it?
- J. C. Laddha:** Partly you're right. Partly depends on the input cost as well. So, one has to see the market conditions and take a call.
- Pritesh Chheda:** So, when you're guiding for 18% margin towards the year-end, obviously you're assuming that if there is some reduction in the raw material cost, some of it will keep. Some of it you'll keep through in your numbers for the margin to expand.
- J. C. Laddha:** Right.
- Moderator:** The next question is from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.
- Biplab Debbarma:** So, sir, one question is on the stabilizations of new tissue plant. So, it has been ready for some time. So, when do we expect it to be become operational? And I just missed on the CapEx part in paper. Just could you highlight on that also?
- Vijay Kaul:** Yes. Regarding the tissue plant, it is already in operation, but, it has not achieved its 100% capacity because of the COVID they could not come till April this year because they had so many people who were under the COVID problem. So now they have come, they have taken one trial, they have taken another trial also. So, they will be coming for the third trial shortly. And after that the capacity will go up, sir.
- Biplab Debbarma:** And by another 2, 3 months it'll be fully operational, sir?

- Vijay Kaul:** Yes. I think in this quarter, it will get sorted out and from next quarter that is October onwards. We should be able to operate on a full capacity.
- Biplab Debbarma:** Okay. And you had a plan for new CapEx. I just missed what you state before. So, when would you be adding more CapEx in this financial year in the Paper business?
- Vijay Kaul:** No, no. We already have certain CapExs which is being improved. Our two paper lines, paper line number 3 and 4. We are already improving that, and the capacity will sometime during the third quarter will increase by another 20,000 tons or so.
- J. C. Laddha:** So just to add, yes, I mean the CapEx for the year will be in the range of about INR 100 crore, INR 150 crore which is partly carry forward projects, which have to be completed and some amount for debottlenecking, etc. So, it'll be in that range.
- Biplab Debbarma:** And my second question is to KT. KT I just missed it, so contractor for Worli you mentioned structural engineers. So, is it the same with civil construction contractor?
- J. C. Laddha:** Yes, I think, Biplab you didn't hear me properly, it's not structural engineer. I said the structural contract, contract for the structure, which means the core and shell, civil contract.
- Biplab Debbarma:** My bad. The name of the contractor?
- J. C. Laddha:** Leighton is international company based out of Australia. They're doing pretty good work in India. They've done a lot of work for DLF and Reliance, etc. It's a very well-known company, so we have given the contract to them.
- Moderator:** The next question is from the line of Parin Gala from SageOne. Please go ahead.
- Parin Gala:** My question is to K.T. sir. Sir in the earlier calls, you mentioned a couple of times that once we cross the 50% booking mark for Niyaara, we start preparing for our Phase 2. So, sir now what is the thought process over there?
- K. T. Jithendran:** Thank you, Parin. So, we have sold roughly about 60%, and now we are in the process of planning for Phase 2 or Tower B basically. We have started based on customer feedback, etc, we are making some alterations on design, etc. So, I think, the entire process of design, then submission, then approvals, in the next fiscal, we should be ready to launch Tower B. We're quite excited about that, I think fully in the planning stage.
- Parin Gala:** And sir, again, on a multiple occasion we've discussed about signing new JDAs or JDs and things like that. Sir, we always say, we have a lot of deals. So, are we looking at new geographies and what kind of deals are there on the table where we can see some conclusion happening?
- K. T. Jithendran:** Parin, I think the top-most on our agenda right now priority is on signing new deals. I think the brand and the company has huge potential for growth in today's real estate scenario that has been demonstrated pretty well in all the markets that we have established our presence and we have launched our projects. So, we are very keenly looking at projects in Mumbai, NCR, Bangalore, deepening our presence in each of these markets. Lots of deals are currently in discussion. Once it is concluded, we'll be very happy to disclose that. We are also looking at expanding and building our footprint in Pune. So, these are the major markets we are currently looking at. Opportunistically, we can look at markets like Hyderabad, which has got potential, which has been doing well in the last one or two years has been a huge surge because of the back of commercial demand there. So opportunistically, prime properties in that location also, we are sort of exploring. But otherwise, largely the market will already present. We are planning to deepen our presence and Pune, which is always a very established market. So, these are the markets where we are very actively scouting for the right kind of projects.
- Parin Gala:** Great, sir. And sir lastly from me, just couple of months back that mala fide, newspaper articles which came in, is it behind us or something is happening over there? Or anything further has happened either from the other party or from our side, or is it now behind us?



- K. T. Jithendran:** I would like to presume that's behind us, we have taken legal action against such things. So, it has been quiet, of course, as we all know, it has been absolutely unreasonable and, you know, totally frivolous. We have never tried to develop any of the part, which is under dispute, which is always stand, always we have made it very clear. We have also given a very clear clarity on that to a newspaper ad. Also, we have given them legal notice.
- So, we haven't heard from that quite some time. Luckily for us, it didn't create any damage. The market had already known about it and therefore, the sales continues to be doing strong and I would like to believe that's behind us, but I don't know, they may again sort of try to, because this is so frivolous and so very unpredictable people. So, I really can't say that we've seen the last of it, but for some time I think it has been totally quiet.
- Moderator:** The next question is from the line of Ishrat Khatri from Omkara Capital. Please go ahead.
- Ishrat Khatri:** Sir, I had a few questions on the Paper segment. Just wanted to know how much are we exporting in papers, because I see the realization jump Q-on-Q for paper export is about 25%, 26%. So, is it primarily because we exported more tissue, which has higher realizations or in general how's the export demand?
- Vijay Kaul:** No, the demand for export is reasonable, but around our total capacity of about 40,000 tons per month sale, around 10% to 15% maximum, in fact, minimum 10% and sometimes maximum 15% is our export. We don't export more than that because we want to practically serve the domestic market.
- Ishrat Khatri:** And sir, this has been the trend? I mean historically it was around this range or has it increased?
- Vijay Kaul:** No, no. It is more or less the same. It has not increased. Maybe as I told you in some months, maybe 1% or 2% higher than the 10% in some months, around 10% like that it is going on.
- J. C. Laddha:** So just to add, what Mr. Kaul has said that total exports, I'm talking about total, not only of tissue, for quarter 1 of FY'23 was over 12,000 metric tons. And the previous quarter was higher in this around 18,335 metric tons. If we talk about Y-o-Y, this was 22,552 in the quarter 1 of FY'22. So, it all depends mainly based on realization, based on the demand in the export market and as we mentioned, our priorities to serve the domestic market.
- Ishrat Khatri:** Right. So, sir, just wanted to understand how the realization increased very significantly. Is the demand very good or is it just the pass on of the raw material prices? Because there's been a significant jump in the realization for exports.
- Vijay Kaul:** Yes, that is basically, as I said, the input cost increases in all other, whether you take it all the raw materials, including the coal also for the power. So, all the raw materials have gone up considerably. So, the input cost increase is being passed on to the customers. And there's always a time lag in that. But we are still not able to pass on 100% to the customers and we have to price the product in a manner that it does not fall for any substitution of any other product by that. So that's how it is.
- Ishrat Khatri:** Sir, my second question is on the margins that you all make in the paper business. So, I understand that Century also is integrated to the extent of about 80% when it comes to raw materials. And if I look at other integrated players, their margins are relatively much, much higher. They make about 15% to 20% kind of margins and our margins have been historically lower than them as well in the last, at least, 2, 3 years. And also, you mentioned that about 20% is the power and fuel cost. And if I look at the power and fuel cost for players like JK or West Coast, it's somewhere in the range of about 10% to 13%. So, is that the reason do we have captive power? Just wanted to understand why is there a differential in the margins?

- Vijay Kaul:** Yes, generally in the power cost, steam is very, very important factor. And the steam generation generally has to be coming from the recovery section. And our recovery section is not that high with the highest efficiencies, but we have taken a CapEx and we are now doing new recovery system, which will increase the efficiencies maybe from October, November onwards. And our power cost will come down drastically after that.
- Ishrat Khatri:** Okay. So, can I expect about 14%, 15% kind of number post that?
- Vijay Kaul:** Yes. Approximately on that, yes. We have to still further do some tweaking here and there, but yes, it will reduce our power cost substantially, yes.
- Moderator:** The next question is from the line of Viraj Parekh from Carnelian Capital. Please go ahead.
- Viraj Parekh:** I joined the call late, so pardon me just for repeating. Just wanted to understand that you said that this year looking at close to INR 100 crore, INR 150 crore is CapEx, now that there are some structural changes in industry, like the single-use plastic ban and even a few years back China wastepaper import ban was there. So how do we see the capacity 2 years from now, because I'm guessing by the end of this year or you can say H1 of FY'24 will be at peak capacity utilization. So, post that, what is it, like, do you see the export market to be more lucrative? Do you see the demand increasing? Can you give me some guidance? At What capacity or what kind of capacity expansion in 2 years, 3 years down the line?
- R. K. Dalmia:** Laddha ji, can you take that up?
- J. C. Laddha:** As of now our focus is basically to debottleneck and improve the capacity as Mr. Kaul mentioned earlier. It is likely to go up by 20,000, 25,000 in the short term. And of course, there has been a discussion to improve the capacity. So, various factors have to be considered and once the numbers are crystallized and once we have the firm plan that can be shared.
- Viraj Parekh:** Okay, sir. And second question is that, in terms of like, historically, India was a net exporter of paper in the past 2 years, we have become a net exporter. So in the export market, what is your strategy and outlook for the coming years? I mean, you mentioned that you're getting some competitive pricing from China and Indonesia, but as a percentage of total export sales, how big do you see that number going in the next 2, 3 years?
- Vijay Kaul:** No, actually, as I said earlier, our strategy is to supply majority of the material in the domestic market, but sometimes certain export markets become lucrative. So, we want to keep our foot in that door, because you do not know, what happens at different places or what will happen in India for any kind of domestic demand and all that. So, we want to keep that foot in the door. That's why we are exporting about 10% to 15%, not more than that. So, we will still keep on supplying to the domestic market only. We don't want to go in the export market in a big way.
- Viraj Parekh:** So, we'll see that number maintain for the coming year when the range is 10% to 15%?
- Vijay Kaul:** Yes. It'll be around that number.
- Moderator:** The next question is from the line of Nishith Shah from Aequitas Investments. Please go ahead.
- Nishith Shah:** Sir, my question relates to our Packaging Board segment. So, the production here was lower compared to last year. So, is it because of the breakdown or because of the slowdown you indicated in June month?
- Vijay Kaul:** No. In this quarter we had taken, what do you call it, is a planned shut down because we had to do certain modifications in the board plant to increase its capacity from 180,000 to 200,000 tons. So, we had to take certain planned shutdowns in order to change certain motors and gears and whatnot, which we have done partially. We will be taking another shutdown sometime during the month of September to complete that process. And from



October, November onwards, our capacity will be around 200,000 tons per year as compared to 180,000 tons as on today. So that is the reason why the production is slightly lower.

- J. C. Laddha:** Mr. Kaul has said, the board production remains in the range of 40,000 to 45,000. So, the current quarter had 40,300 versus last year of 46,000. And if you see Q-Q, the number of the last quarter was 42,700. So, then a slight reduction, not much. So, it is in the range of 40,000 to 45,000 as of now.
- Nishith Shah:** Okay. And so, you indicated there is a slowdown in June. So over here are we able to take on NSR hike or here also, we are lagging in terms of taking price hike compared to our input cost?
- J. C. Laddha:** Mr. Kaul?
- Vijay Kaul:** No. We have taken higher NSR, but as I said, NSR has got a limitation that so many people have started rather going to new kind of technology, like earlier, they were using a particular type of board. Now they are using the recycled boards for certain applications. So, we have to be very, very cautious in pricing as to it should not envisage to change the complete process of not having a board in their agenda. So, we are little bit cautious about our pricing, but yes, we have increased quite a bit.
- Nishith Shah:** Okay. And sir, lastly, are the margins for the board segment better than the consolidated margins?
- J. C. Laddha:** Yes, if you see, the board NSR, if you see the number, it is 40% higher Y-o-Y. And if we compared with the last quarter, it is about 13.3% higher. So as Mr. Kaul rightly mentioned, we have to keep various factors into mind and balance everything, including the increase in the input cost. So as of now, it is in the range of 84,000, 85,000, and it is higher than Q-o-Q as well as last year.
- Nishith Shah:** Sir, my question was relating to margin. So, are the margins better than consolidated?
- J. C. Laddha:** Kaul sahib, board margins?
- Vijay Kaul:** Yes, the board margins are definitely better than the paper margins, but over a period of time in the last, one or two quarters, even the paper margins have also gone up considerably.
- Moderator:** The next question is from the line of Saurabh Dutta from Minerva India. Please go ahead.
- Saurabh Dutta:** Just try to follow-up on the paperboard question. With the way paperboard demand has been increasing. Do you expect any BCTMP production in-house or will you still continue importing it?
- Vijay Kaul:** No, we will still continue importing it for the time being, because once we are increasing the capacity of our board plant, so we may think about it, but as on today we have no plans.
- Saurabh Dutta:** Okay. And just to follow up on that, would there be some sort of a cost differential between in-house production and BCTMP imports and if you could quantify that cost difference being?
- Vijay Kaul:** No, you see when we are using BCTMP pulp in board production. So, board production has got three, four components. One is the BCTMP hardwood. The other one is the BCTMP softwood. And the third thing is the normal pulp which we are producing. So today, the BCTMP pulp, whether it is hardwood or softwood, it is more or less I would say constant in the sense the percentage is constant, but the only thing what we can increase, or decrease is the pulp which we manufacture in-house, depending upon the quantity available with us. So BCTMP will not increase to that an extent as compared to the in-house pulp.

- Saurabh Dutta:** So, you're saying that in both cost of BCTMP and the in-house production would be similar?
- Vijay Kaul:** Yeah.
- Moderator:** The next question is from the line of Abhinav Bhandari from Soham Asset Managers. Please go ahead.
- Abhinav Bhandari:** I have three questions on the real estate front. So, one is apart from the subsequent phase of Kalyan and NCR as you pointed, is there anything else which is lined up for launch in this fiscal?
- KT Jithendran:** Thank you, Abhinav. Yes, so largely the new phase launches, largely stated from these two only, no other project.
- Abhinav Bhandari:** Sure. Got that. And on the Niyara side that you have sold almost 60%, just trying to understand on where is the pricing, what says the launch? So, I mean, have we taken any price hikes off late, how's this scenario now?
- KT Jithendran:** We haven't yet taken any price hike, but something is clearly in the offering. I think very soon we'll revise the price.
- Abhinav Bhandari:** Got it. Finally on the lease rentals part, we have not seen an increase here since couple of years, understandably because of the COVID, but this year, is there a scope for increasing the lease rentals, number one? And secondly, in our subsequent forays in the real estate, is there any plans for commercial also?
- KT Jithendran:** Yes. So, Abhinav, I don't think there is any scope for increase in this year because this year we are at currently 90% and we have got 90% occupancy, but another 7% or 8% is balance, but we are in advanced talks to all of them. And there is plenty of supply in the South Mumbai, Worli market. So, there is a very little scope for increase this year, maybe in the coming year and as the demand picks up and occupant and the supplier reduces, I think we see a good scope for increase in place rentals.
- As far as foray into commercial is concerned, we are actively looking at it. I think we will start, we, of course have, Birla Niyara itself, that Worli we have commercial opportunity of about a 1 million square feet. Maybe we'll start exploring thinking about that maybe now, because the cash flow from the residential has been pretty strong. So maybe that we also very actively now look at launching the commercial building. We also looking at not today, but in the future, maybe in a couple of years or so, we'll start looking at exploring new projects in the commercial segment also. Anyway right now, most of our projects spent, which is mixed used there also a commercial component in that.
- Moderator:** The next question is from the line of Ashish from Infinity. Please go ahead.
- Ashish Kumar:** Just wanted to check on this new projects, when do we expect to start booking revenues, especially on the Gurgaon project and the Kalyan project, which you have significantly advanced?
- KT Jithendran:** So, Ashish, the method that we follow on accounting is on completion of phase or get the occupation certificate. So, starting next financial year onwards, we are expecting to give possession in every year.
- Ashish Kumar:** Sir, what would be really helpful, sir, if you can maybe also kind of give some sense as to what is the cost for completion of the phase as part of your investor deck, because that will kind of give a sense as to where we are headed. Because what is happening is that we are collecting all the capital and cash and cost, but nothing is falling through the P&L. So, what will be helpful in that case can kind of start kind of giving some indications to what is the remaining cost of construction?
- KT Jithendran:** We'll take a suggestion on Board and we'll study that. Yes, we'll consider that.



- Moderator:** The next question is from the line of Himanshu Zaveri from Dhruv Gems. Please go ahead.
- Himanshu Zaveri:** My question was regarding, now since in the real estate sector, we've been doing good sales and we're on cusp of like INR 4,000 crore to INR 5,000 crore per year. So now is the right time to unlock the value and maybe demerge Birla Estates from Century Textiles? Is there any plan regarding in the future?
- Snehal Shah:** No. Right now there is no such plan, primarily the reason being that we have substantial cash flow is coming in from our manufacturing business, which to a certain extent helps us enhance the real estate business. So, till the time, real estate business has demonstrated by delivering a few projects on time and proper, etc, as well as when they become sort of self-sufficient in terms of cash flows, probably that would be the right time for us to give this a thought, but at the moment there is absolutely no plan.
- Himanshu Zaveri:** Okay. And regarding the new deals, just seeing the real estate market and this, but don't you think that we are little bit slow in finding the new kind of deals and we are now in the top 4 cities also. So, if you want to scale up meaningfully, then we need to sign a lot more new deals. Your thoughts on that?
- KT Jithendran:** Yes. Himanshu, thank you for your feedback. We are very actively looking at the right sorts of projects in each of the cities that I earlier mentioned. It's very true that we need to drastically increase our presence. We are very actively looking at it. Just being a little cautious, make sure that we don't kind of do any mistakes there. The valuation is very critical as we know that land valuations are going up. But it's a very interesting stage and we are in discussion. So hopefully I think, I should be able to share some good news in the coming quarters of this fiscal.
- Himanshu Zaveri:** And the new project, which we signed, when is that expected to be launched?
- KT Jithendran:** That will most probably happen in the next fiscal.
- Himanshu Zaveri:** And the second phase of the Birla Niyaara also in the next fiscal?
- KT Jithendran:** That's right, Himanshu.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Amit Srivastava for the closing comments.
- Amit Srivastava:** Yes. Thank you very much, sir, for your valuable inputs and clarification, and that concludes this conference call for today. Thank you, participants for joining the call. Thank you, sir.
- J. C. Laddha:** Just a minute. I would just have the closing statements. Thank you for all participating in this earnings con call. 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, please reach out to our IR managers at Valorem Advisors. We are very thankful to all of our investors who stood by us and had the confidence in the company's growth plan. And with this, I wish everyone a great day ahead. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Batlivala & Karani Securities, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.