

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

This report encapsulates the operational and financial performance of Century Textiles and Industries Limited for the fiscal year ended 31st March, 2024, and constitutes an integral part of the Annual Report.

1. OVERALL REVIEW :

In the year under review, the Company witnessed growth in earnings before interest, tax, and depreciation (EBITDA) compared to the previous year. This growth was primarily driven by the robust performance of the Real Estate Division, benefiting from increasing demand in the sector. However, the Pulp and Paper Division faced challenges due to cost pressures stemming from low-priced imports and surplus supply domestically. The performance of the Textile Division of the Company, despite taking a number of improvement steps continued to incur EBITDA losses due to poor market conditions. Accordingly, in view of the adverse conditions and non-availability of viable orders covering even the cost, there was no option but to discontinue operations at the Textile plant except for certain minor manufacturing activities and supply chain operations relating to supply of yarn to Birla Advanced Knits Pvt. Ltd., a joint venture of the Company and Grasim Industries Ltd. to continue at the said plant. Accordingly, the Board of Directors of the Company at its meeting held on 22nd March, 2024 has approved discontinuation of operations of Textile plant viz. Birla Century at Jhagadia, Bharuch. In view of this the textiles business is not included in the business segment reporting mentioned hereinafter.

India's real estate market exhibited resilience amidst global turbulence, buoyed by factors such as urbanization, rising middle-class incomes, foreign investments, and government support. This positive momentum spurred the Company's real estate development endeavors across key cities like Mumbai, Bengaluru, Gurugram, NCR, and Pune.

During FY24, the Company achieved substantial sales across various projects, marked by the successful launch of Silas at Birla Niyaara in Mumbai and Birla Trimaya in Bengaluru.

In FY24, the Company sold nearly 1.7 million sq.ft. of space, generating a total value of ₹ 3,985 Crores across

all launched projects. The flagship project, Birla Niyaara in Worli, Mumbai, saw a phenomenal success with the launch of its new phase, Silas. Within a month of its launch, Sales for Silas surpassed a staggering ₹ 2,391 Crores. Similarly, Birla Trimaya in Bengaluru achieved equally impressive results. The project completely sold out within 36 hours of its launch, achieving a Booking Value of ₹ 486 Crores.

During FY24, Birla Estates Private Limited (BEPL), a wholly-owned subsidiary of your Company, strategically expanded its portfolio. This was achieved through the successful acquisition and joint development rights of five projects across Mumbai, Thane, Delhi, Bengaluru and Pune. These projects have a combined Gross Development Value (GDV) exceeding ₹ 16,000 Crores.

Project handovers have been initiated for Birla Alokya, Bengaluru, Birla Vanya Phase I, Kalyan and Birla Navya Phase I, Gurugram. This marks a notable achievement and provides customers with an exceptional experience during the handover process in all three regions.

2. BUSINESS SEGMENT – PULP AND PAPER (PULP, WRITING & PRINTING PAPER, TISSUE PAPER, AND MULTILAYER PACKAGING BOARD)

a. Industry Structure and Development:

Over the past few years, the world has steadily rebounded from the disruptions caused by COVID-19, yet geopolitical tensions have kept industries on edge.

According to the latest India Development Update from the World Bank, India continues to demonstrate resilience amidst a challenging global environment. It stands out as one of the fastest-growing major economies. Paper consumption is closely tied to a country's economic development. Although India currently has low per capita paper consumption, this trend is steadily improving alongside economic progress and various governmental initiatives.

The primary drivers of demand for the paper industry stem from a combination of factors. These include increasing income levels, expanding



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per capita expenditure, rapid urbanization, rising demand for Personal Care & Sanitation products, government initiatives, phenomenal increase in online shopping, heightened hygiene awareness, and a larger proportion of the population earning income. These factors are anticipated to fuel consumption and indicate significant growth potential for the paper industry within the country.

b. Opportunities and Threats:

The Indian paper industry has experienced substantial transformations over the past few decades, marked by the adoption of modern technology and heightened investments in the sector. Additionally, the industry has reaped the rewards of government policies aimed at fostering sustainable forest management practices and promoting the utilization of eco-friendly materials.

Following are the Opportunities & Threats for the Industry :

Opportunities:

- **Literacy:** Government policies on education (NEP), rising enrolment, and various schemes promoting education.
- **Growing Consumption:** Increased consumption of packaging paper/board in the food (Food & Beverages) and pharma/cosmetic sectors.
- **Hygiene Emphasis:** Government emphasis on hygiene and steady growth in healthcare and hospitality demand, boosting demand for the tissue segment.
- **E-commerce Growth:** Rapidly rising shipments in the e-retail industry and increased penetration levels in overall retail, driving growth in segment volumes.
- **Demand for Eco-friendly Products:** Increasing demand for high-quality and eco-friendly paper packaging products.
- **Market Expansion:** Opportunities to widen the market through bans on single-use

plastics, leading to innovative product creation.

- **E-commerce Demand:** With the exponential growth of the e-commerce sector, demand for packaging paper, Kraft & board expected to increase in parallel.
- **Plastic Substitution:** Multinational companies seeking to minimize plastic from their packaging, with paper being a strong contender due to its biodegradable properties.

Threats:

- **Rising Raw Material Costs:** Increasing costs of raw materials.
- **Wood Scarcity:** Challenges related to the scarcity of wood.
- **Increasing Input Costs:** Rising input costs including coal, chemicals, and other inputs.
- **Competition from Imports:** Growing competition from imports, especially from ASEAN countries.
- **BIS Certification Impact:** BIS certification leading to an increase in Copier Paper imports.
- **Digitalization Impact:** Digitalization affecting paper demand in certain areas.
- **Higher Energy Costs:** Higher energy costs affecting competitiveness.

c. Segmental Review and Analysis:

The paper, paperboard, and packaging sector continue to grapple with competitive pricing from ASEAN and Chinese markets, subdued domestic demand, and a surge in wood costs.

Throughout the year, the demand for paper and tissue experienced fluctuating market conditions. However, the packaging board sector faced challenges, particularly due to lower demand from domestic pharma, FMCG, export food and beverage sectors, and the hosiery market in the middle of the year. Additionally, high-volume imports from ASEAN countries in the tissue,

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writing, and printing segments, along with BIS certification requirements for other imported brands increasing copier imports, have impacted the domestic paper market.

The upcoming addition of approximately 24 lakh tons of virgin board capacity in China and Indonesia over the next few months is expected to create a temporary excess supply situation, which will likely impact the Indian industry as well.

d. Risks and Concerns:

Price fluctuations, interrupted raw material availability, and rising input costs remain major concerns for the paper industry. As businesses pass on the increased costs to consumers, consumer sentiments are affected, leading to further contraction in demand.

The Indian virgin board packaging market is expected to encounter tough price competition from international suppliers in FY 2024-25.

The risk of higher imports in the writing, printing, copier, and board segments by international manufacturers will result in volume and cost pressures.

e. Outlook:

India's projected GDP growth for the current fiscal year has been revised upward to 7% from the previous estimate of 6.7%. This robust growth will be driven by investments from both the public and private sectors, as well as an improvement in consumer demand.

Paper demand is anticipated to grow moderately in fiscal 2025. The paperboard segment is expected to be a key driver of demand in both the near and long term, fueled by healthy demand from various end-use industries. Demand for writing and printing (W&P) paper is forecasted to experience sharp growth in fiscal 2025, as schools, colleges, and office spaces reopen alongside the anticipated rollout of the National Education Policy (NEP).

The Government's increased spending on education for the next three years, estimated to be approximately 20% higher than the previous three years, will place greater emphasis on education and literacy. This, coupled with the demand for higher-quality paper and increasing advertising expenditure, will drive growth in the writing and printing paper segment. Similarly, the demand for higher-quality packaging for FMCG, pharmaceuticals, textile products, driven by organized retail, booming e-commerce, and rising healthcare needs, will catalyze the growth of the paperboard and packaging paper market.

Furthermore, the increasing awareness of hygiene and preference for quick-service restaurants will bolster demand for tissue products, both for At Home and Away from Home (AFH) consumption.

Looking ahead, the medium to long-term outlook for the Indian paper industry remains positive and is expected to further expand in tandem with the country's GDP and overall economy.

3. BUSINESS SEGMENT – REAL ESTATE

a. Industry Structure and Development:

India is likely to become the third-largest economy in 2027¹, based on projections that account for the Country's sustained economic growth and expanding market size. Additionally, India has recorded the highest growth rates among major advanced and emerging economies¹. Supported by a growing economy, the real estate sector in India has experienced significant transformation. It is poised for substantial growth, with a projected value of USD 1.5 trillion by 2034². This estimate reflects a threefold increase from its current size and highlights its substantial contribution to the nation's economic output, accounting for 10.5%².

¹ Source: Press Release by Press Information Bureau, Government of India, Ministry of Finance, dated 01st February, 2024. Link: <https://pib.gov.in/PressReleasePage.aspx?PRID=2001124> accessed on 15th April, 2024

² Source: Press Release by CII Link: <https://www.cii.in/PressreleasesDetail.aspx?enc=OfwnSJRDlux9mCml0eD2D09OzURPeEI7qsEBP071LA=#:~:text=We%20anticipate%20the%20Indian%20real,brighter%2C%20more%20prosperous%20tomorrow.%22>



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The Indian residential real estate market shows a trend shift. New launches saw a modest rise, while total absorption surged by YoY. This robust demand exceeding new supply by 18% led to a significant decline in unsold inventory. This gap provides an opportunity to launch new projects to cater to the existing demand³.

The office space has seen significant growth, driven primarily by multinational corporations establishing Global Capability Centres (GCCs). India's favourable ecosystem and large untapped potential make it the preferred destination for GCCs. Economic resilience, evolving perceptions and rising demand from global corporations position India for sustainable growth. As companies leverage India's growth-oriented environment and expand, the office market is set for continued growth⁴.

The strategic integration of innovation and technology is propelling the real estate sector forward, fostering increased efficiency and facilitating the introduction of novel property formats, such as fractional ownership and data centres. This represents a significant evolution in the real estate landscape, expanding the spectrum of offerings to cater to a more diverse range of investor demands². Exhibiting a robust and persistent upward trajectory, the Indian Data Centre market is experiencing significant growth. This momentum is fuelled by the nation's rapidly growing digital infrastructure, driven by the burgeoning use of digital services and the ever-increasing demand for data storage and processing capabilities⁵.

b. Opportunities and Threats:

The Indian real estate market presents a unique opportunity for strategic development. Driven by rapid urbanization and rising income levels, metropolitan landscapes are undergoing significant transformations. This has led to a surge in demand for high quality housing and a

superior lifestyle. As more people move to cities and experience a higher standard of living, there is a growing preference for premium residential properties that offer prime locations, superior amenities, holistic living, community of like-minded people and modern comfort. These include well-designed living spaces, recreational facilities, green areas and advanced security measures. As a result, your Company is focusing on creating residential projects that cater to this evolving demand for luxury and convenience.

Customer centricity is a key pillar of your Company. Prioritizing a data-driven understanding of client's needs and aspirations, ensuring a seamless and positive experience throughout their journey with us. This commitment is reflected in every touchpoint, from the initial engagement to the ongoing support provided after purchase. Product innovation informed by thoughtful design principles, timely delivery and transparency in operations all contribute to achieving this goal.

c. Segment Review Analysis:

Your Company has achieved significant milestones in FY24, demonstrating continued growth and strong customer trust.

In FY24, nearly 1.7 million sq. ft. were sold, amounting to ₹ 3,985 Crores across all launched projects. The new phase, Silas of our flagship project Birla Niyaara in Worli, Mumbai, has witnessed exceptional success. Within just a month of its launch, it recorded sales exceeding ₹ 2,391 Crores. Similarly, Birla Trimaya in Bengaluru was completely sold out within 36 hours of its launch, achieving a Booking Value of ₹ 486 Crores.

Further, solidifying our reach, we recently inaugurated our first international office in Dubai, a strategic expansion designed to cater to the prospective customer base in the Gulf region and around.

³ Source: prop equity

⁴ Source: Article published by JLL on "India's office market enters the next growth phase". Link: <https://research.jllapsites.com/indias-office-market-enters-the-next-growth-phase/>

⁵ Source: Report published by CBRE "From Byte to Business: India Data Centre Market Powering in Progress in 2023". Link: <https://www.cbre.co.in/insights/reports/from-bytes-to-business-india-data-centre-market-powering-progress-in-2023>

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Furthermore, in FY24, Collection stood at ₹ 1,525 Crores with an efficiency rate of over 97%, underscoring the strong connection we have established with our customers and the trust they have placed in us.

During FY24, Birla Estates Pvt. Ltd. (BEPL), the 100% subsidiary of your Company, expanded its portfolio through the successful finalization of five projects with a combined Gross Development Value (GDV) surpassing ₹ 16,000 Crores. Notably, this includes an acquisition of a 5.8 acre land parcel in Sangamwadi, Pune, marking its entry into the Pune market with a gross potential of over ₹ 2,500 Crores. Other acquisitions comprised a marquee plot in Walkeshwar, Mumbai, a 28 acre land parcel in Sarjapur, Bengaluru, approximately 31 acre land parcel in Thane and a joint development agreement with India Hume Pipe for a 6.8 acre residential project situated in Mathura Road, Delhi.

Project handovers have been initiated for Birla Alokya, Bengaluru, Birla Vanya Phase I, Kalyan and Birla Navya Phase I, Gurugram. This marks a notable achievement and provides customers with an exceptional experience during the handover process in all three regions. At all other launched projects, execution is in full swing, with a complete focus on ensuring safety, maintaining high-quality and ensuring timely delivery. Approximately 13 million safe man-hours have been successfully completed across all our under-construction projects.

Our commercial assets, Birla Aurora and Birla Centurion, continue to generate steady rental income. Birla Aurora has successfully transitioned to green energy and Birla centurion has achieved 100% green energy utilization in its common areas, marking a significant milestone in our commitment to a greener future.

In Global Real Estate Sustainability Benchmark (GRESB) rating, BEPL scored 91 in Development Benchmark (Residential) and 80 in Standing Investments (Commercial). We remain committed to reducing carbon emissions across all our properties.

BEPL unwavering commitment to safety at its project site has been recognized at multiple forums. Birla Niyaara, Mumbai, recognized with the "Safety Trophy at 15th CIDC Vishwakarma Awards 2024" for its best HSE Practices. Birla Tisya, Bengaluru received "Safety Shield Award" from National Safety Council, India. Birla Navya, Gurugram received the "National EHS Award" from Global Safety Summit and "Merit Winner Award trophy" from the British Safety Council. Birla Tisya, Bengaluru was awarded "Five Golden Stars award" by the National Safety Council.

d. Risk and Concerns:

The declining inventory and stable absorption are positive signs but challenges remain. Streamlining approvals is essential to attract investment and expedite project completion. Effective cost management is crucial to combat price volatility caused by global economic uncertainty. Close monitoring is required to maintain the supply and demand of raw materials and other commodities.

e. Outlook:

Residential real estate is poised for a strong growth potential in the upcoming year, driven by surging demand and a strong consumption record. Urbanization trends, a thriving rental market and consistent property value appreciation are poised to fuel a transformative period in the coming quarters. The industry's growing demand for premium and luxury housing aligns perfectly with our expertise, positioning us for significant growth and expansion. Our unwavering commitment to customer centricity, operational excellence and sustainable practice will propel us forward in the coming years.

4. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company maintains robust internal control systems to align with growth objectives while ensuring compliance with regulations and safeguarding against fraud. An extensive internal audit framework, overseen by the Audit Committee, evaluates control effectiveness and recommends enhancements. The



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Company's Internal Control system is underpinned by an extensive, year-round, independent internal audit. Annually, a comprehensive internal audit plan covering various functions across all divisions is formulated and ratified by the Audit Committee. Quarterly, the Audit Committee convenes with auditors and management personnel to conduct an audit review, reaching consensus on an action plan to address areas

identified for improvement or enhancement from these audits. Audit findings are categorized as High, Medium, or Low based on associated risks and impacts, with a scientifically derived Control Effectiveness Index (CEI©) score. A CEI score exceeding 90% is deemed satisfactory performance, while anything below 71% is considered inadequate. Presently, your Company's CEI score stands at 88 %.

5. HIGHLIGHTS OF THE COMPANY'S FINANCIAL PERFORMANCE:

(₹ in Crores)

PARTICULARS	Standalone		Consolidated	
	2023-24	2022-23	2023-24	2022-23
Continuing Operations				
Total income	4010.74	3890.51	4570.01	3856.40
Earnings before Exceptional items, Finance Cost, Tax, Depreciation and Amortisation and Share of Profit/ (Loss) of Joint Venture (EBITDA)	882.71	745.29	717.67	593.30
Less: Finance Cost	96.42	69.52	35.51	34.22
Profit before Exceptional items, Tax, Depreciation and Amortisation and Share of Profit / (Loss) of Joint Venture	786.29	675.77	682.16	559.08
Less: Depreciation and Amortisation expenses	201.34	191.65	209.87	195.93
Profit before Exceptional items, Tax and Share of Profit / (Loss) of Joint Venture	584.95	484.12	472.29	363.15
Add: Exceptional item	-	134.21	-	134.21
Profit before Tax and Share of Profit/ (Loss) of Joint Venture	584.95	618.33	472.29	497.36
Less: Share of Profit/(Loss) of Joint Venture	-	-	(22.40)	(1.84)
Profit before tax	584.95	618.33	449.89	495.52
Less/(Add):				
Current Tax	72.29	92.84	117.45	92.84
Deferred Tax	115.11	98.99	27.39	79.54
Deferred tax relating to earlier period	0.19	0.55	0.19	0.55
Profit after tax from continuing operations	397.36	425.95	304.86	322.59
Discontinued Operations				
Add / (Less):				
Loss before tax from discontinued operations	(164.71)	(88.67)	(162.07)	(89.27)
Loss on Remeasurement to Net Realisable Value	(214.00)	-	(214.00)	-
Tax (Expense)/ Income of discontinued operations	132.51	31.03	131.59	31.23
Loss from discontinued operations	(246.20)	(57.64)	(244.48)	(58.04)
Net Profit for the year	151.16	368.31	60.38	264.55

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The Consolidated EBITDA including exceptional item from continuing operations for the year 2023-24 is ₹ 695.27 Crores (including share of Joint Venture) as against ₹ 725.67 Crores.

The Standalone EBITDA including exceptional gain from continuing operations for the year 2023-24 is ₹ 882.71 Crores as against ₹ 879.50 Crores.

In Consolidated financial statement finance cost has gone up from ₹ 34.22 Crores to ₹ 35.51 Crores.

Key financial metrics for the fiscal year, including total income, EBITDA, and net profit, reflect the Company's performance. Noteworthy changes include increased interest costs and satisfactory technical performance across all plants.

6. DETAILS OF SIGNIFICANT CHANGES (I.E. CHANGE AS COMPARED TO IMMEDIATE PREVIOUS FINANCIAL YEAR) IN KEY FINANCIAL RATIOS:

Ratios	2023-24	2022-23	Change (%)	Explanation for change
1. Debtors Turnover Ratio	31.36	25.29	24.00%	-
2. Inventory Turnover Ratio	6.41	3.99	60.65%	Due to decrease in closing inventory of textile division on account of discontinuation of textile division
3. Interest Coverage Ratio	6.07	6.08	-0.16%	-
4. Current Ratio	1.72	1.16	48.28%	Due to increase in Real Estates inventory on account of Real Estates projects developments and increase in liquid fund investments
5. Debt Equity Ratio	0.61	0.26	-134.62%	Due to increase in debt on account of issue of NCD, LRD and term loan for Real Estates projects
6. Operating Profit Margin (including discontinued operations) (%)	5.86	6.26	-6.39%	-
7. Net Profit Margin (including discontinued operations) (%)	1.13	5.51	-79.49%	Refer Note
8. Return on Net Worth (%)	1.47	6.55	-77.56%	Refer Note

The above key financial ratios are in accordance with Note 46A of Consolidated Financial Statements prepared in accordance with Ind AS requirements and Schedule III of the Companies Act, 2013 and exhibit changes compared to the previous fiscal year, attributed to various factors impacting operational and financial performance.

Note: Due to discontinuation of textile business during the year, the Group has assessed the recoverability of Property, plant and equipment and other assets of the said Division and recognized a provision aggregating to Rs. 214.00 Crores as Loss on measurement to net realizable value and in previous year, the Group had recorded exceptional gain on account of transfer of leasehold land of Rs.134.21 crores. Accordingly, all ratios related to cash flows, revenue and profitability of the Group have been impacted as compared to previous year.

7. HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS:

The Company emphasizes fostering a high-performance work culture, supported by robust HR systems and development initiatives. The employee count decreased due to operational changes in the Textile segment.

We are genuinely inspired by our organization's dedication to nurturing an agile, high-performance, and diverse work culture. With over 125 years of existence, our esteemed legacy stands as a beacon, highlighting robust values, innovation, customer-centricity, and sustainability. The combined skills, expertise, experience, passion, and steadfast commitment



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of our workforce greatly enrich our understanding of customers and reinforce relationships, thereby elevating our brand as an employer of choice. The ongoing cultivation of harmonious industrial relations across all our plants and sites serves as a testament to the enduring success of our organization.

Our organization's thrilling and ambitious growth strategies undeniably create pathways to unmatched career advancements. The demand for excellence from our employees, coupled with differentiation based on performance, merits, and potential, alongside a robust emphasis on development, mentoring, and training, collectively fosters operational brilliance. We have adopted several best-in-class HR systems such as the Talent Management System, Employee Engagement Assessment through Employee Voice Systems, and benchmark policies to ensure the highest standards across our operations.

As of March 31, 2024, the total employee strength stands at 2,439 (4,080 as on 31st March, 2023), exemplifying our collective dedication and commitment to our strategic objectives. It's noteworthy that this year, the number of employees has decreased by 1,641 due to the discontinuation of operations at the Textile plant, namely Birla Century, located in Jhagadia, Bharuch, Gujarat.

8. HEALTH, SAFETY AND SECURITY MEASURES:

Stringent health, safety, and security measures are integral to the Company's operations, ensuring a "Zero Harm" environment and prioritizing employee well-being across all locations.

As a responsible corporate citizen, the Company's steadfast dedication to human health and safety is commendable. Our plants and sites strictly adhere to Occupational Health and Safety management standards, seamlessly integrating responsibilities for occupational health, hygiene, and safety into daily business operations. Our employees' well-being receives the utmost priority, with comprehensive safety inspections and audits regularly conducted at every plant and project site. Furthermore, health and safety awareness programs are organized across all

locations, cultivating a culture of well-being among our employees.

As a cherished organization, we are dedicated to fostering a "Zero Harm" environment, placing the utmost value on lives above all else. Our Occupational Health and Safety standards and procedures guarantee a uniform approach to managing significant hazards throughout our business operations, always in compliance with relevant laws and regulations. The availability of modern occupational health and medical services through well-equipped health centers at all manufacturing plants highlights our unwavering commitment to employee well-being.

The Company consistently places the safety and well-being of its employees as the highest priority. Through proactive implementation of precautionary and safety measures, we demonstrate our dedication to safeguarding employees against potential threats. By consistently enforcing preventive and protective safeguards at our plants and sites, the Company reinforces its commitment to creating a secure work environment for all.

9. CAUTIONARY STATEMENT:

Statements in this report on Management Discussion and Analysis, describing the Company's objectives, projections, estimates, expectations, or predictions may be forward looking, considering the applicable laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results could, however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include finished goods prices, raw materials costs and availability, global and domestic demand supply conditions, fluctuations in exchange rates, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts. The Company assumes no responsibility in respect of the forward-looking statements herein, which may undergo changes in future based on subsequent developments, information, or events.