Century Textiles and Industries Limited

August 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-convertible debentures	500.00	CARE AA; Stable	Assigned
Commercial paper	1,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the non-convertible debenture (NCD) and reaffirmation of the rating of commercial paper (CP) issue of Century Textile and Industries Limited (CTIL) continue to factor in the strong parentage and implied support of the Aditya Birla group (ABG) and satisfactory financial risk profile. Ratings also derive comfort from the business diversity with revenue from pulp and paper and real estate businesses. The company discontinued its textile business in FY24. Ratings also consider the stable operating performance, whereby the company reported a 13% y-o-y growth in its total operating income (TOI) in FY24 (from continuing operations). The growth has been supported by revenue recognition from real estate business. The company has started handover of Birla Vanya (Kalyan), Birla Navya Phase I (NCR), and Birla Alokya (Bengaluru) in Q4FY24. Thus, revenue from real estate segment increased to ₹832 crore in FY24 compared to ₹138 crore in FY23. In Q1FY25, the company has further recognised revenue of ₹338 crore.

CTIL has acquired land parcels in MMR, NCR, Pune, and Bengaluru regions with Gross Development Value (GDV) of ~₹53,000 crore, includes ongoing/launched projects and those that are to be launched projects. Ratings also factor the favourable response received by real estate projects as depicted by healthy booking and collection status, giving adequate cash flows and revenue visibility.

Paper segment reported revenue of ₹3,375 crore in FY24 as compared to ₹3,572 crore in FY23. Sales volume increased by 7% to 447,090 tonnes in FY24. Consistently declining NSR and volatile input prices impacted the company's sales and PBILDT in FY24. In Q1FY25, the paper segment reported sales of ₹786 crore and PBILDT margin of 8.3%. Uptick in PBILDT margin in Q1FY25 compared to Q4FY24 was considering cost reduction measures and some softening in input prices.

CTIL's capital structure remains comfortable with overall gearing at 0.61x as on March 31, 2024, though moderated from FY23, considering debt availed for real estate projects. CARE Ratings Limited (CARE Ratings) expects gross debt level to remain at ₹3,500 – ₹4,000 crore level for next two years to create project pipeline under its real estate segment. CTIL has nine new projects in the pipeline which are expected to be launched in the near to medium term. The company's liquidity profile continues to remain strong with cash and liquid investment balance of ₹739 crore as on March 31, 2024 and ₹358 crore as on June 30, 2024. The liquidity is also supported by adequate buffer available in the form of unutilised working capital lines.

However, above rating strengths are tempered by the increasing exposure of projects in residential real estate space to demand and implementation risk. CTIL, through its wholly owned subsidiary, Birla Estate Private Limited (BEPL) has announced new launches in the residential real estate segment, which is expected to elevate the debt levels in the near to medium term. The risk is mitigated to some extent by the established brand name, which has aided sales, track record of the group in timely completion of past projects in the commercial segment, and prudent project funding and development mix. Ratings are also affected by the commoditised nature of paper business.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Timely completion of the ongoing projects under the real estate vertical, with achievement of estimated profitability.
- Improvement in capital structure with overall gearing below 0.25x.
- Improvement in credit risk profile of Aditya Birla group.

Negative factors

- Moderation in paper and pulp business risk profile leading to significant decline in PBILDT margin on a sustained basis.
- Any substantial upward change in leverage profile of the company resulting in significant deterioration in solvency indicators viz. overall gearing exceeding 1.00x.
- Slow offtake in launched real estate inventory, time and cost overruns from envisaged timelines in ongoing real estate projects.
- Weakening of linkages with Aditya Birla group.

Analytical approach: Consolidated

Consolidated approach considering the strong operational and financial linkages between CTIL and its subsidiaries. CARE Ratings has considered notching by factoring linkages of CTIL with its parent which is the AB group based on the nature and strength of the linkages with the group. The list of subsidiaries which have been consolidated is placed separately as **Annexure-6.**

Outlook: Stable

Stable outlook reflects the company's diversified and stable business profile while maintaining strong liquidity and a healthy financial risk profile.

Detailed description of key rating drivers:

Key strengths

Strong parentage, track record of management, and implied support from the AB group

CTIL derives benefits from being one of the flagship companies of the AB group. The group's business interests include metals, cement, fashion and retail, financial services, renewables, fibre, textiles, chemicals, real estate, mining, and entertainment. The group has a presence across 36 nations and a combined annual revenue of US$62 billion. Kumar Mangalam Birla is currently the company's Chairman. CARE Ratings also considers CTIL's financial flexibility derived from being part of the AB group and has also factored implicit need-based support from the parent group to CTIL.

Diversified operations with established position in pulp and paper segment and growing presence in real estate sector

CTIL has presence across diversified sectors with its established position in pulp and paper products (accounting for 80% of the revenue in FY24 from continuing operations), and real estate segment (accounting for 20% of the revenue in FY24 from continuing operations). Paper segment reported revenue of ₹3,375 crore in FY24 as compared to ₹3,572 crore in FY23. Sales volume increased by 7% to 447,090 tonnes in FY24. Consistently declining NSR and volatile input prices impacted sales and PBILDT of the company in FY24. In Q1FY25, the paper segment reported sales of ₹786 crore and PBILDT margin of 8.3%. Uptick in PBILDT margin in Q1FY25 compared to Q4FY24 was considering cost reduction measures and some softening in input prices. The company has planned upgradation and replacement of old machinery for its paper business, which is estimated to be around ₹300 crore annually to be incurred over FY25-FY27. The capacity is expected to increase by one lakh tonne through process improvisation and de-bottlenecking process.

In Q4FY24, the company started handover of Birla Vanya (Kalyan), Birla Navya Phase I (NCR), and Birla Alokya (Bengaluru), Thus, revenue from real estate segment increased to ₹832 crore in FY24 compared to ₹138 crore in FY23. In Q1FY25, the company has further recognised revenue of ₹338 crore.

Improved TOI in FY24, driven by real estate segment while PBILDT margins have moderated due to moderation in NSR in paper and pulp segment

The TOI from continued operations has increased by 13% in FY24 to ₹4,302.70 crore. The TOI in Q1FY25 increased by 28.48% against Q1FY24 to ₹1,149.24 crore. This increase has been aided by the growth in real estate segment. The revenue has been contributed by completion of the projects such as Birla Alokya, majority of phases of Birla Vanya and some phases of Birla Navya. The PBILDT margin have moderated from 14.33% in FY23 to 10.48% in FY24 largely due to moderation in paper prices and volatile input prices. The realisations have moderated in the overall paper industry due to oversupply in the industry, which was caused post disruption of supply chain logistics post Russia-Ukraine war. Also, the export demand from USA and Europe was subdued due to inflationary conditions, resulting in lower international paper prices, which have affected domestic prices as well. CARE Ratings expects the prices to stabilise. Also, with cost control measure undertaken by the company, the cash accruals from paper business are expected to remain stable in the medium term.

Stable lease income continues from commercial properties; healthy bookings in residential segment seen, despite remains exposed to execution and demand risk
CTIL's two commercial properties, Birla Aurora and Birla Centurion, in Worli, Mumbai, have been almost fully leased out and generate stable lease rentals of around ₹130 crore annually. Both these properties benefit from diversified and financially stable clientele (many of whom are AB group companies) and long-term lease contract with periodic escalations.
CTIL is into development of residential projects through a mix of owned land and joint development agreements (JDAs) through its subsidiary, BEPL. The projects despite at a preliminary stage have received favourable response. Factors such as strong brand name of the AB group and premium feature offerings have driven sales. For the quarter ended June 30, 2024, CTIL achieved booking value of ₹262 crore and collections of ₹488 crore. In Birla Trimaya Phase 1, the entire inventory has been sold out since its launch in September 2023.

Leverage indicators have moderated with increase in debt, though remain satisfactory
CTIL's overall gearing on a consolidated level deteriorated from 0.26x as on March 31, 2023 to 0.61x as on March 31, 2024 with debt availed for its real estate business. Gross debt has further increased to ₹2,906 crore as on June 30, 2024 against ₹2,482 crore as on March 31, 2024. The working capital borrowings have moderated to ₹94 crore (₹199 crore in FY24). The debt metrics will undergo moderation from current levels, and CARE Ratings expects gross debt level to remain at ₹3,500 – ₹4,000 crore level for next two years to create project pipeline under its real estate segment. CTIL has nine new projects which are expected to be launched in the near to medium term. CTIL adopts a judicious funding mix (higher reliance on customer advances) and development mix (owned land bank and entering JDA's) for its real estate projects, which is expected to keep the financial risk profile healthy.

Key weaknesses
Demand and implementation risk and cyclicality associated with the real estate sector
Notwithstanding healthy sales traction and collections in ongoing projects, CARE Ratings notes that majority of projects are still at an initial stage of development, thus exposing CTIL to demand and implementation risks. The real estate industry is also cyclical and follows the fluctuations in economic activity, defined by periods of expansion and contraction. Strong brand name of Birla group and development track record of CTIL completing upscale commercial projects in Mumbai, tie-ups with reputed contractors and JV partners mitigate project implementation risks. That said, CTIL's ability to complete the projects without time and cost overrun and achieve envisaged GDV shall be monitorable.

Cyclical and commoditised businesses
CTIL's key business of paper is commoditised and vulnerable to cycles. This exposes the company's performance to volatile demand conditions in addition to variations in input cost. Also, its businesses are competitive because of the presence of numerous established and unorganised players.

Liquidity: Strong
CTIL's liquidity profile remains strong with cash and cash equivalent of ₹739 crore as on March 31, 2024 (₹358 crore as on June 30, 2024). The company has ₹600 crore of fund-based working capital lines with average utilisation at 5% in last 12 months ending June 2024. CTIL is expected to generate a GCA of ~₹500 crore in FY25 which is expected to be sufficient for debt repayment and capex funding. CTIL is also planning to raise ₹1,000 crore through issuance of NCD to maintain adequate liquidity for land acquisitions and JDA. CARE Ratings also considers factors such as strong net worth base, established parentage of Aditya Birla group (implicit support is factored) and large owned land bank provide strong financial flexibility, and refinancing capability for NCDs.

Environment, social, and governance (ESG) risks

Parameter	Compliance and action by the company
Environmental	CTIL is moving towards sustainability drive. Birla Century accelerated its yearly performance at Higg Index certification score. It is also aiming to improve energy savings through process optimisation and alternate energy CTIL aims to optimise water usage across all business operations and strategise to achieve zero liquid discharge. CTIL is committed to reaching zero waste to landfill and gradually implementing waste reuse measures across all business segments.
Social	Prioritising Occupational Health and Safety (OHS) to prevent harm incidents and cultivate a secure working environment for both employees and stakeholders. 8.83% of the value chain partners in CTIL's Real Estate segment were assessed for social aspects including sexual harassment, discrimination at the workplace, child labour, forced/involuntary labour, and labour wages.
Governance	Over 50% of CTIL's Board comprises Independent Directors. CTIL follows robust compliances of all regulatory requirements which is a characteristic of Aditya Birla Group.

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Paper & Paper Products
Financial Ratios – Non financial Sector
Rating methodology for Real estate sector
Short Term Instruments

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

Promoted by late B K Birla, CTIL is a part of the Aditya Birla Group (ABG). CTIL was established in 1897 to operate a cotton textile mill in Mumbai. Subsequently, the company expanded and diversified its activities, and presently, CTIL is a well-diversified conglomerate engaged in manufacturing pulp and paper products, commercial and residential real estate with PAN India presence. CTIL manufactures a variety of paper products (such as multi-layer packaging board and tissue paper) with total installed capacity of 4.81 lakh MT per annum as on March 31, 2024. In FY18, the company had incorporated a wholly owned subsidiary, Birla Estate Private Limited (BEPL – rated 'CARE AA-; Stable/CARE A1+'), to focus on the premium/ultra luxury residential real estate and commercial office spaces business.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total operating income*	3,809.04	4,302.70	1,149.24
PBILDT*	545.94	450.84	98.62
PAT	295.78	60.38	17.35
Overall gearing (times)	0.26	0.61	-
Interest coverage (times)	15.95	12.70	8.08

A: Audited UA: Unaudited; Note: these are latest available financial results

* Textile division was discontinued on March 22, 2024. The revenues from the discontinued operations have not been included in the TOI but have been shown separately for the segment. The FY23 amounts have been restated accordingly. The losses of ₹244.48 crore in FY24 and ₹58.04 crore in FY23 from the segment have been included in PAT as loss from discontinued operations.

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable
Rating history for last three years: Annexure-2
Covenants of rated instrument: Annexure-3
Complexity level of instruments rated: Annexure-4
Lender details: Annexure-5

Annexure-1: Details of instruments

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial paper	INE055A14JV6	18-Jul-2024	7.35	18-Sep-2024	200.00	CARE A1+
Commercial paper	INE055A14JW4	14-Aug-2024	7.34	30-Sep-2024	200.00	CARE A1+
Commercial paper	Proposed	-	-	7-365 days	600.00	CARE A1+
Debentures-Non-convertible debentures	Proposed	-	-	-	500.00	CARE AA; Stable

Commercial paper outstanding as on August 21, 2024

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Commercial paper-Commercial paper (Standalone)	ST	1000.00	CARE A1+	-	1)CARE A1+ (28-Aug-23)	1)CARE A1+ (29-Aug-22)	1)CARE A1+ (30-Aug-21)
2	Debentures-Non-convertible debentures	LT	500.00	CARE AA; Stable				

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial paper-Commercial paper (Standalone)	Simple
2	Debentures-Non-convertible debentures	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated as on March 31, 2024

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Birla Estate Private Limited (BEPL)	Full	Wholly owned subsidiary (100%)
2	Avarna Projects LLP (subsidiary of BEPL)	Full	Step-down subsidiary (50%)
3	Birla Tisya LLP (subsidiary of BEPL)	Full	Step-down subsidiary (40%)
4	Birla Century Exports Private Limited (BCEPL)	Full	Wholly owned subsidiary (100%)
5	Birla Century International LLC*	Full	Wholly owned subsidiary (100%)
6	Birla Arnaa LLP	Full	Step-down subsidiary (47%)
7	CTIL Community Welfare Foundation	Full	Wholly owned subsidiary (100%)
8	Industry House Limited	Proportionate	Associate (35.28%)
9	Birla Advanced Knits Private Limited	Proportionate	Joint venture (50%)

*Birla Century International LLC has ceased to remain a subsidiary in Q1FY25

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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