



7th August, 2025

<p>Listing Department National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G-Block Bandra Kurla Complex, Bandra (East), Mumbai - 400051</p> <p>Symbol: CENTENKA</p>	<p>Listing Department BSE Limited 25th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400001</p> <p>Scrip Code: 500280</p>
--	--

Dear Sir/ Madam,

Sub: Transcript of Q1-FY26 Earnings Conference Call of Century Enka Limited ('the Company')

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

Pursuant to Regulation 30 of the Listing Regulations, please find attached herewith the transcript of Q1-FY26 Earnings Conference Call conducted on Monday, 4th August, 2025. The same is also available on the website of the Company i.e., www.centuryenka.com.

This is for your kind information and records.

Thanking You,

Yours faithfully,
For **Century Enka Limited**

Rahul Dubey
VP Legal and Company Secretary
Membership No: FCS 8145

Encl: as above



“Century Enka Limited
Q1 FY '26 Earnings Conference Call”
August 04, 2025



MANAGEMENT: **MR. SURESH SODANI -- MANAGING DIRECTOR –
CENTURY ENKA LIMITED
MR. YOGESH SHAH – CHIEF FINANCIAL OFFICER –
CENTURY ENKA LIMITED**

MODERATOR: **MS. DEEPALI KUMARI – ARIHANT CAPITAL MARKETS
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Century Enka Q1 FY '26 Earnings Conference Call hosted by Arihant Capital Markets 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Deepali Kumari. Thank you, and over to you, ma'am.

Deepali Kumari: Thank you. Hello, and good afternoon to everyone. On behalf of Arihant Capital Markets Limited, I thank you all for joining the Q1 FY '26 Earnings Conference Call of Century Enka Limited. Today from the management, we have with us Mr. Suresh Sodani, Managing Director; and Mr. Yogesh Shah, Chief Financial Officer.

So without any further delay, I would like to hand over the call to the management for their opening remarks. Over to you, sir.

Suresh Sodani: Hello everyone, and welcome to our earnings conference call for the first quarter of financial year ending 2026. I would like to thank our host, Arihant Capital Markets Limited for hosting this call. Now let me first brief you on the operational highlights for the first quarter of FY '26. During the quarter, revenue declined compared to the corresponding period of the previous financial year.

In Tyre Cord fabric segment, volumes were impacted due to lower demand from the tyre industry and higher imports from China. There was a slowdown in automobile industry, particularly in the 2-wheeler and the commercial vehicle segments due to subdued demand. However, we expect NTCF demand to improve in Q2 following inventory adjustments by tyre manufacturers.

Second half could witness better demand supported by the festive season and positive impact of favorable monsoon on farm income. Continuing geopolitical and trade tensions, along with tariff-related uncertainties remain a key risk across the value chain. For PTCF, approval process is currently underway.

In the Filament Yarn segment, sales were impacted by a fire at our Bharuch plant in February 2025. The plant resumed full operations from June '25. Prices remained under pressure due to increased imports from China at lower prices. Our focus continues to be on value-added products to improve margins.

On the raw material side, caprolactam prices continue to decline to record low levels, resulting in margin pressure. However, use of renewable energy at Bharuch plant helped in controlling power costs. We remain focused on improving efficiency of old equipment to stay competitive.

I will now request our CFO, Mr. Yogesh Shah, to brief you on financial performance.

Yogesh Shah:

Thank you, and good afternoon, everyone. Let me now brief you on the financial results for the first quarter of the financial year 2026. The operating revenue stood at INR402 crores, which declined by almost 24% year-on-year. EBITDA for the quarter stood at INR20 crores, which declined by 52% year-on-year. EBITDA margin were reported at 4.96%. Profit after tax was around INR15 crores, representing a decrease of almost 37% year-on-year. PAT margin stood at 3.84% for the quarter.

Total volume for quarter 1 FY '26 declined by 17% year-on-year to 17,072 metric tons. Tyre Cord Fabrics revenue for quarter 1 FY '26 decreased by around 35% year-on-year to almost INR181 crores. Filament Yarn revenue for the same period also decreased by around 15% year-on-year to almost INR193 crores.

With this, we open the floor for questions and answers.

Moderator:

We take the first question from the line of Param Vora from Trinetra Asset Managers.

Param Vora:

I wanted to ask was regarding the geopolitical and trade tensions. So how are these factors affecting the company's operations? Like is it the raw material sourcing? Or is it the export market?

Suresh Sodani:

So our raw material sourcing is not anywhere linked to US markets. However, we have very little direct exposure of exports to US of our products. However, since our products are used by tyre companies as well as finally by the garments, which gets exported to US and other countries.

We could have an impact if these end products are impacted due to the tariff or other kinds of levies due to particularly the differential levies between India and other countries. So we still keep a watch on what actually comes out. And that is the indirect impact that could be having of the geopolitical situation on our operations.

Param Vora:

And my next question was that you mentioned the volumes of reinforcement Yarn was impacted by higher imports from China. So what specific actions are company taking to mitigate the competitive pressure from imports? And are you engaging with any government bodies for any policy interventions?

Suresh Sodani:

Yes. Through our association, we have raised this issue of our imports from China and also from the free trade agreement countries where the duty protection is not available. And we have raised this issue in terms of asking one is for either initiating immediately the QCO process so that, first of all, substandard material does not come. And second, only valid and approved sources of producers in the other countries are allowed to send material to India.

Second, like the government has put a minimum import price on certain finished products. So since our fabric is a finished product and goes directly in consumption for tyre manufacturing, we have asked in principle, whether they can consider a minimum import price to be put on the Tyre Cord Fabrics. So these two actions are underway, and we have started discussions with the government authorities through our associations.

Moderator:

The next question is from the line of Gunit Singh from Counter Cyclical PMS.

Gunit Singh:

Our margins, EBITDA margins have fallen from about 13% in FY '21, '22 to about 5% currently. So I would like to understand what would be the contribution of inventory losses, I mean, to these margins? And do we have any correlation with the price of crude oil on our margins?

So I mean, price of crude oil have gone down and our input caprolactam prices have also fallen. So I mean, out of the 500 basis points, what would be the contribution of inventory losses? And under what conditions can we get back to 10% EBITDA margins according to you?

Suresh Sodani:

Okay. Thank you for your question. One is a comparison with '21, '22 is not necessarily the right comparison because '21, '22 was a post-COVID area where the demand for most of the products had shot up and worldwide as well as in India. So the more likely margins that we commit or we target normally is between 6% to 8%.

Yes, our margins are lower than the target between 6% to 8% for this quarter and also for the previous quarter. As regards to the impact of falling prices, yes, this do impact our margins because the materials, the stock in hand right from raw material up to finished goods, the prices get corrected when there is a change in the underlying raw material prices.

We are seeing now hopefully that the raw material prices are close to their bottom. These are record low levels with almost a fall of \$400 from April '24 to June '25. And we are hopeful that these prices should stabilize or improve from these levels. There is a good correlation with the crude oil prices because the underlying raw material -- I mean, the feedstock for our raw materials are crude-based.

However, it is not a very direct correlation. So sometimes it takes a few quarters or sometimes a few months before the correlation starts showing its results. But one more important point is the significant overcapacity that has been created across the value chain, right from raw materials up to the finished products, which has also impacted the margins, and it is not only in India. These margins have even squeezed in the Chinese domestic market as well.

Gunit Singh:

All right, sir. Got it. So going forward, can we expect a INR550 crores kind of a revenue run rate quarterly considering that the fire incident is behind us? Is that a fair assumption? And also the new capacity that we're coming up within Q4, what is the rationale for, I mean, increasing capacity when there's already oversupply and margins are under pressure. So do you see any uptick for that? Or I mean, what was the rationale for investing in that? And what kind of peak revenues can we expect from the new capacity that will come in, in Q4?

Suresh Sodani:

Okay. So we do not give any forward-looking data in terms of values of turnover or the bottom line, but volumes will definitely should go up from quarter 1 because we have restarted our plant, which was impacted by a fire at Bharuch. So those volumes, assuming that the demand does not weaken should help in overall sales volume increase.

Second, the top line has a direct correlation with the raw material prices because normally, the prices of finished goods adjust to the raw material prices. And as I said, the base raw material prices are at record low levels. So what kind of top line will come -- is directly linked to what kind of raw material prices or even the crude prices would prevail in next few quarters.

As far as the capacity expansion is concerned, our capacity expansion and which is still not commissioned is related to polyester tyre cord. And the purpose of getting into that segment is that we didn't have presence in the polyester tyre cord, which is used in passenger car tyres. And nylon tyre cord is reaching to kind of a flat trajectory or very slow growth, whereas polyester tyre cord in line with demand for passenger cars is likely to grow faster than any other reinforcement, and that is the reason that we got into that.

And this hopefully should help us gain some more volumes than in segments that we are not currently present in. As far as NTCF is concerned, the expansion was mainly related to the some of the old capacities that we thought is not able to compete with on quality terms with the latest machine. So mainly it was there, and there was some balancing capacity increase based on the demand in '22,'23.

Gunit Singh:

All right, sir. So looking at the current pricing scenario, I mean, realistically, what kind of revenues can come from the new capex? And also, is it a fair assumption that the current EBITDA margins have bottomed out and they cannot go further below what we are experiencing right now? And also, can you comment on the current demand scenario? Does it look better than FY '25? And what would be the drivers of increase in our margins for the coming, say, quarters or FY '26?

Suresh Sodani:

Okay. Too many questions together. So I'll answer one by one. And in case something is left out, you can please repeat your question. One, with respect to the top line that we expect from and that's based on a normal assumption pricing of the raw materials. From our new capacity, it could be between -- at the full capacity between INR100 crores to INR120 crores.

And as regards the triggers for margin improvement, it is difficult to say whether this is bottom or the best margins because the world is in a very volatile situation. And as I said in an earlier response, we do not have direct exposure to US exports. But if, for example, the tyre exports were to get impacted or the garment exports were to get impacted, then our businesses will also get impacted, especially on the volume term.

So that is the reason, particularly in current scenario, at least for a quarter or two we have to watch how does the tariff issues and the geopolitical challenges play out for the domestic producers and its impact on domestic production going to export market. As regards -- I guess your one of the questions was on -- can you repeat? I don't know which one. As I said, there are too many questions together.

Gunit Singh:

I mean, so I would just like to understand is the current demand scenario or the pricing scenario for our finished goods better than FY '25? Or can you just comment on the scenario and the outlook for FY '26? And also, I would like to understand there has been an inventory

buildup. Our inventory levels have reached around INR315 crores. So what is the reason for that?

Suresh Sodani:

Okay. So from demand side, we do expect some improvement in demand. I mean, difficult to comment for the balance 3 quarters in this scenario to say that on an overall basis, whether it will be better or worse than FY '25. But demand is expected to be better, as mentioned in our presentation on two factors. One is the festive season normally leads to more demand, particularly from farm and the 2-wheeler segments.

And secondly, since the monsoon has been good and the spread has been good, the farm income has been a good driver for demand for the value chain related to automobiles. So right from basic automobiles to all tyres, everything. So hopefully, this should be one reason to look for a better volumes in the coming quarters. But as I said, in a volatile scenario, if this is not supported by the export market because of the tariff, then it could lead to an overall demand reduction. As far as the second question was related to.

Gunit Singh:

Inventory buildup.

Suresh Sodani:

Inventory, yes. So inventory buildup was temporary. So what happens is since most of the raw materials are imported. And suddenly, if the tyre companies take an inventory correction, we have to adjust our production. So the inventory buildup happens both at raw material and FG state. But we are seeing an inventory reduction and hopefully, by end of Q2, we should reach to closer to normal inventory levels.

Moderator:

The next question is from the line of Parth Patel, an Individual Investor.

Parth Patel:

Sir, the first question is that the increase in the capital work in progress suggests that the ongoing capacity expansion or modernization. Can you provide details on these projects, the time lines and expected contribution to top line or operational efficiency?

Suresh Sodani:

Are you talking at the end of FY '25 or what period CWIP?

Parth Patel:

Yes '25.

Suresh Sodani:

So most of our projects, we have a very small CWIP at the end of FY '25. So we have already capitalized most of the value by March '25 already. What now remains is mostly cost reduction and balancing equipment mainly related to energy conservation and some replacement capex. Otherwise, the large projects were most of them were completed by March '25.

As I said, the combined impact is all our capex at the time of approval have to cross a minimum hurdle rate of at least 10% to 12% or more in return on capital employed or even better in terms of if it is not related to any current operations. So this is the kind of in a normalized scenario that should be the normal benefits that we should accrue from any capital projects taken except for replacement capex.

- Parth Patel:** Okay, sir. And also, sir, like with a net surplus cash of over like INR3.25 billion and improving cash generation, what is the capital allocation framework for FY '26? Should investors expect higher payout ratios or strategic investments?
- Suresh Sodani:** The focus is on getting more strategic investments and grow this company. But anyway, the payout is more call to be taken out by the Board, and we can only recommend but the final -- and it has already been for the year being given out in terms of the dividend. So we can't comment on what the future would be. But yes, as the management, we continue to look for opportunities to grow this company and deliver superior returns on the capital employed.
- Moderator:** The next question is from the line of Khushi, an Individual Investor.
- Khushi:** What is the pricing strategy in the current caprolactam -- especially considering that prices have fallen multiyear low? Do you have a pass-through mechanism in place with key customers?
- Suresh Sodani:** Yes. In case of Tyre Cord Fabrics, there is a pass-through mechanism for the raw material prices. And that has been continuing for many years in the past and continues in the current year as well. As far as the Filament Yarn is concerned, ultimately, there is a pass-through, but it may not be in terms of time lines or in terms of quantum because it is also a function of the demand supply and the imports coming in from China.
- So that is one area which always remains as an area which is not completely in a pass-through mechanism. It could be sometimes a gainful scenario. It could sometimes be less than the full pass-through also.
- Moderator:** We take the next question from the line of Parth Patel, an Individual Investor.
- Parth Patel:** One final question. Post resumption of operations at Bharuch plant in June, what is the current run rate of Filament Yarn production? And how long before you expect full stabilization of volumes and margins?
- Suresh Sodani:** So we have fully commissioned the impacted plant by June end. And technically, the full capacity is available. But based on the demand supply and stock positions, we do adjust our production. So it is operating at 90-plus, 95-plus capacities. Impacted plant is already working at that level. And with better demand scenario particularly from the coming festive season, we expect it to run at full capacity.
- Moderator:** The next question is from the line of Khushi, an Individual Investor.
- Khushi:** Has there been any tangible recovery in demand from OEMs or the replacement market in Q2 so far, particularly in the 2-Wheeler and Commercial vehicle segment?
- Suresh Sodani:** We get the impact on OEMs only through what kind of order position comes from the tyre company. So difficult to comment. I mean, we are just in the first month of Q2. But as I said, we are hopeful of improvement because tyre companies have taken inventory corrections in the Q1 and hence, the volume requirement from the domestic suppliers was reduced.

Hopefully, that correction has been done and the Q2 numbers, at least demand coming from tyre companies should improve under the overall text that the export market will not get impacted.

Moderator: We take the next question from the line of Gunit Singh from Counter Cyclical PMS.

Gunit Singh: So I would just like to understand the demand and supply scenario in India currently. So total supply and the total demand and also how different our prices from the imports from China?

Suresh Sodani: So NTCF demand fluctuates between 125 to 135 kt, sometimes even slightly plus/minus 5 kt on an annualized basis, but could vary significantly on a quarter-to-quarter basis, mainly because of changes in the replacement demand position. NTCF is not falling significantly, but also not growing. So more or less flat. We do expect a small increase driven by the Farm segment and the 2, 3-Wheeler segment. But that should be the range in which it should be there.

The PTCF demand is about 30 to 35 kt. Again, this is annualized demand. And that is expected to grow by 6% to 8% on the premise that the car industry and the 4-wheeler industry, particularly is doing well and should continue to do well, though the last few quarters have been not that great. But looking at the overall penetration ratio being so low, it should grow in future at this rate. That's the projection that we get from the industry.

And in terms of NFY, the demand, I mean, there's no clear numbers because of the wide variety of NFY that is there, but it is anything between 160 kt to 180 Kt, but it is also growing at about 6% to 8% based on changes in the end-use segments of NFY mainly from the fashion side.

Gunit Singh: And sir, what is the domestic capacity for each of these?

Suresh Sodani: So NTCF is almost matching this capacity. And about 20% comes for imports, which is mainly for the export of tyres, so it comes under advanced license. So to that extent, the domestic capacity remains underutilized. PTCF is about 20% or 25% of the total demand, including the new capacities which have come up, including our, I mean, which is not necessarily a commercial capacity since it's an approval is going on.

And in NFY, the capacity is over 200 kt. And that is the normal growth. I mean, utilization ranging from between 765 to about 85 depending on the season and depending on the demand supply or import from China.

Gunit Singh: All right. And sir, what is the differential pricing as compared to Chinese imports?

Suresh Sodani: So on -- with the duty paid, it is almost matching. There could be a few -- because the pricing is also an annualized pricing formula based. So on quarter-on-quarter, it could be different. But normally, the pricing is closer to or similar to the duty paid pricing coming from China.

Gunit Singh: All right. So sir, given that there is an oversupply scenario in the domestic market, do we have any competitors or players shutting down their plants or moving out of the business? And I

mean, given the current scenario, what would be the drivers of growth for our company for the coming 2 to 3 years? Would we try to get into other businesses? Or I mean, where do you see the company in the coming 2 to 3 years?

Suresh Sodani:

So for us, particularly in NFY, we would be looking at only increasing our value-added products the way we have done for the last few years. And that is something which has held us against a very high price intensity competition from China because that's where we have been able to differentiate our products in the market compared to more bulk products coming from China.

In PTCF, as I've already explained, we are looking at growth. In NTCF, the focus is on improving our efficiencies while the pricing would remain more challenging, but what is the improvement that we can do, and we have taken a lot of steps to improve our efficiency, our consumption ratios also by replacing some of the inefficient equipment and that would continue.

In future, the growth would one come from our PTCF expansion, but also we'll explore other avenues the way we have diversified into PTCF, into other kinds of technical textiles, which are under evaluation. And once we have clarity and we are ready to announce through normal mechanisms of informing through the Board approval and post informing to the stock exchanges, it will also be known to all of you.

Gunit Singh:

So sir, what should be the EBITDA margin range for PTCF?

Suresh Sodani:

Similar. I mean when we say it's similar for the company, between 6% to 8%.

Gunit Singh:

All right. Are we seeing any pressure in the industry, any plant shutdowns by competitors?

Suresh Sodani:

In NFY, yes, there have been some -- I mean, not in the immediate past, but last year and previous year, some of the inefficient players and some players who are possibly more indebted had to shut down. But there is also growth. A lot of people are making some new investments as well. And we have also made investments, particularly for the value-added products. And that trend, I think, will go on in future as well.

Gunit Singh:

All right. Got it. So if we look at the past 15, 20 years, can we say that we are currently at the bottom of the business cycle? And I mean, things should turn maybe only in the positive side because we are already at the bottom. Is that a fair assumption given your experience?

Suresh Sodani:

If there were no geopolitical and other challenges, I would have possibly given you a positive or a response, but very difficult to say in this scenario because there are so many uncertainties -- it's not only for India, it is also for China, for Southeast Asia. So too difficult to say what kind of cycle we are in. But what we are trying to do is work on what is in our control and remain competitive and to deliver sustainable growth and profits.

Gunit Singh:

All right. And do we face any risk when it comes to sourcing raw materials? Where do we source majority of our raw materials from?

Suresh Sodani:

We source from multiple countries, and we don't see any significant risk because like other products, raw material is also available abundantly. So we don't see any risk. And we continue to source from our two sources in India as well. And we interact with them regularly and they would continue to operate. There is no chance of these suppliers getting or closing down. So we don't see any significant risk in the raw material availability or the pricing side.

Moderator:

As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Yogesh Shah:

Thank you, everyone, for joining our earnings call. I hope we were able to give the answer to your queries, and I hope those were to your satisfaction. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations Manager at Valorem Advisors. Thank you.

Moderator:

Thank you. On behalf of Arihant Capital Markets Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.