



8th August 2024

<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>
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Dear Sir/ Madam,

Sub: Transcript of Q1-FY25/FY25 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-FY25/FY25 Earnings Conference Call conducted on Wednesday, 7th August 2024. 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,

For **Century Enka Limited**

(Rahul Dubey)
Company Secretary
Membership No: FCS 8145



“Century Enka Limited
Q1 FY '25 Earnings Conference Call”
August 07, 2024



**MANAGEMENT: MR. SURESH SODANI – MANAGING DIRECTOR –
CENTURY ENKA LIMITED
MR. KRISHNAGOPAL LADSARIA – CHIEF FINANCIAL
OFFICER – CENTURY ENKA LIMITED**

**MODERATOR: MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL INDIA
PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Century Enka Limited's Q1 FY '25 Conference Call hosted by PhillipCapital India Private Limited.

Please note that this conference is recorded. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital India. Thank you, and over to you, sir.

Vikram Suryavanshi: Thank you, Rayo. Good evening, and very warm welcome to everyone. Thank you for being on the call of Century Enka Limited. We're happy to have the management with us here today for question-and-answer session with the investment community.

Management is represented by Mr. Suresh Sodani, Managing Director; and Mr. Krishnagopal Ladsaria, Chief Financial Officer. Before we start with the question-and-answer session, we'll have some opening comments from the management. I will hand over the call to Mr. Suresh Sodani for opening comments. Over to you, sir.

Suresh Sodani: Thank you, and good evening, everyone. I welcome you all to our Q1 FY '25 Earnings Conference Call. Let me first brief you on the operational highlights for the first quarter of FY '25, after which, our CFO, Mr. Ladsaria, will brief you on the financials.

The demand for tyre cord fabric is experiencing an uptick, primarily driven by increased demand in the 2-wheeler segments and growth in tyre exports. Additionally, a favourable monsoon season is anticipated to boost the demand for tractors and 2-wheeler tyres in the near term. However, margins are expected to remain under pressure due to lower prices in Chinese market.

Notably, trials for Polyester Tyre Cord Fabric are scheduled to commence in second quarter FY '25 with approvals from tyre companies expected by the end of fourth quarter of FY '25. In the filament yarn sector, there has been a noticeable rise in demand since May '24. Expansions in production of Mother Yarn and Draw Texturized Yarn have facilitated meeting the growing demand for these products. Increased raw material costs arising due to supply chain issues were passed on to customers. Margins have improved, thanks to higher VAPs and stable prices in Chinese market with ongoing efforts focused on cost optimization.

I now request our CFO, Mr. Ladsaria, to brief you on financial performance.

Krishna Ladsaria: Good evening, everyone. Let me cover the financial results for the first quarter of financial year 2025 in brief. The operating revenue stood at INR528 crores, which grew by almost 23% year-on-year basis. EBITDA for the quarter stood at INR41 crores, which grew by around 91% year-on-year. EBITDA margins were at 7.78%. Profit after tax was INR24 crores, representing an increase of 77% year-on-year.

PAT margin was at 4.6% for the quarter. Reinforcement verticals revenue for Q1 FY '25 increased by around 28% year-on-year to INR279 crores, while filament yarn verticals revenue for the same period increased by 17% year-on-year to INR226 crores.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vipulkumar Shah from Sumangal Investment.

Vipulkumar Shah: Hearty congratulations for a very good set of numbers. Sir, I have two questions. Our volume has increased to 20,000 tons in this quarter. So this increase in volume is sustainable?

Suresh Sodani: Are you completing your second question, or you can ask...

Vipulkumar Shah: Second -- yes, yes. So second question is regarding power and fuel cost. So it has come down substantially as compared to last year. So sir, going forward also, we should expect softening of power and fuel cost?

Suresh Sodani: Yes. So yes, the volumes have gone up in the current quarter compared to both the corresponding quarter and the immediately preceding quarter. As we mentioned in our opening remarks, this is mainly driven by better demand for both verticals and which are the underlying reasons has been that the 2-wheeler segments in India as well as exports have done well, 2-wheeler and overall, the tyres also have done well. And similarly, the tyre exports, which had started shrinking last year, actually look to be improving.

We still don't have the absolute numbers for Q1. But based on our information, I think these have been doing well. And as far as going forward, while we do not give any forward-looking statements, we are hopeful that the demand conditions should remain positive because one is, it is linked with the GDP growth as well as a good monsoon and which are both expected to be good in the current year.

Second is with economies in Europe and U.S. also normalizing, exports, which have taken a hit in FY '24, are expected to improve. So both these would -- should lead to better production volumes at tyre companies, which should ultimately lead to better reinforcement demand.

Second, on your power cost, yes, it is lower than the corresponding quarter last year, mainly because we are hybrid power, which was commissioned in July '23 last year. We did not have the benefit of hybrid power rate in the first quarter last year.

So that benefit is reflected in the average power rate, particularly for the Bharuch unit. And we expect these numbers to continue based on continuous availability of hybrid power even though there is a seasonality impact in hybrid power generation, and that would have some impact. But overall, we expect that the power rates, particularly related to Bharuch plant should be more comparable, more cost effective than it has been in past. Even though we had started getting the hybrid power from July last year.

Vipulkumar Shah: So what percentage of power we source from grid and what percentage is from renewable, sir?

- Suresh Sodani:** So at Bharuch plant, about -- between 25% to 33% power depending on the season and generations is coming from the hybrid renewable power and the balance is from the grid.
- Vipulkumar Shah:** So this ratio will improve, or it will remain almost in this range only?
- Suresh Sodani:** It will improve. It should remain in the same range. As I said, there is a seasonality impact normally first and second quarter, the wind power generation is better, but we hope that it will not be significantly varying. So that will be definitely in that range of between, say, 20% to 35% availability should be there.
- Vipulkumar Shah:** So power and fuel, you have clubbed under one head. So mainly this is saving due to lower power costs, right? Fuel is a -- I mean, for fuel costs, that is not a substantial...
- Suresh Sodani:** There is also an impact on lower fuel cost for steam generation because the coal rates have come down. So while we don't use coal directly, but the prices of alternate fuel, which is -- are also have a correlation with the international -- or the domestic or the international coal prices. So that has also come down. So that also has an impact in the Q1, which is, again, hopefully should remain -- should be available for the balance period of the year also.
- Vipulkumar Shah:** Okay. And after this expansion, our capacity right now is around 92,000 tons, right, sir?
- Suresh Sodani:** Yes.
- Vipulkumar Shah:** So in this quarter, we have done around 20,000. So we are maxed out or still if demand is there, we can increase the production -- increase the production from 20,000?
- Suresh Sodani:** Yes. Obviously, when we say capacity, which means that this is operational capacity. So if the demand is there on a continuous basis and for all the products because within each of the category also, we have multiple products. So for each of the products, if the demand continues to be good, vibrant for the -- almost the entire period, then yes, we can hope for better capacity utilization.
- Moderator:** The next question is from the line of Mr. Vikram Vilas Suryavanshi from PhillipCapital.
- Vikram Suryavanshi:** Sir, if you look at our quarterly number, a lot of benefit has also come because of our cost control. One, we all talked about power and fuel, but even other costs are also, there is a good amount of control. So is it -- will it continue going forward? And we can see the benefit of operating leverage as volumes are picking up or even the way you see some cost increase can happen in other expenditure?
- Suresh Sodani:** Yes. So there is a definite effort to control all controllable costs and that is also reflected in the quarter, which has gone by. And our effort from the management side is to look at costs from all angles and also look at optimization of the portfolio, which has a look for products where the cost is high and the margins are low, it is also reflected in the margins being on an aggregated basis better than for the entire portfolio.

So the focus on cost reduction would continue as long as uncontrollable costs coming from outside or related to geopolitical risks like airfreights, international freight or everything and such costs which are beyond our control, we will continue to focus on cost optimization.

- Vikram Suryavanshi:** And what was the average prices for caprolactam and how is the outlook?
- Krishna Ladsaria:** So in last quarter, the caprolactam prices were \$1,664 per metric ton and the corresponding number for that was \$1,644 in last year.
- Vikram Suryavanshi:** \$1,644 for last year and this quarter was?
- Krishna Ladsaria:** \$1,664.
- Vikram Suryavanshi:** Okay. \$1,664. So okay.
- Krishna Ladsaria:** And the prices generally have been stable for last one year. And we do not expect if crude does not move significantly, we expect caprolactam remain range bound.
- Vikram Suryavanshi:** Understood. And what would be revenue potential for Polyester Tyre Cord or basically was the trials are over and who will be our major customers in that segment or end use of these products?
- Krishna Ladsaria:** Basically, all the regular tyre companies will be there for JK, MRF, CEAT. So this mainly goes in passenger tyres. So all the tyre companies generally have passenger vehicle portfolio. It will go in that segment.
- Vikram Suryavanshi:** And what would be our capacity in terms of tonnage or volume, if you can give any idea on that, sir?
- Suresh Sodani:** We -- as I think we have said in past, we are reporting every -- all our business in single segment of synthetic yarn and products out of that. So we do not give a breakup of various verticals within that for competitive reasons. I hope you will appreciate that.
- Vikram Suryavanshi:** Sure, sir. Yes. And in terms of value-added products, how much scope we have to further because I think our endeavour is always to go for more and more value-added products. So is there any further opportunity for us? Or you can give some sense on that?
- Suresh Sodani:** Yes, there is opportunity on value-added products, and that would be another focus area, particularly for the Nylon Filament Yarn segment. And the value addition actually does not stop at one level, you can go down up to 1, 2, 3 levels of value addition as well.
- So value addition depends on the opportunity and the size of the downstream value chain and -
- which we feel is good enough for us to look for more opportunities in value-added products. But as a principle, we will continue to expand our value-added products portfolio.
- Vikram Suryavanshi:** Understood. But is there any way we can mention that this is a broadly percentage of revenue coming from value-added and more like -- or it will be difficult to say?
- Suresh Sodani:** Yes, it will be -- since we are not going into that kind of details, it will be difficult to do that.

Vikram Suryavanshi: Understood. And last question from my side about I think majority of capex is over. So what kind of capex we are looking for this year or how much we spent in first quarter? Or it will be more like a routine kind of a capex?

Suresh Sodani: As of now, we are always looking at sustenance and cost saving capex, and it will not be large. Since you are rightly said, we have completed all our expansion and large capex in last quarter of FY '24. And we'll be evaluating more opportunities for growth capex in the near term. And as and when our plans are finalized and approved by the Board, it will be shared with the stock exchange and with all of you.

Vikram Suryavanshi: But broadly, what would be routine capex this year in terms of crores?

Krishna Ladsaria: See, in addition to routine capex, we also continuously do modernization and energy saving projects. So on a year -- on a whole, we will be spending somewhere between INR35 crores to INR50 crores on these capex depending on how the -- how these projects progresses.

Moderator: Next question is from the line of Mr. Vikram Suryavanshi from PhillipCapital.

Vikram Suryavanshi: Sir, just two more areas where you can give opinion. One on this continued -- you also highlighted to some extent about supply chain disturbance, but does it may impact the export materially or how it is now getting normalized? That is one, I think, area. And second, it's basically, is there like a polyester or nylon side? Anything the opportunity can come up from the what we are seeing from the Bangladesh developments, particularly?

Suresh Sodani: So supply chain, as you would be aware, was an issue in quarter 1, mainly because of certain increases in the container freight from China and East countries to particularly the state is part of the world. And because a lot of containers and ships were getting diverted and also the Red Sea crisis.

So that has actually slightly come down, but it is still higher than what it used to be in Q4 even when the Red Sea crisis was going on. We expect that normalization should start coming in as some reduction has already happened because now the antidumping or the higher tariffs at as U.S. has been kicked in from early August.

So I think that a lot of traffic divergence will happen and availability of ships and containers to improve. So that would have an impact on our environmental costs as well. As far as the opportunities in Bangladesh is concerned, we are directly not linked with that because Bangladesh was more into garments and manufacturing as well as exports.

So if for any reason the garment demand shifts from -- or part of it shifts from Bangladesh to India and which leads to better demand for yarn, it will have an impact on us. But as of now, I mean, it's too early to just 2 days story to comprehend whether it will actually lead to a better demand in India or not. But we will see how does it open up. But as and when if the opportunity arises, we will definitely try to take benefit of that.

- Vikram Suryavanshi:** Okay. And our volume growth in first quarter was pretty strong, so like around 25%, 27%. So can that be a run rate for full year or there could be moderation because of the base was relatively higher in the last few quarters compared to first half of last year?
- Suresh Sodani:** Very difficult to predict one because we don't give any forward-looking statement. But second, because a lot of geopolitical developments happened which are completely unpredictable. So we don't know, but we are definitely optimistic that better volumes should remain -- should happen in the balanced quarters compared to the corresponding quarters of previous years. And we are definitely as all our capexes, and capacities are on stream. We are ready to take benefit of that if the continued demand is there from our end users.
- Moderator:** The next question is from the line of Prathamesh Dhiwar from Tiger Assets.
- Prathamesh Dhiwar:** Sir, congrats for the good set of numbers. Sir, just a simple question, how has been our July month turned out in terms of volumes because there was better monsoon and all?
- Suresh Sodani:** I'm sorry, we cannot give monthly numbers. We'll come back when the quarter is over, and we'll be able to share the numbers after the quarter is done.
- Prathamesh Dhiwar:** Okay. But sir the demand is -- I don't want to get into the numbers. It's like...
- Suresh Sodani:** The demand has been steady. So hopefully, as I said, we don't have any forecast to say what will be the number, but we are hopeful that quarter 2 should also give good set of volumes.
- Moderator:** The next question is from Ritik Chopra from Buoyant Capital.
- Ritik Chopra:** I just have one question regarding the PTCF. What is the capacity over there, if you can just quantify in terms of volume or something? And how have the realizations over there?
- Suresh Sodani:** We'll not be able to give a quantitative number, but we are targeting about a 10% capacity for the domestic demand. And once, as mentioned in the opening comments, the process will start with fabric being given for trials and we'll go through a detailed review -- detailed approval process of the tyre company. So hopefully, by end of FY '25, we should have approvals from multiple customers and should be able to start commercial production from first quarter of FY '26.
- Moderator:** As there are no further questions, I would now like to hand the conference back to the management team for closing comments.
- Krishna Ladsaria:** Thank you, everyone, for joining the earnings call. I hope we were able to give the answers to your satisfaction. If you have any further questions or would like to know more about the company, please reach out to our Investor Relationship Manager at Valorem Advisors. Thank you.
- Moderator:** Thank you very much. On behalf of PhillipCapital India Private Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.