



20th May 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 Q4-FY24/FY24 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 transcript of Q4-FY24/FY24 Earnings Conference Call conducted on Friday, 17th May 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
Q4 FY24 Conference Call
May 17, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY24 Conference Call of Century Enka 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 '*' and then '0' on your touchtone phone.

I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you, ma'am.

Purvangi Jain: Good afternoon, everyone and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors.

We represent the Investor Relations of Century Enka Limited. On behalf of the Company, I would like to thank you all for participating in the Company's 4th Quarter of FY24 Earnings Conference Call.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by, and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's Earnings Conference Call is purely to educate and bring awareness about the Company's fundamental business and financial quarter under review.

Now let me introduce you to the management participating in today's earnings call and hand it over to them for their opening remarks. We have with us, Mr. Suresh Sodani - Managing Director and Mr. Krishnagopal Ladsaria - Chief Financial Officer.

Without any further delay, I request Mr. Sodani to start with his opening remarks. Thank you and over to you, sir.

Suresh Sodani:

Thank you and good afternoon, everyone. I welcome you all to our Q4 FY24 Earnings Conference Call.

Let me first brief you on the Operational Highlights for the 4th Quarter of FY24, after which our CFO, Mr. Ladsaria, will brief you on the financials.

The overall demand for NTCF shows a slight improvement, but growth remains muted. The demand for two-wheeler tyres in India is improving. In contrast, demand for commercial vehicle tyres remains flat and tractor tyre demands is declining due to subpar monsoon in the last year. While tyre exports are rising, they are still lower than past levels. We are observing an increasing trend of regionalization in commercial vehicles. Overcapacity in China is leading to dumping into India, impacting demand and margins. Post Diwali, there has been a pickup in demand for NFY. However, concerns remain due to overall lower textile demand, especially in rural areas and overcapacity in China, leading to dumping into India, which affects local demand and margin. Despite these challenges, the focus remains on increasing the share of value-added products in the portfolio and reducing costs to improve competitiveness and profitability. On the raw material front, caprolactam prices over consistently around 1690 per metric ton, whereas electricity rates remain at an elevated level.

Now, to update you on our CAPEX projects for the financial year FY24, there has been a total cash outflow of Rs. 115 crores towards ongoing CAPEX programs, spending capacity of polyester yarn for PTCF commission in March '24. With this, we have completed all major CAPEX projects. We will now initiate the process for PTCF approval with the tyre companies. I now hand it over to Mr. Krishna Ladsaria to brief you on financial performance.

Krishnagopal Ladsaria:

Thank you, Sodani ji. Good afternoon, everyone. Let me start with the financial results for the 4th Quarter of Financial Year 2024. The operating revenue stood at Rs. 469 crores, remained flattish on year-on-year basis. EBITDA for the quarter stood at Rs. 34 crores, which grew by almost 49% year-on-year. EBITDA margins were reported at 7.21%. Profit after tax was around Rs. 20 crores, representing an increase of 40% year-on-year. PAT margins were at 4.33% for the quarter. NTCF sales for Q4 FY24 decreased by around 13% year-on-year to INR 216 crores, while NFY sales for the same period increased by 14% year-on-year to INR 238 crores.

Now, coming to the results for the financial year 24, the operating revenues stood at Rs. 1,744 crores, which decreased by almost 16% year-on-year. EBITDA stood at Rs. 83 crores, which declined by around 42% year-on-year. EBITDA margin for the same period was 4.75%. Profit after tax was INR 43 crores, which declined by around 53% year-on-year and PAT margin was reported at 2.45%. The NTCF of sales for this period decreased by 22% to INR 827 crores, while NFY sales decreased by almost 7% to INR 850 crores.

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

Moderator: Thank you. We will now begin the question answer session. We have the first question from the line of Faisal Hawa from H. G. Hawa and Co. Please go ahead.

Faisal Hawa: What is our estimate for the coming year revenue growth and what is the kind of movement you see from the tyre companies this year as regards to new approvals and new revenue coming in? And secondly, do we have any kind of surplus land which may be giving to Century Textiles for any kind of redevelopment, etc.?

Suresh Sodani: So, coming to the first question, while we do not give any forward-looking statements, we expect revenue growth of between 10% and 15%, maybe if the markets are good even up to 20%, but that will depend on how the markets behave for the entire year. As also the pressure of imports from China in both the segments, so we are optimistic about the revenue growth, and we will see how it progresses quarter-on-quarter.

As regards the second question, we do not have any surplus land, which has been given to any other Company for development. Our land at Bharuch is an ownership basis and is being utilized only for our manufacturing activities. Our land at Pune is on a lease basis and also again utilized only for manufacturing activity.

Moderator: Thank you. We have the next question line of Vipulkumar Shah from Sumangal Investment. Please go ahead.

Vipulkumar Shah: So, my question is when will this expanded capacity come into production, what type of production increase can we expect over the next financial year or in this financial year, so if you can throw some light, it will be very helpful?

Suresh Sodani: Our new capacity or our expanded capacity of nylon tyre cord fabric has already been utilized fully. We have only adjusted it with stopping some of the old facility to get better efficiency gains as well as better quality products. And if the volume and if the markets do improve, which we are hopeful of, the ideal capacity will also increase and will be equally utilized. For the polyester tyre cord fabric, we have just commissioned at the end of March and as informed earlier, this being a very technical product, goes through a rigorous approval process on the tyre Company. So, in the interim before we get approval from tyre companies to do commercial supplies, it will go through a process of supplying them trial lots, which will be converted into tyres and then that goes through a very rigorous approval process. We will be selling yarns in the market as polyester yarns in the interim. So, we hope to utilize that facility completely during the next FY25. So, approximately it would be, again, we do not give any forward-looking statements, but assuming that the markets are good, close to between 5% and 10% volume growth can be expected.

Vipulkumar Shah: From polyester cord line, right?

Suresh Sodani: On the total volume growth.

Vipulkumar Shah: So, for nylon tyre code, what is the capacity addition and what was the capacity utilization last year, sir?

Suresh Sodani: We report our results only as synthetic yarns and for competitive reasons, we do not give the volume breakup. We have already only given the revenue breakup as additional information. So, we will only be talking about the total capacity.

Vipulkumar Shah: What was the total capacity utilization last year, sir?

Suresh Sodani: It was close to around 80%.

Vipulkumar Shah: And we have added roughly 30% extra capacity, right?

Suresh Sodani: 80% is on the added annualized capacity. So, capacities have increased over various quarters, some have commissioned in the last year, some have commissioned in the current financial year. So, when we say 80%, it is on the average capacities of all the four quarters for FY24.

Vipulkumar Shah: So, it is a little bit confusing, so as on today what is our total installed capacity after this new lines have become operational?

Suresh Sodani: It is about 92,000 tons per annum.

Vipulkumar Shah: So, if hypothetically demand is there, we can sell up to 92,000 tons, right, sir?

Suresh Sodani: Yes, if the markets are good, we can go up to the entire 92,000 tons per annum.

Vipulkumar Shah: And what is the status of your demand for anti-dumping duty?

Suresh Sodani: No, there is no anti-dumping duty on either of the products.

Vipulkumar Shah: But we have returned to the government, so I think we have initiated the process or not?

Suresh Sodani: We keep following up and we through our associations we keep representing, but the Finance Department has not been responding positively and even after the DGTR recommendation, not only in our case, but in many other cases as well, so we keep pursuing it, but there is no anti-dumping duty as of now.

Vipulkumar Shah: And sir, my last question is regarding your notes of this reversal of electricity charges of Rs. 5 crores, so would you elaborate, I didn't understand?

Krishnagopal Ladsaria: So, Maharashtra, we have electricity subsidy of Rs. 2 per unit, and in the Maharashtra textile subsidy, which was for the period 2023 to 2028 in the new policy, they restricted the total subsidy to Rs. 40 lakhs per month. So, they kept Rs. 2 per unit but restricted it to Rs. 40 lakhs per month. Subsequently, in the month of March they revised the policy, and they restored the subsidy back to Rs. 2 per unit without any gap on the total subsidy. Because of that in the December quarter, when this policy came in, we reversed Rs. 5 crores, which was subsidy accounted for and the same subsidy was restored back to our account in March. So, in March quarter, we have this additional profit of Rs. 5 crores which pertain to the period up to December.

Vipulkumar Shah: So, that Rs. 5 crores will not be in current year, right?

Krishnagopal Ladsaria: So, on a year-on-year basis, there is no change. So, there was a charge in Q3 and there was a reversal in Q4. On year-on-year basis or full year basis, there was full subsidy which was there at Rs. 2, which was accounted in our books.

Moderator: Thank you. We have the next question from the line of Pradeep Rawat from Yoki Capital. Please go ahead.

Pradeep Rawat: So, my first question is regarding the NFY segment, as we can see, the industry is not feeling well and we can see some of the organized players going through distressed sale. Are we looking for acquiring such players?

Suresh Sodani: No. As of now, there is no proposal to acquire any stress assets or stressed Company. We are concentrating and focusing on improving the value addition within our own portfolio as well as reducing the cost to become more competitive. But if there is something, it will come as an announcement, but there is nothing which we can declare that is under consideration.

Pradeep Rawat: And my next question is regarding our PTCF facility, so what kind of ROCE are we envisaging for the specific facility?

Krishnagopal Ladsaria: So, generally, we would work with ROCE or payback period of around 5 years. So, between 5 and 7 years if the project is or if it is above our cost of capital, we consider those projects. So, you can consider that there will be a payback period of around 5 to 7 years.

Pradeep Rawat: So, in earlier calls, you said that the PTCF facility would generate close to Rs. 100 crores of revenue?

Krishnagopal Ladsaria: Yes.

Pradeep Rawat: And the EBITDA margin would be somewhere around?

Krishnagopal Ladsaria: We don't give any specific numbers on EBITDA margin for any specific product so on a consolidated basis for our entire business as one segment.

Pradeep Rawat: So, it would be somewhere around NTCF margins, or it would be higher than that?

Suresh Sodani: So, generally it would depend on the market condition and specific, it will be very difficult to say what would be the comparable margins between the two products.

Pradeep Rawat: What are we planning for forward integration into technical textile segment?

Suresh Sodani: We are looking at technical textiles, because that is an exciting area and growth opportunity and some of our products already actually even the tyre cord fabric is a part of technical textiles in that definition of Mobitech. So, we are looking at opportunities to get into specified segments since our base yarn is suitable for certain technical textiles, and once we have decided on what to enter and up to what level, up to what part of value chain we have to get into that will be announced as if we have to enter a major or incur a major CAPEX on that. So, that will be announced as a part of our regular reporting and also to the Stock Exchange.

Pradeep Rawat: Sir, why I am asking from you this is that because we have so much of capital available with us, so any plan on the drawing board on your side for such expansion right now? Anything like any vague context, can you tell us?

Suresh Sodani: As I said, I mean we cannot declare before it is finalized or approved by the board, but we can only state that it is an area that is of interest to us and we are looking at it in a very detailed manner to see which segment to participate in, because that is going to be a growth area for the textile overall segments in India.

Pradeep Rawat: And then last question is regarding our NTCF expansion we did earlier. So, even though the market of NTCF is not showing good sign or it is shrinking due to radialization that you have earlier explained. So, why did we expand it in this segment?

Suresh Sodani: So, one of the reasons for expansion was that some of our machines, particularly at Pune, were aging and had crossed 30 years or close to 30 years of operating life. So, to prepare for any quality related or any issues with respect to productivity from these machines, that was one of the reasons to expand and we have expanded that capacity at Bharuch, which is a more cost-effective location. And second was there is still while we had anticipated that radialization will happen, one of the things which still have a potential to take this growth segment with the exports. And export has shown very good improvement in FY22. Unfortunately, the Ukraine war started and there was a sudden dip in last two years, so that was the two main reasons that we could see that even the tyre companies were expanding their tyres which utilizes NTCF as reinforcement. So, these were three reasons that we had done that. But as I mentioned in the earlier question, we are already utilizing, and these are more efficient. So, the efficiency

gains and quality gains are already flowing to the Company and if these geopolitical issues and other issues are more favorable, we are hopeful that the complete capacities or a very large part of the capacity will be fully utilized.

Pradeep Rawat: And just to follow up on that, so we won't be expanding in NTCF from now on or we will be like you said in the capacity was old so we have done some modernization CAPEX. So, going forward we won't be needing some modernization CAPEX, am I right?

Suresh Sodani: We would have certain CapEx's which are at a low scale not of the amount that was announced to the stock exchange and approved by the board. So, some modernization and some replacement CAPEX would happen every year, but it wouldn't be to the scale that we did and yes till the time that the NTCF shows that it is growing, and it shows potential, we are not going to expand our NTCF capacity.

Moderator: Thank you. We have the next question from the line of Shruti Shah, an Individual Investor. Please go ahead.

Shruti Shah: Actually, I had a question on the realization side. So, we have seen in this financial year that our realization has been declining. It would be great if you could give us an idea of the trend, what is going on and going further, what we can expect and it would be great if you could have given us segmental wise idea on the realization side?

Suresh Sodani: So, realization in both the segments is also a function of underlying raw materials and compared to an average raw material caprolactam price of FY23 versus FY24, there is another decline. So, that is one of the reasons that realizations look low because this normally either in case of NTCF, there is a mechanism to pass through. NFY also, the prices adjust to according to the raw material prices. Second is as mentioned there is an import pressure from China because of the overcapacity in China as well as lower domestic demand in China and which suppressed the prices as well as the margins. So, that are the two main reasons and as I mentioned earlier, we report our results in a single segment. So, we have given the overall numbers both in terms of volumes as well as the margin and that is what we can share for this conference call.

Moderator: Thank you. We have the next question from the line of Pradeep Rawat from Yoki Capital. Please go ahead.

Pradeep Rawat: So, I would like to know what were the caprolactam prices for the last quarter and this quarter?

Krishnagopal Ladsaria: So, this quarter was around \$1,690 per metric ton and in last quarter it was, I will just give you the average, last quarter's average was \$1,645.

Pradeep Rawat: And what were the exact caprolactam prices for this quarter?

Krishnagopal Ladsaria: Similar level \$1690 that was the average.

Pradeep Rawat: So, base based on the average prices, we would have some inventory gains in the margins, right?

Suresh Sodani: Yes, but that is a regular part of our business. If prices move up, we gain slightly, not in NTCF because there it is pass through, but in NFY on the inventories which is there in our hand, we gain some amount when prices move up and reverse is the case if price is correct.

Pradeep Rawat: So, can you just quantify the inventory gains that we had during this quarter?

Suresh Sodani: It is part of the overall business. It is unless there is a very sharp gain because these are all normal movements of caprolactam, and it would depend at what point we bought the material, so these cannot be quantified.

Moderator: Thank you. As we have no further questions, I would like to hand it over to the management for closing comments.

Suresh Sodani: Thank you. So, we thank you everyone for joining the Earnings Call. Hope we were able to give the answers to your queries and 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 Century Enka Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.