



11th November 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 Q2/H1-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 Q2/H1-FY25 (quarter and half year ended on 30th September 2024 earnings) Earnings Conference Call conducted on Friday, 8th November 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,

Yours faithfully,
For **Century Enka Limited**

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

Encl : as above



“Century Enka Limited
Q2 FY '25 Earnings Conference Call”
November 08, 2024



MANAGEMENT: 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 Q2 FY '25 Earnings Conference Call, hosted by PhillipCapital (India) Pvt. Ltd. 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.

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.

Please note that this conference call is being recorded. I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Pvt. Ltd. Thank you, and over to you, sir.

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

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

Krishnagopal Ladsaria: Thank you, Vikram. Good afternoon, everyone, and welcome to our Q2 FY '25 earnings conference call. I would like to thank our host PhillipCapital for hosting this call. Now let me first brief you on the operational highlights for the second quarter of FY '25.

For Nylon Tyre Cord Fabric segment, there was good demand in both OEM and replacement market for 2, 3 wheeler tyres. From Q1, we sustained until end of August. However, demand remained muted for truck and bus segment and farm tyres. There was some moderation in demand following the easing of supply chain situation, and we expect demand to pick up towards end of Q3, again, primarily driven by farm segment due to favorable monsoon conditions.

Margin continued to be under pressure due to raw material price volatility and import from China. Approvals for Polyester Tyre Cord Fabric have started with bulk tyres expected to commence in Q4 of the current financial year.

In Filament Yarn segment, the industry has experienced improved demand condition compared to previous year, which contributed to higher capacity utilization. The strategy of making more value-added products has helped in reducing the impact of China dumping. Margins have improved compared to corresponding quarter due to improved demand and higher share of value-added products.

Let me now brief you on the financial results for the second quarter and first half of financial year 2025. For the Q2 operating results, our operating revenue stood at INR536 crores, which grew by almost 35% year-on-year. EBITDA for the quarter stood at INR38 crores, which grew by 300% year-on-year. EBITDA margins were reported at 7.07%.

Profit after tax was around INR21 crores, representing an increase of almost 400% year-on-year. PAT margin was at 3.99% for the quarter. Total volume for Q2 grew by 27% year-on-year to 20,368 metric tons. Tyre Cord Fabric revenue for Q2 FY '25 increased by around 55% year-on-year to almost INR259 crores, while Filament Yarn revenue for the same period increased by around 20% year-on-year to almost INR254 crores.

For the first half of FY '25, operational revenue stood at INR1,064 crores, representing a growth of 29% year-on-year. EBITDA stood at INR79 crores, which increased by 156% year-on-year. EBITDA margin for the period was 7.41%. Net profit was INR46 crores, which grew by 157% year-on-year, and PAT margin stood at 4.29%. Total volume for H1 FY '25 grew by 27% year-on-year to 40,908 metric tons. Tyre Cord Fabric sales for H1 FY '25 increased by 39% to INR538 crores, while Filament Yarn sales increased by 19% to INR480 crores.

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

Moderator: Our first question is from the line of Vikram Suryavanshi from PhillipCapital.

Vikram Suryavanshi: Sir, how is the trial run of this Polyester Tyre Cord Fabric and response for approval process on the same?

Krishnagopal Ladsaria: So Polyester Tyre Cord, because it's used in passenger vehicle, it usually takes a long time in approval. We have started making the tyre cord, and we have given samples to the tyre company. So after initial lab testing of those samples, they will do the field trials. And we expect that early approval for bulk trial to receive by end of this financial year or early next financial year.

Vikram Suryavanshi:

Okay. Got it. And how are the raw material prices for us in terms of caprolactam and other raw material?

Krishnagopal Ladsaria:

Caprolactam prices had been in the range of \$1,600 throughout the quarter, between \$1,680 to \$1,600. But subsequent to the quarter because of the oil price volatility, prices have come down significantly. And currently, they are ruling somewhere around \$1,500.

Vikram Suryavanshi:

Okay. And in terms of our power cost and particularly Bharuch plant, how is the saving coming up for us which is hybrid renewable?

Krishnagopal Ladsaria:

So hybrid, because of hybrid power cost despite DISCOM keeping high power rate, our power costs for the quarter is slightly lower compared to last year. And because last year also, there was hybrid power cost, which was there for part of the quarter. And we are putting up another capacity at Bharuch plant. So once that other capacity comes up, we'll see a significant saving in power cost going forward.

Moderator:

Our next question is from the line of Harsheel Mehta from Mehta Vakil & Co.

Harsheel Mehta:

Sir, just wanted to understand, in terms of, we've had -- the first couple of quarters have been quite good for us. In terms of sustaining this performance in terms of revenue growth and margins, what is the outlook like, especially considering that the tyre companies have not been showing the best results this quarter. So there seems to be some sort of not slowdown but impact

of raw material prices, et cetera, on tyre companies. Do we see that affecting us? Or are we confident of sustaining our performance?

Krishnagopal Ladsaria: So we expect some moderation in Q3 mainly because of a bunch up of imports coming in. Until August, there were supply chain constraints because of imports, which would have been made by tyre companies were lower. And after September, those -- the situation has eased out.

So there will be some pressure because of higher imports, which we are seeing in October month also. But we expect better -- there is a pickup in farm segment, and there is a pickup in -- and we expect that there will be a pickup in commercial segment also once infrastructure spending starts.

So there, the replacement demand should be better and that should compensate for higher imports. So we expect some moderation in Q3. But towards the end of Q3, we should have a similar situation, which was there in first 2 quarters.

Harsheel Mehta: Okay. And in terms of margin, do you think we can sustain margins at around these levels that we have been showing first 2 quarters?

Krishnagopal Ladsaria: It's difficult. But in Q3, there will be some pressure. As I said, there is a fall in caprolactam prices. And there will be some mark-to-market impact on the inventories, which we are carrying. Of course, because of the supply chain situation, we are carrying some higher inventories of raw material. So there will be some impact in Q3. But otherwise, we expect margins to sustain. And we are taking efforts to reduce the power cost. So going forward, that should also help, but that is some time away in next financial year.

Moderator: Our next question is from the line of Amit Kumar from Determine Investments.

Amit Kumar: Can you hear me?

Krishnagopal Ladsaria: Yes.

Amit Kumar: Actually, my question was also on the outlook since you've already given it for the tyre cord segment, if you can just help me how are you looking at the Filament Yarn segment for the second half of the year in terms of pricing, in terms of volumes, in terms of industry demand and in terms of, again, competition both domestic and possibly dumping to sort of help us a little bit on that side.

Krishnagopal Ladsaria: So we expect filament yarn demands to remain good. Particularly, there will be marriage season, which will start now. So in terms of demand, we expect it to be reasonable and in line with the first 2 quarters. In terms of margins, there could be some pressure because of higher cost inventories, which are there in Q3 -- Q2. Because raw material prices have corrected, so some impact would be there in Q3 because of that. But otherwise, NFI demand conditions are good.

Amit Kumar: All right. And like in case of the tyre cord segment, you mentioned that some imports possibly coming into 3Q, so again, manmade fiber, this is a sort of persistent issue with respect to China. So any sort of thoughts here also, please?

- Krishnagopal Ladsaria:** Yes. So we are, along with other industry participants, pushing for some quantitative restrictions. So that is an industry effort, which has been made. And the other side, we are trying to rationalize our costs and see -- to become more competitive with our own business.
- Moderator:** Our next question is from the line of Shruti Shah, who is individual investor.
- Shruti Shah:** My first question was on the capex side. So what is the update on the ongoing capex that the company was doing? And what is the spend in Q2?
- Krishnagopal Ladsaria:** So our overall spend in half year is INR18 crores -- between INR18 crores to INR19 crores. And we expect similar numbers for next half also. And these capex are mainly on energy savings schemes, and we are doing some capacity addition for value-added products for our Filament Yarn segment.
- Shruti Shah:** Okay. And for FY '26, what are our capex plans?
- Krishnagopal Ladsaria:** So FY '26, generally, we finalize our capex plan towards end of the year. So those numbers are still not been decided and schemes are also not been decided.
- Shruti Shah:** Okay. And another question I wanted to have was on, what is the status of cost optimization efforts that we were taking?
- Krishnagopal Ladsaria:** So major cost for us is power cost and manpower costs. So on both these counts, we are taking efforts to reduce the cost. In terms of power, we are putting up a hybrid power project for our Bharuch unit, which should bring down the power cost. And manpower also, we are trying to cut down on capacities, which are not viable and not to take new manpower, which is -- or where people are retiring, we are not taking new manpower.
- Shruti Shah:** Okay. So was there an impact of these measures on Q2 numbers?
- Krishnagopal Ladsaria:** Q2, it's very difficult to give the numbers. But generally, in case of hybrid power, the per unit cost saving is around INR4. And we are sourcing close to 30% of our power requirement for our Bharuch plant from these hybrid projects.
- Moderator:** Our next question is a follow-up from the line of Vikram Suryavanshi from PhillipCapital.
- Vikram Suryavanshi:** Sir, how is the scenario or improvement in supply chain for container availability or trade side now?
- Krishnagopal Ladsaria:** They are almost normalized. So container freight, which was almost double to triple, has now been normalized. And there are some delays because of congestion, which got created in the last 4, 5 months. But otherwise, the situation has improved a lot.
- Vikram Suryavanshi:** And just to understand our competitiveness compared to China, what is current actually duty structure for imports? And at what percentage of cost reduction we can become competitive, even if you remove duty, if you can give some sense about duty and cost competitiveness for India?

- Krishnagopal Ladsaria:** So duty in case of filament yarn is 5.5%, which is 5% plus surcharge. For tyre cord, it is 20% duty. So tyre cord, there is good duty protection, which is there. Most of the imports, which comes to India is against the advanced license where tyre companies have done the exports. And in terms of cost information, it is not readily available in terms of what is the Chinese cost is there because it's quite opaque. But the imports, which comes from China is generally lower than the price at which we sell the material. So their cost structure is better.
- Vikram Suryavanshi:** And if a lot of companies are buying for advance under advanced license, even then it will be very difficult to apply tariffs or antidumping because of advanced license, they will keep getting at a better rate.
- Krishnagopal Ladsaria:** Yes, that is there. But generally, advanced licenses are against exports only. So as long as it is we get to serve the domestic market, it doesn't held much to us.
- Vikram Suryavanshi:** Got it. And for filament, is there any possibility for us to go to value addition in terms of technical textile because I think some of the states are now giving very good policy support for setting up technical textile products and all that. So is there any opportunity for us or we'll not consider?
- Krishnagopal Ladsaria:** Yes. We are looking into these opportunities. One is that we are doing capex on value addition. There is existing value addition also, which has been done, and we are looking to do more capex there. And then some of the other areas which are there in terms of adjacencies, there also we are working. And maybe in next year, we will be able to give more detail on that if those plans are approved by the board.
- Moderator:** Our next question is from the line of Kartik Bhatt from KB Investments.
- Kartik Bhatt:** Am I audible, sir?
- Krishnagopal Ladsaria:** Yes.
- Kartik Bhatt:** Sir, just wanted to understand your outlook for H2 in terms of volumes. So I think volumes have been around 20,000 tons this quarter as well last quarter. And I think on a full year basis, we have the capacity to go up to 92,000 tons, right? So based on the demand scenario, currently, how do you see the outlook for H2? I mean, if the demand is good, can we move up to 24,000, 25,000 tons?
- Krishnagopal Ladsaria:** See, it's very difficult to give any outlook in current situation because we also -- it's B2B, it would depend on how the demand for tyre companies are there. In terms of nylon filament yarn, we have -- we are of the view that demand should sustain. For Nylon Tyre Cord Fabric, we have mentioned in the call earlier that we expect some softness. We are experiencing some softness in October, and we expect pickup from end of Q3 or maybe mid of November. So it will be slightly lower in Q3. But for Q4, it's very difficult to give any guidance. And generally, we avoid giving guidance.
- Kartik Bhatt:** Okay. Sure, sir. And I mean, Q3, how is the demand looking like in filament yarn? Is Q3 sequentially looking better than Q2? And sequentially, are we seeing better demand in filament yarn and also in the value-added products?

- Krishnagopal Ladsaria:** Yes, Q3 should be good for filament yarn in terms of volumes.
- Kartik Bhatt:** Okay. Sure, sir. And sir, on the value-added products, you spoke about I think going up to level 1, level 2 and level 3 and so on, I think, in one of the previous calls. So I mean, are we making good progress on that further also? I mean is that a key focus area going forward also? And can we expect some margin improvement from that in the coming quarters?
- Krishnagopal Ladsaria:** We are spending capex on value addition. Last year also, we did some capex on value-added products. And this year also, we are doing some capex. So that should help. But these are incremental capex only and will have a very marginal impact on the margins.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital. Over to you, Vikram sir.
- Vikram Suryavanshi:** We thank the management of Century Enka for giving us an opportunity to host the call and taking time out for interaction with the stakeholders. Sir, any closing comments you would like to give?
- Krishnagopal Ladsaria:** Thank you, everyone. Thank you 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 question 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 PhillipCapital (India) Pvt. Ltd., that concludes this conference. We thank you for joining us, and you may now disconnect your lines.