ADITYA BIRLA
CENTURY ENKA

15th February, 2025

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 Symbol: CENTENKA	Listing Department **BSE Limited** 25th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400001 Scrip Code: 500280

Dear Sir/ Madam,

Sub: Transcript of Q3 FY-25 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 Q3 FY-25 (quarter ended on 31st December 2024 earnings) Earnings Conference Call conducted on Wednesday, 12th February 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
Digitally signed by RAHUL DUBEY
Date: 2025.02.15 12:11:32 +05'30'

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

Encl : as above

"Century Enka Limited Q3 FY-25 Earnings Conference Call"

February 12, 2025

MANAGEMENT: **MR. SURESH SODANI – MANAGING DIRECTOR, CENTURY ENKA LIMITED**

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

Moderator: Ladies and Gentlemen, good day and welcome to the Q3FY25 Earnings Conference Call of Century Enka hosted by PhillipCapital (India) Private Limited.

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 date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder all participants' 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you sir.

Vikram Suryavanshi: Good afternoon and 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 a question-and-answer session with investment community. Management is represented by Mr. Suresh Sodani – Managing Director.

Before we start with the question-and-answer session, we will have "Opening Comments" from the Management.

I will hand over this call to Mr. Suresh Sodani for "Opening Comments." Over to you sir.

Suresh Sodani: Good afternoon, everyone and welcome to our Q3FY25 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 3rd Quarter of FY25:

In the Tyre Cord Fabric segment, NTCF demand was subdued due to poor truck and bus segment demand but was partly offset by sustained demand from two and three-wheeler segments while demand from the farm tyre segments improved towards the end of the quarter due to extended monsoon. Increased imports by tyre companies following the normalization of supply chain issues, reduced demand for NTCF from domestic suppliers. Our margins remained under pressure due to volatile raw metal prices and imports from China. We remain cautiously optimistic about NTCF demand growth in Q4 and FY26.

Approvals for Polyester Tyre Cord Fabric are in progress and we expect commercial production to start in FY26. In the filament yarn segment, demand improved due to marriage and the festive season leading to better capacity utilization. While a higher share of value-added products helped in sustaining margins. We will continue to focus on additional investments in value added and niche products with better margins. Caprolactam prices continue to decline resulting in stock losses and margin pressure, but we mitigated the impact through higher share of renewable energy usage and other cost reduction measures.

Let me now brief you on the "Financial Results" for the 3rd Quarter and year to date of the Financial Year '25:

For the Q3 operating results, our operating revenues stood at INR 493 crores which grew by almost 9.5% year-on-year. EBITDA for the quarter stood at INR 27 crores which grew by 48% year-on-year. EBITDA margins were reported at 5.51%, profit after tax at around INR 14 crores represented an increase of almost 198% year-on-year. PAT margin stood at 2.84% for the quarter. Total volume for Q3 grew at 11% year-on-year to 19,368 metric tons. Tyre Cord Fabric revenue for Q3FY25 decreased by around 5% year-on-year to about INR214 crores. While filament yarn revenue for the same period increased by about 23% year-on-year to almost INR 255 crores.

Now coming to year-to-date results for the Financial Year '25; operational revenue stood at INR 1,558 crores representing a growth of 22% year-on-year. EBITDA stood at INR 106 crores, which increased by 116% year-on-year. EBITDA margins for the period was 6.81%. Net profit was Rs. 60 crores, which grew by 165% year-on-year and PAT margin stood at 3.83%. Total volume for nine months FY25 grew by 21% year-on-year to 60,275 metric tons. Tyre Cord Fabric sales for a nine-month FY 25 increased by 22% to INR 752 crores, while filament yarns sales increased by 20% to INR 735 crores. With this we can open the floor for question and answers.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on the touchtone telephone. If you wish to remove yourself from the question queue you may press '*' and '2'. Participants are requested to use handsets while asking a question. We will wait for a moment while the question queue assembles. The first question comes from the line of Mohit Upadhyay, an individual investor. Please go ahead.

Mohit Upadhyay: So, one question only from my side. Actually, margins have been under pressure for a while. What is your outlook on revival for this and what is Company doing to counter this pressure? Any cost cutting measure that we can, also what is the update on the anti-dumping on NFY? Do you believe this will help improve our margin in coming quarters? Lastly, what is the outlook on the demand environment? We have added a lot of new capacity, but growth is still muted, so, when we can expect better growth? That's it sir.

Suresh Sodani: Okay, so I guess actually there are three questions but in case I miss out on terms of replying to any one of them, you can come back later and ask that. One was with respect to the margins pressure, which is right because the margin pressures continue and being in very volatile external environment these are also quite varying, and we have been taking continuous measures on the cost side for margin improvement.

One which we have already shared and which we continue to do is increasing our share of renewable power which is cheaper from the grid power. So, we are already drawing renewable power at Bharuch in the current year, and we intend to expand that by middle of next financial year. So that would help in reducing the cost.

Secondly, we continue to invest on reducing our power consumptions particularly on the old equipments and which have given good results in terms of reducing the overall power and fuel cost. And we will continue to work on that. We are also looking at improving productivity through various in-house measures and which will take more time. But these will over a period of time start giving more results.

As far as ADD is concerned, the association has filed an application for anti-dumping duty on NFY and the process has been initiated. As we have been mentioning in every quarter that China continues to dump a lot of material particularly on the commodity side at very low prices and that creates a lot of margin pressure on those products. And the purpose of ADD is to address imports mainly from China.

As far as the capacity addition is concerned, the capacity that we added in NTCF at Bharuch was mainly for some part of it was to expand the capacity and part of it was to compensate for the deteriorating or the aged machines of Pune. So, we continue to use the full capacity at Pune, at Bharuch, the new capacity and only in terms of the demand requirement, the balance quantities are produced from the old equipment. So, we do get better quality products which have a better sale with the customer as well as they are more cost effective. The full utilization will come when the market conditions are better and which has a lot of relations with GDP and infrastructure growth and movement, I mean the overall impact on the economic activity. But this will happen, and it can happen in certain months. It may not happen for the year as a whole. I guess I have answered all the three parts of your question. If anything is left, I would request you to please raise your question again in the process that the PhillipCapital and they advise you to do that.

Mohit Upadhyay: No, actually my questions were answered mostly or three questions were answered and thank you for giving me the opportunity and I wish you the best of luck for year ahead. Thank you.

Suresh Sodani: Thank you.

Moderator: Thank you. Participants, please press '*' and '1' to ask the question. The next question comes from the line of Abhishek Jain from Investwell Agents Private Limited. Please go ahead.

Abhishek Jain: Hello. Good evening, sir. I have got a couple of questions regarding the CAPEX. Sir, how much are we investing for the PTCF capacity and how the funding will be done through internal accruals and the borrowings and what sort of capacity will be added and predicted revenue from therein? Can you please clarify on these things?

Suresh Sodani: Is there any other question or should I, you said you….?

Abhishek Jain: Yes, the CAPEX in general what sort of modernization we are looking at because NTCF is not a growing product so definitely we may be diversifying into PTCF or any other product going forward. So, what sort of modernization or diversification CAPEX or the maintenance CAPEX that you look for in the coming year and next year onwards that will be good? The roadmap sort of thing will be very good if you can let me know.

Suresh Sodani: So, in PTCF we have already completed the CAPEX, and we spent about 103 crores on this project. I mean the denier mix makes a difference on the total production that comes out of this capacity, but it could range between 4,000 to 5,000 tons per annum depending on the denier mix as I said. Second, we expect to continue to spend on the upgradation of the equipments which continues to be used for our NTCF operations to mainly to reduce the power consumption on per unit per kg or per ton basis and that will be a continuous exercise but on an average we are being spending between 20 to 30 crores which are primarily focused on improving productivity and energy efficiency and getting more Grade 1 products from our existing equipment. So, these will continue year-on-year. As far as other large CAPEXs are concerned we are still not ready to—I mean in terms of these—are still under discussion stage. So as and when we are ready and we get a board approval then through a due process it will be announced to all the regulatories as well as to the investment community.

Abhishek Jain: The other thing is that we are quite a profitable Company with very less borrowing or to say we are a net cash positive Company. Even after that we are not getting into other things. The board is not having some roadmap for the new product development and all that is what the question was all about. At the end sir, NTCF is not a product that will be growing. It's a shrinking market along with the capacity, the old equipment and everything that we have got and the Chinese dumping and all. So, it is not going to be very profitable going forward. So that was the concern actually.

Suresh Sodani: So, your concern is valid. What I would like to only state is that in last 3 to 4 years we already invested close to 400 crores in capacity addition in PTCF in a new dipping line at Pune and in expansion and replacement of NTCF capacities at Bharuch. So, these are investments which have already been done and we will continue to look for growth particularly in PTCF and other technical textiles. But as I said these are still at a discussion stage and we do not have any net borrowings. In fact, we are sufficient.

Abhishek Jain: I think Rs. 300-350 crores in cash including investment and all.

Suresh Sodani: Yes, we have sufficient cash on the balance sheet to make future investments. But this investment should give a minimum hurdle rate returns so that these can be approved by the board. And in the current scenario we have to be careful on where we are investing. So, looking at all these scenarios these plans are made and we had made investments in mother yarn capacity in NFY. We had added value added capacities in NFY which have given good results. So, we will continue to look for these kind of investments. If any large new investments would come then obviously it has to go through a process of internal approvals and then the board approval and then once it is approved will be shared with in the due course.

Abhishek Jain: Okay sir, can you tell me about the technology tie-up we have for the PTCF, or it is an in house?

Suresh Sodani: These are standard technologies and these are mostly by the equipment suppliers itself. So, there is no technology per se. What we need to do is we have to get the product through our own internal technical know-how to meet the requirements of the tyre companies. It's a marriage of equipment given by standard and good international companies. And then our own know how in tyre reinforcement markets to make the product as required by or as similar to what other important material is coming or what the specifications of the tyre companies are.

Abhishek Jain: Thank you very much sir. This was all from my slide.

Suresh Sodani: Thank you.

Moderator: Thank you so much. Participants, please press '*' and '1' to ask a question. The next question comes from the line of Priyankar Sarkar from Square 64 Capital Advisors LLP. Please go ahead.

Priyankar Sarkar: Hi, good afternoon, sir. I am a bit new to the Company. So, asking a basic question typically when we do CAPEX, what is the typical asset turn that we can achieve in our Company?

Suresh Sodani: More than the asset turn actually we look at an IRR hurdle rate which has to be crossed. So, asset turn is a more outcome of what investments are required . So that I think is more important is what kind of IRR we are able to generate out of this investment and what is the strategic fit in of that product or that investment in our long-term goals. So that is normally the process. The asset turn is more an outcome of once we do all the analysis and what comes out.

Priyankar Sarkar: Just to get a sense whatever the CAPEX have done over the last couple of years, let's see if we put 100 crores into this thing at a peak utilization. I'm not saying year one, I'm saying what is the potential whenever there's a demand, whenever we get to a peak potential of utilization what is the typical we can get if we invest let's say 100 crores in a project?

Suresh Sodani: I would say it is very typical to a product and what investments we are making. But if you were to take just a ballpark number, at least 1 to 1.3-1.4, the asset turns should be there. I mean top line should be there on an investment of reasonable size; magnitude. It could be 100 crores, could even deliver 1.5X turnover on that. And second is the top line is also a function of the raw material pricing because the raw material pricing also fluctuates. So, if the crude and all the derivatives are at $100 it will make the top line would be different. If the crude and all its derivative onwards are benchmarked through a $70 crude price it will be different. It can change. It cannot be a static number. But as I said our internal process are more towards seeing that what kind of returns it generates and does it fit in strategically in our thought process.

Priyankar Sarkar: Got it. So, do you look at a payback period? I mean what would be the typical payback period would you consider while putting up a CAPEX?

Suresh Sodani: So, we look at IRR a minimum hurdle rate of 12% or above.

Priyankar Sarkar: Okay, fair enough sir, thank you very much and wish you all the best.

Suresh Sodani: Yes.

Moderator: Thank you. A reminder to all participants, you may press '*' and '1' to ask a question. The next question comes from the line of Abhishek Jain from Investwell Agents Private Limited. Please go ahead.

Abhishek Jain: Sir, just one more question. Sorry for that. Can you provide me the revenue breakup between NTCF and PTCF?

Suresh Sodani: Sorry, what breakup?

Abhishek Jain: Revenue breakup, segmental revenue breakup of how much are we generating from NTCF and PTCF?

Suresh Sodani: We have not started PTCF as yet. These are still as mentioned; we have started giving them for trials. So, we have not started manufacturing PTCF in the full volume. And because it goes through a process which is long drawn and the tyre companies go through a very stringent approval process so that the product meets all the specs and there's no chances of failure of the tyres because of the reinforcement. So, currently what we see as a reinforcement turnover is all NTCF turnover only.

Abhishek Jain: All right, sir. And when do we expect this to come from…revenues?

Suresh Sodani: Now trials have started and we expect at various stages, in FY26 some processes should start in Q1 and Q2. I mean this all depends on how the tyre companies go through this process. Being a new product to us, there is a slightly longer process compared to NTCF which we have been doing for many decades. So difficult to give us straight timeline. But yes, in between first and second quarter we are hopeful of getting approvals for at least some of the customers.

Abhishek Jain: And sir how much are we expecting revenue and the margin sort of?

Suresh Sodani: Revenue at peak capacity should be as I said, it's a function also of the raw material. But at a standard, what we assume as a price should be about between 110 to 120 crores and margins at least in excess of 10%, EBITDA margins.

Abhishek Jain: Okay, thank you very much.

Moderator: Thank you. Participants, please press '*' and '1' to ask a question. The next question comes from the line of Vikram Suryavanshi from PhillipCapital India. Please go ahead.

Vikram Suryavanshi: Good evening, sir. So, what was the average caprolactam price for this quarter?

Suresh Sodani: So, the caprolactam price at the end of Q2 was 1623 CIF and end of Q3 is about 1483. It has been varying. So instead of giving an average I have given you the end quarter numbers because in certain months the fall was more steep. So, between Q2 to Q3 the fall is about $140 per ton.

Vikram Suryavanshi: Understood. So that fall has impacted our raw material because that inventory loss would be counted into raw material cost?

Suresh Sodani: Yes. So, our model, as long as the prices are varying at a decent pace, I mean the volatility is less, that is more suitable to us because otherwise it can have an impact on our effective margins that we are able to report.

Vikram Suryavanshi: Understood. And see other textile companies, particularly in polyester also has some advantage because when we import from China BIS certification and all that what government has made it compulsory. So, is there way we can have some kind of relief from that kind of BIS certification in our business or it's not much impacting?

Suresh Sodani: We have already initiated the BIS process through the association and the gazette has already come out and stakeholder meetings are on. And we are hopeful that and government is positive, I mean the authorities are positive that this has to come as a part of getting the right products. And there is no misdeclaration of products or malpractices during the imports of any inferior product. So, we are hopeful that certain in the next year, maybe in Quarter 1 itself the BIS could get notified and then implemented in due course.

Vikram Suryavanshi: Understood. And our this PTCF 4000 to 4000 annual production whatever capacity, once we get customer approval, how fast we can ramp up to this capacity or can we give some IRR in terms of utilization possibility for full year once it is operational?

Suresh Sodani: So normally what we have seen in past in NTCF is that once we get an approval and the product becomes standardized and are accepted by the customers, then we can ramp up very fast. So, because then what we are dealing with is the same customers that are buying NTCF from us. So, the customers are not different, the people that we are dealing with are not different. It's only that it is going for a different application, and it has to go through a process of approval which is new, I mean more stringent and more detailed compared to a product which we were already making. So, once we start and we get commercial scale approval, I think the ramp up will be quite fast.

Vikram Suryavanshi: Understood. Okay. And just on the current capacity which have almost I think **92,000** tons per annum. So, this year probably will go to as almost like around 80,000 plus in terms of capacity production. So, which is quite good utilization. So, is there any headroom for further production now from the same rated capacity or to what extent peak utilization can go up the rated capacity for the NTCF and nylon basically?

Suresh Sodani: So, one is, I mean the demand conditions will drive whether we can utilize the full capacity because it's a volatile situation. But what we will add to the capacity utilization is commercial approval for our PTCF which will definitely help in getting more capacity on an overall basis as a percentage of the installed capacity.

Vikram Suryavanshi: But for NTCF and nylon, basically we can go around 80,000-82,000 tons this year on full year?

Suresh Sodani: As we said we have been reporting only on a synthetic yarn in single. So, what we are giving is an overall capacity and we expect good healthy capacity utilization to continue. Market conditions determine whether we can touch 90+ in certain quarters or even higher. But it all depends on how, I mean the PTCF approval comes and how the market conditions are.

Vikram Suryavanshi: Okay, understood. Thank you very much.

Suresh Sodani: Thank you.

Moderator: Thank you. Participants, you may press '*' and '1' to ask a question. As there are no further questions, I would now like to hand the conference over to the management for the closing comments.

Suresh Sodani: Thank you everyone for joining our earnings call. I hope we were able to give you answers to your queries and hope these 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 managers at Valorem Advisors. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference, you may now disconnect your lines.