Company Name: Century Enka Ltd

Quarter under review: Q4-FY26

Century Enka Ltd– Q4-FY26/FY26 Concall Highlights:

Century Enka Ltd (Consolidated)								
INR In Mn	Q4-FY26	Q4-FY25	Y-o-Y	Q3-FY26	Q-o-Q	FY26	FY25	Y-o-Y
Operational Income	4,835	4,440	8.9%	4,117	17.4%	17,054	20,017	-14.8%
EBITDA	554	88	529.5%	410	35.1%	1,478	1,148	28.7%
EBITDA M (%)	11.46%	1.98%	948 bps	9.96%	150 bps	8.66%	5.73%	293 bps
PAT	394	68	479.4%	237	66.2%	1,008	665	51.6%
PAT M (%)	8.15%	1.53%	662 bps	5.76%	239 bps	5.91%	3.32%	259 bps
Diluted EPS	18.03	3.09	483.5%	10.86	66.0%	46.15	30.42	51.7%

Operational Highlights:

- We continued to witness robust demand for Nylon Tyre Cord Fabric during the quarter, supported by healthy traction in the tractor and two-wheeler segments along with sustained demand from the truck and bus category.
- We revised our operating margin guidance upward to 7–10% from the earlier 6–8%, driven by structural cost improvements arising from renewable power initiatives and operational efficiency measures.
- We were able to effectively pass on raw material price increases following the Iran war through transparent pricing discussions with customers, and this pass-through trend continued into April and May as well.
- We did not face any production disruptions despite the Iran war, aided by our strong relationships with regular suppliers.
- We have progressed to Stage 2 in the PTCF approval process, and we expect commercial sales to commence in the second half of FY27. We have already invested approximately INR 100 crores in this facility.
- Our PTCF capacity currently stands at 4,000 MT per annum, with the primary focus on the passenger car tyre segment, which involves more stringent approval requirements.
- The PTCF facility is presently operating at 75–80% utilization levels, supported by demand from the polyester industrial yarn segment.
- We have planned a FY27 capex outlay of over INR 100 crores, mainly towards value-added product expansion, Mother Yarn capacity addition of around 2–2.5 KT, reduction in power consumption and waste, and fire safety improvements at legacy plant layouts.
- We received a favourable anti-dumping ruling from the DGTR on low-priced Chinese NFY imports, with the recommended duty ranging between 20–80 cents per unit, while the final notification from the Finance Ministry is still awaited.
- Value-added products currently contribute around 80–85% of our yarn volumes and deliver nearly 20% higher margins compared to commodity products, while also facing relatively lower competition intensity and price volatility.
- Our new Mother Yarn projects and focus on value-added products continue to support and enhance margins on an ongoing basis.

Key Questions & Answers discussed during the Concall:

- **Can you break up the EBITDA margin improvement between inventory gains and volume-driven growth?** We will not be able to give that breakup because of competitive reasons. However, the higher volumes were the primary driver of better performance this quarter. The consumption of old lower-priced raw materials aided the margins but without the volume growth we would not have been able to encash those benefits. Our focus has always been on reducing inventory, particularly in the NFY segment where prices correct more on spot raw material prices.

- **What is the total capex budget for FY27 and how is it allocated?** The total capex outlay for FY27 is over 100 crores. This is primarily going into value-added products expansion, Mother Yarn project capacity addition of about 2 to 2.5 KT, reduction of power consumption, waste reduction, and fire safety improvements at our older plant layouts. For renewable energy, we participate through a third-party group captive arrangement where our equity contribution will be less than 10 crores in total.

- **When exactly in FY27 do you expect PTCF commercial sales to begin and what is the scale-up plan?** We expect commercial sales to begin most likely in the second half of FY27. The approval process has moved to Stage 2 where the tire companies take our product, manufacture tires, and put them through multiple rounds of testing before granting commercial approval. We have already spent close to 100 crores on this facility which was commissioned about two and a half years back. Current capacity is 4,000 tonnes per annum and we are currently utilizing 75 to 80% of that on the back of industrial yarn demand.

- **Given the significant surplus cash on the balance sheet, has the board considered buybacks or enhanced dividends?** The board's focus is primarily on growth and we intend to utilize this cash for business expansion in current and possibly new segments, within textiles or otherwise. This point has come up multiple times during investor calls and AGMs and has been duly conveyed to the board. The board will take a decision based on merits but the current discussion is more towards making the business sustainable by reducing costs and investing in long-term projects.

- **With caprolactam prices having spiked post the Iran war, what is the directional outlook on margins for Q1 FY27?** We do not give forward-looking statements on specific numbers, but directionally margins will be under some pressure as old lower-priced raw material inventory gets exhausted and we move to higher-priced stock. However, we have been largely able to pass through the increases to customers and that has continued into April and May. In a normalized scenario, with our renewable energy and efficiency initiatives, we feel our operating margin range has improved to 7 to 10% versus our earlier guidance of 6 to 8%.

- **What is the current status of the anti-dumping duty recommendation on Chinese NFY imports?** The DGTR has issued a favorable ruling on low-price dumping from China and has recommended anti-dumping duty on imports. The recommended duty ranges between 20 to 80 cents per unit, which translates to roughly 10 to 30% of current FOB value. We are now awaiting the final decision and notification from the Finance Ministry. Once notified, it should benefit the domestic industry overall, though the exact quantum of impact will depend on how China and other countries react post implementation.

- **What is the size of the PTCF market in India and what is the competitive landscape?** Our estimate is that the PTCF market size in India is close to 25,000 tonnes per annum. Approximately 80% of this demand is currently being met through imports, which presents a significant opportunity for domestic manufacturers. Passenger car tyre volumes are growing with the rising middle class and increasing four-wheeler penetration in India, which we expect will drive further growth in demand for polyester reinforcement fabrics over the medium term.

- **How does the renewable energy expansion impact power costs and what is the current renewable energy mix?** Our renewable energy content in FY26 was approximately 36% of total power consumption. Post commissioning of the additional hybrid renewable project expected in H2 FY27, this should go up to approximately 48%. While we cannot give a specific rupee value impact, a 12 percentage point increase in renewable share is meaningful and will help reduce our power rates including demand charges. This is one of the key structural levers that gives us confidence in improving our operating margin range to 7 to 10%.

- **What are the larger projects being evaluated beyond FY27?** We can only share what has been approved by the board and currently larger projects are still at an evaluation stage. We are looking at opportunities in segments that have strong growth potential in India, can effectively compete against Chinese imports, and align with the India growth story. It could be within technical textiles or our current reinforcement portfolio or even new segments entirely. Once fully cleared by the board we will communicate it through the stock exchange and investor channels.

- **How much of the yarn segment revenue decline was due to timing of order books versus actual pricing pressure?** The price increases following the Iran war happened more towards mid-March and the reflection in revenue was not uniform across segments. Whatever orders were booked at pre-increase rates had to be honoured and that impacted the quantum of price increase visible in the yarn segment versus reinforcement in Q4. Both segments did see raw material and finished goods price increases but the timing of order book positions meant it reflected more in one segment than the other in Q4, with the full impact expected to flow through in subsequent quarters.

- **Key Participants:**
- *Maitri Shah — Sapphire Capital*
- *Sonali Rana — Tijori Finance*
- *Jiten Parmar — Aurum Capital*
- *Karan Khemani — Ikigai Asset Managers*