Century Enka Ltd: Q1-FY27 Earnings Concall Highlights

Century Enka Ltd (Consolidated)					
INR In Mn	**Q1-FY27**	**Q1-FY26**	**Q-o-Q**	**Q4-FY26**	**Y-o-Y**
Operational Income	5,543	4,015	38.0%	4,835	14.6%
EBITDA	857	199	NA	554	54.7%
EBITDA M (%)	15.47%	4.95%	NA	11.46%	401 bps
PAT	617	154	NA	394	56.6%
PAT M (%)	11.13%	3.83%	730 bps	8.15%	298 bps
Diluted EPS	28.24	7.04	NA	18.03	56.6%

Operational Highlights

- We witnessed robust demand in our Tyre Cord Fabric business, supported by GST rate reductions on tyres and automobiles, resulting in healthy demand across all key automotive segments.
- Our Filament Yarn business continued to see healthy demand, with an improving product mix driven by a higher contribution from value-added products (VAPs).
- We continue to face pricing pressure from low-cost commodity filament yarn imports from China, although our focus remains on differentiated and value-added offerings.
- The PTCF project is progressing as planned, and we expect to commence commercial sales during H2 FY27, subject to completion of the approval process.
- We expect margins to normalize from the current elevated levels as higher-cost raw material inventory replaces the low-cost opening inventory consumed during the quarter.
- Based on our current outlook, we now expect a normalized EBITDA margin of 7%–10%, compared with our earlier expectation of 6%–8%.
- We remain watchful of external risks, including geopolitical uncertainties, crude oil price volatility, and inflation, which could impact demand going forward.
- We expect sales volumes to remain broadly stable during FY27, as no major capacity additions are planned in the current financial year.
- We plan to incur over INR 100 crore of capital expenditure during FY27, with investments focused on expanding value-added products, improving operational efficiency, and reducing costs.
- We expect a new capacity addition of 3,000–4,000 TPA in FY28, which will further strengthen our product portfolio and growth prospects.
- Our renewable energy initiatives continue to progress well, with renewable power contributing over 40% of total consumption in Q1 and expected to increase to around 50% after new capacity is commissioned in H2 FY27.
- We do not foresee any raw material availability issues, supported by our diversified sourcing strategy, while maintaining inventory levels of 25–30 days for imported and 10–15 days for domestic raw materials.

Key Questions & Answers

Q Can you quantify the inventory gain impact on your bottom line for this quarter?

A The inventory impact for the quarter is INR 46.24 crore, which has been reported in our financial statements submitted to the stock exchange. We cannot share further details beyond this reported figure.

Q What is the share of renewable power in your energy mix, and what is its impact on margins?

A Renewable power accounted for over 40% of our consumption this quarter. We expect this share to increase to around 50% once our expanded plant at Bharuch commissions in H2 FY27, which will structurally support the bottom line.

Q Regarding the 38% revenue growth, how much is driven by GST-led price buying versus underlying demand?

A It is difficult to quantify the exact impact of GST cuts versus underlying demand, as it has been a continuing phenomenon since September last year. However, the cuts made automobiles more affordable, driving a stark improvement in demand across the automotive value chain since Q3.

Q Should we expect the current elevated EBITDA margins to continue in coming quarters?

A We expect margins to normalize as high-cost inventory is consumed. While we do not provide forwardlooking guidance on specific numbers, our normalized operating margin range remains between 7% and 10%. Anything above this is generally a result of temporary factors like the recent inventory gains.

Q What is the status of PTCF commercialization and your volume growth expectations?

A The PTCF approval process is progressing well with several customers, and we expect commercial sales to start in the second half of the year. Our focus remains on value-added products rather than aggressive volume expansion, so volume growth will be a function of market conditions and competition.

Q Can you provide details on your capital expenditure plans for the current financial year?

A We expect to spend over INR 100 crore in CapEx this financial year. Key areas include mother yarn capacity expansion, value-added product investments to combat commodity imports, and ongoing projects to improve power efficiency and safety standards at our Bharuch facility.

Q **Are you facing any raw material shortages, and how do you manage supply risk?**

A We do not see any material availability challenges. While China represents a large share of our raw material supply, we maintain relationships with domestic suppliers and other international sources to mitigate reliance and volatility risks. Our standard raw material inventory holding is 25 to 30 days.

Q **What is the expected internal rate of return (IRR) for your current CapEx projects?**

A We typically target an IRR of 12% to 15% minimum when initiating any project. The investments we are currently making into value-added products are designed to be accretive to the bottom line and meet or exceed these hurdle rates.

Q **How much will your total capacity increase once upcoming expansions are complete?**

A We do not anticipate a significant capacity increase in the current financial year. The upcoming project for mother yarn, which is expected to commission in FY28, will add approximately 3,000 to 4,000 tons per annum to our current capacity.

Q **Do you have any intercompany transactions with Birla Cellulose?**

A No, we do not have direct transactions with them. However, as we operate within the same broader textile value chain, we do explore areas where we can work together to develop products or grow the market, even though our core business segments differ.

Key Participants

- *Vipul Kumar Anupchand Shah - Sumangal Investment*
- *Rohan Shah - Eternal Capital*
- *Madhur Rathi - Counter cyclical Investments*
- *Dheeya Jain - Sapphire Capital*

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