

CMP: 462.30

30th August 2022

Century Enka Limited arranged a group meeting with the management on 29th August 2022 , at 2 PM. We attended the same and here is the summary of the meeting.

Company Overview:

Century Enka Limited (CEL), established in 1965 is an India-based company engaged in the manufacturing of synthetic yarn. The Company is a joint venture of B.K. Birla group and Accordis group of Netherland.

Key Takeaways from the meeting:

- ❖ Company operates broadly into two major segments: Nylon Filament Yarn (NFY) & Technical Textiles.
- ❖ Nylon Filament Yarn is used in apparels. NFY demand is strong in festivals and wedding season. Technical textiles that is not used for apparels such as fishnets, sewing threads, bag packs, etc.
- ❖ In the Nylon Tyre Cord Fabric (NTCF) there are two types: Radial and Bias. Radial are more suitable for better roads & Bias are suitable for roads that are not good. 53% of total tyres are radial tyres.
- ❖ Industry growth in last 5 years: NTCF has grown at 2% YoY. 1,25,000 MTPA was in FY19. It is now 1,35,000 MTPA. But actually looking, last five years may not be representative of actual scenario as Covid changed things. There is no linear relationship between period of pre covid and post covid.
- ❖ Restrictions on Import & Anti-Dumping duty levied on Chinese Imports are key triggers for low growth in the radial tyre segment. 3-4% growth should sustain in the coming years. Two-Three wheeler Industry has not reached its capacity of FY19 or before. Tractor industry will make up for increase in radial tyres. NTCF Industry is unlikely to grow due to radialization. There is a large share of imports. It may not have high growth levels. Company is still in transition phase so growth should be there of 3%.

- ❖ Growth of 7-10% in NFY is expected as there are some advantages for Nylon. It is replacement for silk that is why sales are high in marriages and festivals. Sector is not very organized. Cheaper yarns take over and vice versa, but company expects growth to be 7-10%.
- ❖ Company has 25% market share in both the NFY & NTCF segment. In NFY segment, AYM Syntex, JCT and many fragmented players are company's competitors. And in NFY segment, SRF & Madhura Industrial Textile are company's key competitors.
- ❖ Share of Imports - NTCF: 15-20% & NFY segment it is volatile, China is major player and it is about 10%. Talking about NTCF's contribution to revenues company said, Majority of expansion is in NTCF or reinforcement business. NTCF will grow by 25-30% and NFY will be 10%. Weightage requirement is close to 10% in reinforcement and for steel tyre cord it is high at about 12%.
- ❖ PTVF is growing in the range of 10-12%. Further talking about competition, currently more than 80% is imported and only SRF manufactures currently in India apart from imports.
- ❖ Further talking about sales, by FY25 Sales can grow by 20-25%.
- ❖ Company is focused on local business as NTCF demand in India is high. India is a net importer. China has maximum capacity. Even Vietnam and Japan have come up with capacities. Demand in China is mainly dependent on Bias tyres. Reinforcement demand in Europe and USA is low as there is 90% radialization. There are issues with supplies so companies want local suppliers at least in last 2 years. Company is serving only to the domestic customers.

Outlook: Positive

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