ADITYA BIRLA
CENTURY ENKA

25th May 2023

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

Sub: Transcript of Q4-FY23 & FY23 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 transcript of Q4-FY23 & FY23 Earnings Conference Call conducted on Monday, 22nd May 2023. 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,

For **Century Enka Limited**

RAHUL DUBEY
Digitally signed by RAHUL DUBEY
Date: 2023.05.25 16:21:43 +05'30'

(Rahul Dubey)
Company Secretary
Membership No: FCS 8145

"Century Enka Limited Q4 FY23 Earnings Conference Call"

May 22, 2023

MANAGEMENT:	**MR. SURESH SODANI, MANAGING DIRECTOR, CENTURY ENKA LIMITED** **MR. KRISHNAGOPAL LADSARIA – CHIEF FINANCIAL OFFICER, CENTURY ENKA LIMITED**
MODERATOR:	**MR. VIKRAM VILAS SURYAVANSHI – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Century Enka Limited Q4 FY '23 Earnings Conference Call hosted by PhillipCapital India Private Limited.

This conference call may contain forward-looking statements about the company which are based on their 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 participants' lines will be in a 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 touch tone phone. Please note that this conference call 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: Thank you, Vikram. Good morning, 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 a question-and-answer session with Investment Community. Management is represented by Mr. Suresh Sodani – Managing Director and Mr. Krishnagopal Ladsaria – Chief Financial Officer.

Before we start with the question-and-answer session, we will have opening comments from the management. I will hand over the call to Mr. Suresh Sodani for opening comments. Over to you, sir.

Suresh Sodani: Good morning everyone, and welcome to Q4 FY '23 Earnings Conference Call of Century Enka Limited. First let me thank our host PhillipCapital for hosting this Earnings Call

Let me first brief you on the key operational highlights for the 4th Quarter of the Financial Year 2022-23, after which our CFO – Mr. Ladsaria will brief you on the financials.

Our revenues in the 4th Quarter decline due to an 8% decline in volumes on year-on-year basis. On a yearly basis, the sales volume was flat with a marginal decline of 2%. Subdued replacement demand and lower exports of tires due to global slowdown impacted demand for NTCF during the quarter.

On the positive side, OEM demand for medium and heavy commercial vehicles and light commercial vehicle tires have been good. OEM demand for two-wheeler tires also improved, but still trades pre-pandemic levels.

Global and Chinese expansion will have an immediate influence of NTCF demand, but the median term picture remains good based on predicted improvements in private capital investment due to interest rate cooling and the government's infrastructure development plans.

In Nylon Filament Yarn segment, lower garment demand and Chinese dumping at lower prices harmed both volumes and profitability. Imports from China increased by around 46% in FY '23. The company's primary goal is to streamline its portfolio and reduce costs.

On the raw material front during the quarter, Caprolactam prices remained range bound at roughly around US$1700 per metric ton because of decreasing demand in China, chips prices saw tremendous volatility. The company's primary goal is to manage volatility and costs. Except for electricity, energy prices moderated in Q4 FY '23. However, power and fuel costs were much higher this year compared to FY '22.

On the CAPEX projects, in FY '23, there is a cash outflow of Rs. 239 crores for current CAPEX activities. NTCF expansion was completed in Q4 FY '23, while polyester tire cord fabric capacity is expected to be operational in Q4 FY '24. The expansion of NFY capacity is planned to be completed by Q4 FY '24.

Lastly, the 10.5-megawatt wind plus solar hybrid power project is scheduled to be completed in July 2023 under Gujarat Group captive policy.

Now I request our CFO Mr. Ladsaria to brief you on financial performance.

Krishnagopal Ladsaria: Thank you, Mr. Sodani. Good morning everyone. Welcome to this earnings call.

Let me give you some of the key highlight for financial results of Q4 FY '23.

The operational revenue for the 4th Quarter of Financial Year 2023 stood at 473 crores, which is a decrease by about 17% year-on-year. EBITDA for the quarter stood at 23 crores, which declined by about 67% year-on-year, representing EBITDA margin of 4.8%. Net profit was reported at 15 crores, which declined by 71% year-on-year, representing a PAT margin of 3.07%. NTCF sales for Q4 FY '23 decreased by 8% year-on-year to 249 crores, while NFY sales for the same period reduced by around 25% year-on-year to Rs. 210 crores.

For the Annual Financial Year 2023, the operating revenue stood at 2,072 crores, which decreased by about 1% year-on-year. EBITDA stood at 142 crores, which declined by about 46% year-on-year, representing an EBITDA margin of 6.87%. Net profit was reported at Rs. 90 crores, which declined by 51% year-on-year, representing a PAT margin of 4.36%.

NTCF sales growth for FY '23 were flat to around 0.5% year-on-year to 1,053 crores, while NFY sales for the same period decreased by about 3% year-on-year to 915 crores.

On a sequential basis, results have improved mainly on account of moderation in energy prices except electricity and lesser volatility in raw material prices.

With this, we can now open the floor to questions-and-answer session.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We will take our first question from the line of Mehul Parikh, Shareholder. Please go ahead.

Mehul Parikh: I have three questions. One is your Pune dipping facility, has it started? Second is that somewhere we had mentioned that the Caprolactam recycled green polymer, producing that is more expensive than the virgin Caprolactam. So, is that true? And if it is, then is it likely to become more cost effective going ahead in the near future? And third is that in NFY due to our value addition trajectory, are we likely to see protect our volumes even with Chinese dumping?

Suresh Sodani: I couldn't get your first question. What was that?

Mehul Parikh: The Pune dipping facility, has it started?

Suresh Sodani: So, that the Pune dipping facility is under commissioning and should commission in this quarter. I mean, Q1 of FY '24. it is under testing by the technology and equipment supplier. So, it should get commission in Q1 this quarter.

As far as the re-processed or the depolymerized Caprolactam and chips, it is costlier than the virgin Caprolactam because the cost of recovery and the process involved is more cumbersome compared to processing virgin Caprolactam, also due to the economic size of the operations. So, on a combined basis, it is costlier, and the products which are normally made out of the reprocessed Caprolactam are also placed differently and normally are at a premium to the products made from virgin Caprolactam because there is a customer base which values products which are coming from reprocessed material. So, hence, it is costlier, but over a period of time and if the economies and the demand picks up for such products, it is possible that like we have seen in many of the other industries, it could go either equal or even below that prices, but that would be some time before that happens.

And the third part is, no, NFY we are not looking at protecting our volumes in face of growth by other domestic manufacturers or buy it from Chinese imports. As we have been mentioning all through that our focus will be on more value addition rather than making products which are having highly competitive intensity either from domestic producers or from China, mainly from China. So, our strategy in NFY will be to look for products which are more in the niche segment and work with our customers who need fabric with specific looks, feel and comfort, which also goes in a premium market.

Mehul Parikh: That's right, sir. Only thing that we are adding in capacity even in NFY. That's the reason I had asked this question.

Suresh Sodani: So, that capacity is going to replace some of the old capacities that we will decommission once this capacity is commissioned, and this will be much more efficient compared to the old capacities that we intend to decommission at Pune particularly.

Moderator: Thank you. Take a next question from the line of Falguni Dutta from Jet Age Securities. Please go ahead.

Falguni Dutta: So, just wanted your view on NTCF's demand for this year? I mean, how do you see the demand if compared to FY '23? I mean, what is your view on the outlook for FY '24 both on demand and pricing if you can say?

Suresh Sodani: So, on the demand side, we do expect that there should be improvement compared to FY '23, mainly due to the fact that tire companies have been able to one, pass on most of the cost increases. Further, the input cost for the tires have come down in Q3 and Q4 and which will most likely get translated in lower prices in the replacement market. So, we expect that the replacement market, which has been subdued in FY '23, particularly for the medium and heavy vehicles, should bounce back, and with OEM expected to continue with the current good performance, we expect that the demand should be better than FY '23.

On the margin side or the prices, it is difficult to predict right now because one of the major impact on pricing and margins is Chinese products, as well as the Chinese domestic economy. We had a lot of disturbance in the Chinese domestic economy in FY '23 because of the COVID lockdowns and other factors. Hopefully, that part is more stabilized. We expect that the margin should get normalized, but it's still volatile, though less volatile than Q2 and Q3. So, hopefully, the margin should be better than the previous year.

Falguni Dutta: And so one more question, sir. How much of NTCF demand is linked to our tire exports doing better? I mean, in terms of significant or if you can answer that way or not too significant?

Suresh Sodani: It is a major driver. Not able to give a specific number because materials are purchased as an overall basis and then the tire companies decide on how much of it goes for domestic and for exports. But particularly in the OTR and the farm segments, which compromise a large quantity and value of exports, it does constitute an important driver, and we are hopeful that with Europe returning to more normalcy with and supply chains getting more normalized and Europe learning to produce without Russian oil and gas, I believe that there should be an improvement in export volumes compared to the last year which had a significant fall in last few quarters. So, hopefully, that will also come back, but yes, there is an impact on exports on the NTCF demand.

Falguni Dutta: One more final question. Sir, whatever you have, it will be better than us. How do you see the Chinese economy doing up? I mean, are they seeing a domestic demand issue in a meaningful way which was earlier expected that with the lockdowns being lifted, the domestic demand should be very good? So, is it not the case?

Suresh Sodani: Our knowledge is also very limited based on various publications and some of the suppliers that we interact with. It is better than what it was during the COVID lockdowns definitely, but difficult to say whether it has come back to the period pre-COVID, I mean, pre-COVID in China which is '22 and early '23. So, it is better, but to what extent it has improved and how aligned it is with their own consumptions and export Industries, it will be only time will tell. We are hopeful that it gets normalized as soon as possible.

Moderator: Thank you. We take a next question from the land of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I wanted to understand that sir, why did our volumes in the 4th Quarter, they fell by over 10% Y-on-Y?

Suresh Sodani: Yes. Anything else?

Keshav Garg: Sir, I have further questions also. But I would like to take it one by one.

Suresh Sodani: So, volumes are a function of demand and we have mentioned in our presentation that demand was weak in both the segments, particularly more in the NFY because the fabric market and the textile market has not been strong, both for domestic sales as well as the exports that which happen from India. So, I think that's the main reason that the demand has been lower. Nothing specific which has changed in terms of any other factors.

Keshav Garg: So, then for FY '24 in your judgment, sir, what volume is the company expected to do? Sir, are we expected to surpass the around 71,000 MT that we did in FY '22?

Suresh Sodani: We are hopeful of crossing that numbers. Now the situations are more volatile than it used to be till FY '22 because the world order is changing very frequently, but yes, since the capacities are commissioned and we will be entering some new segments, we are hopeful of crossing that limit, that number.

Keshav Garg: What is the maximum volume that we can achieve?

Suresh Sodani: The capacity has increased post the commissioning of NTCF to 86,000 metric tons. So, that's the maximum capacity. There could be some slight plus minus mostly related to Denier mix because this is quantity, but we don't expect it to cross 86,000. That's the maximum.

Keshav Garg: Sir, this 86 is both divisions combined?

Suresh Sodani: Yes.

Keshav Garg: And also wanted to understand, sir, that in future as the NTCF demand goes down, sir, can we convert our NTCF lines to PTCF?

Suresh Sodani: Partly yes, with some further investments, the downstream manufacturing facility of NTCF is fungible between NTCF and PTCF. So, that can be utilized. we have to make some investments in the spinning capacities, which is the first portion of the manufacturing process. So, yes, a large part of the manufacturing facility can be utilized for NTCF with some more investments.

Keshav Garg: Sir, also wanted to understand so that how much of the CAPEX is remaining to be incurred?

Suresh Sodani: So, including the new plants which we have mainly on energy saving, modernization, total expected CAPEX would be in the range of 80 to 100 crores in Financial Year '24.

Keshav Garg: And beyond that, sir, is there anything else planned or this is it?

Krishnagopal Ladsaria: So, as of now, there are no plans. We have approved CAPEX for FY '24. So, if anything is there which is considered by the Board, it will be informed to the investors.

Suresh Sodani: We keep evaluating options, but only if something is crystallized, we will be able to announce that.

Keshav Garg: So, if we look at our balance sheet, sir, we have around 350 crore of net cash and our net worth is over 1300 crore, whereas our market cap is 850 crore, and also our margins are at decade lows only in last year. So, don't you think that this is a good time to do a share buyback considering that our promoter shareholding is also very low, which also basically creates apprehensions in the mind of the shareholders?

Suresh Sodani: This question has been or this suggestion has been coming multiple times, and we have apprised the Board of this, and in their judgment, they will take a decision at the appropriate time. That's all we can communicate, and we will again, once again, communicate to the Board of the suggestions received on the buyback plans.

Moderator: Thank you. We take a next question from the line of Falguni Dutta from Jet Age Securities. Please go ahead.

Falguni Dutta: So, one more question. Sir, what is the sales volume of NTCF and NFY for FY '23?

Suresh Sodani: We report our results in one segment since the raw materials and these are all synthetic yarns only. So, we just give the value wise breakup, but we report all our numbers in a single segment only.

Falguni Dutta: So, sir, can you give the total, I mean, is it possible to give the total tonnage sold for FY '23?

Suresh Sodani: I think it's already mentioned in our presentation. It is 69,735 metric ton.

Falguni Dutta: And sir, can you give the value as you said for the full year NTCF and NFY? I missed in the opening remarks.

Krishnagopal Ladsaria: It is for full year the revenue breakup between NTCF, NFY is, yes, for NTCF, it is 10,533 million and for NFY it is 9,150 million. So, 915 crores for NFY. 9,154 NFY and 1,053 crores for NTCF.

Moderator: Thank you. Take a next question from the line of Chandresh Malpani from Niveshaay Investment Advisors. Please go ahead.

Chandresh Malpani: So, just wanted to understand how much price increase we have to do? Like the year gone by has been seen an increase in Caprolactam prices significantly. So, what price increases or hikes are you planning this year to sort of reach margins?

Suresh Sodani: There is no price target in the sense these are all market driven, and these are prices which we negotiate with our customers either on a contractual basis or adjusted to base on the market scenarios for certain segments. So, last year was a highly volatile year both on the changes and the sudden drops in the raw material prices and also impacted by lower demand. So, it will be a function of stability in prices of the raw materials as well as improvement in demands, which will determine what margins we can achieve in the current financial year.

Chandresh Malpani: No, sir, only wanted to understand that last year, all tires companies hiked prices. So, like any benefits you will be getting out of it, like can we pass on the raw material inflation to them now?

Suresh Sodani: I mean, it has been a good sign that the tire companies have started reporting good results from quarter three onwards, which will have a positive impact on the demand side of our products. Our products are impacted by the demand, overall demand scenario as well as threat of or the prices which are prevailing in international markets. So, a combination of these two will decide on the margins, but normally, when the demand side is good, we can expect either with a lag or with immediate, this is an improvement in the margin. So, the demand side pull is more important and which I hope is going to translate based on the lower raw material prices for the tire manufacturers.

Moderator: Thank you. We take a next question from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: I wanted to understand, sir, what is the status of anti-dumping duty? Sir, have we applied for it? Is it work in progress? Or sir, there is no hope of this coming back?

Suresh Sodani: So, our anti-dumping duty applications while for both the products were approved by the DGTR, but the Finance Ministry has taken a view and not only for a nylon product but also for all other types of yarns or intermediate products is not to finalize or not to notify the recommended anti-dumping duties given by DGTR, which is part of the Commerce Ministry.

So, we don't have any clear sight of whether that is likely to happen because we have been representing through our association and other forums the impact of heavy dumping of Chinese material. Somehow, and it is happening at most of the textile products, but the finance ministry in its own judgment and wisdom has not decided to levy anti-dumping duty on any of the textile products.

Keshav Garg: So, in nylon, sir, NTCF also, are we seeing large-scale Chinese imports?

Suresh Sodani: No, we have not seen large scale Imports in NTCF because NTCF is a more technical product, and the customers also prefer more domestic supply because the quality is assured, they don't have to carry larger inventory, and there is no disruption in production due to any international supply chain issues like it happened in FY '22-'23, but there is imports which is normally driven more by export of tires. To that extent, imports has continued, but we have not seen any significant increase in the volume compared to FY '22.

Keshav Garg: Also, sir, if you could just give us some idea about the overall capacity utilization in either of in both our division, sir, I understand that in NTCF, we are more or less operating at decent capacity utilization, and it is in the other division that the utilization is lower. Sir, is my understanding correct?

Suresh Sodani: As I mentioned, we only give our data on single segment. So, we have already shown our utilization is about 88% with commissioning of new capacity for a partial part of the Quarter 4, and that's the only quantity or the information we can share in this call.

Keshav Garg: Sir, what I'm basically trying to understand, sir, that going forward, sir, if we hit full utilization in NTCF, whereas there is fair capacity in the yarn division, so can that some of the yarn capacity, can it be converted into NTCF?

Suresh Sodani: It cannot be directly converted into NTCF. It needs modifications and certain changes in the equipment configuration, but we can convert part of it into technical yarns which do not go to the apparel segment which goes into non apparel applications like fishnets, twines, ropes likewise, and we have sufficient capacity of normally. So, we do not anticipate that any capacities, spare capacity on one segment will be utilized for NTCF, but the focus will be on utilizing the current capacity to a larger extent as possible.

Keshav Garg: Sir, also wanted to understand that sir, are we capable of manufacturing Nylon 66?

Suresh Sodani: No, we are not manufacturing N66, Nylon 66 as of now, and we are exploring ways whether we can get into that segment in near future, but in the current configuration of our equipments are not suitable for Nylon 66.

Keshav Garg: Also, sir, what are the prospects of exporting NTCF going forward?

Suresh Sodani: NTCF exports are not very lucrative. One is that the major consumption of NTCF in advanced economies is more towards OTR and farm segment and which also the tires itself are getting exported from India. So, the NTCF requirements in those countries for their manufacturing also is not large. And second, there is also International competition in those markets from China which has established its product for over a long period of time in those countries, and as the NTCF is a technical product, it goes through a rigorous process of approval. So, all these factors combined the export prospects for the NTCF do not look very attractive.

Keshav Garg: Sir, any idea, sir, you would like to give us about the Chinese NTCF market? Is the Chinese CV market fully radicalized? Or is it that like Indian market only roughly around half is radicalized, so going forward, as more and more radialization takes place in the Chinese market, they also might get huge spare capacity of NTCF which in future might get dumped into India?

Suresh Sodani: NTCF, I mean, radialization in our information and assessment is higher than India. It must be close to 70% or 75% in China versus between 55% to 60% for India, and it has not been increasing at a significant pace even in China. We don't see it reaching 90%, 95% in the near term. While that will have an impact on the overall demand for NTCF, NTCF also has utilization in farm and OTR segments as well as two and three-wheelers tires. So, we expect that even if and that applies to both Indian and Chinese market, that any shift that happens, while it may not be completely consumed in other segment, but to a large extent will get offset by larger requirements from OTR, farm and two, three-wheelers segment compared to the medium and heavy vehicles, trucks and buses.

Keshav Garg: And sir, lastly, in the last financial year, what kind of inventory loss did we take on, on basically Caprolactum prices?

Krishnagopal Ladsaria: So, it's difficult to give any number because it's a month-over-month number which keeps moving, but in case of NFY definitely because of sharp fall in Caprolactam prices and where we were carrying higher cost inventory, there was impact of movement in inventory prices. So, quantifying a number is difficult because it's a moving average which is there, but it had an impact and that was significant.

Suresh Sodani: And last year actually, we gained slightly because the prices had moved up particularly in quarter three and Quarter 4 more sharply than the earlier quarters. And similarly, there was a very sharp fall in quarter two and quarter three of this year. So, this volatility was seen so that that was positive for FY '22, and it was negative for FY '23.

Keshav Garg: So, in FY '24, sir, now the prices are stable or is there a possibility of prices going down and us getting another inventory hit?

Suresh Sodani: From Quarter 4 numbers, it seems to be more stable. The variations are small and not sharp, and it is at a level which is, I mean, not very low, not very high either. So, the expectation is that the fall from these levels is not going to be sharp or large, because what we saw in quarter two of FY '23 was a fall from 2100 to about say 1800 in a space of two months. Currently, we are at around 1700. So, we don't expect sharp falls to happen, but some volatility is expected as a part of this industry operations.

Keshav Garg: And also, sir, what kind of pricing arrangement do we have with our tire customers? Is it formula-based pricing wherein the input prices are quarterly revised or is it a fixed price contract for annually?

Suresh Sodani: No, it's a formula-based price with a pass-through of Caprolactam prices and which is revised on a monthly basis so that for NTCF the volatility impact is very negligible. It's more in the NFY segments that the prices are adjusted immediately based on the international prices of underlying raw materials as well as the import of yarn.

Keshav Garg: And lastly, sir, as we go forward and as our revenue exchanges in favor of PTCF, so, are the margins in PTCF, are they comparable to NTCF or are they higher or lower?

Suresh Sodani: It is difficult to say right now because we will be entering that segment for the first time in Quarter 4, but in the projections that we have considered and while we were evaluating this project, it may be slightly lower than NTCF, but better than NFY.

Moderator: Thank you. We take the next question from the line of Amit Kumar from Determined Investments. Please go ahead.

Amit Kumar: This question on, you know, all this textile park and PLI, I presume this will be valid for your NYF segment as well. What is the sort of update on this? I mean, in what sort of time frame are we expecting these policies to sort of come through? And what are your plans to capitalize on these?

Suresh Sodani: This textile parks, I mean, they have been inaugurated in few states, very recently in Madhya Pradesh as well, and these are proposed to be having integrated facilities right from spending to the finished yarn and even apparels. We are still to see what kind of players actually set up their facilities in their textile park. If it is more apparel, then our participation in such textile paths will be limited because they would possibly be buying the fabric from outside and converting it into apparel and then selling it or exporting.

If it is more in terms of making the fabric and processing, if more players of that category come into this textile parks, then our participation would be larger. So, we will have to wait and see what kind of industries actually put their facilities in these parks and how does this entire trying to bring all the entire value chain under one integrated complex works out. So, it's too early to forecast what kind of participation we will have, but we will keep our tab on what kind of industries are coming in there and then approach them for products which we can supply to them.

Amit Kumar: And with respect to the PLI?

Suresh Sodani: The PLI is for technical textiles only. There is no PLI for regular textiles, and that has not been very attractive for the segment or the industry mainly because of the conditions of the value addition and separate legal entity and other kinds of norms that have been given as a part of the PLI scheme. So, we have not seen any large participation from our segments, our industry, and we do not see a lot of enthusiasm in companies going for that PLI scheme.

Amit Kumar: This one sort of final point, I mean just, you know, adding on to what a previous participant said, I just sort of noticed in your presentation that, you know, even promoter holding is at 25%. Actually, a buyback sort of makes a lot of sense for you. I mean, you know, you are giving out a pretty decent dividend, but unfortunately for us, it basically, I mean for investors it basically gets taxed at the marginal slab rate. You can sort of convert it into a buyback, you know, converted into capital gain. I think that's a pretty win-win situation. So, just my two sense on that if, you know, you should seriously reconsider that advice honestly.

Suresh Sodani: Thank you. Your point is well taken, and we will appraise the Board accordingly.

Moderator: Thank you. We take a next question from the line of Mehul Parikh, Shareholder. Please go ahead.

Mehul Parikh: Sir, one question I wanted to ask. One of your interviews, you had mentioned that you are working on three or four projects, projects with the tire company on something interesting in the NTCF part where the rolling resistance will be lower or something like that. So, those projects, will they be like proprietary kind of a patented thing or will they help us to increase our market share? Can you throw some light on that?

Suresh Sodani: Yes. So, we keep working with our customers tire companies, because as I said, these are technical products, and there are developments which help the tire companies in placing their products also able to sell them on performance and get better market share for the tires. So, we work with them, and the benefit of working with them is that, one is, we keep ourselves abreast with the latest technical requirements of the tire company.

Second, once we are able to develop that product for them or get a product approved from certain companies, we get a preference in the volumes from such companies. So, that also ensures that our volume sales and the capacity utilization is better in times to come. So, there is no patent because the tire companies has R&D, and we apply products which give them the desired performance of their tires. So, these are basically in the furtherance of our own products technically as well as on the volume front.

Mehul Parikh: If we are creating something on this front, other companies would have trouble catching up with the same process, right? Like they would not be able to replicate that immediately.

Suresh Sodani: Yes. So, each tire company has its own design. It looks at, I mean, ultimately, a tire performance is similar, and when we are comparing two tires and as a customer, they look at particularly from tires which are used very often in the trucks and the bus segments, they will look at multiple factors to compare that. So, the tire companies also compete on the performance of their tires on various parameters, and we work with them to meet some of these important criteria, which ultimately leads to better life of tire or better mileage using a particular tire.

Moderator: Thank you. We take a next question from the line of Falguni Dutta from Jet Age Securities. Please go ahead.

Falguni Dutta: Sir, what could be the domestic capacity of NTCF and NSY?

Suresh Sodani: We do you have any publication of volumes. But in our estimate, it should be close to 130,000 or 140,000 tons for the NTCF in that range, and in case of NFY, it's we have in fact even less, I would say, accurate estimate because there are multiple players, but the capacity should be in the range of 2 lakh to 2,20,000 tons per annum.

Falguni Dutta: And then how much do you mention for NTCF?

Suresh Sodani: Between 1,30,000 to 140,000 tons per annum. 1,30,00 to 140,000.

Falguni Dutta: And sir, one more question is on the imports. How many imports take place for both NTCF and NFY normally in a year, I mean, let's say for FY '22, '23, if you can give? Just to get a sense. I mean, this is not to pinpoint a number, but just to get a sense. I think in the NFY, our information is about 40,000 tons.

Krishnagopal Ladsaria: NFY was 31,000 metric tons.

Suresh Sodani: 31,000.

Krishnagopal Ladsaria: Yes, and in NTCF, it will be it varies between 18,000 to 24,000 or 30,000. So, it's depending on the exports done by them, but it varies between around 18,000 to 30,000 tons.

Falguni Dutta: And sir, other than us, there is SRS. Is there any other major player readily one can recall in this NTCF, NFY space?

Suresh Sodani: In NTCF, there is another one is Madura Industrial Products, Industrial MIT which is a non-listed private company. In NFY, there are multiple players like AYM Syntex, P&P, **(Inaudible) 46:23**, JCT. So, these are in fact slightly bigger, but there are a large number of small players as well.

Moderator: Thank you. We take a next question from the line of Anik Mitra from Finarthaa Research. Please go ahead.

Anik Mitra: Sir, the textile sector has been troubling in Surat. So, on this backdrop, when can we expect recovery of the NFY segment? Sir, I am asking the like if you can pour some color in terms of recovery of the NFY segment as textile sector has already been suffering for quite some time in Surat?

Suresh Sodani: Yes. So, NFY segment has, I mean, directly integrated with and has a strong linkage with the overall textile segment, and textile segment overall has not done well in FY '23 including other kinds of yarns, whether viscose or polyester. So, the recovery of NFY is also linked to performance of the upstream or the downstream fabric and the apparel segment as well as exports. The exports have not looked good even in Quarter 4. And since the exporting markets like US, Europe and others have not been releasing orders as they used to before their main seasons, that will definitely have an impact on almost all the kind of fibers.

In our segments, NFY, there has been a shift in certain segments which normally picks up during either the marriage season or during the festival season. We have to see the uptick in the current upcoming marriage season and the following religious festival seasons. That will actually throw more light on the NFY as a segment as a whole or an industry.

However, a major driver as mentioned is also imports from China which keep on varying and have increased significantly in the previous year. So, these two factors combined will determine the health of NFY in the near term. Hopefully, the domestic procure and buying of clothes and apparels improves in the upcoming seasons and that would be a major driver for the NFY industry.

Anik Mitra: Sir, my next question is, can you please throw some light on in terms of your pure pigment specific breakup? What I mean to say, let's say, two-wheelers, trucks and bus in terms of your sales volume?

Suresh Sodani: See, the major volumes come from, we will not be able to give any percentages, but a large volume comes from truck and bus segments, and the next big segments is the farm and the OTR, followed by the two and three-wheelers because the usage of NTCF is higher in trucks. While it's highest in the farm and the OTR, but since on a combined basis, the percentage for truck and bus is much larger. So, these are the three large segments, but in that order as I mentioned.

Anik Mitra: Sir, in terms of value, what percentage of NTCF is used in one tire?

Suresh Sodani: As a rule of thumb, it is about 10% of the tire cost.

Anik Mitra: Sir, for all sort of tires?

Suresh Sodani: Difficult to say for all cost of tires, but normally, that's the range that we understand from the tire companies that it is about in some cases, it could be 8%. It could be 12% in some others, but normally it is around 10%.

Anik Mitra: Means average is 8%.

Suresh Sodani: Yes.

Anik Mitra: And sir, regarding hybrid power purchase agreement, if you can throw some light? What is the latest update in terms of Q1?

Suresh Sodani: So, this is expected to commission in July '23. It's at the final stage of installation and getting approvals from the Gujarat authorities, electricity authorities. So, somewhere in end of June, we expect that all the facilities for the 10.5-megawatt hybrid power would get installed and commissioned and July onward will should start getting power from this SPV.

Anik Mitra: Sir, what amount of expenditure savings will be there due to commissioning of this facility?

Suresh Sodani: We had indicated it could be in the range of 15 to 16 crores per annum compared to the great power rates in Gujarat.

Moderator: Thank you. We take a next question from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I had just one last question. Sir, what is our replacement CAPEX per annum on average?

Suresh Sodani: Normally, it is 50 to 60 crores. Most of it goes towards improving the efficiencies and better consumption of power and other utilities.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session. I now like to hand the conference over to the management for closing comments. Over to you, sir.

Krishnagopal Ladsaria: So, we thank all the participants. We wish them the best of health. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of PhillipCapital India Private Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.