Century Enka Limited
Earnings Conference Call
May 13, 2022

Moderator: Ladies and gentlemen, Good day and welcome to Century Enka Limited Q4 FY22 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Mr. Sonpal.

Anuj Sonpal: Thank you. Good morning everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Century Enka Limited. On behalf of the company, I would like to thank you all for participating in the company's first ever earning conference call for the fourth quarter and financial year ended 2022. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's concall maybe forward looking in nature. Such forward looking statements are subject to risk and uncertainties which could cause actually results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by an information currently available to management. Audiences are cautioned not to place any undue reliance on these forward looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Now let me introduce you to the management in participating in today's earnings concall and hand it over to them for opening remarks. We firstly have with us Mr. Suresh Sodani – Managing Director and Mr. Krishna Ladsaria – Chief Financial Officer. Without any further delay, I request Mr. Sodani to start with his opening remarks. Thank you and over to you, Sir.

Suresh Sodani: Thank you and good morning everyone. I would like to welcome you to our first ever earnings conference call I hope you and your loved ones are all keeping safe. Being our first concall let me start by giving a brief introduction about the company first. Century Enka Limited was established in 1965 by late Shri. B K Birla in collaboration with AKZO Nobel of Netherlands. Over the years company has established itself as a reputable manufacturer of high-quality Nylon Tyre Cord Fabric and yarn and which is used in reinforcement in tyres and Nylon Filament Yarn which is primarily used in apparel industry. We command about 25% share in both these products in domestic market. We have to straight apart manufacturing facilities which are located in Pune, Maharashtra and in Bharuch, Gujarat with the total capacity of about 78,000 tons per annum.

As you are aware the company has approved the capital investment plan of around 309 crores to strengthen its competitive position entire enforcement market through modernization of plant and augmenting capacity around 30% and 23 crores to increase the capacity of draw textured yarn and mother yarn. We incurred a cash outflow of Rs. 86 crores on this CAPEX in FY22. Along with other CAPEX we expect to spend another 200 crores in FY23. We are targeting to commission the NTCF expansion in Q4 FY23 we are also launching Polyester Tyre Cord Fabric and expect to commission that plant in Q4 FY24. Now let me brief you about the operational highlights for the fourth quarter and the financial year ending 22.

I am happy to inform that despite ambiguity and unpredictability of the fiscal year we achieved our highest life time volumes turnover and profitability. The company was successful in navigating supply chain disruptions to achieve excellent operating results. Our overall volumes in Q4 increased marginally against the corresponding period in the previous year 19,031 metric ton and for the entire financial year our sales volume increased by about 27% to 70,843 metric tons. In Nylon Tyre Cord Fabric segment there is an increase in demand in Q4 compared to the previous quarter. The medium to long term prospects for the segment remained positive supported by robust tyre exports which are at all time high also increased OEM demand for tyres particularly for truck and bus, light commercial vehicles and also import restriction on tyres and anti-dumping duty on radial tyres from China is helping the segment. In nylon filament yarn slightly higher volumes in Q4 FY22 was supported by robust festive demand import constraints due to supply chain issues and China zero COVID tolerance policy.

Cost increases after coming difficult to pass on due to high absolute yarn prices. In medium term sales volume will be determined by impact of inflation on discretionary spending and Chinese imports. Lastly Caprolactam prices continued to rise and remained at high levels because of geopolitical issues, volatility in Caprolactam prices will be a key indicator to watch. Lastly the company signed a power purchase agreement for 10.5-megawatt hybrid which is wind plus solar power under good captive norms for its Bharuch plant. The project is expected to be completed by end of Q4 FY23 and we expect a saving of around Rs. 15 crores per annum in power cost when compared to discom power. Additionally, we are happy to report the Century Enka was awarded the Apollo tyres Gold Partner Awards 2021 for supply chain excellence. Now, I will request our CFO Mr. Ladsaria to brief you on the financial performance.

Krishna Ladsaria: Good morning everyone. Let me first brief you on the fourth quarter financial performance first and then on the full year performance. The operating revenue for Q4 FY22 stood at 572 crores which is an increase of 29% year-on-year. EBITDA for the quarter stood at 68 crores it is declined by about 3% year-on-year representing the EBITDA margin of 11.9%. The profit after tax which we reported is Rs. 50 crores there is an increase of 2.5% year-on-year representing PAT margin of 8.68%. Coming to the full year financials revenue for FY22 stood at 2,098 crores which is an increase of 72% year-on-year. EBITDA for year was 264 crores there is a growth of 120% year-on-year with EBITDA margin of 12.6%. Profit after tax stood at 184 crores growing by more than 150% with PAT margin of 8.78%. There is an increase in working capital by more than 150 crores which is mainly on account of increased raw material prices and finished goods which represented 86 crores out of this 150 crores. Balance is mainly on account of higher inventory we carried to forward and disruption because of supply chain issues. Balance sheet of the company continues to be healthy and there is a net cash of 307 crores on the balance sheet. On the approved CAPEX we plan to fund out of internal accrual except in some loan to avail tough benefit. Finally, board has recommended dividend of Rs. 10 per share for the financial year 2022 which will be subject to approval of shareholders. We now open the floor for question and answer session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shubham Agarwal from Aequitas Investments. Please go ahead.

Shubham Agarwal: Sir my first question would be the capacity utilization given that currently we have last year our total capacity utilization were more than 90%, so for the coming FY23 before our CAPEX come on stream, do you see any potential further increase in capacity utilization possible in the context of very strong demand?

Suresh Sodani: See the capacity utilization and the capacity per se itself is a we do not give an absolute capacity because that is also dependent on the 10 year combination based on the demand from the market, but as you had indicated our capacity is about 78,000 and yes the utilization is above 90% for the current financial year as well. Our first additional capacity will get commissioned in Q4 FY23 and we expect if the market remain the way they have been in the last year and in the current quarter we should be able to maintain our capacity utilization above 90%. When the expansion comes I mean we expect that we will have almost a vertical startup because we are engaged in the same line of business, but we will know only when the actual capacity comes on ground and how does it ramped up. So, we will know the exact increase in capacity and utilization at the end of Q4 FY23 only.

Shubham Agarwal: So, is it fair to assume that for FY23 we will have a similar volume of sales?

Suresh Sodani: As of now we can assume that, but even the current volatile situation, geopolitical changes, high inflation rate I mean it would be difficult to say that we are 100% confident of that. Yes we are cautiously optimistic that we should be able to maintain similar capacity utilization if situation does not deteriorate from what it is today.

Shubham Agarwal: So I was talking about margins EBITDA margin for us has been falling since March 21 and currently it is at 11.9% so going forward given the raw material prices are increasing how do we see the margin for the current year?

Suresh Sodani: Margin is also a function of the underlying raw material prices and if you see our absolute numbers they have almost remained in a range between from Q3 FY21 to the entire all four quarters of the current financial FY22. So, margins would depend on what is the underlying Caprolactam prices are because we are endeavor to pass through the raw material price increases to maintain the margins, but as a percentage it can go up and down depending on the underlying raw material prices, but I mean again based on the current scenario and with a caution that there are headwinds related to increase in our power and fuel cost and other certainties related to geopolitical situations we expect the margins to remain in the range of 10% to 13%.

Shubham Agarwal: And how does our contract work with workers, is it a 3 month, 6 month or do we have a smaller 1 month contract to pass on the increasing cost in the current situations?

Suresh Sodani: So our pass through of raw material is with a lag of prices are within case of Tyre Cord Fabric is the lag of a month whereas in the textile segment where we operate we are presence in the Nylon Filament Yarn that is subject to lot of variables including import from China, domestic demand, festival season offtake, lot of downstream related weaving sector healthy. So, that is not a very clear pattern on when the pass through happens and that remains more of a market where we decides the prices on a market situation on a monthly basis, but in case of tyre cord fabric we have one month lag for pass through of the raw material prices.

Shubham Agarwal: And out of our entire raw material basket what percentage are we dependent on Chinese?

Suresh Sodani: Chinese would be about around 40%. We import about 65% of our total raw material and 35% to 40% would be dependence of China.

Shubham Agarwal: And lastly one broad question I wanted to understand so given that obviously in a very short term situation NTCF demand is produced from buyers tyres, but going ahead in future obviously there will be a movement towards radial tyre, so in a long term scenario how in the company placed and what is our strategy to counter that?

Suresh Sodani: Actually I would like to bring in first like to explain how does the dynamics of this business. We have a common raw material which is Caprolactam and which is converted to chips or we also chips and all the nylon yarns are made from Caprolactam. So, we have a spinning capacity which are represent yarn and we produce yarns and there is market for yarns. So, all types of yarns are sold internationally and also to some extent in domestic market also and based on the demand for various end use segments like tyre cord and other NFI segments like textile yarns or sewing threads or fish nets or apparels we decide on what should be the right mix of sales not necessarily on every month basis, but in medium term or at least when we make plans for future. So, in that scenario while we expect that the nylon tyre cord fabric demand may not grow at what it used to and we will have a slower growth rate compared to other reinforcement materials there is a segment which is completely dependent on nylon tyre cord fabric which is tractor OTR two wheelers and the demand from these segments should continue and on the general expectation that India's GDP were to grow all these segments have to grow, all these automobile segments have to grow. So, in that context we do not anticipate at least in the medium term a very significant contraction in the tyre cord fabric demand and as I said we have alternates to sell yarn instead of converting it into tyre cord fabric and it has both domestic and international markets and we can at least in medium term or short term period we can do some change in the end use where the yarns are going. So, to that extent our strategy is to ensure that we have presence in multiple end use segments and we monitor the growth of each of them and address them in a way that our overall beneficial to the company.

Shubham Agarwal: Additionally we are also planned a CAPEX from polyester tyre cord and many of the equipment are fungible between nylon tyre cord and polyester tyre cord so once polyester tyre cord capacities are on stream that would provide additional flexibility to the company, so I was coming to this point only in our presentation we did mention about it, but what is the total capacity that we are planning to do this come up with?

Suresh Sodani: Because of the company interest and competitive reason we would like to stick to one capacity for the company and there are obviously company benefit which we have to keep in mind.

Shubham Agarwal: So basically you are saying all our NTCF capacity or some part of NTCF capacity can be fungible and transformed to PTCF capacity if required?

Suresh Sodani: Some parts of the equipments to that I mean some downstream equipment are fungible and can be utilized for further expansions in this segment and within the nylon itself there are some segments with some end use segments which can be made fungible from our as I said nylon is a very wide yarn is a very wide end use segments multiple textile and the tyre cord becomes more dominant because it is seen as large segments, but there are other segments also ropes, fish nets, sewing threads, bag packs, parachute and many of the same side. So, that gives an option for company to evaluate those in case we have to switch make a major switch in our end use sales that we are currently doing.

Moderator: Thank you. The next question is from the line of Rajiv Shah from JKS Wealth Management. Please go ahead.

Rajiv Shah: I just wanted to ask just out of inquisitiveness from past many years Centurion is not been on expansion or capacity increase, but this is the first year when lot of positive things are happening for the company, so I would just out of inquisitiveness I would like to ask that is Mr. Kumar Mangalam Birla now taking interest in the company as the previous MD and all senior citizens and would not be able to cope up with the day-to-day work of the company and my second question is the property which is for sale in Mahad what is your vision that when would that succeed or when would that deal be done?

Suresh Sodani: Coming to your first question I think this will not be problem for the management to respond to involvement of promoters and others. Yes this is a board govern company and you would have seen the representation on the board I think they are all professionals on the board and everybody is taking keen interest to ensure the growth of the company I mean it is not fair to talk about the past management or the promoter what has happened or not happened in past I would rather say we are looking to have profitable growth in the company for the future and there is good amount of support from the board to ensure that Century Enka also grows in light with other companies of the growth. The second part related to Mahad we are evaluating options on best utilization of the land that we have there either internally or look for opportunity outside so as and when redevelopment happens it will be informed to the stock exchange as well as of the investor community.

Rajiv Shah: And one more thing as a investor our company gets a very low fee despite having very good fundamental there is not much cost on the interest side only our power fuel cost is increasing. So, generally people ask why investors in this company the company get such a low fee despite such strong fundamental of course you are not in a position to answer that, but just as a inquisitive investor I would like you to throw some light on that please?

Suresh Sodani: I think you already answer the answer that I cannot respond to how market takes the financials, but I mean we are as a management and how the company are focused to ensure that we continue to be sustainable results and also look for continuous growth of the growth.

Moderator: Thank you. The next question is from the line of Anant Mundra from Mytemple Capital Advisors. Please go ahead.

Anant Mundra: Sir I just wanted to understand regarding the CAPEX for current capacity is around 78,000 NTPA and what would it be after the capacity expansion and if you could give a breakup between the NFY and NTCF and also wanted to understand if the entire NTCF and NYF capacity is also fungible this should be my first question?

Suresh Sodani: See the current capacity is 78,000 as I said it is also a function of 10 combination, but yes we use that as a reference it is expected by end of FY23 increase when we complete Q4 of our current financial year first part of expansion should reach to about 90,000 tons per annum and end of FY24 should be about 97,000 tons per annum on the announce CAPEX that we have been given. I think we have already responded that we are reporting our results under one segments and the reasons which are already explained. We maintain with only one capacity regarding the fungibility some of the machines are fungible and the categories could be different, the end user segment could be technical textile, it could be certain special textile which are utilized in different kinds of fabric. So, even within end use of NFY there are multiple segment which itself sometimes can be qualified as textiles and sometimes as a different depending on how it is used. So, that is the reason that there is some fungibility between various textile end usage as well as the tyre cord and technical textile end usage.

Anant Mundra: How much of our CAPEX spent is going to a modernization and how much is going towards capacity expansion out of the 309 crores?

Suresh Sodani: 309 actually was almost I mean we have more CAPEX beyond 309 which is regular CAPEX. So, we have given only the spent part about 200 crores that we intend to spent in the financial year FY23 about 15% to 20% would be towards modernization the balance is towards the capacity expansion.

Management: Specific CAPEX expansion we have given the number in our press release which was somewhere around 260 crores.

Anant Mundra: And sir the PTCF capacity that is coming up that will solely be for radial and that is due to the buyers side as well?

Suresh Sodani: No that is mainly both for passenger car radials.

Anant Mundra: And one last question we are sitting on around 309 crores of net cash on our balance sheet and our capacity expansion is around 200 crores and every year we are generating surplus cash as well, so what is the management or board decision or what is their view regarding this cash, how do they want to utilize this cash?

Suresh Sodani: We will be evaluating and further growth opportunities even within this financial year and once that is reviewed and approved by the board it will also be utilized for expansion of capacities or getting into different kinds of related fields, but the intention is to utilize this cash for more productive uses in future as well and maintain sufficient liquidity on the balance sheet so that we do not have to borrow I mean we do not intend to utilize any debts for future CAPEX as well.

Moderator: Thank you. The next question is from the line of Vaibhav from Honesty and Integrity Investment. Please go ahead.

Vaibhav: So just wanted to understand that supply side scenario on the Caprolactam, any improvement in domestic supply you are pursuing in next one year or so or the situation is continued to be import dependent?

Suresh Sodani: There has been one development in the last financial year FACT in Kerala which was close for about 9 years we started their operations in September 21 and we had contacted with them and that was one of the very helpful developments which has helped us in our Q3 and also in Q4 because that was the peak time when there were supply chain disruptions for imports and we intend to continue engaging them and making them as a regular course of Caprolactam and to that extent our dependence on import should come down. However, since we are also expanding our capacity and there are no additional Caprolactam supplier they are being only two and they do not have announced any expansion plans as import dependence would go up again, but good part is that there are two suppliers now from domestic manufacturing for supply Caprolactam.

Vaibhav: And for NTCF business as of now whatever sales that we are doing is it mostly to for commercial vehicles or if you can provide the bifurcation between commercial vehicles and others for NTCF business?

Suresh Sodani: We sell it through tyre companies and we do not get end user usage of our because the difference is mainly deniers and certain technical parameters between the various grades of NTCF. So, the tyre companies and the utilization of NTCF is from truck and bus radials, tractors of the road vehicles two wheelers and three wheelers and also LCVs. So, they have multiple usage and the tyre company decide where they want to give and they also give us the plan in terms of the mix they want in terms of changes, but we have no clear ideas on where particular denier or particular kind of pattern is going in which brand kind of tyres.

Vaibhav: And earlier in the call you mentioned about the tractor, OTR and two wheelers if we continue dependence on NTCF rather than the radial tyres in PTCF, so what is the reason behind that these segments are not transitioned to the newer technologies, is there any kind of cost related issues or there are some technological challenges which make PTCF unsuitable for these tyres?

Suresh Sodani: No, actually it is also the load bearing and where these tyres are used. So, NTCF is more suitable where the tyres have to be used in rough terrain and one of the reasons that the realization has happened is once the road infrastructure improves radial tyre give a different better fuel efficiency in certain categories like trucks and buses. However, in certain two wheelers and tractor and OTR and two wheelers we have a very large base in the rural economy and that is reason that two-wheeler tyres tractors and even it is not only tractors and OTR given worldwide are still using the **(Inaudible) 31.42** which are NTCF based reinforcement.

Vaibhav: And sir on my side on the CAPEX front for expansion you have earlier said that nearly 260 crore is for expansion and this will lead to increase in capacity by nearly 25% around 78,000 to 97,000 by end of FY24, so if we see this CAPEX on per ton of capacity seems very high as compared to whatever block is for which we are already I am sure doing lot of maintenance, so is the revenue potential is same then obviously our asset turnover will go down on full utilization basis, so do you expect them to make out from the margins and why do you think that additional capacities will have your asset turnover can be made up additional margins?

Suresh Sodani: See we are comparing oranges and apples because our capacity have come up I mean these CAPEX have come up in more than 8 to 10 years even 15 years old. So, we cannot compare that cost even on gross block basis with the current cost, but our cost are comparable and competitive with expansion that happen anywhere in India or otherwise and we are dealing with best reputed OEM supplier. So, this is any industry which does a CAPEX after I mean replicate us or adds machines after such a gap will be definitely a change in comparison would look like that we are spending too much for a small capacity addition, but any new plant which were to come up would spent up the same amount and margins will be determined by the markets and outputs are what we have already indicated.

Moderator: Thank you. The next question is from the line of Anant Mundra from MyTemple Capital Advisors. Please go ahead.

Anant Mundra: Sir regarding this excise related contingent liability on our balance sheet sir when do we expect this to be finally behind us because we understand the matter is now in Supreme court, so when is the hearing expected and I mean when do we finally expect this to be behind us fully?

Suresh Sodani: As you are aware liability which was blurted at 230 crores has now come down to 7 crores and plus interest and penalty if any and Supreme Court this matter has been tagged with two existing matters which are pending or which are of similar nature and they are pending for quite long. So, it is not it will be difficult to say when they will be settled, but it is not a overhang now on the organization because the amount remaining which remain is there is quite small and the matters where it has been tagged they were decided in favor of the company when the department is in appeal. So, this is not a big worry now for the organization.

Anant Mundra: So there is no scope of this amount being revised upwards again because I think the department has appealed against their own officer assessment I mean they are appealing for higher assessment again?

Suresh Sodani: Assessment has been done as per the order of fees tax and it is more of an administrative appeal which is there in the department. So, our expectation is that the amount which has been determined is final.

Anant Mundra: And the penalty is equal to this amount of around 7 crores?

Suresh Sodani: Yes.

Anant Mundra: And how much would be the interest as per our internal continuation sir?

Suresh Sodani: It will be of similar nature. So, our expectation is the maximum liability could be around 25 crores including penalty and interest, but we obviously are not of the view that this will be the case, but in worst case scenario this could be around 25 crores.

Anant Mundra: How much is the amount that is already deposited with the authority?

Suresh Sodani: Basic amount has been deposited 7.3 crores is the basic amount that has been deposited with the authorities. So, there is no further interest which can come.

Anant Mundra: And sir just one last question the main raw material that we source is on the Caprolactam or there are other raw material also that we source from the market?

Suresh Sodani: No, the main raw material is Caprolactam only others are only additives and Caprolactam the second stage of usage to convert it into nylon yarns is to convert them into chips. So, we buy Caprolactam as well as we buy chips and then it is converted into nylon yarns, but others are only additives this is the major raw material.

Anant Mundra: But he have capacity to convert into chips in house as well?

Suresh Sodani: That is for about 40% of our total capacity.

Anant Mundra: So, chip availability is there in domestic market or like Caprolactam even for that we are import dependent.

Suresh Sodani: No, chips is very small capacities are available which are available for merchant sale. So, chips are primarily imported. Caprolactam as I already mentioned in our earlier question that after startup of FACT dependence on imports has gone down, but with our expansion coming in the imports will again slightly go up, but primarily the import dependence will still remain significant.

Anant Mundra: I am not aware of how the process to manufacture Caprolactam is, but there is no scope for us to backward integrate somewhat into this?

Suresh Sodani: No Caprolactam is a petrochemical products and normally becomes a part of a major either a fertilizer producer or like GSFC or FACT. So, these are not small scale investment, but these are normally combined as a part of our large petrochemical plant.

Anand Mundra: And domestically none of these manufactures have announced further CAPEX into Caprolactam is there any scope for future domestic capacity is coming up?

Suresh Sodani: As of now both the pairs have not announced any expansion.

Moderator: Thank you. The next question is from the line of Pawan Nayar an Individual Investor. Please go ahead.

Pawan Nayar: I have a few questions number one is I want to like whatever I have understand that far in the call is that the future we are going to be investing for growth which is the big change process or the big change that has been initiated in the last one year versus the past, is that a fair assessment that we are looking at growth across business?

Suresh Sodani: Yes.

Pawan Nayar: Second is if you can just give me some sense in a few years so whether it could be three years or five years like how do you see this company you have your base business NTCF which may remain stable within the nylon yarns you are trying to do more value add trying to find new opportunities and then you are entering the radial market to tie up with ECL so now in a few years how do you see this, how you want to visualize the company?

Suresh Sodani: See I mean if we were to broadly say which are the end CV segments are currently servicing it is reinforcement market for the tyres and textile with an extension of giving it to even technical textile. So, in this reinforcement markets we have already have good presence in the nylon tyre cord fabric, we have making an entry into the Polyester Tyre Cord fabric and that provides us good opportunity to grow within Polyester Tyre Cord because there is a large import dependence on the Polyester Tyre Cord as of now and also that the import duty on Polyester Tyre Cord in the last budget was increased from 5.5% to 22% which makes a domestic manufacturing more attractive and given that we expect as an overall that the personal mobility will remain as a theme and cars will have a great demand in future with the growing GDP of the company and lot of people coming into the middle class and upper middle class looking for personal vehicles. So, that demand should be giving us a good opportunity to expand beyond what we have initiated as well as announced in the last financial year, but reinforcement we could I mean if the auto segments continues to grow and if there were more realization happening that could open up an opportunity particularly on the truck and bus side to look at the steel tyre cord also that is something which is also in our radar, but that is more long term than medium term, but that will kind of complete the reinforcement side of the tyres. On the textile as I said there are so may sub sections of the textile. Our overall aim would be to look for opportunities which gives us a distinct advantage compared to products which are easily manufactured by small players or even individual proprietors. So, that is the differentiation we would like to maintain so which gives us a high presence better margins in the end use segments. So, we will continue to look at opportunities into that segments and we are currently focused only on the Indian market because there is a good scope within to service the Indian market, we have not actually explored opportunities to expand geographically in our market reach that is another segment and it is our growth opportunities which will remain for future. So, these are broad ideas that we have been discussing and this is broadly the line that we would like to follow. It also given that we have strong cash on the balance sheet if any interesting opportunities come otherwise also we will be evaluating that also as well.

Pawan Nayar: So within the textiles or technical textiles if you can talk which are the areas or opportunities which we are looking to explore or strengthen in?

Suresh Sodani: For competitive reasons we cannot disclose that because these are more strategic decisions, but as and when I mean as I said the intent is to look at niche segments, look at differentiated products and products which give a better value addition that will be the overall theme, but we cannot be more specific than that.

Pawan Nayar: Generally when this would be for Mr. Ladsaria so I would have asked you this question few times earlier as well, when you are doing this CAPEX what is the kind of paybacks you are looking at?

Suresh Sodani: The paybacks are I mean in range which have to qualify and to be satisfied by the board. It will be in line with the industry scenario that prevail for this kind of industry. We kind of again be sharing individual or the range at which we approve CAPEX, but these are reviewed as I said by very professional board and only after that it is approved for implementation.

Moderator: Thank you. The next question is from the line of Vaibhav from Honesty and Integrity Investment. Please go ahead.

Vaibhav: For NTCF and PTCF we have heard you that there are lot of imports that has happened, so just wanted to understand I think most of the imports will be from China in both these segments, so where is the cost differential lies that they are able to import at lower cost I understand tariff barriers are there currently which might mitigate the cost differential, but is it on the power side, is it raw material side so where is the differential cost for manufactures in China and for manufacturers like you in India?

Suresh Sodani: I think I have to give a very generic answer because we do not have breakup of the cost structure at the Chinese producers I think China has similar pricing policies related to almost entire exports especially in the B2B products I mean it is not very open in terms of what is their cost structure, but one definite advantage that China has it is the largest producer of Caprolactam as well as chips and that I think gives them a good advantage on all nylon related and to some extent even polyester related because they have petrochemical plants everywhere that scale is so huge and the capacities are so used that they are competitive in almost all export that they make to whether to India or any other country in the country.

Vaibhav: And in terms of NTCF market for both NTCF and PTCF so currently if the market is at how much is the imports in both the markets in terms of shares?

Suresh Sodani: I think PTCF can be more precise because there are very low availability of domestic supplies almost 90 plus percentage of PTCF demand is met by imports. NTCF we do not have a numbers in terms of percentage share because the volumes range between 1,000 to 3,000 tons per month, but I am not able to tell what is that terms in terms of how much percentage it becomes as a part of the total demand.

Moderator: Thank you. The next question is from the line of Shubham Agarwal from Aequitas Investment Consultancy. Please go ahead.

Shubham Agarwal: Just had one small question so in the presentation around 106 crore of other revenue you mentioned so wanted to know what is the nature of this revenue apart from NTCF and NYSM?

Suresh Sodani: So, in case of our chips requirement we get our Caprolactam converted into nylon chip. So, because of the timing differences and to follow GST law we sell Caprolactam and buy the chips so that turnover has been shown separately. So, this is mainly conversion of Caprolactam to chips, but being reported as trading turnover.

Shubham Agarwal: And what would be our average Caprolactam buying price currently?

Suresh Sodani: So last month it was around $2,300. It is not our price because these are the global indices. So, **[Inaudible 51:38]** was at $2,300 per metric ton.

Shubham Agarwal: And what is the total month of inventory that we keep in Caprolactam?

Suresh Sodani: Generally it depends on how much we plan from domestic market and how much is plant from the imported sources and based on that we decide what is the number of days we would like to keep and it very based on the planning for procurement, but generally it is around 20 days inventory we would on an average keep if we were to take historical data.

Moderator: Thank you. As there are no further questions I now hand the conference over to the management for closing comments.

Suresh Sodani: We thank all the participants for participating in the call. We hope that we have answered all the questions to the satisfaction of all the participants. If you have any further questions or if you would like to talk about you may reach to our investor relation manager at Valorem Advisors. Thank you to all. We hope that you will maintain good health and we wish you all the best. Thank you.

Moderator: Thank you very much. On behalf of Century Enka Limited that concludes this conference. Thank you for joining us you may now disconnect your lines.