



FILATEX INDIA LIMITED

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Subject: Transcript of Earnings Call on 29th January, 2018

Dear Sir,

This is in continuation to our letter dated 24th January, 2018 on the Earnings Call on 29th January, 2018. Please find enclosed the transcript in respect of the same.

This is for your information and records please.

Thanking You,

Yours Faithfully,
For FILATEX INDIA LIMITED

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“Filatex India Limited Q3 FY-18 Earnings Conference Call”

January 29, 2018



**MANAGEMENT: MR. MADHU SUDHAN BHAGERIA – CHAIRMAN & MANAGING DIRECTOR, FILATEX INDIA LIMITED
MR. ASHOK CHAUHAN - EXECUTIVE DIRECTOR, FILATEX INDIA LIMITED
MR. R. P. GUPTA – CHIEF FINANCIAL OFFICER, FILATEX INDIA LIMITED**



Moderator:

Ladies and gentlemen, good day and welcome to the Filatex India Limited Q3 FY18 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on believes, 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 participant lines will be in the 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Madhu Sudhan Bhageria from Filatex India Limited. Thank you and over to you, sir.

Madhu Sudhan Bhageria:

Thank you. Hello everyone, once again I welcome you all on our earnings call for quarter ended 31 December 2017. I presume, as done in the past, you would have gone through the presentation which is uploaded on our website and submitted to stock exchange. I have with me Mr. Ashok Chauhan, our Executive Director; Mr. R. P. Gupta, our CFO and Strategic Growth Advisors, our Investor Relations Advisors.

I would share some thoughts about the future prospects of textile industry and our prospects as an emerging key player in top 5 in polyester filament yarn segment in India. I am pleased to convey that our company is on the right course. Some of the points in such discussion every quarter get repeated. For example textile sector, by now you all know the textile sector plays a major role in Indian economy contributing 14% to industrial production and 4% to GDP.

However the most important contribution of this sector is towards employment generation at the work level. The sector employs more than 45 million people directly. For the Indian economy the job creation is vital. We may have high percentage GDP growth or Sensex crossing 36,000. These hubris of figures do not indicate same rate of growth in job market.

Recently there was an article authored by learned economist Arvind Panagariya who has been the vice chairman of NITI Aayog. It is aptly title the stretch in time we need. He has carried out a comparison about job creation. To keep it short let me bring the focus on his write up. He has compared Reliance Industries with Shahi Exports who is not as well known as Reliance but is worthy of comparison for being the largest apparel exporter for India.

At Rs. 110 billion asset base Reliance employs 250,000 persons whereas Shahi Exports has an asset base of Rs. 185 million and employs 106,000 workers. In comparative terms Reliance employs 5 persons per \$2.2 million in assets whereas for the same asset base Shahi employs 260 workers. Thus for the same investment Shahi created 252 times the job that Reliance does.



What is the purpose of this in the conference, simply to highlight the enormous opportunity as well as job creation potential textile sector offers at modest investment. Skill sets required for such jobs need only few weeks of training. To understand the enormity of opportunities for Indian textile sector let me take you back to the global scenario.

Textile fiber market globally has grown steadily and it surpass the milestone of 100 million tons. Synthetic fiber share out of this 100 million is 68% and all natural fiber at 32%. Given the fact that natural fibers have reached a saturation point due to resource constraints like land, water etc. Growth in textile will be driven by polyester only.

The global demand for polyester is growing at the rate of 4.5% which translates to 3 million tons a year. In terms of global supply Asiapacific region rules the roast. This region accounts for 85% of global polyester supply. Amongst Asian countries China alone account for 70% of global production. India occupies second position. However the comparative position is quite skewed as Indian production capacity is only one-eighth in size to that of China.

The demand has to be met with from Asia only. The growth in China is stagnating. In 2016 there was almost no growth in China for polyester filament and fibers put together. The same is true for downstream products in the textile value chain. Growth in China has slowed down due to high wages. From Rs. 187 billion in 2014, the Chinese apparel exports have fallen to Rs. 158 billion in 2016. As I mentioned in my last conference call the space vacated by China is up for grabs. The same hold good for inputs to the apparel, that is polyester filament yarn, fibers and fabrics.

Coming back to the article of Mr. Panagariya. He further talks about policy initiative for apparel exports and a discussion on that may be beyond the focal length of our conference call. However the gist is that there is a tremendous opportunity for Indian polyester industry. For the first time Indian textile producers are becoming globally competitive almost in all product categories against the massive Chinese capacity.

The Indian companies are able to compete both in terms of quality and price and have started grabbing increasing share of world trade. I just mentioned that the demand-supply gap in the global market is estimated around 3 million tons of polyester yarn. Chinese producers cannot get these increasing shares at competitive rates. This will also result in slight increase in global margin.

The next obvious choice would be the Indian producers. The current scenario indicates the huge opportunity window for Indian polyester sector and I feel this scenario will continue for at least 10 years if not more. Government of India has implemented GST from 1 July 2017. Initially the rates were 18% for all manmade fiber. The rate for fabric is 5%. There was disruption in the market and the entire industry came to almost a standstill for a short period of time.

Industry representations were made to government for reduction of rates. In the month of October end Government of India has notified reduction in GST rate on manmade filaments from 18% to 12%. In addition Government of India has also increased the import duty rate on all fabrics to 20% in November. Both these steps augur well for the polyester industry and will spur growth in domestic demand.

While the domestic market issues have been addressed Government of India needs to recognize this opportunity at global level and encourage Indian manufacturers to capture as much as possible this volume. The polyester producers at various forums have also represented their view points. In addition to the opportunity due to slowdown in China some policy initiative will act as accelerators.

The likely impact would be creation of around 8 million to 10 million jobs directly and indirectly. It would not be out of line to see that a growth rate of 20% can easily be achieved especially in the polyester filament yarn segment. Let me add an interesting clarification relevant to polyester industry. One often asked question is about the effect of increasing crude prices of polyester business.

There is no impact of crude prices in the polyester filament business. Polyester is made from PTA and MEG both these key ingredients are derivatives of crude oil. As the prices of crude oil are volatile they in turn do affect the prices of PTA and MEG. The delta margins of PFY does not change and any increase or decrease in raw material is a pass through, it is a global business practice. Even when the crude prices go up there is no adverse impact on demand of PFY. The prices of polyester filament yarn are around \$1.5 a kg.

The prices of other manmade fibers or natural fibers are in the range of \$3 per kg. The difference is high enough to ensure that there is no substitution of polyester filament on account of price. Let me explain you this with actual numbers. At \$60 a barrel the cost of 1kg of crude is \$0.42. At \$100 per barrel the cost of 1kg of crude will be \$0.71. So even if the crude goes up to \$100 a barrel the price of yarn will move from \$1.5 to \$1.79 per kg which is much lower than the nearest replacement of fiber.

Taken to the next stage, the impact of fabric and garments will still be lower in percentage term. As the value addition from yarn to fabric is very high as compared to raw materials to yarn. I hope this clarifies the often expressed concern about volatility in the crude oil prices. The polyester filament yarn business is going to witness sustained growth for some years. It has been much less talked about as a business segment. I am sure in months to come you all will hear a lot more about polyester and that too in a positive way.

Now let me update you on brownfield expansion for bright polymerization capacity. The project progress is on schedule. The most critical portion the polymerization process has been commissioned and we are gradually increasing polymer production to carry out trial runs of bright chips, bright FDY and POY lines. This project will add bright polymer capacity of

108,000 tons per annum. Out of this around 68,400 tons per annum will be used for FDY, 9,000 tons per annum for bright POY and 30,600 tons per bright chips. Our in house consumption of bright chips at the Dadra unit is 13,000 tons which we presently buy from the market.

Trial production has started and we have initiated market seeding operations. The response from customers is very encouraging and we will complete commissioning before end of February 2018. So in the next financial year we will be able to offer a complete product basket of yarn bright, semi-dull and color in various denier range and in all categories of filaments, FDY, POY and textured.

We are continuously pruning our products that are less remunerative. After the expansion of bright polymer capacity the overall capacity will increase to 331,500 tons per annum. We are now fully geared up to capitalize on the growth in the industry. With increase in demand in the market, higher volumes and better capacity utilization the company will improve its top and bottom line exponentially. With regards to financials of Q3 FY18 the company has reported revenues of Rs. 504 crores as compared to Rs. 368 crores in the corresponding quarter of last year signifying the growth of 37% on year-on-year basis.

EBITDA for the quarter stood at Rs. 37.9 crores as compared to Rs. 29.9 crores in Q3 FY17 which is a growth of 27% on year-on-year. The net profit for Q3 FY18 stands at Rs. 14.5 crores as compared to Rs. 6.8 crores in Q3 FY17, signifying a growth of 113% on a year-on-year basis.

Now let us see a few parameters for nine months ended December 2017. Total revenues stood at Rs. 1,349 crores an increase of 22%. EBITDA stood at Rs. 110.4 crores with an increase of 16% and PAT stood at Rs. 42.3 crores, an increase of 56%. This is the comparison on year-on-year basis.

After this brief, now I look forward to responding to question and clarification that you may like to ask. Thank you for listening patiently.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session.

We will take the first question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: I just wanted to understand the QoQ improvement in volumes if any, so what kind of volumes net did you sell in Quarter 2 and what did you do in Quarter 3?

Madhu Sudhan Bhageria: In Quarter 2 our total sales was 49,227 tons and Quarter 3 it is 56,409 tons. So that is approximately 14%.

Pritesh Chheda: Is there any drop in EBITDA per kg because if the volume is up about 14%, any changes in the operating?

Madhu Sudhan Bhageria: Not drop in EBITDA per kg, but there is an increase in the raw material prices which have increased the finished prices. So as a percentage you see that the EBITDA margins have gone down but as a per kg it is similar. And also we had a shutdown in this quarter to hook up the new plant for six days we had to shut down the plant. So maybe some effect of that is also coming in.

Pritesh Chheda: Because I do not see a corresponding 13%, 14% rise in EBITDA QoQ?

Madhu Sudhan Bhageria: No, EBITDA will not rise because also the raw material prices have gone up and also the increase is mainly in chips business where EBITDAs are very low. Chips last quarter the sale was 4,300 tons, this time it is 9,500 tons. So 5000 tons of sale increase is only in chips which gives a very low EBITDA.

Pritesh Chheda: And my second and last question is there is some rise in the yarn prices. Generally it is seasonal in nature in this part of the year, but is there any case for a expansion in profitability?

Madhu Sudhan Bhageria: Whatever the price increase has been there it is a pass through of the raw material only. Because the raw material prices has been rising for last two months because of the crude prices rising.

Moderator: Thank you. The next question is from the line of Prateem Roy from Stewart & Mackertich. Please go ahead.

Prateem Roy: I have just two questions regarding the CAPEX that you have done right now at the Dahej plant and for that purpose you have incurred good amount of CAPEX, but what is the future plan in 2018, 2019, and 2020 onwards, if you can give a rough idea of that then it will be good for me?

Madhu Sudhan Bhageria: Right now there is no major CAPEX planned as such. So in the year FY19 we will be mostly consolidating and definitely in year FY20-21, we need to have more projects that are in the pipeline. So the details of that right now I cannot share but definitely we will be doing a CAPEX of around Rs. 200 crores to Rs. 300 crores in FY20.

Prateem Roy: Rs. 200 crores to Rs. 300 crores in FY20, all of this CAPEX will be for capacity expansion?

Madhu Sudhan Bhageria: Yes, these will all be capacity expansions.

Prateem Roy: Whatever CAPEX you are going to incur in coming years, so all will be backed by your cash that is available in your balance sheet or will it be backed by debt?

Madhu Sudhan Bhageria: It will be a mixture of both, it will be through internal accruals and some debt.

Prateem Roy: Okay and any idea about the long term debt right now Rs. 279 crores debt if I am not wrong is what is taken for the Dahej expansion what is the long term debt borrowing guideline?

Madhu Sudhan Bhageria: See, long term we would like to keep our equity to debt ratio around 1:1. That is the long term guidelines I can give you.

Moderator: Thank you. We will take the next question from the line of Pratik Shah from PS Securities. Please go ahead.

Pratik Shah: I have few questions. First of all is that I see the growth in revenues and profitability despite the GST issues. So I just wanted to know whether is this the base effect on account of the demonetization quarter that was there last year or what exactly is the reasons for the growth in the revenue and the profitability?

Madhu Sudhan Bhageria: Yes, this year it is just because last quarter was a demonetization quarter so definitely that quarter was subdued and profitability was low. So that is why there is too much of jump in this quarter compared to the last quarter. Otherwise even second quarter also I mean you will see we are doing roughly 10% to 15% over year-on-year. It is more because of demonetization.

Pratik Shah: Okay, any color on demand you can give for this quarter, how was it and how does it look?

Madhu Sudhan Bhageria: Demand is quite robust now for polyester filament yarn as told in my speech and it is going to remain quite robust because even export now we are very competitive in export market. So if the demand is slightly low then the exports go up and balance the demand.

Pratik Shah: Okay got it. My other point is, EBITDA margins I see a decline on a year-on-year basis in the same, so if I compare it with the same quarter last year there is a dip. So can you just give a brief reason for the same?

Madhu Sudhan Bhageria: See, as a percentage it has dipped, because the raw materials from last year quarter to this year there is a rise of almost more than 10% and then also I explained that like chip sales have gone up considerably, chip sale does not give you EBITDA so much, but gives you a top line.

Pratik Shah: So it is not a high margin product?

Madhu Sudhan Bhageria: No, chips is a very low margin, we hardly have 2% to 3% EBITDA.

Pratik Shah: And my last question is related to our interest and tax. I see that there is a dip I mean there is a reduction in the interest expense, but then if I come further down then there is an increase in the tax expense which is substantial. So can you just explain the same?

Madhu Sudhan Bhageria: See, last year we had some investment allowance that is why the reduction in the tax. This year now that is not available. So this is just a straight tax what the government charges, 35% something.

Pratik Shah: Okay so last year we had some tax advantage?

Madhu Sudhan Bhageria: Advantage because of the investment we had done, we got our investment allowance.

Pratik Shah: So that was only for one year or that was last year only?

Madhu Sudhan Bhageria: That is always for one year but from this year the government has discontinued.

Pratik Shah: Okay, and about the interest expense?

Madhu Sudhan Bhageria: Interest expense is down because of repayment of some loans and also we have started getting now a TUF benefit of investment done last year. Last year we did not get the TUF benefit till then. So that has not been accounted for.

Pratik Shah: Okay. Have we seen any reduction in the interest rates in the past year?

Madhu Sudhan Bhageria: There is some reduction in the interest rate.

Pratik Shah: How much basis points?

Madhu Sudhan Bhageria: Maybe around 150 basis points.

Moderator: Thank you. We will take the next question from the line of Akash Singh from Alpha Alternatives. Please go ahead.

Akash Singh: I have a question, sir in the last con call I have seen that you talked about value added products. So what are the EBITDA margin differences between your value added products and regular products?

Madhu Sudhan Bhageria: See, value added products you get around 10% to 15% EBITDA, and chips and other products which are very low value added we get just 2%, 3% EBITDA margins. And then in POY you get around 8% to 10% so that is the only difference. So various product categories you get different EBITDA margins. Chips is the lowest, then it is POY, and then FDY and textured are almost similar because textured is a combination of POY process plus texterizing. So the EBITDA margin goes up.

Moderator: Thank you. The next question is from the line of Mohit Bansal from Ajinkya MPL. Please go ahead.

Mohit Bansal: A couple of questions. One is, are we running at full capacity utilization right now, ex the new capacity?

Madhu Sudhan Bhageria: Yes, the old capacity is running at almost full production. In chips capacity just varies, yarns is running at full production.

- Mohit Bansal:** Okay, and chips I believe last quarter the sales as a percentage has increased that was the new capacity that increase came in, is it?
- Madhu Sudhan Bhageria:** No, the new capacity nothing has come in the last quarter.
- Mohit Bansal:** Okay so why was chips as a percentage gone up in sales?
- Madhu Sudhan Bhageria:** I mean we were able to sell and we could export some volumes that is why we ran on higher output.
- Mohit Bansal:** Okay, so in normal terms what is the normalized EBITDA that we should expect sir from the existing capacity, closer to 9%, 10% what kind of EBITDA?
- Madhu Sudhan Bhageria:** The percentage keeps on varying, now see crude has come to 70 so what percentage holds true when the crude was 50 will not hold true now because we get margin in absolutely per kg like if I get a Rs. 8 per kg as a percentage it keeps on changing.
- Mohit Bansal:** Absolutely right, correct. In terms of these new capacities have come up sir, by when do we think that we will be able to ramp it up to say..
- Madhu Sudhan Bhageria:** We would in commercial production by end of February and I think after one quarter we should be able to ramp it up to almost like 90% if not more.
- Mohit Bansal:** Okay, that is good news. Sir, we had shut down our plant in north the small plant that we had. Were we able to monetize it?
- Madhu Sudhan Bhageria:** No, we have not been able to monetize as of now, maybe in next three four months. We have to first take permission from the banks to sell it. So now we have got the permission, so we are in the process of first we will sell the machinery and then land and building.
- Mohit Bansal:** Okay so in total what should we expect, sir?
- Madhu Sudhan Bhageria:** Not much, maybe around Rs. 10 crores plus or minus couple of crores.
- Mohit Bansal:** Which includes the land?
- Madhu Sudhan Bhageria:** Yes, main cost is of land and building only, machines are more than 20, 25 years old so we will not get much for machinery.
- Mohit Bansal:** So roughly about Rs. 10 Crores will come in the next three, four months?
- Madhu Sudhan Bhageria:** Yes.

- Moderator:** Thank you. The next question is from the line of Umesh Patel from TCG Asset Management. Please go ahead.
- Umesh Patel:** A few questions, sir. I wanted to know I have missed earlier remarks. What is the current debt and where you see in the next year? Second thing as you mentioned that commercial production of that new bright FDY capacity will start commissioning in Feb, then what kind of revenue potential or incremental revenue in FY19 that we are expecting with the change in product mix which will change your EBITDA margin as well?
- Madhu Sudhan Bhageria:** See current debt would be around Rs. 550-560 Crores and we will be closing at around Rs. 620 to Rs. 625 Crores this year end with the debt because of the new capacity which is going to get commissioned in February end.
- Umesh Patel:** Okay and you mentioned that there would be reduction in interest cost by 150 bps then what it would be post FY18 in average cost?
- Madhu Sudhan Bhageria:** Post FY18 I think our average cost of debt would be between 7% to 8%.
- Umesh Patel:** That includes stock benefit as well, right including foreign currency?
- Madhu Sudhan Bhageria:** Yes, more or less 7%.
- Umesh Patel:** What proportion of your loan is directly linked to foreign currency?
- Madhu Sudhan Bhageria:** It will be maybe around 40%.
- Umesh Patel:** Okay and once this new capacity will be in place then in FY19, as you mentioned that within three to six months we will be able to achieve 70% to 80% capacity utilization, right. Then in that case what would be the incremental revenue that we are seeing considering the current market scenario?
- Madhu Sudhan Bhageria:** I think next year we should have at least Rs. 700 crores top line extra.
- Umesh Patel:** Rs. 700 crores extra top line over and above the current run rate of 10% to 15%, right?
- Madhu Sudhan Bhageria:** You are right.
- Umesh Patel:** Then in that case your bright FY generating 10% to 15% EBITDA margin then your EBITDA margin mix will also change?
- Madhu Sudhan Bhageria:** The percentage will change but as an absolute number I think we should be able to do anything between Rs. 250 crores to Rs. 260 crores because see that percentage can vary with the crude price and maybe chips also.

- Umesh Patel:** So recently the crude price was also increased by around 25% in last one quarter, then in that case your raw material prices will also change your EBITDA margins right. Then in that case as of now, are we able to pass the 100% incremental raw material cost to end consumer or it will remain the same?
- Madhu Sudhan Bhageria:** No, we are able to pass the 100% increase in cost.
- Umesh Patel:** But that would be with one quarter lag impact or it would be immediately?
- Madhu Sudhan Bhageria:** Not one quarter lagging it is just a lag of maybe, not more than 3 to 5 days.
- Umesh Patel:** 3 to 5 days, then in that case you will be able to generate better EBITDA margin there would not be any impact, right even though the crude oil prices will change?
- Madhu Sudhan Bhageria:** See, if I am making Rs 7 on Rs. 70 and if I make Rs. 7 on Rs. 100 the percentage as a margin will change. As a number it will not change.
- Umesh Patel:** Correct, in absolute term it will remain the same but as a percentage of sale it will change. And in terms of interest cost where you see the interest outgo for FY19?
- Madhu Sudhan Bhageria:** FY19 maybe around Rs. 65 crores.
- Umesh Patel:** Rs. 65 crores on Rs. 620 Crores okay, then in that case it should be around?
- Madhu Sudhan Bhageria:** Not Rs. 620 Crores, it also has other financial charges as a part of it, it is not only interest, it also includes all kind of bank charges and premiums on forward contracts and everything is included. All financial costs are a part of it.
- Umesh Patel:** So any debt repayment is expected in FY19?
- Madhu Sudhan Bhageria:** FY19 we have a scheduled debt repayment of roughly Rs. 78 crores.
- Moderator:** Thank you. We will take the next question from the line of Maulik Patel from Equirus Securities. Please go ahead.
- Maulik Patel:** Couple of questions. You mentioned about whenever the capacity addition come up in the country, you have a capacity addition, one of your competitor is also coming with capacity addition in next six months or so. Whenever there is new capacity addition come up, the market goes a little slow because of additional supply and margins take a ride. Do you think this will also happen this time?
- Madhu Sudhan Bhageria:** I do not think we should have that much of impact because his capacity would start coming in next three to four months and would be ramped up by end of this calendar year and now the total volume of polyester filament yarn in India is around 3.8 million tons. So every year around more

than 350,000 tons is required extra for the growth because the growth rate is more than 8% to 9%, and he is coming with a capacity in filament yarn of roughly 300,000 tons. So I do not think there should be any problem. Also the exports demand is quite robust plus with increase of import duty on fabric from 10% to 20% I am sure there will be lot of demand for Indian fabrics and imports of the fabric would go down drastically. So all that keeping in mind I do not feel we should have an impact.

Maulik Patel: Is there any amount or any quantity of how much man made fabrics or the polyester fabric that is imported in the country before the duty was imposed?

Madhu Sudhan Bhageria: No, I have no idea. I do not have the numbers as of now.

Maulik Patel: Last question, there was a reference to the earlier question, value addition you mentioned that the EBITDA per kg is roughly around Rs. 10 to Rs. 11 per kg?

Madhu Sudhan Bhageria: It is different products it is different, At Rs.10 to Rs. 11 is in textured yarn, and in FDY semi-dull it is around Rs. 12, bright it is around Rs. 15. So every product has a different EBITDA margin and also with the time sometimes the margin reduces in one and increases in the other. At a given point I can give you the EBITDA margin, but going forward things can be doing better or it is a little less in some of the products.

Moderator: Thank you. The next question is from the line of Pankaj Parikh from Prabhudas Lilladher. Please go ahead.

Kalpesh Parikh: This is Kalpesh Parikh here. I have a couple of questions, in this quarter specific there was a spark in chips volumes and yarn volumes were slightly lower. So was there any specific reason for this quarter why this anomaly was there?

Madhu Sudhan Bhageria: See, the chips volume had gone up but yarn volume has not gone down.

Kalpesh Parikh: No, they were at slightly lower growth of 7%?

Madhu Sudhan Bhageria: Yes, because we have not added any new capacities so I cannot increase the yarn volume. The yarn volume we are already using almost 100% of the capacity so until and unless we had new capacity the yarn volume cannot increase. Chips we were not using fully so that is why if we got an opportunity we could increase the volume of the chips.

Kalpesh Parikh: But with this bright capacity coming in probably in the coming quarters?

Madhu Sudhan Bhageria: Yes definitely coming quarters the yarn volume would go up because now we will be having new capacity of the yarn.

Kalpesh Parikh: And that would be coming we can see some traction in this Q4 per se?

Madhu Sudhan Bhageria: Yes definitely some traction would be available because by end of February we will be fully commissioned. So one month we should have some volumes and little bit of volumes of the trial production of February also would be there.

Kalpesh Parikh: Okay. But any teething problem did we see in this quarter as such in the bright particularly?

Madhu Sudhan Bhageria: No, Bright is rather doing better than expected, the margins between semi-dull and Bright used to be Rs. 2 to Rs. 3 better, but at the moment in bright FDY the margins is around Rs. 6 to Rs. 7 more than semi-dull FDY.

Kalpesh Parikh: But how is demand sir, in bright?

Madhu Sudhan Bhageria: Demand is very good, that is why the margins are more in bright, so it will be easy to penetrate the market with the product.

Kalpesh Parikh: But then do you expect more players to enter into this bright space in the coming time as well?

Madhu Sudhan Bhageria: See right now nobody is coming with the capacity, only Bhilosa is coming but his capacity I presume will start from around second quarter of this calendar year end of second quarter and would go up to end of the calendar year.

Kalpesh Parikh: And Shubhalakshmi are they having?

Madhu Sudhan Bhageria: Shubhalakshmi is not coming with any capacity. I do not think any other person is coming with any significant capacity.

Kalpesh Parikh: Sir, one of your competitor, JBF is in a deep trouble. So are we having any plans or opportunity on that front like are people looking at him as an acquisition target or something like that?

Madhu Sudhan Bhageria: I have no idea, I do not think so for Indian asset he is looking for a partner, he is looking for a partner for PTA plant and other foreign assets.

Kalpesh Parikh: But are their assets quite lucrative or nothing, we are not looking at it?

Madhu Sudhan Bhageria: No we are not looking at it.

Kalpesh Parikh: Okay, any GST related issue that we faced in this quarter?

Madhu Sudhan Bhageria: GST now has become little inverted for us because raw material is 18% and finished is 12%. So that we are trying the government to address, but there is a provision to get a refund in the inverted duty structure.

Kalpesh Parikh: But have we got any refund or any of our peers have got any refund?



Madhu Sudhan Bhageria: No right now we have not got refund because we have been able to mitigate this through export. So that is why we have not tried to get the refund. But we are in the process of filing for the refund because only this quarter it has happened. Before this it was 18:18 only in October end they have changed. So now what we have to do calculation and do the filing. Let us see how soon we are able to get the refund.

Moderator: Thank you. We will take the next question from the line of Umesh Patel from TCG Asset Management. Please go ahead.

Umesh Patel: Recently US Government has imposed ban or the anti-dumping duty on polyester fibre so there is no link with our products right?

Madhu Sudhan Bhageria: No, the anti-dumping duty is only on polyester staple fibre.

Moderator: Thank you. Ladies and gentlemen, that was the last question. With that we conclude today's conference. Thank you for joining us and you may now disconnect your lines.