

Operator

I would now like to hand the conference over to Mr. Jaisinh Suchak from JM Financial Institutional Securities. Thank you and over to you sir.

Jaisinh Suchak, Analyst

Thank you Mosin. A very good evening to all our participants. It is a great pleasure that I welcome you to the third quarter FY13 earnings call for HSIL. We have with us, Mr. R B Kabra, President, Building Products Division; Mr. Anil Chandani, Senior Vice President, Corporate Finance; and Mr. O P Pandey [ph] Senior Vice President, Finance, Container Glass Division for HSIL.

The call will begin with a brief management discussion on the performance for the quarter ended 31 December, 2012. This will be followed by an interactive question-and-answer session.

I would like to now hand over the floor to Mr. R B Kabra for the opening remarks. Over to you sir.

R B Kabra, President

Thank you, Jaisinh. Thank you for introducing us. I welcome you all from the various institutions to our, this quarterly conference call for the Q3 results. We have been doing this call now for last many quarters and most of you have been kind enough to attend this and listen to us and give your inputs and take clarifications from us.

Sales growth has been good. Company as a whole grew by 17% in comparison to Q3 of last year. The Building Products Division sale growth was 20% and our Glass Division sales growth was 14%. The volume growth in Building Products is 8% and balance has come through by the additional sale of the new brands what we have launched, which is QUEO and Benelave as well as the product mix and the price increase, which we have had in last two times, which was one in February last year and one was in June last year.

So all that took together as given up the increase of around 9% to 10% in terms of price and product mix. 8% came through the volume growth and 2% came through the new brands, which we have launched.

In the Glass total sales value is up by 14% and it is shade 50%, which is around 7% by the volume growth. And 7% with the price increase and the product mix. Price increase in fact, which we -- price increase in the Glass came around 7.5% last year February. So if you see Q3 of last year it had impact of for one and a half month for that 7%. This quarter has seen this complete impact of 7%. And we also got this price increase in September from the aerated water people. But unfortunately the margins in the Glass business have been under pressure largely for the two reasons that the raw material cost has gone up by around 2%, 2.5%, and power and fuel cost has gone up by around 5% of sales. So the total cost, which we could not pass on to the customer was around 7.5% to 8%, which has brought down the margin.

This would have been worse if we've do -- we would have not acted upon wisely in terms of whatever energy conservation methods, which we could have adopted which we -- if we have not done it, the cost would have been higher. Similarly, in terms of power cost, now the generation on the generator is practically nil. We are managing our power requirement through grid and the Power Exchanges, which I mentioned last time that the generation cost was around INR14 a unit and Power Exchange cost was around INR8.00, INR8.5 a unit.

So we have now 100% requirement of power in glass is met through either the grid supply or through buying power from the Power Exchange.

Going forward we don't see much improvement coming in terms of power supply from the grid, even in Q4, and but we will continue to have this Power Exchange purchases. Q3 also saw price increase as the grid power were around INR1.20 per kilowatt hour, which has been fully factored in, in terms of the cost what has been there. And in Q3, because of the sales, our volume growth not coming up as expected in Glass, we had curtailed our production, we did not run two lines, one line on one furnace and one line on other furnace.

Because of which our capacity utilization was lower, but unfortunately as you all know, the glass furnaces or the sanitary

ware furnaces, the cost, the consumption of power and fuel does not go down proportionately.

Suppose we are running the furnace at say 80% capacity or 70% capacity, the power and fuel consumption will come down by 7% to 10% not by 20%, 30%.

So in terms of percentage to sales, the power and fuel costs in Q3 is higher. Q4 going forward we'll see better capacity realization and liquidation of stocks, which should give some flip to the margin. We expect the EBITDA margins in Glass business in Q4 to go up by 2, 3 percentage points.

What the disappointing thing is that there is no visibility in terms of passing on the cost to the customers by getting price increase from them.

Though we had spoken to few of the customers, but the response is not very positive. So we cannot say that, okay, going forward in next one month or two months or three months, we will get the price increase that is not visible and looking to the supply situation which has come up because of the largest glass manufacturer in the country adding very large capacity. The prices because the supply is higher and these supplier cost waging customers more, the price increase seems to me personally, difficult for the next two quarters.

And Q4, we expect that the Glass sales should be up by 25% than the Q4 of last year and this you have seen that Q1 and Q2 are very, very bad, and Glass in Q3, we had a sales growth of 14%, markets are up.

We are trying our best that we at least start using our capacity as fast as possible, so that margin at least improve to the level of 16%, 17% which has come down to 12% in this quarter. Q4 should be around 15% that is what we internally feel.

Coming to the Building Product business, the sales growth had been good around [ph] 20%. The margins has strengthened by around 1.5% again largely because of the power and fuel costs, but we have already had a price increase of 4%, 4.5% in November this year, middle of November.

So the price increase in last quarter we could only see for 40 days, which we will be seeing full impact in this quarter and whatever the margins had shrunk should come back to the level, which we have been running. Building Product is doing reasonably well. Of course, we could do better and we are striving hard so that the new brands, what we have launched are doing well, QUEO which is our international brand has a good reception, good acceptance from the market, we are getting products designed by the international designer, which have been received very well and that they are -- the products are now actually competing with all international brands in the country.

And the response is very good so going forward, this should give us good volumes as well as better margins for that design.

All products which we've been outsourcing are growing steadily, more or less at the same level of 18%, 20%. Except the smaller ones, which have a small base, they really growth at a much faster pace. But these being small, it really doesn't matter in the total scheme of things. So that's where the Building Product, we continue doing well.

Glass will strive hard improve and you will see this improvement starting from Q4 again and going forward things should be better. Thank you very much whatever questions now you have or clarifications you have, we are there to answer you.

Questions And Answers

Operator

Thank you very much sir. (Operator Instructions) the first question is from the line of Pranav Gokhale from Religare AMC. Please go ahead.

Pranav Gokhale, Analyst

Hello, good evening sir.

R B Kabra, President

Good evening.

Pranav Gokhale, Analyst

Sir, just few questions on the Glass businesses. Sir, what is the current utilization now across our furnaces, the old and new furnace please sir?

R B Kabra, President

It is, this Q3 the capacity utilization is around 73%.

Pranav Gokhale, Analyst

For blended?

R B Kabra, President

Blended, yeah.

Pranav Gokhale, Analyst

And the new furnace, if you could please highlight sir.

R B Kabra, President

New furnace, on our new furnace actually if you really see, I'll just tell you. New furnace is around 67%.

Pranav Gokhale, Analyst

Okay.

R B Kabra, President

Yeah.

Pranav Gokhale, Analyst

Okay, sir then what will be the power and fuel cost as a percentage to sales now in the Glass business if you could please give a broad indicator now?

R B Kabra, President

That is around 37%, 38% now.

Pranav Gokhale, Analyst

Okay.

R B Kabra, President

Yeah.

Pranav Gokhale, Analyst

Sir, now, what are the long-term measures now you have taken to improve margins in the Glass business? I mean if power rates continue to remain like this or if there is a shortage of gas, then what will be the long-term measures taken by the company, are you looking for a captive plant? What could be the measures?

R B Kabra, President

Yeah, listen, one thing which I mentioned in my opening remarks was that when there was suddenly a power cut was declared, we had to go to the standby generator.

Pranav Gokhale, Analyst

Sure sir.

R B Kabra, President

Because we were not registered our self with the Power Exchange because power situation was never so bad in Andhra Pradesh.

Pranav Gokhale, Analyst

Right sir.

R B Kabra, President

So, for many months we ran our standby generating sets, but then we moved on to the Power Exchange power.

Pranav Gokhale, Analyst

Right.

R B Kabra, President

Which was much cheaper than the generated power. And for few months we got some power through Power Exchange and some power through the generators whatever the short is, but now as I mentioned 100% power within the shortage are not supplied by the grid we are buying through the Power Exchange.

Pranav Gokhale, Analyst

Okay.

R B Kabra, President

So, one advantage we'll have that whatever additional cost we had for the power generation on the generator, diesel generator, generation cost is around INR14.5 unit whereas the Exchange Power is anywhere between INR6.50 to INR7.00 a kilowatt hour. So that cost has gone down. The capacity utilization this quarter will go up in Q4 and going forward, because you have seen that the sale growth which was not there at all in first two quarters now you are seeing a growth in Q3. Q4, the growth will be much better as the extra as the -- the kind of orders we are receiving from customers. So, when the capacity utilization goes up, the proportion of the power and fuel cost goes down.

Pranav Gokhale, Analyst

Okay.

R B Kabra, President

As I just mentioned that the power and fuel cost does not go down in proportion to the capacity utilization, like our capacity utilization is 73%, but the power and fuel cost, if I run at 100%, it is at 90%.

Pranav Gokhale, Analyst

Okay.

R B Kabra, President

It is not 73%, so when the capacity utilization goes up, this will have impact in terms of percentage to be same.

Pranav Gokhale, Analyst

Okay, sir.

R B Kabra, President

Yeah.

Pranav Gokhale, Analyst

So just now how much in this quarter was through diesel generator broadly out of total power which you said. What was the mix broadly this quarter?

R B Kabra, President

Less than 10%.

Pranav Gokhale, Analyst

Less than 10%.

And Q4 even we'll not have that 10%.

Pranav Gokhale, Analyst

Sir, but then what will be the sustainable margins now in the Glass business? I mean --

R B Kabra, President

Say, Glass -- if you forget the last three quarters rather last two quarters, margins -- EBITDA margins in Glass business has been anywhere between 17% to 19%.

Pranav Gokhale, Analyst

Correct, sir.

R B Kabra, President

So 18% or at 17% to 19% of sustainable margin because that margin is there for at least two, three years continuously.

Pranav Gokhale, Analyst

Right.

R B Kabra, President

Unfortunately, if the cost has suddenly gone up everywhere and the largest manufacturer had increased their capacity so much, that currently -- because the manufacturer are pledging customers for the total price increase is not possible, which used to happen at least once a year.

Pranav Gokhale, Analyst

Sure.

R B Kabra, President

As I mentioned, we had our last price increase in February 2012. Actually, we should be going for the price increase, we requested customers, but the response is not very positive because currently, they feel that because the supply is more than the demand, probably we can push us for few more months, but ultimately balance takes place, the industry is growing, the glass demand will grow.

So with that this additional capacity will get absorbed over in next few months and then probably the price increase will come.

Pranav Gokhale, Analyst R B Kabra, President

Yeah.

Pranav Gokhale, Analyst

I can understand that 4% may not be a sustainable margin because there could be some one-offs here but then, what could be the margin, earlier the average used to be around 15%, 16%, or at the EBIT level.

R B Kabra, President

Yeah.

Pranav Gokhale, Analyst

Going ahead because we see the power situation is not an immediate solution.

R B Kabra, President

Yeah. What is happening is that because the capacity utilization is low.

Pranav Gokhale, Analyst

Right.

R B Kabra, President

And that we have to provide for full interest and full depreciation.

Pranav Gokhale, Analyst

Sure, sir.

R B Kabra, President

So that is why the level of EBIT and level of EBITDA margins looks very small.

Pranav Gokhale, Analyst

Right.
Or the next two, three quarters when we reach to the 95%, 90% capacity utilization, we see margins will come to the more or less similar level, provided we also get some price increase.

Pranav Gokhale, Analyst

Okay.

R B Kabra, President

Suppose, I don't get the price increase.

Pranav Gokhale, Analyst

Right, sir?

R B Kabra, President

Then the margins would remain 3%, 4%, 5% lower than what it used to be because every price increase what we were getting is an even 4% to 5% every year.

Last year was special that we got 7%, 7.5%. But otherwise whatever cost increases happens, which is 5% to 6% are easily accepted by the customer.

Pranav Gokhale, Analyst

Okay.

R B Kabra, President

Yeah.

Pranav Gokhale, Analyst

So and as the capital employed in the Glass business doesn't seem to have gone down, so the inventory, the high level of inventory still there in Q3 because sales were higher, that is what I am asking, or is it more to do with debtors now?

R B Kabra, President

The inventory is higher because as I mentioned volume growth is only 7%.

Pranav Gokhale, Analyst

Okay.
Okay. So the inventory liquidation has not been to the level that it will have impact on the capital employed.

Pranav Gokhale, Analyst

Right.

R B Kabra, President

Yeah, that is the reason. So may to going forward in Q4, but what really happens is even in Q4, if I say that my face will be much better than what has been in Q3, in fact on the capital employed you will see only on the Q1 of next year because the debtor cycle is 45 to 60 days.

Pranav Gokhale, Analyst

Right, sir.

R B Kabra, President

So the quarter-wise sale growth is higher, the inventory get converted to debtor.

Pranav Gokhale, Analyst

Debtors, exactly --

R B Kabra, President

But that will get converted to money only in the next quarter.

Pranav Gokhale, Analyst

Okay, sure. Thank you, sir. Bye.

R B Kabra, President

Thank you.

Pranav Gokhale, Analyst

Yeah, I've done with my questions. Thanks a lot.

Operator Jaspreet Arora, Analyst

Hi, sir. Good evening. Just wanted to check the figure that you gave for the Container Glass, so you said a volume growth of 7% and the price hike of 7%.

R B Kabra, President

Yes.

Jaspreet Arora, Analyst

That's on a YoY basis, right?

R B Kabra, President

Yeah, that's year-on-year, yeah.

Jaspreet Arora, Analyst

But our revenue has increased only about 11 odd percent?

R B Kabra, President

Revenue in Glass?

Jaspreet Arora, Analyst

Yes, sir.

R B Kabra, President

No, no, revenue in Glass is up by 14%, if you see at the net level.

Jaspreet Arora, Analyst

Okay. I'm just comparing 210 crores versus 189 crores?

R B Kabra, President

The net sale -- actually what happens is that because of some export we have to give discounts, we compare -- so net sale is up by 14%.

Okay. Are you saying net of exports, domestic is what you're saying?

R B Kabra, President

Yes -- no, no the total sale for the Glass business this Q3 is 212 crores.

Jaspreet Arora, Analyst

Right.

R B Kabra, President

Which in Q3 last year was 185 crores.

Jaspreet Arora, Analyst

185 crores, okay. And you're saying the full year number you -- full year growth number for revenue growth you said is 15%, is that what you said for Container Glass?

R B Kabra, President

Can you repeat the question, I could not get it.

Jaspreet Arora, Analyst

Sir did you say, we are looking at growing 15% by revenue in the Glass business?

R B Kabra, President

By end of the year?

Jaspreet Arora, Analyst

Yeah, for the current financial year as a whole.

R B Kabra, President

Yeah, that is right.

Jaspreet Arora, Analyst

Because I see the first, I mean, first nine months you've grown only about 5 odd percent.
Yeah.

Jaspreet Arora, Analyst

So I mean where is this growth coming from in the, I mean, we are already on a high base, last --

R B Kabra, President

Q4 we are expecting a much better quarter because the kind of orders we have in hand --

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

And the growth by the year-end in the Glass business should be anywhere between 13% to 15%. The lowest side will be 13%, higher side will be 15%.

Jaspreet Arora, Analyst

Okay. So Q4 essentially would be, you're looking at that kind of a number.

R B Kabra, President

Not only looking at because that is the kind of orders now we have in hand --

Jaspreet Arora, Analyst

Sure, sure.

R B Kabra, President

January we have done, so we know what kind of January we had.

Jaspreet Arora, Analyst

Okay, okay, okay. Got it. And on the Building Products side, the mix that you gave sir was of the 20% revenue growth, the mix was 8% volume, 9% price, and 2% QUEO right?

R B Kabra, President

Yeah.

Okay, okay. And because of this price hike in mid '12 your normalized margins should be back by next quarter.

R B Kabra, President

Yes, yes. That's what I mentioned because we had this price increase in the middle of November.

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

So the impact in this quarter was only for 40 days approximately. And this price increase what we had of 4%, this Q4 we'll have the full impact.

Jaspreet Arora, Analyst

Okay, okay. Fine. And sir if you could just give a brief on, certain update on the various expansion plans that we had, I mean, basically on the sanitary ware that's what you have.

R B Kabra, President

So in sanitary ware if you talk of where we completed our, the 7 lakh piece expansion plant last year --

Jaspreet Arora, Analyst

Right.

R B Kabra, President

And it became operational in Q3 of last year, which was November last year.

Jaspreet Arora, Analyst

Right.

R B Kabra, President

The plant at Bahadurgarh is over, which we were to increase 3 lakh pieces by September this year.

Jaspreet Arora, Analyst

Correct.

Which was net operational in October.

Jaspreet Arora, Analyst

Right.

R B Kabra, President

So these two expansion plant in terms of brownfield where over.

Jaspreet Arora, Analyst

Sure.

R B Kabra, President

The third plant of sanitary ware which we were planning in Gujarat, Jagariya --

Jaspreet Arora, Analyst

Yeah.

R B Kabra, President

So we have hired on a forum consultant for designing and everything.

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

That contract has been awarded.

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

And work at sites will start any time between next four to six months.
Four to six months work will start.

R B Kabra, President

The detailed work will start.

Jaspreet Arora, Analyst

Okay. So when --

R B Kabra, President

The reason is once they have to get the designs and get the plant layout designs and then get the building designs layout -- then get the building design approval all tender. So actually the work at -- work is going on in the office --

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

But at sites the work will start anywhere between next four to six months.

Jaspreet Arora, Analyst

And it's going to take 18 months from then?

R B Kabra, President

From the groundbreaking 18 to 20 months.

Jaspreet Arora, Analyst

18 to 20 months, okay, okay. And that's in --

R B Kabra, President

That period we have one-off capacity because we have added one million piece in last one year.

Jaspreet Arora, Analyst

Right, right.

So that will take care of next 2 to 2.5 years. So that is the reason that we are also not pushing very hard on that.

Jaspreet Arora, Analyst

Sure.

R B Kabra, President

And regarding the faucet plant which was to be coming in Bhiwadi --

Jaspreet Arora, Analyst

Right.

R B Kabra, President

Is civil working on of last two months?

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

The basement, the pillars everything is ready, work is as per schedule. And the plant should be operational some time September, October this year as per schedule.

Jaspreet Arora, Analyst

So, phase one and phase two starting September --

R B Kabra, President

Phase I will be starting September, October this year.

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

And phase two, we will reach the 100% capacity utilization in one year time.
Okay, okay.

R B Kabra, President

And then the phase two starts.

Jaspreet Arora, Analyst

Okay. Okay. Got it. And there was some upgradation that was being done in the container glass in Sadhnagadha [ph].

R B Kabra, President

That is all over.

Jaspreet Arora, Analyst

Regarding coloring equipment?

R B Kabra, President

Glass everything is over, except that some small upgradation we keep doing for saving power, for saving energy.

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

But no large project is in hand we were last year, last quarter when I spoke, I said that we are investing some money into the color mixing...

Jaspreet Arora, Analyst

Correct.

R B Kabra, President

...and some of the lines.

Jaspreet Arora, Analyst

Right, right.

Which has been commissioned at December and the result have been very good.

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

Going forward now we started booking order for the special bottles and the God is kind and we book this capacity 100% of that one particular line. You will see margins going better.

Jaspreet Arora, Analyst

Sure. Sir besides regular maintenance no other big epics in olden glass in the next year or so.

R B Kabra, President

Yeah. Except that we are putting up some automatic machines for packaging.

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

It glass plant, if you -- I don't know whether if you have visited any glass plant.

Jaspreet Arora, Analyst

I've seen at Syria.

R B Kabra, President

The glass plant in terms of furnace, machines are highly automated.

Jaspreet Arora, Analyst

Right, sir.

R B Kabra, President

Most of the manpower is employed in terms of sorting and packaging bottles into the -- either bags or boxes or crates or anything. Right, sir.

R B Kabra, President

So we are -- there is a lot of conjunction of manpower.

Jaspreet Arora, Analyst

Okay, okay.

R B Kabra, President

One by one, we are putting automatic lines for packaging the bottles into the crates or into the boxes.

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

But that actually helps to reducing manpower which is becoming highly uncertain even the cost is gone up substantially in Andhra for even for unskilled people.

So that investment we will continue too, but that is one by one. We don't do in one go that we order ten machines for all ten lines, we are not doing that.

We order one machine, commission on one line, if okay, then we order next machine for the next line. So it's not a major CapEx, may be INR15 crores spread over next 12 to 15 months.

Jaspreet Arora, Analyst

Sure.

R B Kabra, President

Yeah.

Jaspreet Arora, Analyst

Okay. And just one last question on this other income that seems to a bit on the lower side comparing on our Q-O-Q or Y-O-Y. May be there is some ForEx angle?

R B Kabra, President

No, no. That is because the insurance claims which we record on the cash business.

Jaspreet Arora, Analyst

Okay.

R B Kabra, President

So, in one particular quarter, the insurance claims are settled much more faster then we receive more money. That's all there. There is nothing much difference in terms of other income, there is nothing to do.

Jaspreet Arora, Analyst

Okay. So it is that we receive lesser insurance claim is what?

R B Kabra, President

No. There are some certain things like in format, subsidy or anything we record only cash which we don't record on the actual basis.

Jaspreet Arora, Analyst

Okay, okay. Got it, got it. Thanks. That's it and all the best and I will get back, if there is anything else.

R B Kabra, President

Thank you very much.

Operator

Thank you. (Operator Instructions). The next question is from the line of Anand Shah from Elara Capital. Please go ahead.

Anand Shah, Analyst

Hi, sir. Sir, just building on that question in CapEx, sir can you spell out what will be the absolute CapEx in FY13, '14, '15?

R B Kabra, President

If you are asking total amount or --?

Anand Shah, Analyst

Yeah, yeah.

You can note down, we will be spending around INR100 crore on the total [ph] business.

Anand Shah, Analyst

Right, right.

R B Kabra, President

And 140 crore on the sanitary ware plant.

Anand Shah, Analyst

Okay.

R B Kabra, President

And around INR15 crores in normal maintenance CapEx every year put together for all the plants.

Anand Shah, Analyst

Okay, okay.

R B Kabra, President

But this is spread over for next 2, 2.5 years.

Anand Shah, Analyst

Okay, so spread over next 2.5 years.

R B Kabra, President

Yeah.

Anand Shah, Analyst

Okay. And the Gujarat plant will only come up in FY15, I guess, right?

R B Kabra, President

Gujarat plant I feel, yes, the impact will come only FY15 now.
FY15. Okay.

R B Kabra, President

Yeah.

Anand Shah, Analyst

Okay. And sir in terms of EVOK, any other further developments you would like to highlight or I mean the losses would be largely in track with your guidance?

R B Kabra, President

The losses would be slightly higher, there is still growth but fortunately we have been able to control certain costs so the losses are not going in proportionate to sale. So I think that we will see the sales growth of around maybe 30%, 35% by the year end. But to talk of margins or the loss, whatever you call it, negative margins or loss should be more or less of the same year as the last year.

Anand Shah, Analyst

Last year. So roughly absolute sir of about 10, 12, 13 crore types?

R B Kabra, President

Yeah, approximately whatever is the last, don't remember the number but what was in the last year.

Anand Shah, Analyst

Right. Right. And sir what would be your guidance for this Building Products growth and Glassware for this year now?

R B Kabra, President

I just mentioned that the total for the year, the Building Products should do 20%, which is the nine months growth.

Anand Shah, Analyst

Right, right. Absolutely.

R B Kabra, President

Glass will be around 14, 15%, probably the year as a whole because Q4 will be much, much better.

Anand Shah, Analyst R B Kabra, President

25% plus.

Anand Shah, Analyst

25% plus, okay so that would bring on to this. And the margins would be, I mean if you get the price hikes, then it would be slightly higher, otherwise 3 to 4% generally before, lower than average, is what you have guided, right?

R B Kabra, President

Whatever has been margins in this quarter, it will go by 2% to 3% up because of the various measures we have taken and better capacity utilization.

Anand Shah, Analyst

Okay.

R B Kabra, President

So Q3 products will come back to the level of Q2 because whatever cost increase it had in Q3 the cost were passed on only in the November.

Anand Shah, Analyst

Right, right, yes.

R B Kabra, President

So margin will go back to the Q1, Q2 level in Building Products.

Anand Shah, Analyst

So in Glass, you are saying from this 4%, it will go up to 2, 3, 4% extra, is it?

R B Kabra, President

Yeah.

Anand Shah, Analyst

Okay. Okay. And sir the Garden Polymers, the merger in standalone will happen now, I mean the -Actually we have a -- you must have seen the note in the results that we applied with the Kolkata high court. They have now ordered the EGN which will take place sometime in March.

Anand Shah, Analyst

Right.

R B Kabra, President

(inaudible).

Anand Shah, Analyst

Right, right.

R B Kabra, President

We want to do it as fast as possible because we have -- find that date of 1st April 2012.

Anand Shah, Analyst

Right.

R B Kabra, President

So it's better that it happen as early as possible.

Anand Shah, Analyst

Right, so mostly it will be consolidated, means, it will be reflected in standalone in Q4.

R B Kabra, President

We will try our level best, but what you will appreciate that courts are courts they are not under any body.

Anand Shah, Analyst

Right, right.

R B Kabra, President

We will do what our -- we don't miss the dates at our end that we will do.
Right.

R B Kabra, President

Yeah.

Anand Shah, Analyst

That's right. And --

R B Kabra, President

...our interest also that it happen as early as possible.

Anand Shah, Analyst

Right. And sir, you've been guiding that RM costs have early gone up, I mean, sir which RMs are we refereeing to, it will be soda ash or some other?

R B Kabra, President

It was soda ash, in Q3 prices went up, now I understand from Mr. Pandey that Q4 is seeing some softening of those prices.

Anand Shah, Analyst

Right. So the Q3 inflation would be how much?

R B Kabra, President

That was around INR1,000 a ton.

Anand Shah, Analyst

INR1,000 a ton. Okay. I mean -- sir, in percentage terms would have gone up how much YoY or Q-on-Q?

R B Kabra, President

4% to 5%.

Anand Shah, Analyst

4% to 5%. Anyway you expect some softening probably in Q4.

Yes.

Anand Shah, Analyst

Okay. Apart from that there is no major other RMs which are inflationary

R B Kabra, President

No. Rest is those (inaudible) we have our own mine in glass.

Anand Shah, Analyst

Right. Yes, that's right.

R B Kabra, President

Limestone prices has not gone up much.

Anand Shah, Analyst

Right.

R B Kabra, President

Yeah.

Anand Shah, Analyst

Okay. And sir the interest cost has also slightly gone up Q-on-Q, I mean, especially the kind of run-rate which you should maintain now, which --?

R B Kabra, President

Now Q3 run rate should be maintained.

Anand Shah, Analyst

That should be maintained, I mean or it will increase because I mean Q-on-Q for the last three quarters it has been going up consistently.

R B Kabra, President

Yeah, that is right because as I mentioned -- because the inventory in the Glass is going up. Right.

R B Kabra, President

And we -- we were producing in the hope that we will be able to sell whatever we are producing. But since the orders were not forthcoming we cutback the production in this quarter.

Anand Shah, Analyst

Right.

R B Kabra, President

So inventory has slightly gone down, okay, very marginally in this quarter.

Anand Shah, Analyst

Right.

R B Kabra, President

But next quarter you will see the inventory going down, but it will get converted into cash because inventory gets converted to debtors and debtor cycle in the business is 45 to 60 days.

Anand Shah, Analyst

Right, right.

R B Kabra, President

So that degree gets converted into catering to Q1.

Anand Shah, Analyst

Right.

R B Kabra, President

But we are not cutting any inventory for that matter. So I think whatever interest cost, it's still there.

Anand Shah, Analyst

Okay. So this is more or less likely than -Yeah. Interest and depreciation are more or less like this.

Anand Shah, Analyst

Okay. Thanks a lot sir.

R B Kabra, President

Thank you.

Operator

Thank you. The next question is from the line of Prateek Poddar from ICICI Prudential AMC. Please go ahead.

Prateek Poddar, Analyst

Good afternoon, sir.

R B Kabra, President

Good afternoon.

Prateek Poddar, Analyst

Sir, could you give me the gross debt and the net debt figures?

R B Kabra, President

Just a minute. Gross rate in the range of 900 crores, and long-term debt are in the range of 573 crores.

Anand Shah, Analyst

Okay. Sir, light of the working capital also.

R B Kabra, President

Out of that 900 you reduce that to around 320 crores, 325 crores is the working capital.

Anand Shah, Analyst

Is that total absolute amount of working capital?
Working capital loans or working capital?

Anand Shah, Analyst

I need in terms of the days, I wanted.

R B Kabra, President

Days in terms of -- just a minute I will give you. Just a minute, hold on for a second.

Anand Shah, Analyst

Okay.

R B Kabra, President

Working capital is currently around 100 days because of the higher inventory into the glass.

Anand Shah, Analyst

So by year-end, should the same --?

R B Kabra, President

The average remains around anywhere between 65 days to 75 days.

Anand Shah, Analyst

So by year-end, I should expect 65 days to 75 days.

R B Kabra, President

Year-end you should move towards the 75 days because the inventory will not become to the level which we've been maintaining because we -- it's around 80 crores, 90 crores.

Anand Shah, Analyst

Okay.

R B Kabra, President

So the whole thing will not liquidated but may be 50% of it will be liquidated.

Okay. Purchases of stock-in-trade, I understand is purchase of traded goods?

R B Kabra, President

For the Building Products division.

Anand Shah, Analyst

Sorry.

R B Kabra, President

For the Building Products division because they outsource lot of products.

Anand Shah, Analyst

Okay. So could you just -- okay, so this -- so you could split sales between manufactured and traded sales, or that could not be possible?

R B Kabra, President

That we normally don't share.

Anand Shah, Analyst

So, could you just share the margins? I mean what would be the margin in terms, if you outsource and then you sell out?

R B Kabra, President

We don't -- even because we are not declaring it separately anywhere, I don't imply to my part to speak it here. But margins are healthy that's what I can say.

Anand Shah, Analyst

So, where would be the margins move, in the manufactured side or in the traded side, relatively?

R B Kabra, President

It will -- manufactured will be always be higher.

Anand Shah, Analyst R B Kabra, President

Because whatever I'm buying from somebody, he will also keep some margin out of it.

Anand Shah, Analyst

Yeah, absolutely.

R B Kabra, President

Yeah.

Anand Shah, Analyst

So that's it from my side.

R B Kabra, President

Thank you.

Operator

Thank you. The next question is from the line of Kaushik Poddar from KB Capital Markets. Please go ahead.

Kaushik Poddar, Analyst

Yeah. Right now you are buying power from the power exchange, is it possible to run the plants at 100% from both your -- from the trade as well as from power exchanges?

R B Kabra, President

Yeah, because there is -- fortunately, in power exchange, enough power is available.

Kaushik Poddar, Analyst

Okay.

R B Kabra, President

Currently, so we don't see any problem running at 100%.

Kaushik Poddar, Analyst R B Kabra, President

Yeah.

Kaushik Poddar, Analyst

Okay. And secondly, whatever I can figure out, your OpEx as a percent of sale should be coming down this quarter, and --

R B Kabra, President

Sure.

Kaushik Poddar, Analyst

And do you see the trend continuing for the next three, four quarters with your volume increasing?

R B Kabra, President

Yes.

Kaushik Poddar, Analyst

Can I take it -- I mean unless something -- some accidents is there?

R B Kabra, President

If -- the question is that should be the margins should be going up every quarter? That's the question you want --

Kaushik Poddar, Analyst

In a way, yeah, I mean, I'm right, going and driving towards that only.

R B Kabra, President

Yes. If the capacity utilization keeps going up.

Kaushik Poddar, Analyst

Yes.

R B Kabra, President Kaushik Poddar, Analyst

No, no. I'm not talking about the percentage, I'm just -- I'm talking of the trend --

R B Kabra, President

Yeah, that is correct, because the capacity utilization increases and we are able to sell that product in the market, but then certainly the margins come up. As I mentioned, without the power and fuel cost is around 37%, 38% of sales --

Kaushik Poddar, Analyst

Right.

R B Kabra, President

And if I don't use the capacity, the percentage, the power and fuel consumption does not go down proportionately.

Kaushik Poddar, Analyst

Yeah, yeah. Only if you're -- if you're, say, OpEx in the sense of your salary and all these thing, will it be going at the same rate? Can it -- with balance equation?

R B Kabra, President

It never happens. Mr. Pandey is one, Mr. Somani is one, Mr. Kabra is one. So similarly, there's a lot of people who are one. So if the volume is large, it gets spread over a larger volume.

Kaushik Poddar, Analyst

Right, right, right. Right, right. Yeah. That's it, that's it. Fine, okay.

R B Kabra, President

Fine. Thank you.

Operator

Thank you. The next question is from the line of Shreyas Shah [ph], an Individual Investor. Please go ahead.

Unidentified Participant

Good afternoon, sir.
Good afternoon.

Unidentified Participant

Basically, sir, coming on one aspect was that the diverse nature about the businesses that you are operating in, one being rather capital intensive and long working capital compared to the other one having cash and carry and low capital. Is there any chances of you all trying to corporately restructure the businesses or splitting the units -- at this stage?

R B Kabra, President

Yes, say this command has been coming to us last many years.

Unidentified Participant

Okay.

R B Kabra, President

And there are people in favor of this, there are people against it.

Unidentified Participant

Okay.

R B Kabra, President

And you are one of the people who is in favor of it, so I need not to say what is the reason for going for this restructuring.

Unidentified Participant

Okay.

R B Kabra, President

But people against us advise that till we don't reach certain volumes in terms of sales in our each business --

Unidentified Participant

Right, right, right.

R B Kabra, President Unidentified Participant

Fair enough, fair enough, sir. That --

R B Kabra, President

So, going forward, if we have revenues of a certain level in both the businesses which we see going forward next two years, three years --

Unidentified Participant

Right.

R B Kabra, President

-- and you are right, 100% -- there's no synergy in this business, both of the businesses, one is consumer product brand business, one is the commodity business and no raw materials are the same --

Unidentified Participant

Right, right.

R B Kabra, President

-- for the same. There's no sanitary ware we sell through the dealer distributing network, there is direct B2B sales.

Unidentified Participant

Right.

R B Kabra, President

So, going forward, yes, why not, but I cannot give the timeframe and dates for that.

Unidentified Participant

No fair enough, sir. I just wanted to know how the management thought process is there. Now coming on to consumer business side, you have recently launched some exhaust fans, and I must say that they were very well because I have in fact put one up also.

R B Kabra, President

Thank you very much.

And could I also understand, are you also looking to get into some other kind of like bathroom, electrical because your competitor Jaquar has entered into water heaters? I was also looking at other kind of product launches coming on.

R B Kabra, President

Our basic strategy in terms of product diversification is that we should have the common distribution network.

Unidentified Participant

Right, fair enough.

R B Kabra, President

Okay. So whatever we could sell through the same distribution network at least 60, 70% of it. See even like VENTS which we have launched, 70, 80% sell through the same network, maybe 10, 20% sell through the kitchen network.

Unidentified Participant

Right. Or the electrical network?

R B Kabra, President

No, we are not into electrical network. We are either in the kitchen network or through the our dealer distribution network.

Unidentified Participant

All right.

R B Kabra, President

That will always at least for the next two, three years, we will be focusing more on monetizing the distribution network.

Unidentified Participant

All right. All right. Fair. And one last question sir, was -- you all had once mentioned you all have some land in Hyderabad nearby

R B Kabra, President

Yeah.

Unidentified Participant R B Kabra, President

Yeah, that's right.

Unidentified Participant

Is that yet on the cards sir, like any timeframe, any talks are yet going on and what will be approximate value of the land today?

R B Kabra, President

Boss, approximately if you really talk of the current value of land it should be around INR100 crore.

Unidentified Participant

Okay.

R B Kabra, President

At the peak of it we have received over of around INR180 crore, but you all know that because of this Telangana -- So I think now you will see lot of statements from the government filed in last few days, that the government is not averse to Kargil now to Telangana.

Once that happens then things start settle down and if the price become reasonable, yes, why not that land is not being used.

Unidentified Participant

Right, right.

R B Kabra, President

Similarly we have few more such assets and we are looking at encashing that.

Unidentified Participant

Okay. Could you give a ballpark figure as to how much the land would be of all the surplus land that the company holds today?

R B Kabra, President

Yeah, surplus as such you are talking of -Yeah, the surplus land which does not house any plant machinery?

R B Kabra, President

Tell me how do I tell you the price because as I just mentioned. (Foreign Language).

Unidentified Participant

(Foreign Language)

R B Kabra, President

(Foreign Language)

Unidentified Participant

Okay. All right, sir. And the final question that I would like to put forward was in Building Products, your -- there is low sale is that because the competitor is gaining more market share there, that's Cera?

R B Kabra, President

No, our competitor is not gaining market share, the market is growing around 15%, 16%.

Unidentified Participant

Okay.

R B Kabra, President

We are also growing 18%, 20%, Cera is growing faster but as I mentioned they are -- actually they are also added tiles.

Unidentified Participant

Okay yeah, yeah I'm aware. I read about that.

R B Kabra, President

They had put up a faucet plant which we are doing now.

Unidentified Participant

Right, right, right.

They are getting some share from Parryware because Parryware they are little confusing them to Roca and Parryware some dealers are switching loyalties.

Unidentified Participant

Okay, we are constant with our market share probably around 38%, 40%.

R B Kabra, President

Yeah, 40% that's what we say.

Unidentified Participant

All right thanks a lot sir, thanks for your time.

R B Kabra, President

Thank you.

Operator

Thank you. The next question is from the line of Kamlesh Kotak from AMSEC Research. Please go ahead.

Kamlesh Kotak, Analyst

Hello good evening sir.

R B Kabra, President

Good evening.

Kamlesh Kotak, Analyst

Sir wanted to understand how much in absolute term our CapEx is remaining for this year and the year forward maybe with the kind of plants which we have on bandwidth. In value terms what is the CapEx?

R B Kabra, President

We shared that it will be 100 crores of cost of fund and 140 crores for our greenfield (inaudible) plant total 240 crores over 2.5 years.

Kamlesh Kotak, Analyst R B Kabra, President

Yeah, yeah if we sell through the -- suddenly it will be used for reducing the debt whether working capital or the long-term whatever.

Kamlesh Kotak, Analyst

Okay. And secondly some collection sir on the subsidiary front both for Garden and EVOK, I mean, anything on that front if you can share some data?

R B Kabra, President

Yeah, we have mentioned that we had already applied to the Calcutta High Court for merger with HSIL, with the appointed date of 1st April 2012. And the court has ordered the EGM of the shareholders of both the company, which is happening in March.

Kamlesh Kotak, Analyst

Okay.

R B Kabra, President

And once that -- the court allows, the GPPL will be merged with HSIL.

Kamlesh Kotak, Analyst

Yeah, sir some number if you can share about the revenue of this.

R B Kabra, President

See, we cannot -- we cannot at this moment. But the consolidated level the impact should be more or less the same like we had last year, that is what I can --

Kamlesh Kotak, Analyst

Okay. And on the EVOK side sir?

R B Kabra, President

The EVOK and GPPL put together is consolidated at the end of the year. So similar impact will be there.

Kamlesh Kotak, Analyst R B Kabra, President

We have added two stores this year.

Kamlesh Kotak, Analyst

Okay.

R B Kabra, President

We have closed one. So the net increase will be two, three stores this year against the four or five what we plan every year. And so, we are working on both that if the store is not profitable, as not turning out as per our expectation we close down quickly. And we are adding stores, we have added in Bangalore. We have now adding in Chennai.

Kamlesh Kotak, Analyst

Okay.

R B Kabra, President

We started Jaipur two months ago, we did Hyderabad two months ago. So currently now we have around 20 or 21 stores.

Kamlesh Kotak, Analyst

Okay. And sir on the Building Products side do you see, going by the overall trend across the industry is there sense in terms of any slowdown that we see over the coming two, three quarter, maybe because of the overall real-estate equity, also it seemed to be lower. So, do we see that kind of freight softening of demand happening may be in the interim near-term?

R B Kabra, President

We have been growing 20%.

Kamlesh Kotak, Analyst

No, I'm talking of the overall industry demand, sir.

R B Kabra, President

No, demand is strong.

Okay.

R B Kabra, President

Especially because the Tier 2 and Tier 3 sound, there is lot of construction activity. And in India, still lot of people build individual homes, where there's no shortage of money. Yeah.

Kamlesh Kotak, Analyst

Okay. All right, sir. Okay, thanks.

R B Kabra, President

Thank you.

Operator

Thank you. The next question is from the line of Ankit Kumar Jain from Equirus Securities [ph]. Please go ahead.

Unidentified Participant

Good afternoon, sir. If you can share the working capital days figure for both the division, separately out of 100 days?

R B Kabra, President

The building product is around 75 days.

Unidentified Participant

Okay. And glass?

R B Kabra, President

Glass is around 110, 120, 12 days.

Unidentified Participant

Okay. So sir, how the debtor position in the glass business?

R B Kabra, President

Debtor position is more or less at the constant level, because whatever we are supplying we are getting -- see, only one debtor was stuck, as I mentioned in the last quarter. So we are supplying only the extent we are getting money from

Unidentified Participant

Okay.

R B Kabra, President

Yeah. So debtor days if you talk in glass business, this is around 70 days.

Unidentified Participant

Okay. Sir, one more thing, as earlier also one colleague has asked on the -- is Cera is growing I mean, faster than the -than HSIL or than the overall industry growth? I mean, faucets definitely might be one of the reason for that, but it's still I mean, 24%, 25% kind of a volume growth of Cera in comparison to over 9% volume growth. Do you see, I mean, some kind of -- I mean matching of market share wise Cera --

R B Kabra, President

Difficult for me to comment, but may be if the next quarter when we have an any one number for everybody, that time I'm sure will be able comment better.

Unidentified Participant

Okay, fine.

R B Kabra, President

Or by that time we should have number for everyone. Actually you should see some bifurcation of their sales growth into various product lines. That's -- you're asking for market share in sanitary ware, but how much is coming from the tiles, how much is coming from their faucets, how much contribution is growth of -- and do two new divisions. If you separate that and compare sanitary ware to sanitary ware, that will be more logical.

Unidentified Participant

Okay. Fine, thanks. Thank a lot.

Operator

Thank you. The next question is from the line of Anand Shah from Elara Capital. Please go ahead.

Anand Shah, Analyst

Hi, sir. Sir, can you give nine months volume growth in Building Products and Glass?
Sure. Building Product nine month is 9.5%.

Anand Shah, Analyst

Okay.

R B Kabra, President

And Glass is -- nine month -- Glass is 6%.

Anand Shah, Analyst

Glass is 6%?

R B Kabra, President

Yeah.

Anand Shah, Analyst

Okay. And sir, especially in Glass, can you give guidance in general as to in FY14 what kind of volume growth it can sustain, I mean given it has substantially come down from the average for the last two, three years?

R B Kabra, President

FY14, you are talking of?

Anand Shah, Analyst

Yeah.

R B Kabra, President

The Glass volume -- should grow anywhere between 15 to 20% next year.

Anand Shah, Analyst

So 15 to 20%?

R B Kabra, President

Yeah.

Okay. But sir, won't this be slightly difficult given again, HNG has also build up capacities and the user industry has also slightly slowed down?

R B Kabra, President

Yeah. No, user industry has not slowed down. Actually the sales is growing, as you see the total glass industry the sales is growing.

Anand Shah, Analyst

Okay.

R B Kabra, President

But what has really happened, you are right that HNG has added lot of capacity, that statement of yours is correct. And that is what is having impact on the margins because customers also know that there is capacity.

Anand Shah, Analyst

Right.

R B Kabra, President

And glass manufacturers are under pressure to sell.

Anand Shah, Analyst

Right.

R B Kabra, President

So they are not accepting our request for the price increase because of the cost going up.

Anand Shah, Analyst

Right.

R B Kabra, President

Which was earlier happening easily then there was a demand and supply was matching more or less. This was coming up easier, now it will take maybe two quarters more though the market is growing some -- certain capacities are going off the market like Excel Glass has closed down, one -- there was some Janta Glass in Gujarat which has closed down.

Okay.

R B Kabra, President

Few smaller ones are closing down because they are not able to save, 100 tons, 200 tons glass furnaces more or less is not economically viable now.

Anand Shah, Analyst

Okay.

R B Kabra, President

Like HNG has also closed down one of their furnace in Nasik the earlier one, HNG is also not starting one of their furnace in Pondicherry. So maybe some sense will prevail and next two quarters, will see the demand supply matching better.

Anand Shah, Analyst

Okay.

R B Kabra, President

And then the price increase will come, but yes, currently you are right. There is more capacity than the demand.

Anand Shah, Analyst

Okay.

R B Kabra, President

But your statement that there is a slowdown in the consumer industry, that is not right, liquor is growing, beer is growing, aerated water is growing, food is growing.

Anand Shah, Analyst

Okay.

R B Kabra, President

Every industry is growing.

Anand Shah, Analyst R B Kabra, President

Just a minute -- see whatever that color glass manufacturing facility we have just commissioned, that should give us a additional margin, EBITDA margin of -- for the total businesses around 1%, 1.5%.

Anand Shah, Analyst

All right. EBITDA margin, but I mean the -- normally what you have is the volume growth and the price mix related growth, right, there is no price, then what would that price mixed growth is what I am trying to ascertain.

R B Kabra, President

Even the margins are impact of two things. Number one at what price we sell the glass.

Anand Shah, Analyst

Right.

R B Kabra, President

Okay. So that will depend whether we are able to increase prices with the customer or not otherwise the current prices will prevail.

Anand Shah, Analyst

Right.

R B Kabra, President

Number two is product mix.

Anand Shah, Analyst

Exactly. That the product mix impact on the --

R B Kabra, President

The product mix growing from white to green or from white to amber, or amber to green.

Anand Shah, Analyst R B Kabra, President

So that is very difficult to predict because sometimes the greenbottle requirement is higher than the margin becomes better. Then there is a capacity utilization, so going forward capacity utilization will be better -- looking to the current trends what we had for January and the kind of order we have for February and schedules we have for March.

Anand Shah, Analyst

Okay. And this Building Products Division can sustain 10% plus volume growth or it can improve --

R B Kabra, President

Yeah 10%,11% yeah .

Anand Shah, Analyst

It can. Okay. So the last growth trigger actually can come from faucets addition of plant in the second half.

R B Kabra, President

Yeah, but say initially the capacity has to be ramped up. So this full impact you will see only in the next year.

Anand Shah, Analyst

Okay. So the plant comes up in October, it largely becomes operational by December, so full impact will be seen only in FY '15?

R B Kabra, President

Yeah.

Anand Shah, Analyst

Right. Okay at peak utilization sir, how much can the faucet phase one plant do in turnover?

R B Kabra, President

There the capacity will be 2.5 million (inaudible) in the first phase.

Anand Shah, Analyst

The 2.5 itself will come entirely in the first phase or it is 1.5 plus one.
So this is 1.5, the plant we are putting up at 2.5.

Anand Shah, Analyst

Right, right

R B Kabra, President

But as I mentioned that the production has to be ramped up.

Anand Shah, Analyst

Right.

R B Kabra, President

So we will reach to 1.5 million by March and to 2.5 million by July, August next year. And then we immediately start work for the expansion to next 2.5 million. So currently we are outsourcing around 1.6, 1.7 million faucets every year. This (inaudible) would be sourcing so many faucets.

So faucets -- more or less booked by the time we reach to the capacity because there will be growth of around 15% to 20% in any case. So by the time we reach 2.5 million, we should be able to use that capacity 100% by bringing down the outsourcing to very lowest possible levels. And then start on the next phase which will see again another one year.

Anand Shah, Analyst

Okay. So, sir, then the first phase largely be used to replace the outsourced faucets demand or it will be additional demand which --

R B Kabra, President

No, largely it will be replacing the outsourcing.

Anand Shah, Analyst

Okay.

R B Kabra, President

See, what is happening is, today we are not able to grow too much in the faucets because now our outsourcing has become a

bottleneck.

Anand Shah, Analyst R B Kabra, President

They are current -- currently if I top-up, we have more than 28 vendors for faucets.

Anand Shah, Analyst

Right, right.

R B Kabra, President

Now the stimulation, quality, finished size, there are lot of issues from these kind of things. So if somebody makes 1 millimeter small, somebody makes 1 millimeter longer, if individual person, why he doesn't see the difference.

Anand Shah, Analyst

Right, right.

R B Kabra, President

But if you go to a commercial space like a movie theater, 10 faucets are quote and where the difference in height, where the difference is being immediately noticed that because you can see the faucets one against the other.

Anand Shah, Analyst

Right, right.

R B Kabra, President

So the stabilization was becoming a problem than the color of the chrome plating, because somebody makes it a little dull or somebody makes it a little more shiny.

Anand Shah, Analyst

Right.

R B Kabra, President

Then the range -- somebody (Foreign Language) so all is to take care of all that.

Anand Shah, Analyst

Right.

First phase will help us to overcome the problems of outsourcing.

Anand Shah, Analyst

Right.

R B Kabra, President

And maybe our 20%, 30% growth will come because as I mentioned, we are sourcing around 1.5 million, 1.6 million pieces.

Anand Shah, Analyst

Right.

R B Kabra, President

It will go to 2.5 million pieces, so that addition sale will come.

Anand Shah, Analyst

Right.

R B Kabra, President

And then we expand to another 2.5 million. So then there will be additional sale, of course.

Anand Shah, Analyst

Right. So after this Phase I, Phase II which is 2.5 million, you would then eventually look to add another 2.5 million?

R B Kabra, President

Yes, that will be covered on a cost of around INR60 crore. The current cost will be around INR100 crore, because there's lot of -- because the brand will be common, part of official will be common, part of warehouses will be common, which we are constructing currently.

Anand Shah, Analyst

Right, right.

R B Kabra, President Anand Shah, Analyst

Okay. So phase -- and so, Phase I you refer to is 2.5 million pieces?

R B Kabra, President

Yeah.

Anand Shah, Analyst

Which will -- and then Phase II is another 2.5?

R B Kabra, President

Because phase -- Phase I is 2.5, which means we are splitting 1.5 and 1 because of the ramping thing which we are doing.

Anand Shah, Analyst

Okay, okay.

R B Kabra, President

Yeah.

Anand Shah, Analyst

Okay. So then the Phase II is 60 crore. So that that will be largely may be in FY16 orders?

R B Kabra, President

Yeah. That's right.

Anand Shah, Analyst

Okay. Thanks a lot, sir.

R B Kabra, President

Thank you.

Operator Girish Raj Sankunny, Analyst

Hi. See, actually in container glass division, we are facing over capacity; one, inventory; debtor, two; raw material, fuel impacting the margin. So I just wanted management's perspective on the scenario that the management is building for a FY14, and what is the thought process behind this? How are we going to come out of this problem that we are currently facing?

R B Kabra, President

The problem is not created by us. --

Girish Raj Sankunny, Analyst

I'm not saying the management has created this problem, but we are facing these problems.

R B Kabra, President

So, this is the industry scenario --

Girish Raj Sankunny, Analyst

Exactly, yeah. So what is the scenario that management is building out for FY14 and what is the thought process behind that?

R B Kabra, President

Yeah. So few things which are happening is, as I just mentioned, some smaller capacities are -- see the problem today in glass business is largely because - two reasons because we are not able to pass on the cost increase to the customers, number one.

Girish Raj Sankunny, Analyst

I completely understand that.

R B Kabra, President

And number two is the over capacity. Okay, let me answer one by one. The first problem is also result of number two because if the capacity mismatch would not have been there, customers would easily accept the cost increases, as they have been doing like in past.

So now, how to take care of this overcapacity, okay. So what we are doing, what is happening at macro level, that some smaller capacities are closing down.

Girish Raj Sankunny, Analyst R B Kabra, President

Yeah. They like Excel Glass in Kerala has just closed down.

Girish Raj Sankunny, Analyst

Okay.

R B Kabra, President

Number one. So that is happening, the smaller people will close down like HNG is not starting its Pondicherry furnace which they took shut down for maintenance.

So if that capacity doesn't come, so actually they put up a furnace of 600 tons and they closed down the capacity of 300 tons.

So this 300 -- only additional 300 ton is there, which was for some time it was 600 tons, but now it's only 300 tons.

Girish Raj Sankunny, Analyst

Correct.

R B Kabra, President

Last thing they have closed down another 300 tons.

Girish Raj Sankunny, Analyst

Right.

R B Kabra, President

So that will happen at macro level, on which I don't have a control because they can start the furnace any day they like.

Girish Raj Sankunny, Analyst

Right.

R B Kabra, President

So what we are doing, we are focusing lot on export to the nearby countries including Africa.

And number two, like we said that we have converting one line into the colored glass manufacturing, that should give us additional volume sale of around 1000 -- 1500 to 2500 tons.

Okay.

R B Kabra, President

So -- and the existing customer base in your case is increasing.

Girish Raj Sankunny, Analyst

So sir, by FY14 what is the estimate that management is keeping for over capacity in the industry, in your area of operation?

R B Kabra, President

Which quarter our capacity utilization hasn't been 67%, the coming quarter we expect 75%, because actual could be more but we would be liquidating stock.

So by end of FY14, things do not go so bad something -- like happens in 2008, whatever happened or euro burst and then the sentiments go down. Otherwise we shouldn't be reaching to the capacity utilization of 90% by the FY14 end.

Girish Raj Sankunny, Analyst

Okay. And average would be during FY14?

R B Kabra, President

Average should be around 82 to 85%.

Girish Raj Sankunny, Analyst

Okay. Okay. And some other -- sir inventory, you are comfortable -- you will be comfortable by FY14, that is what you are saying?

R B Kabra, President

Yes, yes, yes.

Girish Raj Sankunny, Analyst

And raw material, fuel since --

R B Kabra, President

The raw material prices -- the costliest raw material is only the soda ash, and that is internationally priced. Okay. So, Q3 we had a price -- strengthening of prices, Q4 again we are trying softening of the prices. And we -- what we best we

Girish Raj Sankunny, Analyst

Okay. Thank you very much.

R B Kabra, President

Thanks.

Girish Raj Sankunny, Analyst

Thank you. Next question is from the line of Prateek Poddar from ICICI Prudential AMC. Please go ahead.

Prateek Poddar, Analyst

Sir one small question, sir could you break down the container sales industry wise, container glass sales industry wise, I mean, beverages on those lines or would it be very difficult for you.

R B Kabra, President

No, no not really. The (inaudible) is around 60% you are talking of volume or value?

Prateek Poddar, Analyst

Sir volume.

R B Kabra, President

Volume. So (inaudible) is around 60%. 15% is beverages, 16% is food.

Prateek Poddar, Analyst

Sorry.

R B Kabra, President

16% is food.

Prateek Poddar, Analyst

Okay.
And rest is pharma.

Prateek Poddar, Analyst

Okay, sir did you see tetra pack as a threat to your liquor business I believe a lot of manufacturers are now switching over to tetra pack because adulteration, finding primary reasons would be adulteration and breakage.

R B Kabra, President

No, no not really. We've -- yes we have some articles about tetra pack, but I don't see it's impact happening in terms of volume, because say, tetra pack you can transport only to a certain extent and drinking liquor from the tetra pack, I don't know how do you rate to it. People have not appreciated drinking liquor form the tetra pack thing.

Prateek Poddar, Analyst

Fair enough sir.

R B Kabra, President

Yeah.

Prateek Poddar, Analyst

That would be it from my side.

R B Kabra, President

Thank you.

Operator

Thank you. The next question is from the line of Srinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Srinath Krishnan, Analyst

Thanks a lot sir, can I have the raw material to sales for the Glass business of yours and Building business? Hello?

R B Kabra, President

Can you -- will you -- you wanted raw material percentage to sales?

Srinath Krishnan, Analyst R B Kabra, President

No, no for the Building Products it is around 12%, 13%.

Srinath Krishnan, Analyst

Okay.

R B Kabra, President

And for -- and Glass is 26%.

Srinath Krishnan, Analyst

Okay, thanks sir. Thanks a lot.

Operator

Thank you. (Operator Instructions) Next question is from the line of Vipul Shah from Equitree Capital Advisors. Please go ahead,

Vipul Shah, Analyst

Good evening sir.

R B Kabra, President

Good evening.

Vipul Shah, Analyst

You have mentioned that you are not using any DigiPower in CG, Container Glass division.

R B Kabra, President

Yes, yes.

Vipul Shah, Analyst

What was the DigiPower percentage in Building Product division?

R B Kabra, President Vipul Shah, Analyst

Okay.

R B Kabra, President

The standby generator is also operates from gas.

Vipul Shah, Analyst

Okay.

R B Kabra, President

Where the generation of percentage -- generation cost is more or less equal to the grid power.

Vipul Shah, Analyst

Okay.

R B Kabra, President

If you talk of Andhra Pradesh, because we have one more glass plant -- sorry sanitary ware plant in Bibinagar which is in Andhra Pradesh.

Vipul Shah, Analyst

Yeah.

R B Kabra, President

There we generate around 26%, 27% power on the generators.

Vipul Shah, Analyst

So, now -- now -- because the price is now -- fleet from subsidiary for --

R B Kabra, President

There also we are now going for the power exchange power.
Okay, okay.

R B Kabra, President

Yeah.

Vipul Shah, Analyst

So, thank you. That's all from my side.

R B Kabra, President

Yeah. Thank you.

Operator

Thank you. As there are no further questions, I would now like to hand over the floor back to Mr. Jaisinh Suchak.

Jaisinh Suchak, Analyst

Thank you, Mosin. On behalf of JM Financial, I would like to thank the management team of HSIL, and all the participants for joining us on the call today. I will now hand over floor to Mr. Chandani for the closing remarks.

Anil Chandani, Senior Vice President, Corporate Finance

Thank you, everybody, for devoting your valuable time and sharing your thoughts and questions with us. Being at the atmosphere, we understand there are certain problems we need to solve and we are actively working on it. Certain things are close beyond our (inaudible) beyond our control. At efforts we feel putting is to increase our capacity utilization and sales turnover which should solve most of our problems and let's hope for the good quarter. And in next two, three quarters we'll see the improvements. With these remarks, I, again, thank you for finding us for this call. Thank you.

Operator

Thank you. On behalf of JM Financial Institutions Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.