

Operator

Ladies and gentlemen, good day and welcome to the HSIL Limited Q2 FY13 Earnings Conference Call, hosted by JM Financial Institutional Securities. As a reminder, all participants' line will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. At this time, I would like to hand over the conference to Mr. Jai Singh Suja. Thank you and over to you, sir.

Jai Singh Suja

Thank you very much, Shaima. A very good evening to all our participants. It is a great pleasure to invite you all to the second quarter FY13 earnings call for HSIL. We have with us today, Mr. R B Kabra, President of the Building Products division; Mr. Anil Chandani, Vice President, Corporate Finance; and Mr. O P Pandey Vice President, Finance for the Container Glass Division for HSIL.

The call will begin with a brief management discussion on the performance for the quarter ended 30 September, 2012. This will be followed by an interactive question-and-answer session.

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

R B Kabra, President

Yeah. Thank you, Jai Singh. Good afternoon, ladies and gentlemen. I welcome you all to our investor and analyst conference after our Q2 results. This call with all of you have been doing after every quarter as well as annual results. And to begin with, I will just like to repeat which you all know that the economic scenario in the country is highly volatile. Not largely because of our doing or how the country is doing but largely because of what is happening around in the world.

At some day we hear that Europe is recovering and some day that Europe is not recovering, something is going wrong. So there is a lot insecurity in the minds of the people. And basically the sentiments and the perception is not good. The ground situation in our country may not be as bad as we really think. But sometime the perception become more than important than the fact. And that is what is holding back people to spend money as well as the corporates to invest in their CapEx plans.

High interest rates of course have been concerned and yesterday everybody was expecting that the interest rates will go down but maybe RBI has its own compulsion. Of course, they say that the inflation is high and because of the inflation they are not bringing down the rates. But we all know that the inflation is because of the supply side constraints and whatever we do, even if we keep controlling the interest rate, I don't know whether this is really going to help the inflation because there is no supply. As per the demand the inflation is always going to remain because prices will always remain under pressure. And as well as the input cost for everyone has been going on. For us also, the quarter has been a mixed bag. Building Products division has done well, Glass has done little better than Q1. But it's not as per our expectation because when we have this conference call after Q1, I said that yes glass, we would be growing 20% in Q2 but the growth has been only around 7.5%.

Largely because the event wrong on estimating based on our history that where the offtake start, while the aerated water people that normally starts from the beginning of September. But this time, the offtake started by end of September and that is why we, our -- sell below the targets of the expectations what we had. And this is probably largely happened because of the monsoon starting late and ending late. Because you all know there at aerated water based on the season, their season also get maybe postponed and start early because it's a product is really sales largely in the hot weather and depending on that, they start buying bottles but now I would say after the offtake started, the October has been good, October growth in terms of glass bottles is very good and it's what our expectations.

And as I mentioned that okay, we could not deliver the glass performance in Q2 but yes Q3 we will be delivering what we have been asking. And one thing what we have done is because the offtake has been little delayed and there was inventory build up in glass business, because we start, we produce in anticipation that the customers will start picking material as we were guided by the historical offtake timings. We have cut back production around 30%-35% on our new furnace. And we would prefer to liquidate whatever inventory we can, of course, we will not be able to liquidate 100% what have we added in last five, six months but we will

try to liquidate whatever best we can and keep the production low till the time we can sale bottles from the stock. As you all know, the financials, you must have all seen because these are all posted on the NSE, BSE sites. For the Q2, growth sale for our company rose by 17% and it went to around 370 crores from 316 crores. EBITDA grew by 22% and building products revenue grew by 26.5% and where the container glass growth has been 8% in terms of sales. The PAT is down and it's not because of the margins going down to a great extent, margin is only lower by 0.5% but it's largely because the depreciation interest on the new glass furnace which was capitalized in Q1 on 29th of May, which is impacting because we have not been able to utilize the capacity fully itself. So, that is what has impacted PBT and PAT. And going forward once we start selling, of course when the contribution to EBITDA becomes higher because of the higher sales in terms of absolute amount, the PBT and PAT should also go up.

We talked last time about the price increase in the Building Products division what we have done in June and that goes absorbed very well in the market because as you all know it's all branded business and there is not much resistant from the market as such and we are again increasing prices in the Building Products division by around 5% from 1st of In the glass as I mentioned last time, the aerated water people have accepted the price increase, which has been implemented I will say, the day they started picking up for the new season. So October all the aerated water bottle people have accepted price increase which is all implemented. Efforts are being made for other sectors but there is clear cut indication when it's going to happen but here we're working hard and whenever it happens, we will let you know.

If we talk of H1, then the gross sales is grew by around 12% to 717 crores. So we will be more or less crossing, we will be reaching around 1,600 crore, 1,650 crore by the year-end. Operating profit grew by 6.3% and we are quite hopeful that we will be achieving this building products target of 25% even by the year-end which has been the management guideline going forward.

If you talk of quantity growth and value growth, the volume growth in building product has been 12% in the quarter two and against the total growth of 26%. So balance has come from the price increase and the product mix change. In the glass, the total growth is 8%. The volume has gone down by 2% again if we compare with Q2. Water realisation has gone up by 10%, which is the impact of what we price increase we had in February this year around 7%, 7.5% and some product mix change.

One thing we are doing at glass business is because we are not able to utilize capacity fully in the all three colors what we were making. So one of the line we are converting to have capacity to make different color glasses, which could be blue, which could be green, which could be red, which could be yellow. Because demand for these colored glass bottles is not as large that we can run full furnace and most of these people who are selling bottles, some of their products in blue bottles or red bottles they were all importing till now but now... so, November month. So, the machines have been commissioned, we have put a machine where we can mix the color not in the furnace but subsequent to the furnace while bringing down the glass and we can make whatever 30 tonnes, 40 tonnes, 50 tonnes whatever is the requirement and again go back to the different color.

Here the advantage is that the realization will be much higher than what we are selling at a glass. So, of course, we will not be able to consume whatever the 40% capacity we are utilizing less but part of it will be used for a higher value-added products which would give us much more EBITDA margins than what we are getting in the regular glass. So, that should also help going forward. This is why what I had to say. Thank you very much.

One thing more that as I mentioned that the faucet plant, work I said will be starting, civil work had started. It is as per schedule and the faucet plant will get commissioned sometime in Q2 of next financial year as per the schedule. The Bahadurgarh expansion is more or less about to finish, which we had already targeted to 31st October but maybe another 15 days, 20 days it will be operational.

So, thank you very much. Whatever questions you have now we are ready for answering.

Questions And Answers

Operator

Thank you very much. Participants, we will now begin with the question-and-answer session. [Operator Instructions]. We have the first question from the line of Kaushik Poddar from KB Capital Markets.

Please go ahead.

Kaushik Poddar

Yes. On the container glass front.

Yeah.

Kaushik Poddar

What was the capacity utilization in the last two quarters or last quarter? And what is the kind of capacity utilization you have seen this quarter and the next quarter?

R B Kabra, President

See capacity utilization in terms of production if you talk of, the Q2 the capacity utilization was 84%. Okay?

Kaushik Poddar

Okay.

R B Kabra, President

So going forward in this Q3, we expected to bring it down to maybe around 75%.

Kaushik Poddar

But you will be selling of the inventory?

R B Kabra, President

Yeah, we will be selling of the inventory, because we have added lot of inventory in this quarter.

Kaushik Poddar

Okay.

R B Kabra, President

And maybe in Q4 again, we go back to somewhere around 80%, 85% but we will not be able to use 100% during the next two quarters at least.

Kaushik Poddar

Okay. And...

R B Kabra, President

Because we have to sell the inventory whatever we've made.
Right.

R B Kabra, President

And there is no unnecessary putting money in the inventory because ultimately we have to sell the inventory whatever we have made.

Kaushik Poddar

Right, right, right. And this thing, what you call the realization I mean lot of last you sell you it to your liquor industry.

R B Kabra, President

Yes.

Kaushik Poddar

So and that probably till the time the McDowell gets taken over by or something happens.

R B Kabra, President

Yeah.

Kaushik Poddar

Probably, that kind of realization change will not happen which you are asking for. So what is the kind of, I mean, as far as your output goes, how much percentage of your output you have been able to effect the price hike?

R B Kabra, President

So, that is around 20%.

Kaushik Poddar

Only 20?

R B Kabra, President

Yes. See, the price increase what we had in February that was for all customers.

Kaushik Poddar

That was for?

That was for all customers, that was in February '12, the price increase we had of 7%.

Kaushik Poddar

Right.

R B Kabra, President

That was for all customers, which we were selling at that point of time.

Kaushik Poddar

Right, right, right absolutely.

R B Kabra, President

Including liquor, beer, food, pharma everybody.

Kaushik Poddar

Right, right.

R B Kabra, President

8% which I just mentioned is only for aerated water, which is around 20% of our total sale currently.

Kaushik Poddar

Okay, okay.

R B Kabra, President

Other businesses, we have made request but there is no indication as such that whether we will get in November or in middle of December because all this, as we have been telling, these are on large consumers, industrial buyer.

Kaushik Poddar

Okay, okay.

R B Kabra, President

It's their process because there is always when we make a request, there is always anywhere lead of around 12 weeks to 14 weeks before really people come on board and they say yes the price increase is desirable or they accept some kind

Kaushik Poddar

See another big expense is your fuel cost expense.

R B Kabra, President

Yeah.

Kaushik Poddar

I mean last quarter, I mean last time you had said that a good amount of your fuel was accounted for by the diesel price hike et cetera, et cetera because you're running, because Andhra Pradesh probably does not get too much of power.

R B Kabra, President

Yeah.

Kaushik Poddar

So, has that situation been rectified or still remains the same, you are using a lot of diesel for your generators?

R B Kabra, President

Yeah. What has really happened is that Andhra the power situation remains still bad.

Kaushik Poddar

Okay.

R B Kabra, President

Three days of the week, we don't get power.

Kaushik Poddar

Okay.

R B Kabra, President

So it's around 40% power cut.
Right.

R B Kabra, President

And last time when I spoke, I said the largely we have been running generating tax based on diesel.

Kaushik Poddar

Yeah, I mean apparently the cost per unit use to come to something like Rs.11 or Rs.12?

R B Kabra, President

After 11 went to 13 and now when this Rs.5 diesel price hike took place.

Kaushik Poddar

Right.

R B Kabra, President

So, what we have really done is that we have started buying power through the Power Exchange.

Kaushik Poddar

Okay, okay.

R B Kabra, President

To a great extent, so generator are not run like it was run for the first two and half months of this quarter.

Kaushik Poddar

Okay.

R B Kabra, President

And we weighted average price of the power what we get through the Power Exchange because there is a pricing for every 15 minutes and sometime it's very cheap and sometime it's very costly.

Kaushik Poddar

Yeah. So, weighted average is?
Weighted average is around Rs.8.5 to Rs.9 per KWH.

Kaushik Poddar

Okay, okay.

R B Kabra, President

Which is much lower than what the generated power will cost us.

Kaushik Poddar

Okay, okay.

R B Kabra, President

Yeah.

Kaushik Poddar

Sir, can we see the fuel cost coming down in the next quarter because I mean this quarter because of this if there is in sourcing?

R B Kabra, President

Actually, the power and fuel cost would go down on two counts, because number one, the absolute amount will go down because we will be utilizing capacity less, which will impact to some extent the fuel consumption in the furnace.

Kaushik Poddar

Absolutely.

R B Kabra, President

It is never proportional, because if we reduce the capacity by 40%, the fuel doesn't go down by 40%. It is never 1:1 that is why it is always better to run these plants at full capacity or more than capacity but this is the constant because we can't sale it currently.

Kaushik Poddar

Right.

R B Kabra, President Kaushik Poddar

70%, to the extent of 70%. That's quite substantial.

R B Kabra, President

Yeah, because what is really, we cannot commit whatever the shortage power to power exchange because if we bid and we are not able to use it, then we have to pay.

Kaushik Poddar

Right, right. Absolutely.

R B Kabra, President

What we are doing for power, whether you use or don't use it they will be charging it for you because they said the capacity and everything has been booked for you.

Kaushik Poddar

Right, right, right.

R B Kabra, President

So, we have to keep some margin because the power consumption is not 100% straight line depending on what machine is running at what capacity and whether which compressor is running. So, the power consumption varies plus minus 10% - 15%.

Kaushik Poddar

Okay.

R B Kabra, President

On hourly basis. So, we have booked whatever power shortage to the extent of 70%-75% through the exchange and balance we are generating. But this should totally help because otherwise the power force would have been much higher because the generated power then will cost around Rs.13 now in place of Rs.11.5.

Kaushik Poddar

Absolutely, absolutely. Okay. Thank you. Thank you.
Thank you.

Operator

Thank you. We have the next question from the line of Kamlesh Kotak from Asian Markets. Please go ahead.

Kamlesh Kotak

Hello. Good afternoon, sir.

R B Kabra, President

Good afternoon, Kamlesh.

Kamlesh Kotak

Sir I just wanted to understand, can you just get us a revenue in terms of the breakup between faucets and sanitaryware?

R B Kabra, President

That we have been telling percentage, see when we say there is 25% growth and last time I said the faucets are around 19%, so they also in this quarter also they remain 19%.

Kamlesh Kotak

Okay.

R B Kabra, President

Meaning thereby that all product categories even the sanitaryware has grown around 26%, faucets have grown 25%, some product has grown 22%, some around 28%. But overall thing, the ratios, the percentage is not changed.

Kamlesh Kotak

Okay.

R B Kabra, President

Yeah. So the 19% is faucet.

Kamlesh Kotak

Okay. And some color on garden polymers, we propose to merge right with HSIL now?

Yeah. We had already, the Board has approved this scheme.

Kamlesh Kotak

Okay.

R B Kabra, President

And we are in the process of now filing because the Calcutta High Court is in the holiday because of this puja. So once it opens, we will file for the merger or garden polymer with HSIL.

Kamlesh Kotak

Okay. Some numbers if you can share about the company?

R B Kabra, President

We cannot because we have not declared but it is as per plan, it is doing as EBITDA of 17%, 18% and the sales is per the budget.

Kamlesh Kotak

Okay. And anything about Evok you can share?

R B Kabra, President

Evok, what I mentioned that the last year's loss was around 18 crores and this year we will projecting loss of 12 crores to 13 crores. So, till H1 it is as per the budget and we should remain within our budgeted numbers what we have told you.

Kamlesh Kotak

And the new number of stores you're suppose to add, so what is the status on that sir?

R B Kabra, President

Nothing has been undertaken in this quarter.

Kamlesh Kotak

Okay. And sir about the ForEx loan that we have, are they hedged or how I mean it is the part of the interest cost of foreign exchange, any addition on that?

As everybody does, the foreign exchange loans what we are talk of, they are around 50%, 55% are hedged.

Kamlesh Kotak

Okay.

R B Kabra, President

And 50% are unhedged. And hedging cost is we take as a part of the finance or interest cost. And on the unhedged front, whatever there is a writing down or writing up that is adjusted through the write-up or write-down of the fixed asset because all loans have been taken for the fixed assets.

Kamlesh Kotak

Right. So the interest cost of 15 crore includes that unhedged part for expiration as well?

R B Kabra, President

Yes.

Kamlesh Kotak

Okay. And...

R B Kabra, President

No, no, no, not that. No, no, no, sorry. Unhedged part, the change in the currency rate goes to the asset side.

Kamlesh Kotak

Right.

R B Kabra, President

Whether assets are capitalized or decapitalized.

Kamlesh Kotak

Right.

R B Kabra, President

So it is not affecting the finance charge in terms of whether the rupee is appreciated or rupee is depreciated.

Okay.

R B Kabra, President

Yeah. Only whatever the interest and other commitment charges and everything they've formed part of the LIBOR plus whatever the spread and the commitment charge and everything.

Kamlesh Kotak

Okay.

R B Kabra, President

Fees of the bank and upfront charges everything, they form part of the interest cost.

Kamlesh Kotak

Okay. And sir, about sharp increase in the inventory, so I mean what was the main rational for the same?

R B Kabra, President

That is what for the Glass business.

Kamlesh Kotak

Okay.

R B Kabra, President

Yeah, building product, there is not much addition except for 1 crores or 2 crores here and there that always happens sometime 2 crores goes down, sometimes 2 crores goes up. But for the Glass, because we commissioned this two furnace in May and we were expecting sale to pick up in Q2 but it did not happen.

Kamlesh Kotak

Right.

R B Kabra, President

So there is inventory of the inventory increase in Glass business, and as I just mentioned that now we have cut back the production of around 40% on the new furnace. So going forward, we will see the inventory values coming down.

Kamlesh Kotak R B Kabra, President

Not really, not really, everything is provided for if you, I don't know whether you remember, three years ago when we created BRR, we cleaned up all old inventories, old debtors what we thought was unrealizable.

Kamlesh Kotak

Okay.

R B Kabra, President

And that was in three years ago. And after that whatever we find sticky we have been providing for in the books. So, whatever debtors we show, it's all good debtors receivables.

Kamlesh Kotak

Okay. And sir my special reference was to the glass business because first quarter we saw some kind of a debtors kind of a piling up in that business because some of the clients not paying and is that still in the system or?

R B Kabra, President

Total debtors in terms of number of days has only gone up by five days against the same?

Kamlesh Kotak

Okay.

R B Kabra, President

And also largely because of the still not happening as per our expectation. Otherwise as I told last time that we had issue of loan outstanding only with one of the customers which of course is a large customer and you all know who is that customer.

Kamlesh Kotak

Right.

R B Kabra, President

So, what we have done is that okay, we are restricting our supplies to them and we are making supplies to the extent what we are getting money. So, the total outstanding is not going up but yes, total debtors could have come down, if they would have paid as per the payment terms.

Okay.

R B Kabra, President

But going forward the money is not bad debt because it's a large company and a reputed customer.

Kamlesh Kotak

Right, right. All right sir, okay. Thank you very much sir.

R B Kabra, President

Thank you.

Operator

Thank you. We have the next question from the line of Kaustav Kakati from PUG Securities. Please go ahead.

Kaustav Kakati

Good afternoon sir.

R B Kabra, President

Good afternoon Kaustav, how are you?

Kaustav Kakati

Good sir. Sir my question is you mentioned that one of the lines in CG is now converted to make different colored glasses.

R B Kabra, President

Yeah.

Kaustav Kakati

So sir what percentage of capacity would that be sir? If you can share?

R B Kabra, President

Capacity of that furnace or capacity of the total glass business?
No no sir, that particular line sir I mean.

R B Kabra, President

It is around 10%.

Kaustav Kakati

10%?

R B Kabra, President

Yeah.

Kaustav Kakati

Okay. And.

R B Kabra, President

That furnace has capacity of 475 tonnes.

Kaustav Kakati

Right.

R B Kabra, President

And as I mentioned one line is around 50 tonnes a day.

Kaustav Kakati

Okay.

R B Kabra, President

So one line we have provided that facility. So it's around 10% of the total furnace capacity.

Corporate Participant

10% of the furnace and only 3% for the total company.
Of the total, okay understood. And it was prior to that this was making amber glasses or?

R B Kabra, President

Therefore we were making different in it.

Kaustav Kakati

Right.

R B Kabra, President

Which is the white class.

Kaustav Kakati

Okay sir. Okay fine. Sir that's all from side. Thank you.

R B Kabra, President

Thank you.

Operator

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

Anand Shah

Hi sir. Sir my question is sir what would the rationale actually for emerging data polymers still to achieve sir?

R B Kabra, President

Okay, rationale is that when we bought this company that was that time because we had taken as a subsidiary.

Anand Shah

Right, right.

R B Kabra, President

And that company makes PET bottles.
Right

R B Kabra, President

Which has synergy with our Glass business.

Anand Shah

Right.

R B Kabra, President

And we were consolidating only at the year end.

Anand Shah

Yes, yes.

R B Kabra, President

So what was happening was that for these three quarter there was no addition whatever results we declared because we are not showing consolidated results on quarterly basis.

Anand Shah

Yes

R B Kabra, President

So what was happening is that people because we invested around Rs.85 crores in that business and nothing was coming in terms of revenue and in terms of profit, in terms of EBITDA in our balance sheet.

Anand Shah

Right.

R B Kabra, President

So and that investment in share was coming only as investment. So intelligent people like you are calculating ROC, they were saying - this ROC is very solar and we're all explaining what is the reason because that Rs.85 crores business though it's a part of capital employed but the corresponding results were not reflecting into the results and there is a synergy in the business and because coming to the level of EBITDA about the glass business is generating. So there is adverse impact in terms of around the company. Okay.

R B Kabra, President

And then maintaining two sets of books, two sets of legal things formalities it is not required.

Anand Shah

Right.

R B Kabra, President

We just wanted to see there is business is stabilized and everything is okay then merge it.

Anand Shah

Okay. Okay. So that is done so now basically we're merging it.

R B Kabra, President

And the announcement was delayed by three four months or five months because we had first transfer the registered office that company from Karnataka to West Bengal where our registered office is.

Anand Shah

Right, right.

R B Kabra, President

Two High Court would have been involved and process would have been longer.

Anand Shah

Right.

R B Kabra, President

So we first transfer the registered office from Karnataka to West Bengal and now we are moving to Calcutta High Court because both these offices will be falling in the jurisdiction of one High Court only.

Anand Shah R B Kabra, President

New furnace only, not 40% because addition was only 40%.

Anand Shah

So that is a 475 that you add you -

R B Kabra, President

Yeah 40% of 475 tonnes.

Anand Shah

Okay.

R B Kabra, President

That is around 200 tonnes a day.

Anand Shah

So you'll be operating at 60% capacity?

R B Kabra, President

Yes.

Anand Shah

Okay, okay. Okay and sir, overall, I mean you gave guidance for BP that looking at a 25% kind of outlook growth for this year any guidance on glass?

R B Kabra, President

Glass should be overall at the year end business should be anywhere between 15% to 20%.

Anand Shah

15% to 20%?
Yeah.

Anand Shah

Okay Including the...

R B Kabra, President

Including the H1, we just gone and seen only growth of 3%, 4%.

Anand Shah

Right, right.

R B Kabra, President

Going forward, we see much higher growth.

Anand Shah

So that is including the sell of the two inventory also?

R B Kabra, President

Yes, yes. That's right.

Anand Shah

Okay, okay. And sir apart from P&F any other margin hit in glass, I mean in terms of soda-ash or these things?

R B Kabra, President

Soda-ash first increase have been factored in the Q1 itself and more or less the similar prices in Q2.

Anand Shah

Right.

R B Kabra, President

Except there has been some anti-dumping levied which was levied in last quarter which is Q2.
Right.

R B Kabra, President

But that has already been factored into the prices except the dollar boost too much up or too much down, then we'll have positive or negative impact because most of our soda-ash we are importing.

Anand Shah

Right.

R B Kabra, President

Otherwise, whatever the results you see for this quarter, this all has been factored in.

Anand Shah

Okay, okay.

R B Kabra, President

And we don't see any further increase. But you never know what happens internationally, but we don't see any further increase because already anti-dumping has been put and prices have been stabilized in the market place.

Anand Shah

Okay, okay. And sir, last quarter you just indicated that pharma and beer also seen some slow down.

R B Kabra, President

Yeah.

Anand Shah

In terms of offtake, that continues or that situation was improved?

R B Kabra, President

No, the beer has picked up.

Anand Shah

Beer has picked up, okay.

Yeah. And actually, we have added few new customers for the beer which are coming in to the country.

Anand Shah

Okay.

R B Kabra, President

So, beer is doing well.

Anand Shah

Okay.

R B Kabra, President

Pharma has also started picking up.

Anand Shah

Right.

R B Kabra, President

Yeah. It's only the kind of expectation we had in terms from the beverage sector because they normally as I mentioned start somewhere by first week of September and end of September.

Anand Shah

So, that is because of delay in the season itself and...

R B Kabra, President

Yeah, yeah, that's right. You are right.

Anand Shah

Okay. And sir last question, sir any comments on or impact from H&G addition in AP?

R B Kabra, President

The H&G had commissioned their furnace around 45 days ago.
Okay.

R B Kabra, President

And till now, we have not said the impact.

Anand Shah

Okay. So, still early days I guess...

R B Kabra, President

Because what they have done is they have commissioned this furnace but their Pondicherry furnace is down for some repairs or something.

Anand Shah

They might be utilizing their capacity...

R B Kabra, President

So they probably utilizing to service those customers, because they cannot say the customer said, we can't supply because your

furnace is down, Pondicherry they had only one furnace.

Anand Shah

Right, right.

R B Kabra, President

Which is down for some repairs or something for few weeks.

Anand Shah

Right, right.

R B Kabra, President

So, maybe the capacity is getting diverted to those customers.

Anand Shah

Right, right. Okay sir. Thanks a lot, sir.
Thank you.

Operator

Thank you. [Operator Instructions]. We have the next question from the line of Levin Shah from Value Quest Research. Please go ahead.

Raunak Nagda

Good evening, sir. I am Raunak here, Raunak Nagda from Value Quest Research.

R B Kabra, President

Yeah, Raunak, good afternoon.

Raunak Nagda

Good afternoon. Sir is it possible for you to give us the breakup of that inventory in terms of the division?

R B Kabra, President

Inventory for division then you will see inventory in the stores spare and raw materials and finished goods, that kind of detail we don't carry when we come to the conference call.

Raunak Nagda

Sir, because the inventory for this quarter would be roughly 426 crores as on balance sheet book, so most of that would be finish products or most of that would be raw materials?

R B Kabra, President

No, it's a I think around 50% will be finished goods because that also includes lot of credit items what we deal in building product. And when we import, we have to have inventory anywhere between four months for the imported products. So, those are the traded items. What we do in our building products, which is around I must say 11 and 19, around 25%, 26%. So those inventory 26% of the building product business, inventory sitting for four months that is also part of it.

The manufactured sanitaryware we always carry inventory anywhere between seven to nine weeks because the SKUs are very, very large just 3,500 SKUs. So, I will say that the finished goods would be around, finished goods or the bought goods which are also finished goods will be around 50% of the total inventory.

Raunak Nagda

Okay. And sir, out of that 50%, 25%-26% would be bought out?

Yes. 25% on the building, yes for first year you're right.

Raunak Nagda

And sir, is it possible for you to give me the CapEx of the division, what are you looking to invest over the next two years?

R B Kabra, President

Yeah. That has been discussed, that is, many time we have said that three years ago, we had Board as approved Rs.658 crores CapEx, 300 for the glass and 350 for the building products. Glass everything has been done and whatever is going forward 20 crores, 30 crores of the balancing equipment like we are adding this coloring equipments and we are making this provision or making color glass. So that kind of things will keep happening but there is no major CapEx in the glass business going forward at least for one, one and half year because we have enough capacity now to take care of it.

So, glass there is no capacity or no CapEx going forward, large CapEx. For the building products, we spend around Rs.60 crores on the expansion of our Bibinagar plant which was commissioned November last year, a year ago and the sanitaryware capacity went up from 1.3 million piece to 2 million pieces per year.

We spend Rs.10 crores in our faucet plant which we had purchased from Havells, take the capacity from 3 lakh pieces to 5 lakh pieces. We are spending Rs.10 crores at Bahadurgarh to take capacity of sanitaryware from 1.5 million to 1.8 million pieces which will be operational by November.

So, most of money has been spent. Now, two large CapEx going forward in next two, two and half year. Around Rs.9,200 for the faucet plant on which work has started a month ago.

Raunak Nagda

That would be Gujarat right?

R B Kabra, President

No, faucet plant is in Bhiwadi, Rajasthan and another Rs.140 crore, Rs.150 crore for our sanitaryware plant in Gujarat. And that we plan to commission after two year henceforth. So 100 crore in next one year, may be 150 crore in next one year and another 100 crore in 18 months thereafter. Total 250 crore.

Raunak Nagda

Sir, I would like to know what is the like in the sanitaryware, can you give me the breakup like faucet even if you give me in percentage I won't mind but is it possible for you to give me the breakup of faucet ware outsourcing tiled and sanitary ware?

R B Kabra, President

So I can tell you the sanitaryware is around 68%, 69%.

Okay.

R B Kabra, President

Faucet is around 19%.

Raunak Nagda

Okay.

R B Kabra, President

And balance are other products which includes your plastic stands, your - your ties, you wellness products everything, everything whatever we do. Kitchens.

Raunak Nagda

Okay. Sir and sanitaryware as a division, I mean if you exclude faucet ware and the other thing, how much has sanitaryware grown in this quarter?

R B Kabra, President

26%.

Raunak Nagda

Sir that would be the whole number right? I am asking only sanitaryware the 60% of the business that you told me for sanitaryware?

R B Kabra, President

Coincidentally sanitaryware also grown 26%.

Raunak Nagda

Okay sir. Sir what is your outlook for growth in sanitaryware, would you continue to maintain 25% growth?

R B Kabra, President

We said that the here the guidance has been 25% to 30% growth for the building product division. Okay.

Raunak Nagda R B Kabra, President

Which includes, sanitaryware, which include faucet that which include seat cover, fittings, wellness, plastics cisterns tiles, everything whatever we do we call it as building product division. Okay.

Raunak Nagda

Okay.

R B Kabra, President

And sanitaryware is a part of building product and of course it's large revenue of the building product division is coming from sanitaryware which is around 68%, 69%. So the total building product division will grow anywhere between 25%, 30% by the year end.

Raunak Nagda

Okay sir. Thanks a lot.

R B Kabra, President

Which is around 22% till H1.

Raunak Nagda

22%?

R B Kabra, President

Till H1.

Raunak Nagda

Okay. Thanks a lot and all the best.

R B Kabra, President

Thank you.

Operator

Thank you. We have the next question from the line of Shweta Seth from Smith Securities. Please go ahead.

Good afternoon sir. This is Saurabh Kanodia from Smith Securities. I have basically I've two questions. I just missed your opening remarks for the reason being depreciation and interest cost being higher if we compare on a quarter-on-quarter basis.

R B Kabra, President

Yeah.

Saurabh Kanodia

And my second question would be regarding the price increase taken in the Glass division this quarter and if you can also help me with similar figure for the first quarter?

R B Kabra, President

Okay. So let me answer your first question first. Because that is the easiest.

Saurabh Kanodia

Yes.

R B Kabra, President

We commissioned this new glass furnace of 475 tonne at a cost of around Rs.300 crores on 29th May, 2012.

Saurabh Kanodia

Okay.

R B Kabra, President

Okay. And so this quarter Q2 has been subjected to total interest on that borrowed money for that expansion.

Saurabh Kanodia

Okay.

R B Kabra, President

As well as depreciation on that furnace. For that capitalization of Rs.300 crores whereas the sale has not grown.

Saurabh Kanodia R B Kabra, President

So that is why there has been a interest cost and there is a depreciation cost because of the new furnace but sale has not grown to the extent it should have. So that is why the interest and depreciation is higher. The EBITDA level, the business is like good, but because of the higher interest and depreciation, the total PBT for the company has gone down. So, that was one.

Saurabh Kanodia

Okay.

R B Kabra, President

What next you want?

Saurabh Kanodia

Sir the price increase which was taken in the glass division, if you have taken any price increase in the quarter one and...

R B Kabra, President

No, price increase, last price increase we had was in February 2012.

Saurabh Kanodia

Okay.

R B Kabra, President

That was average 7%, 7.5%.

Saurabh Kanodia

Okay.

R B Kabra, President

That was for all customers.

Saurabh Kanodia

Okay.

And now we have had price increase starting from you can say by October because it's only started by end of September, so no impact in the Q2 from the beverage sector that is around again 7.5% to 8%.

Saurabh Kanodia

7.5% to 8%.

R B Kabra, President

But is only beverage, which is around 16% to 20% of the total business.

Saurabh Kanodia

Okay.

R B Kabra, President

Yeah.

Saurabh Kanodia

Okay, okay. And going forward are we planning any price increase in other segments?

R B Kabra, President

See, sanitaryware I mentioned that building product division?

Saurabh Kanodia

No, no, in the glass segment I'm asking about.

R B Kabra, President

Let me answer, since I started with building product, let me tell you. Since I have already made half of the statement we are increasing prices by 5% from tomorrow which is 1st of November.

Saurabh Kanodia

Okay.

R B Kabra, President Saurabh Kanodia

Okay, okay. Got your point. Okay. Thanks a lot, sir.

R B Kabra, President

Thank you.

Operator

Thank you. We have the next question from the line of Abhijeet Singh from CRISIL Research. Please go ahead.

Abhijeet Singh

Hello?

R B Kabra, President

Yes, Abhijeet, good afternoon.

Abhijeet Singh

Good evening, sir.

R B Kabra, President

Good evening.

Abhijeet Singh

Sir, I have a question on your CapEx.

R B Kabra, President

Yeah.

Abhijeet Singh

Sir, I think that your CapEx plan for this year was somewhere around 1,400 million to 1,500 million, if I take the overall 6 billion of your CapEx plan for three years?

Yeah, yeah correct.

Abhijeet Singh

Sir, and now I am seeing that you have a CWIT of around 150 million in container glass division. So...

R B Kabra, President

That is around Rs.18 crore, yeah.

Abhijeet Singh

Yes, sir Rs.18 crore. So, sir this Rs.18 crore is an incremental CapEx right?

R B Kabra, President

Yes.

Abhijeet Singh

So, I think that we should be expecting a total CapEx of around 150 crores to 160 crores for the full year?

R B Kabra, President

Not really, because the sanitaryware plant which we were supposed to work, we were supposing to starting in September.

Abhijeet Singh

Okay sir.

R B Kabra, President

We have postponed it for few months.

Abhijeet Singh

Okay.

R B Kabra, President

So, the year CapEx will remain within whatever we had planned because the total period will now for the expansion which we said that we will commissioning it by March '14, we have now postponed in commissioning in to December

Abhijeet Singh

Okay. So...

R B Kabra, President

That will be starting work little late on this sanitaryware plant on the ground as such.

Abhijeet Singh

Okay, okay. Got it. So, another thing I just wanted to understand on you power...

R B Kabra, President

Yeah.

Abhijeet Singh

Sir, power in this quarter what was the ratio of the power usage say between one that you generated and the other that you purchased, because last quarter I understand that it was on the highest towards generated power?

R B Kabra, President

Yeah, the same ratio has remained in this quarter as well.

Abhijeet Singh

Same ratio, sir because...

R B Kabra, President

Over 40% for the glass is the generated power.

Abhijeet Singh

Okay.

R B Kabra, President

And in the building products, it's around 55% is the generated power.

Abhijeet Singh R B Kabra, President

This quarter, yeah.

Abhijeet Singh

Sir, and how much was for the last quarter?

R B Kabra, President

More or less is similar.

Abhijeet Singh

Sir, then I...

R B Kabra, President

The power position has been bad in Q1 and Q2 both, the large cut was started from say, I will say the end of April and it goes in same way...

Abhijeet Singh

Sir, because last time you said that you will be migrating towards like...

R B Kabra, President

Exchange power.

Abhijeet Singh

Exchange power.

R B Kabra, President

Which we have done but for us, I can't call it a purchase power because it is not coming at the grid rate. In Andhra Pradesh, the grid rate is Rs.5.25 or Rs. 5.35.

Abhijeet Singh

True sir.

Or this the generated power last quarter which was Q1 cost us around Rs.11.5 per kilowatt.

Abhijeet Singh

Yes sir.

R B Kabra, President

With the diesel price hike of Rs.5 liter...

Abhijeet Singh

Yes sir.

R B Kabra, President

Which has gone up to Rs.13 per kilowatt hour.

Abhijeet Singh

Correct, correct.

R B Kabra, President

But the exchange power is again costing us anywhere between Rs.8.5 to Rs.9 per kilowatt hour.

Abhijeet Singh

Yeah, so this means that this quarter we have not seen any substitution of generated power by exchange power?

R B Kabra, President

No, no. This quarter you have seen.

Abhijeet Singh

In Q3, we will see?

R B Kabra, President

I'll tell you the percent, just a minute hold on please.

So out of the 40% what glass has been generating 10% that has some from the exchange power.

Okay. Fine. And sir in terms of our outlook, I don't think like do you think there will be any improvement going ahead in the power scenario in quarter three, quarter four or it will remain?

R B Kabra, President

Yeah. There should be improvement in the state of Haryana where we have one of the sanitaryware plant.

Abhijeet Singh

Okay.

R B Kabra, President

It was there now the power because the demand in North India when the winter season goes down for the power because people are not running air conditioners and coolers.

Abhijeet Singh

Okay.

R B Kabra, President

So there the industrial supply increases but Andhra I don't see much improvement going forward even not for this quarter but even at least for one year because the lot of power plants are not working because of the gas not being available actually Andhra commissioned lot of power plant based on natural gas.

Abhijeet Singh

Correct sir.

R B Kabra, President

And you all know that the gas coming out of the KJ Basin, the output has gone down substantially.

Abhijeet Singh

Yeah, yeah.

R B Kabra, President

And so many of the plants are either not running or running under capacity to a great extent. So I don't see that till something happens coal is also not available as you all know. So I think government will have to do something then I don't see anything positive happening next two three quarters in terms of grid power availability.

Abhijeet Singh

Sure sir. Sir and one thing I just wanted to understand sir, your EBITDA margins have improved substantially like by 170 basis points, 180 basis points quarter-on-quarter. What has actually led to that kind of an improvement given that power cost which is significantly high it remains high. So what has led to that improvement, sir if you can just give some?

R B Kabra, President

See Q1 we had this foreign exchange loss on the import at the quarter end because the rupee was, Rs.56 some paisa.

Abhijeet Singh

Okay.

R B Kabra, President

This quarter the dollar movement has not been to that extent.

Abhijeet Singh

Got it. Okay. Okay. Okay.

R B Kabra, President

So that that additional cost has not come. And the LPG prices has come down. Which is a one of the fuel in Glass because we use heavy fuel and at the front end of the furnace we use LPG. So because this Q2 being a hot season, there is not so much demand for LPG. So the prices come down for LPG. And in the building product some product which has improved that some.

Abhijeet Singh

Okay. Okay. Sir how are we seeing the traction of a premium products like QUEO and other that we have in our portfolio for building products?

R B Kabra, President

It's around 52%.

Abhijeet Singh

Okay because earlier.

R B Kabra, President

And for last one and half year it has been only 52%, it's not going up which we are expecting to go up to 55%.

Abhijeet Singh

Yeah correct sir.

R B Kabra, President

But it has not happened.

Abhijeet Singh

Okay, fair enough sir. And sir just wanted to understand what is the current capacity utilization in our building products?

R B Kabra, President

Building product capacity utilization in this quarter, just a minute, it's around 92%.

Abhijeet Singh

Okay, okay, okay. Sir just if we see the industry in building products or sanitaryware, sir we're thinking that some of the players like ceramic tiles and others some of the competitors they are posting some very good revenue growth rate of 40%, 30%. And we are estimating growth of around 25% okay. So just wanted to understand that are we missing something or like if you can give some insights?

R B Kabra, President

Which people you are talking about 40%, 50%? Tile, who has grown 40%? - we have not grown 40, Somani if you see they've grown 22%, Kajaria has been around 26%, 27%. The largest in the country which is, - they have grown 6%, 7%.

Abhijeet Singh

Sir, like if I see cera results they have grown, they posted 52% growth this year?

R B Kabra, President

Yeah the cera, cera is because they commissioned a faucet plant.

Abhijeet Singh R B Kabra, President

Okay? So that is a new addition of business for them, that is what we understand and that is known to the market that they commission a faucet plant for which their sale has grown because that segment they were not practically non-existent.

Abhijeet Singh

Okay. So this means sir that, it's just a capacity blockage which is actually restricting our growth rate.

R B Kabra, President

In faucet, yes.

Abhijeet Singh

In faucet.

R B Kabra, President

That is the reason that we are putting that large plant of faucet at a cost of Rs.100 crore.

Abhijeet Singh

Sir but you like, you can actually purchase it from outside and then you can select right it's?

R B Kabra, President

Do you think we are not doing that?

Abhijeet Singh

No sir, just wanted to...

R B Kabra, President

19% of business is coming, 19% would be building products revenue coming from faucets.

Abhijeet Singh

Okay.

The manufactured is only 5% or 6% of this faucet, so 12%-13% I mean any case I am outsourcing.

Abhijeet Singh

Okay.

R B Kabra, President

Which is around 70% - 75% of my total faucet sales.

Abhijeet Singh

Correct. Sir, but...

R B Kabra, President

When we have too many vendors, then the quality related issues, standardization issue, all those become a problem.

Abhijeet Singh

Okay, okay sir.

R B Kabra, President

Nobody would like to invest in a manufacturing capacity, if everything can be outsourced, you will appreciate that?

Abhijeet Singh

Yes sir. Perfectly fine. That's what...

R B Kabra, President

Faucet, we have been there for now five years.

Abhijeet Singh

Yes sir.

R B Kabra, President

We have invested very little amount in buying that small faucet plant.

Yeah. Correct sir.

R B Kabra, President

But now we had to invest because it was becoming a bottleneck, we always have pending orders for faucets.

Abhijeet Singh

Okay.

R B Kabra, President

Actually we don't have faucets to supply.

Abhijeet Singh

Okay, okay. Fair enough, sir. Thanks a lot for your time and your insights.

R B Kabra, President

Thank you.

Operator

Thank you. We have the next question from the line of Vipul Shah from Equity Capital. Please go ahead.

Vipul Shah

Good afternoon, sir.

R B Kabra, President

Good afternoon.

Vipul Shah

Sir our competitor HNG has just commissioned plant in AP.

R B Kabra, President

Yes.

And I understand that they have some conceptional power supply from AP government at consistent rate.

R B Kabra, President

Yeah.

Vipul Shah

So, are we expecting any pressure both on demand size as well as pricing due to this development?

R B Kabra, President

Okay. Three parts to this. Anybody investing money in Andhra Pradesh beyond a certain amount will get these kind of subsidized power, rates. So there is nothing special for HNG, even when we commissioned our this new furnace, we were also getting power cheaper by 75 paise per unit than the grid rate, okay? That is number one. Number two, whether you are getting grid power or not because you can get this concession only if you are getting power from the grid. So, if as I just mentioned if there is a 40% power cut, HNG will also have 40% power cut in their Andhra Pradesh plant, number two. And number three, they have still not got the grid supply connected to their plant.

Vipul Shah

Okay, okay.

R B Kabra, President

As this was latest last information I had two weeks ago, that they have yet to get the grid supply connection because probably they have to draw line from some where which is few weeks away.

Vipul Shah

Okay, okay.

R B Kabra, President

Yeah.

Vipul Shah

And sir one more question, the color glass line which we are starting.

R B Kabra, President

Starting in November, middle of November.

Yeah, middle of November. So, what is the... what kind of higher realization you are getting from those kind of glass?

R B Kabra, President

Those kind of glass, normally sales around 80% or 90% higher than the our average current selling prices. And cost goes up by around 30%, 35%. So, the differential additional EBITDA will be around 50%.

Vipul Shah

Okay, sir. Thank you very much. That's all from my side.

Operator

Thank you. We have the next question from the line of from Gaurav Jalan from Avant Garde Wealth Management. Please go ahead.

Gaurav Jalan

You talked about your depreciation has gone up because of the commissioning of the new furnace, so can you just throw some light on what the approximately will the depreciation see as it level for the next couple of quarters or will it continue to go up?

R B Kabra, President

No, no this will remain at these levels because we have provided depreciation as for whatever rates applicable. So when the depreciation has been provided for the full quarter, the coming quarters will see the similar kind of depreciation.

Gaurav Jalan

Okay. And just to summarize on, you mentioned some figures of capital expenditure, just to summarize...

R B Kabra, President

Yeah.

Gaurav Jalan

In terms of cash, capital expenditure in fiscal '13, the number will be around 1,500 crores, I am sorry 150 crores.

R B Kabra, President

Yes, you're right.

Another 150 crores is fiscal '14 and 200 crores in fiscal '15, is that...

R B Kabra, President

No, no, total we have to spend now around 240 crores. Okay?

Gaurav Jalan

Okay.

R B Kabra, President

This year, whatever we have done that will be around going forward will be around 70 crores - 80 crores this year.

Corporate Participant

Till March.

R B Kabra, President

Till March.

Gaurav Jalan

Okay.

R B Kabra, President

Okay. Around Rs.100 crores, Rs.120 crores in next financial year.

Gaurav Jalan

Okay.

R B Kabra, President

And then balance in the financial year FY15.

Gaurav Jalan

So, 15 will be around only 56 crores?

Yes, as per the current plants.

Gaurav Jalan

Okay. Yeah. Thank you.

Operator

Mr. Jalan, do you have any further question?

Gaurav Jalan

No, I am done. Thank you.

Operator

Thank you. We have the next question from the line of Chintan Sheth from SKS Capital & Research. Please go ahead.

Analyst

Afternoon sir.

R B Kabra, President

Good afternoon.

Analyst

Sir, I just wanted to know the capitalist amount for this quarter, interest and depreciation?

R B Kabra, President

I didn't get your question can you repeat please?

Analyst

As you say that interest and depreciation has gone up because of new plant?

R B Kabra, President

That was capitalized on 29th of May.
Last quarter.

R B Kabra, President

Last quarter not this quarter.

Analyst

Last quarter. Okay.

R B Kabra, President

This quarter there is no capitalization which has resulted that is the result of capitalization around Rs.300 crore on 29th May because Q1 had impact of only one month for depreciation, additional depreciation.

Analyst

Okay.

R B Kabra, President

And this quarter for all three months there has been a depreciation.

Analyst

Okay. So this is the rate we are getting, we will be seeing in the coming quarters also, right?

R B Kabra, President

Yes, yes, you are right.

Analyst

Depreciation and on interest front also, we will be seeing this kind of numbers?

R B Kabra, President

Yeah, annualized basis yes.

Analyst

Yeah, okay, okay, okay. And sir, one other thing that you have guided that on the glass front that we will be seeing 15% to 20%? By the year end. By the year end, March.

Analyst

By the year end. Yeah, for the half year we have done around 329 crores for first half.

R B Kabra, President

Yeah.

Analyst

Last year we have done a 700 orders and 20 crores of revenue from the container glass?

R B Kabra, President

Yeah.

Analyst

So, if we just do the math then we will have to add 450 something odd crores in the second half?

R B Kabra, President

Consists around 65% of the sale in the glass business comes to it any case.

Analyst

Okay, okay. Okay. So, we are positive in achieving that number?

R B Kabra, President

Yeah. Q2 is always a poor quarter, always if you see historically if you have been analyzing the company, Q2 is the poorest quarter for glass business anywhere.

Analyst

Okay, okay. Okay. Sir. That's from my side. Thank you sir.

R B Kabra, President

Thank you.

Thank you. [Operator Instructions]. We have the next question from the line of Subramaniam PS from Sundaram Mutual Fund. Please go ahead.

Subramaniam PS

Hi sir good evening.

R B Kabra, President

Good evening sir.

Subramaniam PS

Sir my query was on the inventories, they seem to have gone up very sharply this year.

R B Kabra, President

Yeah.

Subramaniam PS

Can you just throw some light on why this has happened and also on the outlook for the same?

R B Kabra, President

That is basically as I've been telling that we commission this furnace of the glass of 475 tonnes in May and till middle of September, we are running at a full capacity anticipating that we have customers and we have scheduled from the customers, but they actually did not pick up. Because of may be they had some slowdown at their end, the beverages people delayed their off take with this.

They normally start from 1st of September, first week of September. They postponed it to end of September. And in general the sale was not as we expected, the customers did not buy as much. And that is the reason that now we've cut the 40% production on the new glass furnace but largely this is addition because of the new Glass furnished being into the production.

Subramaniam PS

Okay. So on the sanitaryware business, we are not seeing any inventory increase?

R B Kabra, President

Not major increase. 2 crores, 4 crores, 5 crores, 6 crores here and there can always happen. Yeah.

Subramaniam PS R B Kabra, President

That is only you are talking of cera nobody else. Or you have somebody else in mind.

Subramaniam PS

Cera is on but even Kazaria's timeline growth was pretty strong?

R B Kabra, President

No no. Pretty strong is good. But what percent. That is around 26%, 27%

Subramaniam PS

Yes sir.

R B Kabra, President

Which has been in our building product growth, money has gone 22%. Johnson has grown only 6%.

Subramaniam PS

Okay.

R B Kabra, President

So, yes cera has been exception and I've just mentioned to some other gentlemen here that they had commissioned a faucet plant which we will be commissioning next year.

Subramaniam PS

Okay.

R B Kabra, President

So, there is a large scale of faucets coming in from their business from the faucets. So, which is really and the base of faucet was practically nil. So, that's what is boosting the percentages for the growth. That's our information.

Subramaniam PS

Okay. And sorry I joined a call a bit late but what is the outlook for margins for both the segments?

More or less similar what we have been maintaining because we are increasing prices in the building products 5% tomorrow, from tomorrow morning. So, that will increase and the glass EBITDA margins we were to maintain. Yeah.

Subramaniam PS

Okay. And so as capacity utilization improves, you are saying even PBT margins would improve?

R B Kabra, President

Yes. Even capacity utilization does not go up, sales go up because capacity we will be still like the glass, we will be keeping capacity utilization in terms of production low because we would like to sale from the stock what have been added. So, the stock sales ultimately the absolute amount of, absolute when the absolute number goes of an interest, depreciation and remains at whatever

level, there has been in this quarter. Certainly PBT instead should go up.

Subramaniam PS

Okay. So what kind of borrowing number do you think we will have sir by the end of this fiscal given the cash flow that we expect to generate?

R B Kabra, President

Yeah. The current, at the current level the long-term debts are, just a minute, 540 crore.

Subramaniam PS

540, that is the long-term?

R B Kabra, President

Long-term debt. So...

Subramaniam PS

Okay. And the short-term, sir working capital?

R B Kabra, President

Working capital is around 290 crore.

Subramaniam PS

Okay. So, around 870 crores of overall debt?
Yeah.

Subramaniam PS

Okay.

R B Kabra, President

So, going forward, maybe another 50 crore, 60 crore maybe added or may not be added that how inventory liquidates will depend on that because we have that CapEx which will do around 60 crore in next six months for the faucet plant. Money gets released from inventory, yes, otherwise we'll have to borrow temporary.

Subramaniam PS

Because from your guidance, it seems that you will be releasing inventory given that you will not be producing more but selling more.

R B Kabra, President

Yeah, yeah correct.

Subramaniam PS

Okay. So fair to assume that your overall borrowing can actually head downwards?

R B Kabra, President

Not really, not till March. Because we will be spending also on CapEx no? And there is some loan repayment also.

Subramaniam PS

Okay. And anything that you will be infusing the subsidiary also this year?

R B Kabra, President

Subsidiary HHRL maybe another 5 crores, 7 crores because our half month we have already done. The H1 we are already done whatever has been done. So maybe next half year to the extent of losses of 6 crores, 7 crores maybe we have to fund in.

Subramaniam PS

Okay. Sure sir thanks. That's it from my side. Thanks a lot.
Thank you.

Operator

Thank you. We have the next question from the line of Nikhil Upadhyay from Equirus. Please go ahead.

Nikhil Upadhyay

Yeah. Good evening, sir.

R B Kabra, President

Good evening.

Nikhil Upadhyay

Sir, just two questions. One is like just when you were answering to the previous participant question, you said that we generally get a proper schedule from the customer that when he will be offtaking the products in the glass business from...

R B Kabra, President

See normally, how it works is that they give us their annual requirement, this kind of a bottle they would be approximately buying so many crore bottles or so many lakh bottles, that is there at the beginning of the year, okay? And then some people give us monthly schedule, some people give us weekly schedule, that is based on their kind of pattern do they have.

So, we plan our production based on their annual requirement, depending on our production mix and production plan, because we cannot say the SKUs in the glass business is also around 500 SKUs and 550 SKUs and all bottles cannot be made everyday.

Nikhil Upadhyay

Okay.

R B Kabra, President

So some bottles we have to always keep in stock. So, that is based on the sales projection what we have from the customers

and how efficient to our production plant.

Nikhil Upadhyay

Okay.

So if somebody gets delayed, like as I just mentioned, that the aerated water people they normally start picking up from the first week of September. This time because of the monsoon ending late and probably their season started late, yes they will pick up whatever they committed in a year time, but they started picking from the end of September, so that might happened in this.

Nikhil Upadhyay

Okay. And sir I just want to understand like because when we said we were running our new plant at almost 60% utilization earlier.

R B Kabra, President

No, earlier we were running at 85%.

Nikhil Upadhyay

85% for the first four months, and basically that production from that plant has...

R B Kabra, President

Has gone to inventory, you can say that.

Nikhil Upadhyay

Yeah. So, going forward like when we are reducing it to 40%, is it basically that the customer...

R B Kabra, President

We are reducing by 40%, not to 40%.

Nikhil Upadhyay

By 40%, so is it that the customer have revised their plan or like how do by what time generally we get to know that the customers are revising, downward revising their production plans or offtake plans?

R B Kabra, President

Like we have this, so there is a proof of putting and getting it. The six month we have, they have not been able to take as per their committed saying, which has gone into stock. So we know that even if they fulfill their commitment for the next H2, even by running 40% lower capacity we will be able to meet their requirement by liquidating the inventory.

Nikhil Upadhyay

Okay. And secondly...

R B Kabra, President

It is only... see, end of the month we know that whether they have picked up as per schedule or not, because some people give it daily schedule, some people give us twice a day schedule. So that's a little complicated.

Nikhil Upadhyay

Okay. And secondly like when we are adding a new line for the coloring bottled?

R B Kabra, President

We are not adding a new line. We are.

Nikhil Upadhyay

Adding a new.

R B Kabra, President

Using one of the existing lines by adding some equipments into it.

Nikhil Upadhyay

Yes.

R B Kabra, President

Yeah.

Nikhil Upadhyay

So I believe this will also be following the similar schedule like we would have been getting?

R B Kabra, President

We can not produce, the colored bottles we can not produce in anticipation. That is why we say that only small capacity is being converted once we have order, we will produce that many and supply to them.

Nikhil Upadhyay

Okay.

R B Kabra, President Nikhil Upadhyay

No but what I am, why I am asking is like like we have got some schedules from the clients that we need these bottles and that's why we are putting it or?

R B Kabra, President

This will be produced only after receiving confirm order and confirm schedule. So as I told that normally this will be a clearly schedule. Okay. That so many crore bottles, they will be, then we know that okay for what period they would be buying or six months or nine months or one year depending on their seasons and everything. Because we are in the business for now 30 years, we will be old - what kind of trends how do they pick up the bottles, what time they do, what time don't?

Nikhil Upadhyay

Yeah.

R B Kabra, President

But in the colored glass bottle because it's a high value product, we will only produce against order.

Nikhil Upadhyay

Okay. And secondly sir on this Evok like for H1 FY13 against H1 FY12, what would be the revenue growth and loss number if you can give?

R B Kabra, President

Number we are not sharing because we've not informed the stock exchange, we have not informed public, I cannot share those numbers here.

Nikhil Upadhyay

Okay. And similarly for garden polymers also?

R B Kabra, President

Yeah.

Nikhil Upadhyay

Okay sir. Yeah. Thanks a lot.

Thank you. We have the last question from the line of Vinay Bhandari from Enam Securities. Please go ahead.

Vinay Bhandari

Hi sir. Good evening.

R B Kabra, President

Thanks.

Vinay Bhandari

Just quick queries on two things. One is how the Soda ash prices have, how they were in the last quarter as well as what is your sense on the current pricing scenario in this particular raw material?

R B Kabra, President

My colleague Mr. Pandey will answer this.

Vinay Bhandari

Sure sir.

O P Pandey, Vice President, Finance

Soda ash prices in the first quarter was in the range of \$290.

Vinay Bhandari

Okay.

R B Kabra, President

And post anti-dumping duty we.

Vinay Bhandari

Right.

R B Kabra, President

We have been renegotiating with the suppliers to adjust the effect of this anti-dumping duty. Cost overall is maintained at the same level.

Okay, okay. And what is your sense sir going ahead in this?

R B Kabra, President

It is we are renegotiating further.

Vinay Bhandari

Okay.

R B Kabra, President

Some of the new substance to built on this price.

Vinay Bhandari

And what is the import in domestic basically percentage?

R B Kabra, President

Almost about 95% we import.

Vinay Bhandari

So, we are not getting in India. I mean I know you must be trying for the same because to avoid various things like foreign exchange and all?

R B Kabra, President

We - in India but the prices of the imported soda-ash including anti-dumping duty is lower than what the manufacturers in India supply. Don't ask me why you can ask them why they are keeping prices so high.

Vinay Bhandari

Fine sir. Thank you so much.

Operator

Thank you. I would now like to hand the floor back to Mr. Jai Singh Suja for closing comments. Over to you, sir.

Jai Singh Suja

Thank you, Shaima. 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 handover the floor to Mr. Anil Chandani for the closing remarks. Over to you sir.

Anil Chandani, Vice President, Corporate Finance

Thank you everybody for giving your valuable time and discussing our performance for Q2 and H1. The first half has not been as promising but future looks promising because the symptoms of revival and growth we are seeing from September month especially in glass. So let's hope for the good H2 and we hope to achieve our guidance which we gave at the year beginning.

With these remarks, thank you again to all of you for joining us. Thank you. Jai Singh, please take it over.

Jai Singh Suja

Thank you so much.

Operator

Thank you, sir. Ladies and gentlemen, on behalf of JM Financial Institutional Security, that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.