



“Ganesh Polytex Ltd Earnings Conference Call”

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November 15, 2010



SPEAKERS:

**MR. SHYAM SHARMA – CHAIRMAN & MANAGING
DIRECTOR, GANESH POLYTEX LTD
MR. GOPAL AGARWAL – CHIEF FINANCE OFFICER,
GANESH POLYTEX LTD
MR. RAHUL DHOLAM –UNICON FINANCIAL
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Moderator:

Ladies and gentlemen good day and welcome to the Ganesh Polytex Ltd Earnings Conference Call hosted by Unicon Financial Intermediaries Pvt. Ltd. As a reminder, all participant lines will be in the listen-only mode and there will an opportunity for you to ask questions at the end of today's presentation. If you need assistance during the conference call, please signal an operator by pressing "*" then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rahul Dholam, thank you and over to you sir.

Rahul Dholam:

Thank you Faisal. Good afternoon to all of you and thank you everyone for joining us today. On behalf of Unicon Financial Intermediaries, let me welcome you all to the Q2 FY11 earnings call of Ganesh Polytex Ltd. We have with us Mr. Shyam Sharma, Chairman and Managing Director of the company and Mr. Gopal Agarwal, Chief Finance Officer. Without further ado, let me hand over the floor to Mr. Sharma for his opening remarks. Over to you sir.

Shyam Sharma:

Good evening Ladies and gentlemen, and a very warm welcome to Ganesh Polytex Ltd. Q2 FY11 Conference Call. We are glad to report another progressive quarter during this financial year while embarking upon our journey of recycling pet bottles into value added products. The company continued to register operational and financial progress by focusing on consolidation and optimization of returns from the investment made during last year. I would first like to give you an overview of our business updates. On commissioning and the stabilization of new capacity of 18000 ton per annum at our Rudrapur unit, our consolidated capacity for recycling had gone up to 57600 ton per annum. PET accounts for approximately 40% of the global package mix because of its user friendly and cost effective characteristics. Due to increasing use of pet bottles in daily consumption, the amount of waste is going to grow by leaps and bounds posing serious environmental concerns. Thus pet recycling is becoming an indispensable task as it serves various social and environmental aspects. On one hand it helps in freeing the land and other natural resources from littering and on the other recycling of pet bottles helps in the conservation of crude oil. Furthermore creation of employment opportunities, is a vital social aspect of our business. Thousands of rag pickers are earning their livelihood respectfully by picking the used pet bottles for good prices which otherwise was useless for them. Because of its environmental aspects, recycling process receives a thumbs up from nearly all consumers for saving the natural resources while protecting the environment. It is being supported worldwide as a variable sustainable initiative towards preservation of environment. FIFA World Cup 2010 showcased the uses of Regenerated polyester stable fiber in the form of jerseys worn by the players of 9 participating teams. The Indian cricket team has also cued into the trend. Thus the eco factor imbibed in the fabrics made out of Pet waste would certainly contribute in percolating demand from the buyers' end. Furthermore the Environment Ministry of Government of India has also initiated discussion for framing new rules and policies whereby the food and beverage makers would be mandated to establish collection mechanisms to collect used plastic bags and bottles so that they can be recycled into various life cycle products, thus providing a positive outlook for our business. These are some suggestions before Government of India for setting up a plastic waste reprocessing fund by laying a charge on the manufactured prices of polymers or imported into



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the country to be utilized for promoting the plastic waste reprocessing units. As you all know presently our company is engaged in the recycling of post consumer PET bottle waste into Regenerated polyester staple fibers. With a view to accelerate the growth in future and also realizing company's commitment towards greener earth we are looking for foraying into the recycling of all kinds of plastic waste as well as solid waste management. Plans are under finalization to undertake forward integration into yarn spinning activity and making more value added products out of waste apart from Regenerated PSF. Company's footprint in these areas will bring phenomenal growth and thus we are very optimistic about the performance and scope of our business in the time to come. Now I invite Mr. Gopal Agarwal Chief Finance officer to take you on the financial numbers.

Gopal Agarwal:

Good evening and warm welcome to all of you joining us to this teleconference. Now let me take you through our broad financial numbers for the quarter ending September 2010. During the quarter, the company recorded sales of 55 crores and thus registered a growth of more than 12% on year-on-year basis. The EBITDA for the quarter stood at Rs. 7.51 crores as against to Rs. 5.70 crores in the corresponding quarter of last year. The net profit of the company has shown a very robust growth at 107% on year-on-year basis. Basic EPS stood at Rs. 4.16 and book value at Rs. 32.84 for the half year ended September 2010. These are the broad financial numbers. With that I would now like to throw this all open for question and answer session. Thank you.

Moderator:

Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of RK Gupta from PMS, Delhi. Please go ahead.

RK Gupta:

Mr. Agarwal, in capital as well in the debt as per your balance sheet, any expansion plan in the capacity? When you elaborate the expansion plan for capital to be increased in next one year?

Gopal Agarwal:

There are certain growth plans which we have finalized, but the funding pattern is to be finalized, it is under finalization, it may be equity, it may be debt, but what would be, it will be in the best interest of the company and the shareholders. So whenever we finalize it, we will let you know.

RK Gupta:

What is your dividend policy?

Gopal Agarwal:

Company has added substantial block during last so many years. We always put the company on high growth path. Now after reaching to this level, we decided to share some of the profits to return back to the shareholders in the form of dividend. So now we expect that barring some unfortunate circumstances that it would continue in future also.

RK Gupta:

Mr. Agarwal, normally companies have got some dividend policy, that a percentage of profit is being used for the payment of the dividend, any such policy on record?



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- Gopal Agarwal:** Such policy is not on record, but broadly we expect, we would be paying about 10%-15% of profit to shareholders.
- RK Gupta:** Okay. My third question is that your company appears to be in waste management, but as per the record your company is being treated as a textile industry; do you like to make any comments on that?
- Gopal Agarwal:** Basically, we are a pet waste recycler and any product made out of waste is always commodity, maybe it's power, maybe it's fiber or maybe some other thing. So for finished goods you may say it is Textile Company, but truly it is waste management company, because we are handling about 50,000 ton wastes annually.
- RK Gupta:** Okay. In case you are being treated as textile as per the record and the PE multiples your company will be getting only for the textile sector not for the waste management, are you taking any steps on that direction?
- Gopal Agarwal:** Yeah we are taking the steps to change our company from textile to waste management. We have started a process with the stock exchange.
- RK Gupta:** Thank you. Mr. Agarwal.
- Moderator:** Thank you. The next question is from the line of Ashish Chugh from Hidden Gems. Please go ahead.
- Ashish Chugh:** My question is with regard to raw materials, I believe that raw material which is pets waste is something which is very critical the competitiveness of your business, now what steps is the company taking to ensure that, number one, you keep on getting the required quantity of raw materials which caters not only to your current requirements, but also to your expanded capacity. And second is what are the steps you are taking to ensure that you keep on getting the raw material competitive rates or at lower rate?
- Shyam Sharma:** About competitive rates, already 50-60% procurement is through our own collection centers this is our one of basic strength. We have established all over India network of collection vendors, who are exclusively procuring for company. So our 50-60% requirement is met through these systems and so our risk factor is reduced for any contingency. On the other side, the consumption of pet is also increased. And thirdly, we are also in the process of the import of the material and process for getting import license is on. The government has already allowed some of the import to few of the parties and import will be helping us to get the waste where it's major availability.
- Gopal Agarwal:** Ashish, I would like to further elaborate that number one; we are expanding the collection center for collecting the material. Another aspect is major component of raw material cost consists of wage and transportation cost, which are on increasing trends. So in India there is a collection cost involved, but in western and other developed countries, incentives are provided



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by the government for collection of wastes. And nothing is final, but we are exploring the possibility to put up the pet waste collection units in any of these countries where we will collect the bottles and import it to India after making it transport worthy. Further company is also exploring the possibility to enter into solid waste management where collection cost is partly reimbursed by municipal authorities and it also augers well for our plans to enter into recycling of other plastic wastes apart from pet waste recycling. Further we are going for more value added products out of pet waste, which will increase the margins and that offset the increase in raw material cost.

- Ashish Chugh:** Okay. And Mr. Agarwal, we have never talked about Carbon Credits in the past. I believe that you are doing something which is good for the environment, is it that your company is not eligible, plastic waste recyclers are not eligible for Carbon Credits or is there something more to it?
- Gopal Agarwal:** Ashish, we are going to file for Carbon Credit, but as we know it is a long drawn process, so it maybe materialize sometimes during the first or second quarter for financial year 11-12.
- Ashish Chugh:** Okay, so you are saying that you expect to get Carbon Credit in 11-12?
- Gopal Agarwal:** Yes.
- Ashish Chugh:** And what would be the quantum of amounts which you hope to get as Carbon Credits.
- Gopal Agarwal:** We are in the process of filing and after filing; we will work out the exact amount what we are eligible for.
- Ashish Chugh:** Okay. That's it from my side. Thank you Mr. Agarwal, thank you Mr. Sharma.
- Moderator:** Thank you. The next question is from the line of Aakash Munghani from Girik Capital. Please go ahead.
- Aakash Munghani:** What is the installed capacity currently for your plant?
- Gopal Agarwal:** Installed capacity 57600 tons per annum.
- Aakash Munghani:** Okay and what is the utilization as if now?
- Gopal Agarwal:** Utilization level is about 70%-75%.
- Aakash Munghani:** And now do you have any CapEx plan going forward?
- Gopal Agarwal:** Yeah we are having the CapEx plan for forward integration.
- Aakash Munghani:** Okay and that would be how much of amount?



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- Gopal Agarwal:** The CapEx plan is about 125 crores.
- Aakash Munghani:** Okay. And what is this forward integration exactly, what are you doing?
- Gopal Agarwal:** The forward integration is into spinning of yarn and for recycled POY capacities.
- Aakash Munghani:** Okay. And where will this capacity be coming up?
- Gopal Agarwal:** These capacities are coming up nearby to our existing location at Bilaspur, near Rudrapur.
- Aakash Munghani:** And when will it be coming up?
- Gopal Agarwal:** It will come around by the end of next financial year in the third quarter of next financial year.
- Aakash Munghani:** So then you will be getting into spinning as well?
- Gopal Agarwal:** Yeah spinning as well.
- Aakash Munghani:** Okay. And who are currently into waste management apart from your company?
- Gopal Agarwal:** There are other companies also in this area but their size is not comparable to us.
- Aakash Munghani:** What will be the market size for waste management in the country?
- Gopal Agarwal:** Basically, from demand side there is a very large market and from supply side about 2 lakhs tonne capacity has been installed in the country for recycling pet bottles.
- Aakash Munghani:** Okay. And what is the growth of the sector as of now?
- Gopal Agarwal:** The growth depends on the persons, how they procure and collect the waste.
- Aakash Munghani:** Okay.
- Shyam Sharma:** Basically our strength is our quality and our variety which we are manufacturing and Ganesh Polytex is having the premium in the market rates then others, this is the basic factor which will be putting us on growth.
- Gopal Agarwal:** As far as our company's growth is concerned, we are growing at about 30% annually.
- Aakash Munghani:** Okay fine, thanks.
- Moderator:** Thank you. The next question is from the line of Pramod Bhatt from Bonanza Portfolio. Please go ahead.



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Pramod Bhatt: I have two questions, one is you mentioned that your integration plan is for 125 crores, this is the same 45 lakhs soft pillow project which you were talking about earlier?

Gopal Agarwal: No, that is not included in that.

Pramod Bhatt: Okay. How much would that be or is that on hold right now?

Gopal Agarwal: That is on hold.

Pramod Bhatt: Okay. And as far as your other things are concerned what you take in terms of your texturised twisted yarn goes into making of the twisted gray yarn and what you take in terms of polyester waste becomes RPSF, is that correct?

Gopal Agarwal: Yes. Actually texturized yarn contribute about 18% revenue to the turnover of the company, rest 82% comes from the recycled PSF.

Pramod Bhatt: PSF okay. And on the RPSF, you don't have any expansion plan as of now?

Gopal Agarwal: Yeah we are having the expansion plan, not for RPSF, but we are having for recycled POY. Yeah that is also from PET bottles.

Pramod Bhatt: Okay, so this 125 crores for that the basic material, what you will be taking in will be the recycled bottle itself?

Pramod Bhatt: Yeah recycled bottle.

Pramod Bhatt: Okay. And I didn't catch your response to the funding of these 125 crores, if you could please elaborate on that.

Gopal Agarwal: Yeah funding pattern is to be decided.

Pramod Bhatt: Okay. But do you have ideal debt equity in mind?

Gopal Agarwal: Yeah we are discussing it at our board level.

Pramod Bhatt: But at least if you have, would it be more or less around your current lines of funding?

Gopal Agarwal: Yeah it would be more under current line of funding; it will mix up debt equity and internal accrual.

Pramod Bhatt: Okay. Sir, what I am saying is whatever was your debt equity as on 31st March; would you be more or less in line with the same proportion of debt equity for your new project also?

Gopal Agarwal: Yeah we will try to continue that.



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- Pramod Bhatt:** You have something standing as warrant, what will be the price of conversion for that?
- Gopal Agarwal:** For warrants the conversion price is 40.
- Pramod Bhatt:** The current warrants which are lying will be around Rs. 40, is it?
- Gopal Agarwal:** Rs. 40.
- Pramod Bhatt:** Okay. And what do you expect to be the turnover let's say for FY13 once all your units are operational?
- Gopal Agarwal:** We are maintaining 30% of growth since last 4-5 years and as the additional capacity has been fully operationalized. We are confident to achieve that kind of growth in the current financial year also.
- Pramod Bhatt:** Okay. What kind of capacity will you tie on the POY side?
- Gopal Agarwal:** We are looking 15,000 ton capacity.
- Pramod Bhatt:** 15000 tons, okay. Thank you and congratulations.
- Moderator:** Thank you. The next question is from the line of Mohit Kundra from Axis Mutual Fund. Please go ahead.
- Mohit Kundra:** My question is for Mr. Agarwal. Sir, though my question is already answered up to some extent what expansion plans do we have going forward, but I just wanted to get your view on regarding what expansion plans do you have from the point of little longer term maybe one year or two year down the line?
- Gopal Agarwal:** Immediate expansion plans are for forward integration into spinning of yarn and recycled POY, and then we are exploring the possibilities to enter into the recycling of other plastic waste apart from PET bottles and solid waste management also. And then we are looking for producing more value added products out of PET bottles. So these are all future plans which we are exploring apart from the spinning activity and recycle POY activity.
- Mohit Kundra:** Right, sir. Thank you so much and congratulations.
- Moderator:** Thank you. The next question is from the line of Naga Deepika of Capital Markets. Please go ahead.
- Naga Deepika:** Hello Mr. Agarwal. I am just new to the company. Can you please tell me how our end products are different from the Virgin PSF, in the marketing trend, how are our products used when compared to the Virgin PSF, who are our target customers?



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- Gopal Agarwal:** Our products are getting used in stuffing of pillows, quilts, mattresses, toys, furniture. It is also used in non-woven technical textile like sports textile, medical textile, geotextiles, and diapers. It is also used in spinning of yarn. So these are wide range of applications of our products.
- Naga Deepika:** Okay. And your margins have been consistently improving and you also said in your presentation that these margins are not impacted by the crude oil prices, but how sustainable are these margins if your freight cost and the collection of raw material costs are escalating? Going forward where do you target the margin at?
- Gopal Agarwal:** We are going for forward integration and also for more value added product, so the realizations which come from these products will take care of increased cost of raw material, collection cost of raw material. We are looking for the margin expansion to about 18% from currently 13.5%.
- Naga Deepika:** When are you trying to target this 18% by what year?
- Gopal Agarwal:** The expansion plan will be operationalized in the quarter third of next financial year.
- Naga Deepika:** Okay. But I see the realizations of your PSF and yarn both are on declining trend and particularly in yarn are on declining trend, and your expansion plans are more on POY, so how do you match in with the declining realization, how are you trying...?
- Gopal Agarwal:** No, in fact prices are on upward trend, these are not declining. The yarn prices are Rs.130/kg in March, now it has moved up to Rs. 144. And regarding the recycled PSF the fiber has moved to Rs. 64 from Rs. 60 in March, so the price trend is in upside.
- Naga Deepika:** Okay, how much will be the differential between the Virgin PSF and the recycled PSF prices per kg, what will be the normal average difference?
- Gopal Agarwal:** The average difference is of 13%-15% in Virgin PSF and recycled PSF.
- Naga Deepika:** And how about in the yarn?
- Gopal Agarwal:** In yarn, what we are planning is to make the texturized yarn out of PET bottles, which would be sold in the same prices in which the Virgin texturised yarn is sold. We will not be selling the POY as such. So there is not much difference in the final prices of virgin and recycled.
- Naga Deepika:** The DTY what you produce will be more in line with the normal DTY what is produced through the Virgin....
- Gopal Agarwal:** Yeah there will some difference in virgin and recycled POY but when we sell it after texturizing, so the difference gets minimized.



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- Naga Deepika:** Okay. And I didn't get your answer when the first question asked like turning it to be more of waste management than Textile Company, can you please elaborate it?
- Gopal Agarwal:** Basically, the collection and conversion of waste into any product is very cumbersome. It is equivalent to producing and selling waste of 200 crore vis-a- vis steel of 1000 crores. Another aspect is the social and environmental aspect in waste management which is not there in case the material is made from Virgin raw material. So it is like a more waste management company than Textile Company.
- Naga Deepika:** Okay. And do we have to follow any process to change our current textile grade thing to a waste management company?
- Gopal Agarwal:** Yeah we are going to start with stock exchange, we have prepared the presentation and we are going to move to the stock exchange for changing the category.
- Naga Deepika:** When can we change our textile label to a waste management label?
- Gopal Agarwal:** Because more than 80% of our business is from recycling activity and going further when expansion project will start, the ratio will be more than 90% of recycling. So it's the major revenue generator and major business is from recycling, so it is recycling company, waste management company.
- Naga Deepika:** Okay fine, thanks a lot Mr. Agarwal.
- Moderator:** Thank you. The next question is from the line of Shailesh Kumar from KR Chowksi. Please go ahead.
- Shailesh Kumar:** My first question is, I want to understand the revenue bifurcation for this quarter.
- Gopal Agarwal:** Our revenue bifurcation in terms of yarn and fiber?
- Shailesh Kumar:** Yes.
- Gopal Agarwal:** Okay. For this quarter about Rs. 10 crores we have earned from yarn and remaining 45 crores is from fiber.
- Shailesh Kumar:** Okay. And what was the margin in both the segments?
- Gopal Agarwal:** The margins are about 14% margins are from fiber activity; about 8% margins are from yarn activity.
- Shailesh Kumar:** Okay. Sir, what are your current numbers of waste collection centers and how many people do you employee?



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- Gopal Agarwal:** We are having about 27 waste collection centers as of now and 60 people are employed there, but they are only managing the centers, the rag-pickers are not on our direct employment, but they collect and supply the material. So in that way we have given jobs to thousands of rag-pickers.
- Shailesh Kumar:** So how many people are on your rolls, I mean those who are managing the centers, how many of them are in numbers?
- Gopal Agarwal:** They are about 60, and our collection centers work on franchisee model, they are not on our roll, the centers are being run on franchisee model.
- Shailesh Kumar:** And how do you plan to increase this number of collection centers?
- Gopal Agarwal:** We are adding more numbers month-to-month and we are trying to add another 15-20 centers by next year end.
- Shailesh Kumar:** 15-20 centers over next 12 months' period?
- Gopal Agarwal:** Yes.
- Shailesh Kumar:** Sir, you also said that you are planning to import these PET bottles from overseas markets, so which are these markets which you are planning to target?
- Gopal Agarwal:** It is from Europe and from Middle East.
- Shailesh Kumar:** Do you think government will allow you, given the sense that you are saying that you are into waste management and India itself generates enough waste to be managed, so in that case why will government allow you to import more wastes?
- Shyam Sharma:** We are sourcing 100% waste from India and whatever balance requirement is there that we can import. There may likely be some export conditions for finished goods against import of waste like that we will export at least 50%-100% of the import, Further, another factor is there that recycling of more waste will save the consumption of crude oil to be imported for production of fresh material.
- Shailesh Kumar:** So these are on condition of export, if you are importing say X quantity of waste, you would be exporting something around 1.58 or something like this kind of arrangement is there?
- Gopal Agarwal:** No, actually there are some export compulsions, but it is not 100% of waste imported. The part of it we have to export.
- Shailesh Kumar:** And what is the progress in your conversation with various state governments for various incentives which we were seeking, because you are saying that you are a waste management



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company and this practice would be encouraged, so you are seeking some kind of incentive, so what is progress on that front?

Gopal Agarwal: Actually we are trying and there is a VAT exemption in Delhi and Haryana, but it will depend on the GST regime that will come, so the states are not interested to change their structure until the GST is operational.

Shailesh Kumar: Okay fine, now let's come to some number related questions, I mean previously when we came out with projections and all these things and when we take your last year's revenue into account, you have almost crossed that double mark, what you have done in first two quarters. This time you have done around 102 crores. So do you think you are comfortably going to meet this 250-260 crores kind of thing for this fiscal year?

Gopal Agarwal: Positively.

Shailesh Kumar: And on bottom line front, you have already crossed what we were expecting during half way, so I mean you're convincingly going to surpass those things, those earning expectations going ahead.

Gopal Agarwal: Yeah we are confident to surpass the number we have achieved in last financial year.

Shailesh Kumar: Fine. This question is for Mr. Sharma. I just want to understand your vision for the company for the next five years, I mean what exactly in your mind and how do you plan to progress with that?

Shyam Sharma: We plan to go into the forward integration that is spinning and non-woven products such as geotextiles, or other activities. So our vision is to use at least 50% of our fibre for captive consumption in value added products that will give more margins and also reduce cost with regard to transportation and marketing. Then there is expansion of PET recycling for making POY or expanding fiber recycling, we are having efficient raw material management system in place and we are looking for to expand pet recycling capacity from 57000 tpa to 1 lakh metric ton per annum. We are also looking for to enter into Solid waste management and other plastic waste recycling like HDPE, PP, PE, PVC, etc. these are parts of the plan. So we want to make a pure green management company.

Shailesh Kumar: And sir, there is one concern, when you are pitted against player like Reliance Industries Ltd. which are known to resort to all kinds of practices to dominate the market, to crush their competition and all this things, you being a small company, how do you think you would be able to tackle this particular thing, this competition?

Shyam Sharma: This I can't reply gentleman, we are working on our footings, we are having wide products range, which no other player is having. We are having different types of products. We are making dyed fiber products; we are making hollow fiber products or so many varieties. And then we are going to use this fiber for captive consumption and we are confident that with our



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product range, research and development strength and plans for margin expansion, we can withstand any competition.

Gopal Agarwal: Other two things, Shailesh, number one is that Reliance is doing this recycling as a corporate social responsibility concern, not having any large capacity there, 40000-42000 capacity they are having. Further collection and processing of waste is a tedious work and there is no control on raw material as such to beat the competition.

Shyam Sharma: In practice, we have to take all of our actions on cutting boundary. We are working in the field since last 16 years and Reliance has come since last 8-10 years. We are catering to a more wide market than it. Certainly those factors are there, and we take the competition in positive way and do the business on the basis of values.

Shailesh Kumar: Okay. Currently around 16% of your production goes towards exports.

Shyam Sharma: Yeah.

Shailesh Kumar: Going forward, do you see this composition change; more in favor of domestic?

Shyam Sharma: The preposition gets changed frequently. Presently domestic market is better than international market. Sometimes back, international market was more attractive. So we have to make the balance and if more margins in local market, we will increase local sale and if margins are more in international market; we will increase our export market.

Shailesh Kumar: So what is the current margin since you have got from domestic market and export market?

Shyam Sharma: It is varying every day. That's local market is better now but before one month export market was better. But we maintain our overall margins.

Gopal Agarwal: We watch and maintain proportion sales.

Shailesh Kumar: Then what gives you the confidence that you would be able to maintain this 35% to 40% kind of growth which you have been registering for last 3-4 years?

Shyam Sharma: Because we are exploring plans for increasing the recycling in full way of other plastic items also, so growth would be there. Then secondly, we are planning to increase the capacity as well as forward integration plans, so when we are going to be there, our margins and turnover both will increase.

Shailesh Kumar: Thank you Gopal ji and thank you Mr. Sharma for clarifying all the issues.

Moderator: Thank you. The next question is from the line of Aishwarya Deepak from Alchemy Capital. Please go ahead.



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- Aishwarya Deepak:** I am listening to you for the very first time, so I want to have a discussion with you in detail, but before that I just need one answer that is how you manage your risk in terms of margin because the price of the finished product is variable and highly related to the crude oil prices whereas your waste collection thing, I guess that the cost remains almost fixed or it is on the increasing trend. So going forward with the increase in inflation, your cost probably will move up and in case the crude oil falls down, in those cases, the margin may get squeezed, so I may be wrong, but if you can guide me that will be good.
- Gopal Agarwal:** There are 2-3 things Deepak, one is there we are making constant efforts to improve the quality parameter of fiber vis-à-vis Virgin PSF. So in that endeavor we are successful and the premium which Virgin PSF is fetching in the market is getting reduced day by day. Another thing is we are going for more value added products. We are having the largest varieties of fiber for largest number of applications, so we are increasing our sphere of value added products more, so that way we are taking care of margins.
- Shyam Sharma:** We are making value added fiber just like different colors, which Reliance is not able to make and others are not able to make easily. Then we are making the TBL, then we are making all types of hollow fibers, so then we are making all the types of woolen fibers, so we are having lots of varieties. And as far as demand and supply, certainly margins will be varying but as we are geared for every item and with constant research and working on the marketing and product development is there. So I don't believe that there will be any obstacle to hold the margins.
- Aishwarya Deepak:** Sir, one more thing, I guess the other players who are into the industry can also copy the same kind of forward integration or the variety of the product, so there will be a kind of competitive scenario where you will also be playing.
- Shyam Sharma:** With our quality of fiber we are getting normally 3%-4% higher price realization than other manufacturer competitors. We are having reputation with regards to our quality and variety and consistency of the supply.
- Gopal Agarwal:** Another factor is the capacity, we are having the capacity of 57000 tonnes while barring the Reliance and other manufacturers are not having the capacity of more than 18000 tons, so that difference will remain there as we are also going to increase the capacity and product portfolio. So we will take care of it.
- Aishwarya Deepak:** Sir, I wonder why nobody has entered into this waste management business where the opportunity is used considering the supply of the waste materials in India and very few players and even I have seen in your presentation that you people have started performing in last 2 years but before that it was almost flat kind of scenario. So I am wondering that what has changed significantly that you people become aggressive and...?



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- Gopal Agarwal:** Since the last 5-6 years we are increasing our capacity and now we have made the capacity of 57000 ton in 2011. Another factor is...
- Shyam Sharma:** The availability of waste was not there earlier, there was less production and consumption of pet bottles. Now everybody is using the water and other beverages in pet bottles.
- Gopal Agarwal:** Pet bottle consumption is going up by leaps and bounds.
- Shyam Sharma:** Earlier there was nobody, only the rich persons were using the bottled water. Cold drinks were given in the glass bottles or whisky and all the beers were coming in the glass bottle. Lifestyle is changing now. Packaging of all sorts of beverages in pet bottles is increasing because of food grade quality and convenience so increased consumption is driving the local demand and so the quantity of waste is also increasing in the country.
- Aishwarya Deepak:** So if I have understood, the trend of the consumption of the PET has improved significantly over last two years, which was not there earlier?
- Shyam Sharma:** That's correct.
- Aishwarya Deepak:** Fine sir, thank you very much for answering the questions and I guess you will be available on the numbers which are there on the website?
- Gopal Agarwal:** Yeah sure.
- Aishwarya Deepak:** Okay. Thank you sir
- Moderator:** Thank you. Sir, at this moment we don't have any further questions, would you like to add any final remarks?
- Shyam Sharma:** Thank you to all the participants and we request the participants to call us if they have any other questions even after end of this con-call. Thank you.
- Moderator:** Thank you very much sir. Thank you gentlemen of the management. On behalf of Unicon Financial Intermediaries Pvt. Ltd. that concludes this conference call. Thank you for joining us. You may now disconnect your lines.