



“Alok Industries Limited Q3 FY’12 Results Conference Call”

February 15, 2012



**MODERATORS: MR. MAHANTESH SABARAD
MR. DILIP JIWRAJKA
MR. SUNIL KHANDELWAL**



Alok Industries Limited
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- Moderator:** Ladies and gentlemen good day and welcome to the Alok Industries Q3 FY'12 earning conference call hosted by Fortune Equity Brokers. As a remainder for the duration of this conference all participant lines 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. Should you need assistance during the conference please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note this conference is being recorded. At this time I would now like to hand conference over to Mr. Mahantesh Sabarad from Fortune Equity. Thank you and over to you sir.
- Mahantesh Sabarad:** Good afternoon everyone, welcome all to the December quarter post results conference call of Alok Industries. We have with us the management of Alok Industries represented by their MD Mr. Dilip Jiwrajka and CFO Mr. Sunil Khandelwal. May I now hand over the call proceedings to Mr. Jiwrajka to begin the call with brief summary of the result, over to you sir.
- Dilip Jiwrajka:** Thank you and good afternoon everybody. The quarter that we talk about our net sales was up by 48.3%. It was 2386 compared to last year 1608. Our exports also grew quite robustly. There was 30% growth in exports and our exports went up to 769 for the quarter and for the nine months it was 2112 Crores. So hopefully we should 3000 plus Crores this year. Operating PBT was 185.51 Crores. Operating PAT was 147.66 and after exceptional items the PAT was a negative of 36.58 Crores. The number for the nine months December 31, 2011 our sales increased by 48.06 and exports were up there are also by 29%. Operating EBITDA was 1779. Operating PBT was 521 and operating PAT was 435 Crores, but exceptional items when we remove it was 95.72. With that I would like to hand over the conference to any questions that may be there.
- Moderator:** Thank you very much sir. Our first question is from the line of Harsh Chauhan from Nayan M Vala Securities. Please go ahead.
- Harsh Chauhan:** Good afternoon sir. I see your interest cost is almost double on year on bases, so what would be the rate of interest on the loan?
- Sunil Khandelwal:** The interest cost has gone up mainly because of the interest rates have gone up in this year almost by 3.5%. So average cost used to be 7% and now it is gone up to 10.5%. So one is that and with the operations getting new capacities we added in the operation. So less interest is getting capitalized. So it is because of that also.
- Harsh Chauhan:** Thank you sir.

- Moderator:** Thank you very much. Our next question is from the line of Chetan Vadia from JHP Securities. Please go ahead.
- Chetan Vadia:** Sir you had 1100 Crores debt on the books. So how much of that is foreign currency denominated?
- Sunil Khandelwal:** Most of that would be about 2000 Crores.
- Chetan Vadia:** Have you hedged your position with respect to foreign currency?
- Sunil Khandelwal:** This is not hedged.
- Chetan Vadia:** Do you have any kind of hedged position with respect to foreign currency?
- Sunil Khandelwal:** We have hedged. We have some options. We have some swaps. That is on our sales side. We have done some options we have done some coupon of the rupee loans.
- Chetan Vadia:** What way you have done that can you share that?
- Sunil Khandelwal:** At around of 48-50-59 levels.
- Chetan Vadia:** That is it from my side.
- Moderator:** Thank you very much. Our next question is from the line of Paurav Lakhani from Prime Securities. Please go ahead.
- Paurav Lakhani:** Good afternoon sir. Congratulations on a good set of numbers. Sir first of all the extraordinary item of around 184 Crores is this all pertaining to the loans or there are some P&L items as well?
- Sunil Khandelwal:** These are on the account of three or four things, majorly it is on account of forward swaps and options that we have done and rest is on account of creditors insecured loan reinstated loans so it is on account of that. Now just for your information the 340 Crores of exceptional items as on nine months as of January 31 it is now come down to 130 Crores.
- Paurav Lakhani:** Because of a favorable currency impact?
- Sunil Khandelwal:** Rupees is appreciated to 49 levels that is already come down to 130 Crores.
- Paurav Lakhani:** That is really good sir.

- Sunil Khandelwal:** Just in non-cash item and even if rupee depreciates overall if you look at our exports are raising now it should benefit the company.
- Paurav Lakhani:** This 184 Crores can you give me the breakup into loans and into creditors, debtors and creditors?
- Sunil Khandelwal:** Let us continue the call. I am calling that information and we will give you the breakup. On account of borrowing is 48 Crores reinstatement of borrowings then there is a positive gain of 20 Crores on debtor's reinstatement and creditors negative by 13 Crores and balance is because of the foreign currency is derivative forward that is about 297 Crores on account of that out of the 340 we give you the breakup of 340. So as of that the 340 is already come down to January 31 it was 130 Crores and these are actually five year transaction. So even in terms of cash out go even assuming that rupee remains at 54 levels. These outgoing over a period of five years and as I said it will be much benefited out of export earnings. We do not any much impact of this.
- Paurav Lakhani:** Sir my other question is sir on the CapEx. I believe we have done already around at 1350 Crores of CapEx?
- Sunil Khandelwal:** Out of that about 150-200 Crores is increase because of the foreign currency movement.
- Paurav Lakhani:** Okay, but this would be our cash out flow right?
- Sunil Khandelwal:** Our cash is about you can reduce that, because M-to-M increase is about 150-200 Crores roughly.
- Paurav Lakhani:** The CapEx would be around our cash would be around only 1200 Crores.
- Sunil Khandelwal:** 1100 or 1200 Crores what ever it may be.
- Paurav Lakhani:** So what is the guidance for the next quarter at least and next year if possible?
- Sunil Khandelwal:** Next year we are targeting anywhere about 500 to 600 Crores kind of a project which is like normal product with the gross loss of 1100 Crores plus this will be there depreciation charges will itself be about 800 Crores. So with the respective there is a CapEx of about 500-600 Crores for the next financial year because the current financial year remaining should be 250-300 Crores.
- Paurav Lakhani:** Now something on the property front you would like to enlighten us?

- Sunil Khandelwal:** We have already laid the contract and DA has been done. One of the (inaudible) 10.50 so it is a matter of time before we could send them. What we feel that before March we should be able to do some substantial portion, some portion and anyway in the first half of FY'13 we should be able to come out of major portion of our ALT.
- Paurav Lakhani:** So the major cash flow is expected in the first half of FY'13 only nothing in FY'12?
- Sunil Khandelwal:** In fact here also we are expecting good transaction to close at least 3-4 close of PBT can be close and sure we are confident of closing another 2 Crores so definitely something will happen before March 12, and as I said total should be definitely in FY'13 and major should be first half of 2013. We are in the negotiations with several of our customers at this point in time we are ready to finalize well against that and I mean next 2, 3 weeks it is going to be quite comfortable.
- Paurav Lakhani:** All right great sir that all on from my side and all the best for the future.
- Moderator:** Thank you very much. Our next question is from the line of Mohammed Riyaz from Money Ore. Please go ahead.
- Mohammed Riyaz:** Good afternoon sir. Congratulations on good set of numbers. Sir my first question would be that operating margin despite increase in the position for polyester we have increased we're standing at 27%. So how much of currency improvement in our favor has helped that and given that this quarter will see depreciation in dollar so what impact will it have it on the operating margins as a whole?
- Sunil Khandelwal:** On the exchange fluctuation side we believe that on the EBITDA level definitely some 1% or 2% could be, we have not exactly worked out, but this is a ballpark number, and on the sales side I think 5% improvement is there, because of the exchange rate.
- Mohammed Riyaz:** So basically we can see a reversal of this we can the operating margin getting shaped up by 1.5 % also so next quarter because of the rupee dollar going back to 48,49 level right?
- Sunil Khandelwal:** That is subject to how much we are able to pass it out to the buyer so this may not happen in the same way that you are disturbing and much depend on if you are able to pass on much of it to buyer I do not think that even serious.
- Mohammed Riyaz:** So basically it depends on our bargaining power and how much you can extract from the customer in that side?
- Sunil Khandelwal:** Absolutely right.

- Mohammed Riyaz:** Sir our quarter-on-quarter export growth has been 4% and we have seen that the growth home textile and garments, which are the major export items, have not grown as much as of the items. So are we seeing any kind of head wins in terms of export market?
- Sunil Khandelwal:** No the thing is as for as our home is concerned we were actually our new line has started now so that benefit will come in majorly in FY'13. So as of now I think we are working at a good level of the existing capacity that we were having it so home textile exports are increasing and that it is how we are ready with one more line now so you will see definitely good growth going forward specially in FY'13.
- Mohammed Riyaz:** It was basically because of capacity constrains in home textiles right?
- Sunil Khandelwal:** Obviously it is that reason only which is not over but unless the capacity starts we cannot really book an order. So actually it was cash due it is not the capacities in place so orders booking in started but majorly it will come from April onwards.
- Mohammed Riyaz:** What our government exports?
- Sunil Khandelwal:** Government exports are also doing well. In fact the last quarter would be a good quarter but yes it would not be a substantial growth that we can look at and it is anyway overall (inaudible) 15.55 it is may be about 3% of our overall sales.
- Mohammed Riyaz:** Because garment is the very small portion. So fourth quarter we are definitely because third quarter happens to be a festive season for our export country, so fourth quarter could be definitely a more mellowed down?
- Sunil Khandelwal:** It is other way round. New capacities of polyesters are coming in place and that will continue to drive the top line and again on the on all the fronts home textile approval fabric and garments good shipments are happening in this quarter. So in fact I think which have been grown at a YOY growth of about 48% till now if not 48%, I think Q4 also we can look at good growth.
- Mohammed Riyaz:** So we are not facing any kind of any problem as for the export demand is concerned irrespective of situation in Europe?
- Sunil Khandelwal:** Yes Europe is anyway very small.
- Dilip Jiwrajka:** (Inaudible) 17.01

- Sunil Khandelwal:** Europe in any case it is about 10%, 12% of our overall sales, and there too we are dealing with large importers like Ikea and all so which is a not this is like we are good growth there also.
- Mohammed Riyaz:** What is the other market to be very promising from here onwards?
- Sunil Khandelwal:** (Inaudible) 17.29.
- Sunil Khandelwal:** So the thing is major markets are of course US which is about 35%, Latin America emerges the big market for us which is about 15% now and Asia is about 25%, Asia we include Sri Lanka, Bangladesh, China and even this middle east countries Indonesia, Korea, Vietnam these are major markets which almost 25% now and of course as Mr. Jiwrajka said we are looking at Japan, Australia, Russia as emerging markets Africa is there for 4 to 5% it is a good potential. So I mean we are exporting to more than 75 countries now and growing more.
- Mohammed Riyaz:** Thank you sir. As per recent news articles and evaluations we have done that the other textile bend as we have in Tamil Nadu they are suffering significant a) due to power problems and secondly they had to for garmenting and all they had to send the clerk again to the western belt, which again they got back the cost increase significant, so how is the competitive environment sitting out with the players say in Tamil Nadu?
- Dilip Jiwrajka:** Tamil Nadu means basically (inaudible) 19.20 because the problem is environment they could not continue processing the fabrics they had to send it to the western region as you said, their cost actually did not go up because of that but however, they are doing well now and they should continue to do well also. Of course they have very seriously taken the issue of pollution and they are developing some of the areas for handling pollution and then I am sure within a short time we should bounce back.
- Mohammed Riyaz:** Okay so you should bounce back. Sir I have a gas arrived at our plant?
- Sunil Khandelwal:** We already had gas and we are now changing our fuel base in coal, which will have a very large impact in the bottom-line.
- Mohammed Riyaz:** Okay, what would be the power saving cost be sir on an annualized basis?
- Sunil Khandelwal:** Well we use NG in form of power and steam. Steam itself we use 100 tonnes of steam per hour our current steam cost is Rs.2.34 and the lose steam cost which is when we fire the coal at boilers would be only Rs.0.84 paisa.

- Mohammed Riyaz:** Okay, from Rs.2.35.
- Sunil Khandelwal:** From Rs.2.35 it will go down to 0.85 paisa.
- Mohammed Riyaz:** Okay, 0.85 paisa where are we sourcing this coal from sir?
- Sunil Khandelwal:** Coal increases are being worked out now. The equipment is being installed, and the benefits should start coming to us from June and July.
- Mohammed Riyaz:** Okay, sir in our presentation we have given continuous polymerization capacity separately and POY capacity separately we have not been doing this earlier why have we done this time sir?
- Sunil Khandelwal:** The thing is CP is the melt polymerization is a melt not that melt can be used for producing chips that can be used for producing POY or that can be use for producing FDY and fiber so for the better understanding of the uses of melt that capacities has been given so that it is easier to understand where and what will be the final product mix.
- Mohammed Riyaz:** So, sir that means the POY capacity would only grow up to only 170000?
- Sunil Khandelwal:** Obviously if you look at the textured yarn which is 166000 it is be using POY only as a raw material textured yarn is a serious goods.
- Mohammed Riyaz:** Yes, I understand that but previously we used to assume that the 500000 tonnes per annum the capacity would be completely POY now you say POY would be only 170000 continuous so like polymerization which you highlight so the except will be in the main form where are we going to use it.
- Sunil Khandelwal:** No see you are not getting my point texturizing is 166000 right which will use the POY also 166000 so 170000 is the POY which will be sold like POY balance 166000 of POY would be convert into texturized yarn so 170 plus 166 that the POY are you getting so POY is 336000 out of 5 lakh because 170000 sold as POY balance would be sold a texturized yarn 70000 of which of the melt will be use as FDY directly it is may not be produce as POY. FDY is the serious goods right and so also is the staple fiber is the finished goods and it not be go into POY so that is what is so if you add from 172 the staple fiber that will give 5 lakh.
- Mohammed Riyaz:** Okay, so staple fiber we take from the liquid it goes into staple fiber to get the assets?

- Sunil Khandelwal:** Obviously everything is linked to the melt so CP is 5 lakh and 172 this 70000 is the breakup of 5 lakh if you add either it will come workout to 70000 of 5 lakh.
- Mohammed Riyaz:** Okay, now understand that.
- Moderator:** Excuse me sir sorry to interrupt this is the operator. Mr. Riyaz may I be requested to return to the question queue after this answer.
- Mohammed Riyaz:** Sure okay, thanks a lot sir I will come back if I have any further questions.
- Moderator:** Thank you so much. Our next question is from the line of Arun Agarwal from Gomukhi Indus Capital Advisory. Please go ahead.
- Arun Agarwal:** Good afternoon sir. Sir I just like to know about what is the industry perspective about the fabric and yarn as we see here many companies are showing under capacity and reporting huge problems in marketing of fabric and yarn. So I would like to know what is the industrial perspective in your view coming year?
- Sunil Khandelwal:** You see, what happens textile industry when you are talk about the industry in general in 95% fragmented and small. Now when you talk about in a name industry 95% people actually understand as the entire industry only now this 95% people are very small and these people have suffered because of various reasons primarily a) from the cottons spinner specially in this how they bought the cotton at a high level pick level and when the prices fall suddenly and fell down suddenly they was stuck with the high inventory cost. So that might their operation non viable. (b) They suffered because of these not getting the grid power regularly from the grid and they are only getting for 8 to 10 hours and so for the balance portion they have to run they own digi set. Now the digi set rate cost of power is about 10 to 12 rupees a unit so at those levels obviously those operations are not viable at the spinning specially when you are more than 50% cost is power cause in spin and definitely it is not workable at those levels so that is the genuine problem there. Third especially the small players like garment makers or the fabric makers they are now because of the small capacity were owner to customer based. So in the slowdown in US and Europe what tend to happen is that buyer moves with the bigger suppliers because of they cut down their sourcing and they source from the bigger one. So this smaller one being having one or two clients only, when their client moves out they come in problem. Fourthly they got stuck in the wrong cycle of rupee, rupee suddenly depreciating to 54 levels and they have hedged at say 48 to 49 levels where they got stuck and lastly they got stuck into the high interest cost regime. So this industry definitely the smaller players have been into the problems but

if you look at the larger once the integrated once the problem is not that we have not in our textile operations we have not faced such issues.

Arun Agarwal: Do you feel that the market is there is no problem the market is expanding and the polyester based fabric and for the POY also PV yarns is also keep working the fabric to based on those?

Sunil Khandelwal: So the thing is textile is a very, very basic near of the human being and so definitely in any scenario the demand does not go down drastically of course and in the emerging market like India and Asia specifically the consumption level is so low that it is only going one rate it is only increasing so definitely a demand is always there and player like us are always having a problem of getting a capacity or other productions and not on the selling side. So selling onetime capacity is rest of the problem.

Arun Agarwal: We will also been to protect that EBITDA margin also in continuously so you do not see any margin compression also coming period.

Sunil Khandelwal: Certainly not see the industry will going at a CAGR 10% domestically I have no new machines are coming in the industry demand is going to increase and supply and all would be there in fact we could enter into a sellers market and as you rightly said cotton becoming dearer and extensive demand for polyester cotton blended fabric is likely to go up in the near future so we are quite optimistic in other very bullish on prospects of the cost reduction.

Arun Agarwal: Thank you.

Moderator: Thank you very much. Our next question is from the line of Dhvani Modi from ICICI Direct. Please go ahead.

Dhvani Modi: Good afternoon sir thanks for the opportunity. Sir I have two questions one firstly pertains to the cotton procurement strategy that we would be following considering that the cotton price will it be comes by volatile players in the industries been changing their strategy in terms of the stocking so I just wanted to know one about that and secondly on the polyester side we will seeing strong growth in this quarter well largely it is on the back that our capacities have doubled but the sense which we get from other players in this segment if that whether it is not much off take for polyester based projects will be give the cotton prices have remained low. So you pointed to at a sense on how what our sense is on the polyester side of the business and how do we see the demand panning out there?

- Sunil Khandelwal:** Well there has been a study conducted by Mark & Spencer on what will do happen in 2020 and world population was expected to grow from 6.2 billion to 8 billion people what are going to be the fibers available in the industry to the world at large and how do the clothe for the people. The basic answer has been given in that itself that polyester is going to be the most important fiber because of two reasons one partly would not be available in that much long period so much cotton may not be available but the fields have to be used for producing food grains for 5.2 billion people so that being one point and the second point is polyester is always going be remain cheaper so the demand that is there for polyester will have a good growth for the next ten years at least.
- Dhvani Modi:** Sir related to the earlier question in the cotton procurement strategy?
- Sunil Khandelwal:** Cotton procurement strategy has to be kept very live and very active participation is needed. Now for example many people made a mistake that in the prices into 65000 last year they bought in huge stock and that stuck with it and when the pricing are going up they did not buy the cotton we have a simple policy is based on view on the project we decide a policy every quarter but the long-term strategy builds we should earlier remain covered for cotton and we should have less stock to last you for at least two months and then building on the price increase our price flattening out with we have a long-term bank.
- Dhvani Modi:** Okay, so sir basically I am not wrong in saying that we earlier had a strategy was we would buy for at least six to eight months at the start of the season but the way how the things have panned out over the last one and one and a half years we have moved the inventory and we try to maintain an inventory of 2 to 2.5 months?
- Sunil Khandelwal:** That is perfectly right.
- Dhvani Modi:** Thank you so much.
- Moderator:** Thank you very much. Our next question is from the line of Vinay Agarwal from Crisil. Please go ahead.
- Vinay Agarwal:** Good afternoon sir there are two questions one is regarding the polyester capacity which has doubled from 2 lakh tonnes to 4 lakh tonnes, sir when did the capacity double in which month?
- Sunil Khandelwal:** See it was 3 lakh tonnes getting it now it has reached 1200 tonnes we can say that has achieved in December?
- Vinay Agarwal:** Okay, in the two months back.

- Sunil Khandelwal:** Yes, so the benefit would be seen in this quarter some of the benefits and largely it would be seen in 2013 when we are ultimately looking and going up to now we are working at about 1200 tonnes a day we are looking at going up to 1400 tonnes a day.
- Vinay Agarwal:** Okay, and sir the additional 1 lakh tonnes what is the timeframe that the company is looking for production?
- Sunil Khandelwal:** This will be basically will be ready by April, May but we are looking at the finished product like Texturized yarn or like the polyester fiber. So that will be so will be selling the intermediate maybe as POY but that finished product will be in line with June, July.
- Vinay Agarwal:** Okay, so by tune the line it could be reaching up to that is for 1400 tonnes per day.
- Sunil Khandelwal:** Yes, we will in fact much before that maybe we achieve it we have plan this in place we achieve it in April.
- Vinay Agarwal:** Okay, and most of would be sold the domestic market?
- Sunil Khandelwal:** No, that is the thing we are looking at we are looking at actively both domestic and export market so today also the mix is that and we would be looking at the mix of continuing the strategy of and both the mix.
- Vinay Agarwal:** Okay, but captive consumption would be low and like cotton wears it will almost 100% captive?
- Sunil Khandelwal:** Yes, captive we will at the most fiber we will use it for blending.
- Vinay Agarwal:** Okay, the PSA fiber.
- Sunil Khandelwal:** Yes, PSA fiber and we also intent to do a specialized fiber so that can be use in our technical textile fabrics but that will be as you rightly said at the optimal level maybe very small quantity.
- Vinay Agarwal:** Okay, and sir second question is regarding the UK retail store the last time when we were discussing the company was positive that it would done EBITDA positive in the coming quarters. So sir how is the scenario panning out in UK because given the slower growth in the European region and in the UK itself so this time there is some 6 million negative EBITDA's of pounds?

- Sunil Khandelwal:** Yes, we had expected that this year EBITDA would have turned positive, but because of the poor market condition in Europe and particularly UK the things have not spanned out the way we signified this to be. In fact this year we should be close to 7 million to 8 million pound loss but next year our targets and we seem to be very positive but of course we are going to try everything that is possible to increase our margins, increase our sales and make some profit next year.
- Vinay Agarwal:** Okay, so sir any instance of stores closing down that we can see because from last two three quarters it is 221 stores so all the stores are performing well?
- Sunil Khandelwal:** For example we would have about 11 to 14 stores which are even today loss making and but the lease of that cannot be short closed so we have to run the term of the lease and that should completely be done within this calendar year. Within this calendar year we would run out the 14 stores lease and that would be when will leave this shops and in place of that we might at same number of shops.
- Vinay Agarwal:** Sir one more last question there was split share of the promoter has increased from last quarter, earlier it was 60% now it has increased to 91% so what is the reason for that?
- Sunil Khandelwal:** Mainly reason because of the margin requirement on the sales that has happened now of course we have since then repaid certain loans and we have got that quite a bit too good release of the shares and that is it and no additional borrowing has gone up on the promoters and I think the way the shares are going I think we can look at within that lot many shares.
- Vinay Agarwal:** Okay, that is all from my side.
- Moderator:** Thank you very much. Our next question is from the line of will it the followup question from the line of Chetan Vadia from JHP Securities. Please go ahead.
- Vinay Agarwal:** Sir can you primarily got questioned of this export commodities can you throw provide us the geographical breakup.
- Sunil Khandelwal:** Yes, I just gave in sometime back as I said US is about 35% and Europe is about 12% to 14% Asia is about 25% and Latin America is about 15% and Africa is about 2% to 3% these are the major breakups.
- Vinay Agarwal:** Okay, and sir my second question was on the as you was close in India how many of that is contributed with the current top-line?

- Sunil Khandelwal:** See H&A for the nine-months have done about 60 Crores to 70 Crores kind of a volume so in terms of turnover it is around 1% of order in.
- Vinay Agarwal:** Okay, and in terms of the profitability.
- Sunil Khandelwal:** It is yet to break even if we get is negative by about 4 Crores to 5 Crores and we expect that in 2013 it should break even.
- Vinay Agarwal:** Okay, and sir my last question I think like the margins for the quarter stands at around 23% so what is your sense of the operating in that level margins for the company for in this FY'12?
- Sunil Khandelwal:** FY'12 we let see we should be around 27% to 28% kind of a EBITDA so let us see.
- Vinay Agarwal:** Okay, sir that is it from my side I will come back for more.
- Moderator:** Thank you very much. Our next question is from the line of Mohammed Riyaz from Money Ore. Please go ahead.
- Mohammed Riyaz:** Hello, sir just a small comment on our heading policy for our forex exposure that in terms of exports and imports.
- Sunil Khandelwal:** Yes, what we do is we cover 50% of our exports by covering it every week. Every week we receive orders on Monday that collect to orders that we got for the last quarter last week we cover 50% of it and the balance 50% is carried forward and the day which will we got a better price will that we sell it forever.
- Mohammed Riyaz:** Okay, and for import sir?
- Sunil Khandelwal:** Imports we do not no covered with at this time.
- Mohammed Riyaz:** Okay, thank you sir.
- Moderator:** Thank you very much. Our next question is from the line of Naga Deepika from Capital Market. Please go ahead.
- Naga Deepika:** Hello sir a couple of questions. 48% of the sales improvement how much was from the volume growth and if you can give us what was the impact of depreciation of rupee the price mix?

- Sunil Khandelwal:** Deepika majority of it is order of volume growth and only 5% in the attributed maximum to the depreciating rupee.
- Naga Deepika:** Okay, and sir I wanted to know the pricing trend in the our current fabric particularly will be mostly have our sales from the local domestic front on the fabric front so how is the pricing move when the yarn price are improving I could see there is a pressure on the fabric front how is the industry dealing with this and we have high inventory of our fabric or what how the industry coping up the pressure on the fabric front pricing front?
- Dilip Jiwarjka:** Your question is how are we how the price of fabric coming out or how the demand or what is your question?
- Naga Deepika:** I am sorry your voice is so low but my question is when the yarn price are moving the fabric price are not growing in that way so how is the company taking the pressure and are you see any increase in the fabric prices?
- Sunil Khandelwal:** Fabric price in the last two months has gone up a little and it has kept pace increasing cotton prices every Rs.1000 per candy difference in the cotton price impacts the fabric by about the rupee.
- Naga Deepika:** Okay, this is per meter sir.
- Sunil Khandelwal:** Per meter.
- Naga Deepika:** Okay, and what was the current fabric realization?
- Sunil Khandelwal:** 105 is the average realization for our retail fabric and since why did fabric we convert into bed sheets you do not sale for we get all.
- Naga Deepika:** Okay, but the women fabric sir.
- Sunil Khandelwal:** Women fabric we have two types of women fabrics one is the apparel with fabrics will generally 59 inches where my price is 105 and fabrics which is about 120 inches we generally sell bed sheets and there were no fabric sales.
- Naga Deepika:** Okay, sir and how is the demand on yarn front cotton yarn particularly.
- Sunil Khandelwal:** Well, today with the south mills having less power and no production the prices look to be quite well placed and higher than it was four months back.

- Naga Deepika:** Okay, and are they going to be sustainable with the current cotton prices.
- Sunil Khandelwal:** Yes, the fabric prices have no the current cotton price has been factored by the fabric sales and I see no problem we able to sell it even at this price.
- Naga Deepika:** Okay, sir thanks a lot.
- Moderator:** Thank you very much. Our next question is from the line of Sitaraman Iyer from MSFL. Please go ahead.
- Sitaraman Iyer:** Thank you for the opportunity sir. Could you give your asset guidance on standalone and the consolidated basis for FY'12 and 13?
- Sunil Khandelwal:** See FY'13 we have already said that CapEx would be about either 400 to 600 Crores and for the current year we would be doing another 250 odd Crores more in the last quarter. So totally it would be about 50000 Crores in this quarter financial year.
- Sitaraman Iyer:** Sir why the sudden drop like in the last three, four years you have been averaging approximately 1200 to 1500 Crores why the sudden drop to 500 to 600 Crores?
- Sunil Khandelwal:** See the thing is next two years we have got a feedback from the investor community and other stake holders that as consolidate for sometime now we want to the free cash flow company we want to demonstrate that the company do every free cash flow generated and demonstrate the reduction in that levels. So next two, three years we want to and we would like to retain our free cash flow status and reach that level as soon as possible and then retails that level so with the CapEx has to be within that cycle of free cash flow that is the policy base and that we would like to go ahead and take I mean unless some situation were the fabrics and CapEx then that is what we intent to demand.
- Sitaraman Iyer:** This CapEx is mainly towards this is the standalone CapEx you are talking about sir?
- Sunil Khandelwal:** See consol level there is no CapEx with our reality were exiting in any case so there is no CapEx is likely to be there beside that there is no entity, which will need some CapEx?
- Sitaraman Iyer:** Okay sir, thank you for the answer.
- Moderator:** Thank you very much. That was the last question ladies and gentlemen due to time constrain I would now like to hand the conference over to Mr. Mahantesh Sabarad for closing comments.



Alok Industries Limited
February 15, 2012

Mahantesh Sabarad: Thank you all for attending the conference call. On behalf of Fortune I also thank the management of Alok Industries for patiently taking the questions from the investors. Thank you once again everyone.

Moderator: Thank you very much sir. On behalf of Fortune Equity Brokers that concludes this conference call thank you for joining us and you may now disconnect your lines.