Alok Industries Q3 2013 Earnings Call 14 Feb’14

Operator

Ladies and gentlemen, good day, and welcome to the Q3 FY2013 earnings conference call of Alok Industries Limited hosted by CRISIL Equity Research. As a reminder, all participants' 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. Please note this conference is being recorded. I would now like to hand the conference over to Mr. Vinay Chhawchharia, Manager, Equity Research at CRISIL Research. Thank you, and over to you, sir.

Vinay Chhawchharia, Manager, Equity Research

On behalf of CRISIL Equity Research, I welcome you to the Q3 FY2013 result conference call for Alok Industries. It's a pleasure to have with us the senior management of Alok Industry represented by Mr. Surendra Jiwrajka, Joint Managing Director. During the course of this call, management will discuss the main factors that drove the operational and financial performance of the quarter and provide insights on the overall business scenario. This will be followed by the questions and answer session. I will now like to hand over the call to Mr. Surendra Jiwrajka. Over to you, sir.

Surendra B. Jiwrajka, Joint Managing Director

Thank you. Good afternoon, everybody. Now, I will give you a brief highlights of the quarter ended 2012. Our net sale was 3,520 crores which was 45% over the previous quarter like-to-like December 2011. And on the nine-month, sales went up to 9,268 crore which is about 48% higher than previous year.

Operating EBITDA of INR964 which is a growth of 42% over the like-to-like. And exports, operating EBITDA for nine months is INR2,612 and for the quarter was INR964. Operating profit before tax 365 crores in this quarter Now I leave the forum open to question whatever you guys want to ask and get some clarification on.

Questions And Answers

Operator

Thank you very much, sir. Our first question is from the line of Mr. Sudhir Bheda from Right Time Consultancy. [ph] Please go ahead.

Unidentified Participant

Yeah. Hi, Sunil.

Surendra B. Jiwrajka, Joint Managing Director

Yeah. This is Surendra.

Unidentified Participant

Hi. Congratulations on good set of numbers.

Surendra B. Jiwrajka, Joint Managing Director

Thank you.

Unidentified Participant

There are three questions in all.

Surendra B. Jiwrajka, Joint Managing Director

Yes.

Unidentified Participant

First of all, how debt has gone off disproportion to the sales, receivables have gone up very high.

Surendra B. Jiwrajka, Joint Managing Director

Okay.

Unidentified Participant Surendra B. Jiwrajka, Joint Managing Director

Okay. Yeah, I'll answer that question. Now as far as receivable going up to 125 days, if you look at it the scenario in textile, the money position in the country is very tight. And if you look at the sales of Alok, out of the total sale of 3,520 crore, the sales of domestic market was very high where the money comes really late. The exports for this quarter was about 900 odd crore. The rest of the money went into domestic market. And in domestic market, textile payment of fabric or anything, because we are basically selling a lot of fabric in the domestic market which is for apparel use.

And in apparel use, the payment, they start minimum at 90 days. And that is one scenario. We expect that to improve because we want to change that terms and conditions with our agents and buyers on that scenario. So that is the reason you will find in this quarter that's come up.

Now, your second question was industry scenario. If you take the industry in general, one silver lining. if you see the US market also there is increase in the sales in the retail segment. On quarter-to-quarter basis and month-to-month basis US is having a higher sales. At the same time, if you take India as such compared to other countries, India on the cotton front is much -- more in an advantageous position than any of the other country.

And with American markets, American market sales going up that is a real advantage which we see and the domestic market is growing. And I don't think there should be any issue as far as textile is concerned domestically or internationally. And for Alok, this covers Alok also, because Alok is basically a textile player and that is really the reason. America is doing well, I think Europe will turnaround, I don't know when. But domestic and America and other part of the world are doing okay. So that's the reason textile looks good to me.

Now, the third thing, interest, why it's gone up. The realty has been sold, but the proceeds for the realty are yet to come. Till such time that we have perceived that realties don't come in, the interest rate will not go down. We expect that whole cycle to be completed of the Peninsula Business Park by this year or financial year. So that will -- that time in the next quarter you will see something much better than what you are seeing now.

Unidentified Participant

So, can we expect interest to come down in absolute term in next year, FY '13-'14?

Surendra B. Jiwrajka, Joint Managing Director

Definitely next year we expect the interest to come down and there would be two reasons for that to come down. One reason could be, we getting out of our realty. That will get us our money in, which will get the interest down and with also the Indian government still reducing the interest cut and we are in fact looking at some instruments which could get the interest cost down, because RBI has opened a window for all the exporters.

Unidentified Participant

Thank you, sir.

Operator

Thank you. Our next question is from the line of Prerna Jhunjhunwala from HSBC InvestDirect. Please go ahead.

Prerna Jhunjhunwala, Analyst

Congratulations on a good set of results.

Surendra B. Jiwrajka, Joint Managing Director

Thank you.

Prerna Jhunjhunwala, Analyst

I would like to understand your export sales, which has declined actually in this quarter.

Surendra B. Jiwrajka, Joint Managing Director

Sorry, come again, I didn't get it.

Prerna Jhunjhunwala, Analyst

Actually I was -- I wanted to understand your export sales.

Surendra B. Jiwrajka, Joint Managing Director

Yes.

Prerna Jhunjhunwala, Analyst

It declined by around 9% in this quarter, so what is the likely scenario in the export front?

Surendra B. Jiwrajka, Joint Managing Director

Okay. Now, if you take for the quarter, there is a -- down by 9%, but if you take nine months, the nine months the growth has become 9.4% higher. And usually the last quarter is always a buoyant month where the sales are high. We expect this year to do much better than we did last year, maybe surpassing our estimate also.

Prerna Jhunjhunwala, Analyst

In terms of exports you are talking, sir?

Surendra B. Jiwrajka, Joint Managing Director

That's right.

Prerna Jhunjhunwala, Analyst Surendra B. Jiwrajka, Joint Managing Director

The shortfall of polyester which took place in the last quarter, we expect to overcome that and compensate that in this present quarter. What happens is, usually if you look at it is, October, November, December is usually slow, because of Christmas they don't buy.

Prerna Jhunjhunwala, Analyst

Okay.

Surendra B. Jiwrajka, Joint Managing Director

And that was the scenario which was rampant, but we see this quarter very good. So we think so that also will be seeing a better results on that also.

Prerna Jhunjhunwala, Analyst

You are likely to maintain the export percentage as a percentage to sales even in this year?

Surendra B. Jiwrajka, Joint Managing Director

Definitely much more than what we have done in last year.

Prerna Jhunjhunwala, Analyst

Okay. So my next question would be what were the absolute debt on your books right now?

Surendra B. Jiwrajka, Joint Managing Director

Absolute debt on the -- this is 14,200 is the standalone debt.

Prerna Jhunjhunwala, Analyst

Okay. Sir, my question would be related to the rights issue. I mean, I wanted to understand the rationale behind it and the use for it -- for the money rights issue?

Surendra B. Jiwrajka, Joint Managing Director

See, first thing is to improve the overall gearing of the company.

Prerna Jhunjhunwala, Analyst Surendra B. Jiwrajka, Joint Managing Director

Second thing is, this is -- we are not in an expansion mode, we are not expanding. This is going to creating higher liquidity to the company and improving the operations much better. We are not doing any expansion, we are at a ceiling on the expansion.

Prerna Jhunjhunwala, Analyst

Okay, okay. So thank you and I'll get back if I have any further questions.

Surendra B. Jiwrajka, Joint Managing Director

Thanks a lot.

Riken Gopani, Analyst

Thank you. Our next question is from the line of Mr. Riken Gopani from Infina Finance. Please go ahead.

Riken Gopani, Analyst

Hello.

Surendra B. Jiwrajka, Joint Managing Director

Hi.

Riken Gopani, Analyst

Yeah. Hi, sir. Congrats on a good result. Just want to understand two, three things. First, on the interest cost again, sequentially also there has been an increase in the interest cost. So is there any forex related cost which has impacted it or can you help me understand the reason for it?

Surendra B. Jiwrajka, Joint Managing Director

Sorry.

Riken Gopani, Analyst

As compared to the second quarter --

Surendra B. Jiwrajka, Joint Managing Director Riken Gopani, Analyst

Okay. But is it now entirely into the P&L or it there still some interest that is getting capitalized?

Surendra B. Jiwrajka, Joint Managing Director

99% in P&L.

Riken Gopani, Analyst

Okay. So from this quarter onwards it should. And sir, what is the likelihood of the real estate money coming into this quarter or is it confirmed that this should happen in this quarter?

Surendra B. Jiwrajka, Joint Managing Director

We have a lot of real estate. Out of the one PVP, we expect to conclude everything by March 2013. We are very hopeful it will open.

Riken Gopani, Analyst

So, how much money should you be getting by March '13.

Surendra B. Jiwrajka, Joint Managing Director

See, it is one thing, if I get the whole proceed, I'll get the money for the whole building which is roughly around 1,000 crore, but if I get it. We are keeping our fingers crossed that should happen.

Riken Gopani, Analyst

Okay. I mean, so to try to understand this better, what is it that could restrict the money coming through by March 2013?

Surendra B. Jiwrajka, Joint Managing Director

Usually what happens when you sign a MOU, you have a down payment and all. Then the buyer can delay. If it's March, he may say I want to do in the first week of April, we can't catch him by the word on that. That is the only catch we foresee, otherwise there is no other catch on that.

Riken Gopani, Analyst Surendra B. Jiwrajka, Joint Managing Director

No, no. See, usually you can use that law, okay, I want to -- you had promised me in February or your promised me March, I am going to cancel the deals. But in tactical term when you are into business, you don't look at those kind of a term. That is only good on the paper.

Riken Gopani, Analyst

Okay. But still you would at least expect, 500 would be at least --

Surendra B. Jiwrajka, Joint Managing Director

100%, there is no doubt about it.

Riken Gopani, Analyst

Would that money entirely go into debt repayment?

Surendra B. Jiwrajka, Joint Managing Director

100% it will go off to pay the debt.

Riken Gopani, Analyst

Okay. And is the rights proceeds also going to get for debt repayment or is there any other plan with that money?

Surendra B. Jiwrajka, Joint Managing Director

No, there is no plan. We are not in an expansion mode. We are not interested in any expansion, we just want to get the debt down. That's our main principle right now, we are only looking at that.

Riken Gopani, Analyst

Okay. So broadly, sir, what is the -- in terms of one year view from here, what is our current consolidated debt and how should it look like, say, by end of FY14?

Surendra B. Jiwrajka, Joint Managing Director

See, I will tell you one thing, the consolidated 16,000 crores approximate and if I have to make a projection, the projection cannot be made from me. There is a real catch on that. It cannot happen from me, but it looks better. Sorry hold on. Because we are in a silent period right now because the rights are going on, we cannot give any future projections about this.
Okay. Sir, have you decided on the, when is the rights issue starting?

Surendra B. Jiwrajka, Joint Managing Director

Most probably everything is in place we could launch the right issue somewhere around 27th of February.

Riken Gopani, Analyst

27th February?

Surendra B. Jiwrajka, Joint Managing Director

That's right.

Riken Gopani, Analyst

Okay. And sir, I don't have the breakup of your international business, but has the apparels and home textiles business grown internationally this quarter?

Surendra B. Jiwrajka, Joint Managing Director

100% I think so. If I take the apparel -- if I take the home textile business, and when I talk only of the bed, so we could be the largest in the revenue, only the bed, but not the bath.

Riken Gopani, Analyst

Okay.

Surendra B. Jiwrajka, Joint Managing Director

We could be largest. And if I really take the numbers on that there is an increase of 15% on that already in this quarter, this nine months. The nine months we have increased by 15%.

Riken Gopani, Analyst

Okay, okay. Sir, lastly on the retail operations that we have internationally, especially in UK, what's the plan there? And what is the kind of sentiment that you are seeing there?

Surendra B. Jiwrajka, Joint Managing Director

Well, the only silver lining we saw in all these years holding on to the retail was the last quarter we saw black, first time in our -- after having that retail chain with us, October, November, December was the first time we came into black. And right now also the sales are okay. It was not that bad what it was. We have higher sales than what it was like to like if I take it from the previous years.

Riken Gopani, Analyst

Okay. So basically it's, the highlight would be if that next year should be a deleveraging year for you, you would keep reducing debt as much as possible?

Surendra B. Jiwrajka, Joint Managing Director

That's right. We are clearing all these non-core businesses.

Riken Gopani, Analyst

Okay. And how much real estate, other than what you have sold right now through MOUs is to be done or left that you can do into the next year?

Surendra B. Jiwrajka, Joint Managing Director

We are -- actually more 50% of what we have done already, this would happen in next year for sure.

Riken Gopani, Analyst

Okay. All right. Thanks a lot, sir. I will come back later if I have any.

Surendra B. Jiwrajka, Joint Managing Director

Thanks.

Riken Gopani, Analyst

Thank you. Our next question is from the line of Gaurav Lakhani from Prime Securities. Please go ahead.

Gaurav Lakhani, Analyst

Hi, sir. Good afternoon, sir and congratulations on a good set of numbers.

Surendra B. Jiwrajka, Joint Managing Director

Thank you.

Gaurav Lakhani, Analyst

Sir, can you just give me what was the CapEx Y-to-D?
CapEx?

Gaurav Lakhani, Analyst

Yeah.

Surendra B. Jiwrajka, Joint Managing Director

Sorry.

Gaurav Lakhani, Analyst

Y-to-D CapEx, year-to-date, nine months CapEx, how much did you actually spend?

Surendra B. Jiwrajka, Joint Managing Director

About 1,000 crores.

Gaurav Lakhani, Analyst

Okay. And how much is expected in this Q4?

Surendra B. Jiwrajka, Joint Managing Director

Not more than 100, 200 crores.

Gaurav Lakhani, Analyst

200 crores, right? And sir, which is slightly higher than the guidance given initially and plus I believe there is some addition in

working capital also from what it was at last year levels, right?

Surendra B. Jiwrajka, Joint Managing Director

Because all the projects which were in the pipeline they started production. If you look at the jump in sales, that itself will answer you the question why the working capital has gone up.

Gaurav Lakhani, Analyst

Sir, I am not asking why the working capital has gone up, I understand the working capital has gone up and plus there is a lot of pressure in India business which you very well explained to the first caller. Sir, my question is, so the debt on consolidated level, the debt would have increased by 1,000 crores?

Surendra B. Jiwrajka, Joint Managing Director Gaurav Lakhani, Analyst

Sir, I agree, but, sir, where we started the year from, we started the year by the net debt of around 14,500 to 15,000 crores right, which has now increased to 16,000 crores?

Surendra B. Jiwrajka, Joint Managing Director

In consol debt during the beginning of the year was also at this level only. At the end of the year is also getting the same only. Even though the expansion of 1,000 odd crore has been done, the consol debt remains at the same thing.

Gaurav Lakhani, Analyst

Okay, because as per the version that was explained to us that you had a plan of around 600 crores of CapEx and there would not be any major increase in working capital, so now obviously the CapEx has increased by 600 crores and working capital would have increased by around 300 odd crores from last year level. So there is a 1,000 crore gap that has been created. And so how did you finance that then?

Surendra B. Jiwrajka, Joint Managing Director

From the operating profit, that is the way that has been taken care of.

Gaurav Lakhani, Analyst

Okay. So the entire debt of 1,000 crores, that supposingly just assume that before 31st March everyone has paid you, so your debt will go down to how much, sir?

Surendra B. Jiwrajka, Joint Managing Director

Another, at least, if not more, another 500, 700 crore it will go down.

Gaurav Lakhani, Analyst

Okay, by 500 crores, 500 to 700 crores. Okay. All right. And from next year onwards the 600 crores CapEx is your limit. Sir, is it then set by an external authority or it's an internal thing?

Surendra B. Jiwrajka, Joint Managing Director

We as a company have taken the decision not to do any more CapEx more than 600. This CapEx also is a scientific CapEx to increase strategic production wherever we don't have to put money on brick and mortar and utilities which is going to be all scientific expansion where we can do this. And not necessarily we are going to do 600.

Gaurav Lakhani, Analyst Surendra B. Jiwrajka, Joint Managing Director

That's right.

Gaurav Lakhani, Analyst

Okay, okay. Thank you, sir. Thanks once again for answering all my questions. All the best for the future and all the best for the rights issue in particular, sir.

Surendra B. Jiwrajka, Joint Managing Director

Thanks.

Operator

Thank you. Our next question is from the line of Mr. Amitabh Sonthalia from SKS Capital & Research. Please go ahead.

Amitabh Sonthalia, Analyst

Hello. So you mentioned your debt is about 15,000 crores current debt, right?

Surendra B. Jiwrajka, Joint Managing Director

No, we said the consol debt is 16,000 and standalone is about 14,000.

Amitabh Sonthalia, Analyst

Consol is 16,000 as on December?

Surendra B. Jiwrajka, Joint Managing Director

Yes.

Amitabh Sonthalia, Analyst

Okay. And how much deduction in debt are you expecting after full sale of properties, you have about 1,000 odd crores, right?

Vinay Chhawchharia, Manager, Equity Research

Right now we -- definitely it will be 1,000 odd crore, but right now in March we expect over 500, 700 crores at least to be up.
So, I mean what I am failing to understand is that how is this rights issue is what 500 crores, right?

Surendra B. Jiwrajka, Joint Managing Director

551 crore to be precise.

Amitabh Sonthalia, Analyst

How will that help in deleveraging? I mean it's a miniscule amount compared to your total gigantic debt? And even after all your property sales, you must be having an interest liability of more than 250 crores annually, so incrementally your debt will go on increasing?

Surendra B. Jiwrajka, Joint Managing Director

Okay. I will answer you one question. We expect from non-core business 1,000 to come here this year and then 1,000 to 1,500 coming next year from non-core business.

Amitabh Sonthalia, Analyst

Okay. Apart from property, real estate what is the non-core business that you hope to --

Surendra B. Jiwrajka, Joint Managing Director

We are into two, our retail and realty. So I am talking about retail and realty both put together only.

Amitabh Sonthalia, Analyst

Okay. So realty is relatively easy to sell which is underway and which should be --

Surendra B. Jiwrajka, Joint Managing Director

And we have lot of realty also in Alok.

Amitabh Sonthalia, Analyst

Okay. So further apart from Peninsula and the new buildings that you are selling, some old realty also you are looking to sell?

Surendra B. Jiwrajka, Joint Managing Director

We have Nahur also and we have other also.

Amitabh Sonthalia, Analyst Surendra B. Jiwrajka, Joint Managing Director

We have one in Nahur also and we have land in Silvassa -- huge chunk of land in Silvassa and we have a project going on in Breach Candy also, so all those put together we expect to complete it by 2014.

Amitabh Sonthalia, Analyst

Okay. So this 16,000 will come down at the most to by 2,000 crores?

Surendra B. Jiwrajka, Joint Managing Director

Yeah, from the non-core business.

Amitabh Sonthalia, Analyst

Right. And what about the free cash? Are you generating any cash at all, I mean despite showing these kind of earnings? You mentioned that CapEx cycle is behind you.

Surendra B. Jiwrajka, Joint Managing Director

No, the CapEx cycle will be --

Amitabh Sonthalia, Analyst

Working capital always is mounting up, so there is no real cash available to the company despite the earnings -reported earnings there is no cash with you to pay down debt, right?

Surendra B. Jiwrajka, Joint Managing Director

FY14 we will have free cash flow.

Amitabh Sonthalia, Analyst

Okay. Could you give some color on that? How that will happen?

Surendra B. Jiwrajka, Joint Managing Director

Because CapEx is no more there. We are just getting the CapEx out of the system out. So when CapEx is not there, all the money which is coming for the company shall no more CapEx, so that is going to really add up and that cash is going to be used to reducing the debt significantly.

Amitabh Sonthalia, Analyst Surendra B. Jiwrajka, Joint Managing Director

No.

Amitabh Sonthalia, Analyst

That is likely to be --

Surendra B. Jiwrajka, Joint Managing Director

No.

Amitabh Sonthalia, Analyst

So what is your total receivable as on date, as on December?

Surendra B. Jiwrajka, Joint Managing Director

I think it's about 120 days or something, it's about 4,000 crores approximate.

Amitabh Sonthalia, Analyst

And this would be largely domestic or combination of --

Surendra B. Jiwrajka, Joint Managing Director

Both, both. It's a combo of both.

Amitabh Sonthalia, Analyst

Okay, okay. And so regarding this rights issue, when is it going to happen? What's the timeline on that?

Surendra B. Jiwrajka, Joint Managing Director

We are tentatively thinking about 27th of Feb. If we are able to catch up all the milestones, then we will go ahead on the 27th. Right now we are --

Amitabh Sonthalia, Analyst

Is it underwritten? Is it because it's unlikely that other shareholders may subscribe given the market price?

Surendra B. Jiwrajka, Joint Managing Director Amitabh Sonthalia, Analyst

Are the promoters prepared to put in the entire amount?

Surendra B. Jiwrajka, Joint Managing Director

Entire amount, the promoters are putting the entire amount.

Amitabh Sonthalia, Analyst

So if the other shareholders don't put in, you will be subscribing to the entire --

Surendra B. Jiwrajka, Joint Managing Director

I think so if the other share -- why they will not put in. I don't know why they will not put, but we have some underwritten also. So our underwriting has already taken place to a large extent.

Amitabh Sonthalia, Analyst

No, other shareholders will not put in simply because nobody ever made money on your company, so they are sitting on huge losses, why would they like to put good money off the bag. So like INR10, there is no attractiveness when the market price is INR10 to buy more shares in the rights issue at 10. That's what -- I would have imagined that's how investors, genuine investors would think. But so essentially assuming that the rights issue doesn't go -- what is your current promoter holding and what will it go up to, in case you have --

Surendra B. Jiwrajka, Joint Managing Director

It is 34%.

Amitabh Sonthalia, Analyst

Okay.

Surendra B. Jiwrajka, Joint Managing Director

And it will remain at 32% after the rights issue also.

Amitabh Sonthalia, Analyst

Okay, okay. So that means you don't intend to pick up the unsubscribed portion if there is any?

Surendra B. Jiwrajka, Joint Managing Director Amitabh Sonthalia, Analyst

Okay, okay. So, and the other thing was, just last question I had was, are you defaulted on any interest or principal payments at the present?

Surendra B. Jiwrajka, Joint Managing Director

No, no, never, never, never.

Amitabh Sonthalia, Analyst

Okay. All right. Thank you, sir.

Operator

Thank you. Our next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda, Analyst

Good afternoon, sir. Couple of questions --

Operator

Bhavin, your volume is very low.

Bhavin Chheda, Analyst

Hello, can you hear me?

Surendra B. Jiwrajka, Joint Managing Director

Yeah, Bhavin, I can hear you. Good afternoon.

Bhavin Chheda, Analyst

Yeah, good afternoon. Sir, couple of questions, first on the company and then on the industry. Sir, if I see your division-wise performance for the quarter and the nine months, entire growth seems to be driven by woven fabrics. So, can you give us the update where that growth has come and I understand there is lot of outsourcing in the oven fabric component. So, how much was in-house production and how much was outsourced, if you can give me the number in the 2,200 crore turnover in the quarter?

Surendra B. Jiwrajka, Joint Managing Director

The exact breakup we will send it to you separately, but the woven sales why it is gone up is, now take a case, which is, Alok has started supplying to our defense also. Alok has become a nominated supplier for defense also as we do large volume for defense also. Our capacity is limited and we will share and -- so we have to buy the fabric from outside. We outsource the fabric and because we being in the business, we know exactly where to get the right fabric and get it done. That is the reason this business has gone up. It's gone up in supplying to our, what you call it, armies, navies and everything. At the same time, it's gone up in the domestic trade where we have really gone up on the yarn dyed shirting and bottom weight and really like those things.

So our capacity will be limited and we don't intend to expand, so the best thing is to take it from outside and -- buy it and do this one, that outsourcing, is it. And we are trying to maintain the quality what we do, because of our finishing line and everything we are able to do that. The second one is?

Bhavin Chheda, Analyst

Yeah. Sir, on the industry side, if you can give us the outlook of one on the cotton price and what kind of expectations on the cotton production is there and what kind of policy right now on the export front and how much is the quota? And another I believe cotton yarn has been doing very well and there has been overall cotton yarn export, so if you can give us any sense on what's happening on yarn side also?

Surendra B. Jiwrajka, Joint Managing Director

Detail note I will send you, but I will give you a brief report on that. See, if you take a case this way, cotton per se is very stable. The cotton is hovering around 31,000 to 33,000. Fortunately that is very stable. And as far as the cotton yarn is concerned, the cotton yarn -- the China is not buying cotton any more. China is buying a lot cotton yarn. Because of China buying lot of cotton yarn there is a really robust growth in the cotton yarn. The price of cotton yarn are doing very well.

India has enough stock of cotton and India has good capacity on the cotton spinning also. So I feel cotton business as such looks very good this year also and coming few years also. As of now the outlooks looks that way.

Bhavin Chheda, Analyst

Okay. Thanks a lot.

Operator

Thank you. Our next question is from the line of Mr. Riken Gopani from Infina Finance. Please go ahead.

Riken Gopani, Analyst

Hello. Sir, just a follow-up on the requirements of -- any requirements that would be there in terms of cash flow into any of your investments either on the retail or other side for the next year or you would not require any money?

Surendra B. Jiwrajka, Joint Managing Director

Nothing on this side. We were looking at getting the money back from them.
Okay. That is in case of a stake sale that happens, but in case if that doesn't happen, is there any funding requirement to fund losses or anything?

Surendra B. Jiwrajka, Joint Managing Director

No, no, no. Fortunately, this year the UK retail is breaking even, so the reason that is real silver lining. The last quarter was better, we don't know about this quarter. So if it does that we will be happy. I don't think we will call any funding for that anymore right now.

Riken Gopani, Analyst

Okay. Sir, how much would have been the free cash flow that we would have generated for the nine months?

Surendra B. Jiwrajka, Joint Managing Director

We are not generating any free cash flow, because of the CapEx.

Riken Gopani, Analyst

Okay. And how much, I would have missed out, what was the CapEx this year till now?

Surendra B. Jiwrajka, Joint Managing Director

Uptil now it will be -- this year it will be about 1,200 crores?

Riken Gopani, Analyst

Okay.

Surendra B. Jiwrajka, Joint Managing Director

Uptil now 900 and 1,000, right? Uptil now 1,000 and it will be 1,200 crore maximum.

Riken Gopani, Analyst

Okay. So just on the current numbers, since if the CapEx figure become zero, what would be the free cash flow that you would generate after taking into account the working capital requirements?

Surendra B. Jiwrajka, Joint Managing Director

What is the free cash flow, I have to work it out. Hold on. One second. Cash profit could be 1,200 crores.

Riken Gopani, Analyst Surendra B. Jiwrajka, Joint Managing Director

No, no, no.

Riken Gopani, Analyst

Adjusting for working capital, it would be?

Surendra B. Jiwrajka, Joint Managing Director

1,200 minus.

Riken Gopani, Analyst

How much would be the money that you would have spent on working capital this year?

Surendra B. Jiwrajka, Joint Managing Director

About 2,400 crores?

Riken Gopani, Analyst

Working capital would be -- okay, you are saying incremental change is 2,400 crores?

Surendra B. Jiwrajka, Joint Managing Director

That's right.

Riken Gopani, Analyst

Okay. So what is your, is it more into inventories? How much -- what has been the change in inventory? I mean, this 2,400 increase looks a bit larger. Change in working capital is what you are saying is 2,400?

Surendra B. Jiwrajka, Joint Managing Director

The reason why this has happened is, because now there is a lot of goods in the domestic market. When a sales end up by 45% -- like-to-like, the sale went up by 45% and a lot of goods went to the domestic market. Because we are in the domestic market, the terms of domestic market is very peculiar. And in India it was -- the textile was stressed totally on the payment front. So that's the reason it happened. But we expect it to go down.

Riken Gopani, Analyst

Okay, okay. I will understand this in a bit detail afterwards.
Okay.

Riken Gopani, Analyst

And, sir, on the revenue potential, if it all even if there is no CapEx, what would be your revenue potential with the enhanced capacity that you have right now?

Surendra B. Jiwrajka, Joint Managing Director

We cannot give you a number because the silent period is going on, but definitely there could be a growth.

Riken Gopani, Analyst

There would still be growth into this. Okay, the other way to look at it, how much is your current utilization in terms of your various capacities?

Surendra B. Jiwrajka, Joint Managing Director

See, if you see, there are lot of projects we started this year also. We have a lot of capacity which started this year and some are yet to start which will start in the next month or two some capacities which will start. So definitely there is going to be a growth and the plants could -- if I take a plant today approximate 75, 80% could be the operating what is going on. If I take that whole plant installed, but there are some machines which are not started yet, if we take everything into account, it could be that way. So there is a -- definitely a growth number is there for next year without any CapEx.

Riken Gopani, Analyst

Okay. Right now you would be at 75% utilization including your unutilized or machinery that you might still have to put?

Surendra B. Jiwrajka, Joint Managing Director

That's right, that's right.

Riken Gopani, Analyst

Okay, sir. Thanks

Operator

We will take our next question from the line of Mr. Vinay Chhawchharia from CRISIL Research. Please go ahead.
Hello.

Surendra B. Jiwrajka, Joint Managing Director

Hello.

Vinay Chhawchharia, Manager, Equity Research

Yeah. Sir, just wanted to understand, how much is the capacity under polyester business and what is the output of the polyester business in the domestic scenario?

Surendra B. Jiwrajka, Joint Managing Director

Well, our capacity in polyester is roughly around 0.5 million ton per annum.

Vinay Chhawchharia, Manager, Equity Research

Okay.

Surendra B. Jiwrajka, Joint Managing Director

Right now, because of the glut in the capacity in this country, the operating rate of polyester across the industry has fallen.

Vinay Chhawchharia, Manager, Equity Research

Okay.

Surendra B. Jiwrajka, Joint Managing Director

Because downstream -- upstream like the weaving and knitting and power looms have not grown to the extent of what the capacity in polymerization and POI and all those things have grown. We expect that to improve year-on-year. Next year definitely it could be better than 15%, because our past figures are giving -- in India the growth is weaving, knitting and all those things put together is growing at a rate of 10 to 15%. So to that extend, the polyester industry consumption could go up to that extent. And India has become very competitive globally as far as polyester pricing is concerned. So, we expect from India, the polyester manufacturer of this country could be able to export some more out of the country. If that also happens out operating rate could go up.

Vinay Chhawchharia, Manager, Equity Research

Okay. And, sir, one question regarding the UK retail sales. Sir, your standalone EBITDA margin is in the range of 27% to 28% for nine months, then what could be the range of consolidated EBITDA margin?
Consolidated EBITDA margin. I will work it out and give you. I am not having that paper as of now, so let me work it out and let you get back to you on that?

Vinay Chhawchharia, Manager, Equity Research

Okay, sir. And, sir, one thing regarding rights issue. Sir, current promoter holding is around 35%, right?

Surendra B. Jiwrajka, Joint Managing Director

34.18.

Vinay Chhawchharia, Manager, Equity Research

34.18. So, sir, how will the promoter will be funding for the right issue?

Surendra B. Jiwrajka, Joint Managing Director

We have already made some arrangement on that and we will be funding our rights portion.

Vinay Chhawchharia, Manager, Equity Research

Okay. Okay, sir, that's all from my side.

Surendra B. Jiwrajka, Joint Managing Director

Thank you.

Operator

As there are no further questions, I would now like to hand the conference to Mr. Vinay Chhawchharia for closing comments.

Vinay Chhawchharia, Manager, Equity Research

Thank you all for attending the conference all. On behalf of CRISIL Equity Research, I thank management of Alok Industries for the conference call. Thanks once again and very good afternoon to all.

Operator

Thank you, sir.

Surendra B. Jiwrajka, Joint Managing Director Operator

On behalf of CRISIL Equity Research that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.