Apcotex Industries Limited
Second Quarter FY19 Earnings Conference Call
November 02, 2018

Moderator: Good day ladies and gentlemen and welcome to the Second Quarter FY19 Earnings Conference Call of Apcotex Industries Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. Please also note that this call is being recorded. I now hand the conference over to Mr. Anuj Sonpal – CEO of Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you **Kris**. Good afternoon, everybody and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Apcotex Industries Limited. On behalf of the company and Valorem Advisors, I would like to thank you all for participating in the company's earnings conference call for Q2 FY19 and half year ended FY19.

Before we begin as always, I would like to mention a short cautionary statement. Some of the statements made in today's earnings conference call maybe forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. I would now like to introduce you management of Apcotex Industries Limited participating in today's call. We have with us Mr. Abhiraj Choksey - Managing Director and Mr. Anand Kumashi - Company Secretary. Without much ado, I request Mr. Anand Kumashi to give his opening remarks. Thank you and over to you, sir.

Anand Kumashi: Thank you Anuj. Good afternoon and welcome everyone to this earnings conference call for Q2 FY19 under review. Along with me in today's earnings call, I have our Managing Director Mr. Abhiraj Choksey. I hope you had an opportunity to look at the company's performance for Q2 FY19 as well as the earnings presentation which has been circulated and uploaded on the website and the stock exchanges. Moving on to the financial performance for the quarter, the net turnover increased from 129 crores in Q2 FY18 to 150 crores in Q2 FY19 and operating EBITDA stood at 19.7 crores in Q2 FY19 as compared to 15 crores in Q2 FY18. The operating EBITDA margin stood at 12.3% for Q2 FY19 as against 11.63% in Q2 FY18. The PAT for Q2 FY19 was reported at around 10 crores as against 8.4 crores in Q2 FY18 with a PAT margin of around 6.31% for Q2 FY19. For the half year, the net turnover increased from 261 crores in H1 FY18 to 310 crores in H1 FY19 and operating EBITDA stood at 36.8 crores in H1 FY19 as compared to 23.5 crores in H1 FY18. The operating EBITDA margins stood at 11.88% for H1 FY19 as against 9% in Q2 FY18. The PAT for H1 FY19 was reported at around 21.4 crores as against 13.6 crores in H1 FY18 with a PAT margin of around 6.91% for H1 FY19.

Some of the key operating highlights for the quarter are as under; we reported highest ever quarterly sales of 160 crores in Q2 FY19. There was a growth in EBITDA margin which was due to combination of product mix and productivity increase initiatives. A major export customer whose operations has close-down due to fire in FY2018, which continues to affect our budgeted volumes, particularly the export volumes. The CAPEX spend from Phase-I as at 30th September 2018 was 24 crores and reminder will be spent over to next 9 months. We are also in the process of implementing new ERP system that is SAP S4 Hana we should Go-Live effective from 1st December, 2018.

With this, I would like to open the call for question-answers. Thank you.

Moderator: Thank you very much, sir. Our first question is from Sagar Gandhi of ICICI Securities. Please go ahead.

Sagar Gandhi: My question pertains to the balance sheet H1 FY19 balance sheet has witnessed some deterioration in working capital as receivables and inventory have gone up by approximately 27 crores. Sir, short term debt is also increased by approximately Rs. 13 crores. So, if you can give us some idea as to why this has happened?

Management: If you can just repeat your question, one is regarding working capital, as one is debtors and inventory, what was the second point?

Sagar Gandhi: Second point is short term debt is also gone up by 13 crores?

Management: Currently in the last quarter not currently but the last few months all our petro chemical prices have been climbing steeply. That is the main reason why working capital has gone-up across the board. The price per Kg of all our products is much higher i.e. 25% higher than what it was last year let us say, therefore all these.

Sagar Gandhi: So, that is the only primary reason?

Management: Yes, only primary reason no other reason. As far as sort of debtor days and all that is concerned it is well under control probably better than last year or as good.

Sagar Gandhi: Sir, my second question pertains to the CAPEX, so initially sir we were planning to have a CAPEX of 70 crores. Phase-I 30 crores and rest in Phase-II. So, the number which you have mentioned 24 crores is that one or …

Management: Yes, 24 crores out of 70 crores, so sorry there was, you are right there were 2 phases. Now I just combines them it is called Phase-I now because all the projects have been sort of all the POs have gone lot of the advances have gone out. So, out of the 70 crores first phase, now you are calling that the first phase 24 crores has been spend.

Sagar Gandhi: And this will help capacity of Nitrile Rubber to go from 16,000 to 21,000, is my questioning correct?

Management: Yes out of that is already happened in fact some of that those volumes have already kicked in and most we are planning a small shutdown this quarter. So, that once that shutdown is happens then we need to complete that project and so that will be done in Q3. But you are right, yes that is all part of it and that power plant was a major chunk of the cost which was mainly for reduction of cost and improvement of margins.

Sagar Gandhi: And sir, this will not help in increasing any capacity on the Synthetic Latex side?

Management: Some debottlenecking is also being done. But I would like to comment on it at a later day.

Moderator: Thank you very much. Next question is from Nehal Parekh of Lucky Securities.

Kausal: Kausal here. So, I had 2 questions, one is in terms of our power plant how is that progressing it was scheduled to be operational in Q3 or Q4. So, just wanted an update on that?

Management: Yes, it was scheduled for Q4 actually. All the orders have been placed for the power plant and work of course has started, civil work has started. It will most likely it has been sort of delayed by couple of months. So, it will most likely be Q1 of next year where it will be commissioned. Q1 on next financial year, so sometime around May, April to June quarter.

Moderator: Thank you very much. The next question is from Dhaval Shah of KR Choksey. Please go ahead.

Dhaval Shah: I have 2-3 questions. So, firstly can you please share thoughts on the export revenue? How much does that constitute to the overall revenue for this quarter and first half? And how has been the performance for the export business? Second question is about the gross margins, so assuming, I mean assuming the butadiene price build remain at the same level maybe for this quarter. So, can we see around 33%-34% of gross margin in the coming quarters? And thirdly, if you can share the price and volume growth for the revenue, for this quarter and first half as well?

Management: So, first question is exports, so exports as I was mentioned in the opening remarks we had a little bit of setback by one of our customers that last year picked up a large quantities and was significant part of an exports had a big fire in their facility and they still short as of today. So, that is, of course affected our volumes in exports, except for that of course we have grown in exports everywhere else. So, as a percentage of total sales for the first half I have the numbers would be about may be around 13% to 15% somewhere around that figure, 13% to 14%.

Dhaval Shah: And for this quarter, if you can share Y-o-Y growth for exports side?

Management: We do not give specific numbers on specific geographies. But as I said the growth has actually not been done because of one customer. It has not grown much, the other parts have grown. The other customers business has grown but because of this one customer we have actually been hit in exports.

Dhaval Shah: And this quarter 24% Y-o-Y growth if you can share price in volume growth that will be helpful.

Management: we will not share volume growth we have never done that but obviously …

Dhaval Shah: But majority would be the price growth of what?

Management: Yes, that is correct. So, the challenging quarter in terms of volumes because of the high prices of raw materials that we did have and having said that we were able to pass a long on the price increases and therefore we are able to hold on to the margins. So, we are quite happy that we were able to do that with the challenging quarter.

Dhaval Shah: But still our gross margins are still at around 30%. It was around 33%-34% if we talk about the H2 of the last year. So, even though we have increased the price, I mean still it is not reflected into the gross margins. So, is that still …

Management: See as I have always said to compare one quarter or one half this kind of business is fairly volatile. A large chunk of our expense is raw materials and therefore, to compare quarter-on-quarter half-on-half and then compare margin split hedge on that is perhaps not the right way to judge the performances of the business. However, having said that of course this was a challenging quarter and as I said we had passed along the price increase for the most part may not be fully.

Dhaval Shah: But on yearly basis we can say around 13%-14% EBITDA margin, right?

Management: That is our endeavor slowly and again we do not give any specific guidance's but our long term guidance is to move towards that 14%-15% which we had achieved a couple of years ago before the acquisition. And I think with all the initiatives that we have taken we should be able to do that.

Moderator: Thank you very much. Our next question is from Farokh Pandole from Evista. Please go ahead.

Farokh Pandole: We have seen oil prices with fairly high levels in the last quarter and then over the last we got 10 days come off equally sharply. So, could you either quantitatively or qualitatively sort of address the impact that it had on these results and potentially going forward. So, we understand exactly in terms of the volatility that we are seeing what we can expect. Also secondly if you could explain the variance in other income from the corresponding quarter last year or from the last quarter and sort of why we had that dip from the previous quarter? And lastly if you could again address on CAPEX we have this 70 crores program which is going to be terminated in 2019, at the end of 2019 and when do we expect the start of the second phase?

Management: Just to clarify not end of 2019, 70 crores will be done by Q1 of 2019. Of Q1 FY19-20, so by June, 2019. That was just one and so, let me take it backwards so let me answer your third question first. So, CAPEX 70 crores, that is your first question, the second phase of the CAPEX we are working on right now, we will working on for the last 3-4 months. We are waiting for the next board meeting when we will have the detail once they, the board approves that CAPEX we will come back to you with more specific details but I can tell you that we are looking at a total CAPEX of around 225 crores to 260 crores somewhere around that, 230 crores to 260 crores.

Farokh Pandole: And that would be over what timeframe?

Management: It would be over a 2 year timeframe from the time we start which would be obviously sometime in 2019.

Farokh Pandole: Which fair to assume the middle of 2019 once we have completed the earlier 70 crores?

Management: We may even start a little bit before that. So, we will have to of course, figure out the funding and all that as well. But yes, sometime in 2019. Second question about other income, we do have a treasury that we, for the most part outsourced to other financial advisors and because of from last year, because of the new Ind AS rule we have to mark-to-market sort of the portfolio that we have which is in debt, equities both. And therefore, the loss this quarter is because of the equity portfolio sort of coming off. Again this is not realized loss this is just unrealized losses that we have to mark in our books anyway. I hope that is clear.

Farokh Pandole: What is the overall amount of your equity portfolio?

Management: No, as on September 30th total portfolio is about 70 crores, right out of which about 45 crores or so, just one second. We will get back to you in the exact numbers but from what I recall is out of 70 crores of the total portfolio about 45 crores to 50 crores was the equity. Equity or Equity linked not direct equity it could be equity mutual funds.

Farokh Pandole: So, the decline in the equity value less the gain in the fixed income value is what you mark down?

Management: Gain in fixed income, gain in dividend, yes exactly.

Farokh Pandole: And with regard to the oil pricing and its impact?

Management: So, for us oil of course is a big for us 2 or 3 major petrochemicals that we used had already started moving upwards even before oil started a few months ago. And we saw that is coming of now from October onwards we have seen it sort of sharply decline as well. Therefore, Q2 as I mentioned earlier in another contacts that we do have of course, it was impacted. It is always a challenging quarter when raw material prices are going up and you are trying to get the price increases. In some cases, we did have quarterly commitments those kind of issues are did impact margins to some extent. But for the most part we are able to pass along the cost increases.

Farokh Pandole: Would that also mean that you would have to ourselves pass down the decreases as they accrue and as they have over the last say 10 days or so?

Management: Yes, of course we eventually it is a comparative market place. So, if it is a sharp drop we have to be in line with competition.

Farokh Pandole: And just lastly the glide part that you mentioned, the margin that you mentioned what would be the glide part for that getting back to the original margins of the 13%-14% level that you mentioned?

Management: What you mean by glide, I am sorry I did not understand?

Farokh Pandole: How do we, over what timeframe do you feel that we can achieve that objective of earlier margins that we did?

Management: When we took over the new company we said 3 years and I think we were on target 3 years is early next year. So, I think we could be, we should be able do that by next year. Once all these projects kick in the first 70 crores because lots of them are productivity increases as well as cost reduction initiative. So, all these projects will end by April or May of next year of 2019.

Farokh Pandole: So, I am presuming that in the next quarter once the board approves the CAPEX plan which we have discussed earlier you will then have a clearer understanding of what it will do to capacity is an debottlenecking in for different segments and stuff and you have that information for us.

Moderator: Thank you very much. Our next question is from Sagar Jitwani from Karvy. Please go ahead.

Sagar Jitwani: Sir, my question is how much of our business was impacted because of fire that broke down in one of your customer facility and if you can just quantify percentage wise?

Management: I can tell you for the year because we do not expect this customer to come on stream for the entire year as it currently stands and it will affect our topline maybe 3%-4%. I mean, had the customer been around we would have been higher by 3%-4%.

Moderator: Thank you. The next question is from Kamlesh Kotak of Asian Markets. Please go ahead.

Kamlesh Kotak: Can you sir help us understand how has been the revenue mix across latex, NBR and HSR for the quarter end for the 6 months?

Management: We do not give any breakup.

Kamlesh Kotak: But sir, any indication as to which of the segment has grown faster out of the 3 or is it that the growth has come across all the 3. I understand NBR must have grown faster?

Management: Which one 3 you mentioned again?

Kamlesh Kotak: The latex, NBR and the HSR.

Management: We have already mentioned that the HSR is not a growth segment.

Kamlesh Kotak: Yes, so out of the other 2, so are the both growing in tandem?

Management: Well NBR has grown better because we have some of things we have done we have more production coming out already from the plants. So, in terms of percentage growth of NBR and allied products, NBR, NBC powder has been more than latex. But overall I would say it is still is about 50-50, right? Little over 50% is synthetic rubber business and the rest is latex.

Kamlesh Kotak: And sir, how has been the market across different user segment in the domestic you said export was subdued because of some one-off issue. How the domestic market played out for us the volume growth was there steady across the …

Management: So, as I said it was the challenging quarter because the raw material prices are being able to pass along the increments and also customers also when prices are very high tend to sort of slow down they are buying especially when they know it is that the peak and some of them, so there is some amount of delay of buying. But having said that it is a good question the one thing that I would like to highlight is that the carpet market. The carpet industry that we cater to we supply some specialty latex to the carpet industry that was badly affected in the last few months because that industry, the carpet industry is largely export not for us but for our customers. And finally they are the duty drawback which was reduced by Indian government by almost 10%. So, that has affected some of their volumes and so that has been a little bit of down of us because rest of the segments were okay.

Kamlesh Kotak: And sir, can you touch upon the new product which we have launch for the global market in terms of the rubber for that gloves how that …

Management: Yes, latex for gloves, so that going really well. I mean, we have already started selling reasonably good amounts in the last 3-4 months. A lot of the approvals, the approvals process sometimes takes a little bit of time. So, I think we are supplying to a few customers and we will continue to supply a few more, again the problem there is that we do not have too much capacity in latex left, so that is the part of 200 odd crores project, new project they were talking about is going to be manufacture XNBR latex. But that is going quite well.

Kamlesh Kotak: So, so that would only be happening over the next 2 years' time, right? Once the ramp up happens in terms of growth the new projects till date we do not see that going to be for this scalable kind of an opportunity for us?

Management: Yes, not immediately not extremely scalable. It is not overnight going to have huge growth but certainly we will be selling small quantities from the capacities we have available in Taloja for latex manufacturing.

Kamlesh Kotak: And lastly sir, you mentioned somewhere previously in the call that we are looking at somewhere in terms of the revenue to be roughly in the range of 700 odd crores for the current year. How do you see in terms of current context the growth for the year ahead?

Management: No, we have not given any guidance like that I do not recall mentioning that number of 700 crores. But clearly, I mean the first half we have done 300 crores plus, so we expect to do better in the second half. There is no reason why we should not in fact we are looking forward to some of these oil prices and petrochemical prices coming down because typically the lower prices and little bit stable also helps us. And I think, we are on target to having a good growth this year compared to last year.

Moderator: Thank you very much. Our next question is from Paresh Shah. Please go ahead.

Paresh Shah: I am Paresh Shah here. I just wanted to know that volume is very low in our scrip. I understand it is not in your control but if the volume increases only then the interest increases. So, for that what is your plan shar split?

Management: Sir, we have already done in the last few years. We have done a split we have done a bonus.

Paresh Shah: I know that you have done one split and one bonus. But the split is done of five**,** if you can do a split of two third number of quantity increases and automatically the interest increases. Can it be done?

Management: It could be done, yes. We will take your suggestion after the board. We have to manage a few other things sure but it is definitely a suggestion that we can take up, yes.

Paresh Shah: Then you have a chance for one also in future but 2 you can do now.

Management: 2 in the sense?

Paresh Shah: Means face value of the 2 from the 5

Management: Yes, right good suggestion.

Paresh Shah: So, at least the moment you see capital do not increase is not because of that your nothing is increase is other than the liquidity in the market. So, can it be done?

Management: It is a board decision, so we will take it up with the board.

Paresh Shah: That is what the main concern.

Management: We will try and do our best where as you rightly said there your opening line was is not under our control but we can try and help. Not sure how much it will help but sure that is something that may not hurt, yes.

Moderator: Thank you very much. Our next question is a follow up from Dhavan Shah. Please go ahead.

Dhavan Shah: Sir, just wanted to understand about the NBR industry, so in India the demand is around 55,000 tonnes and around 15,000 tonnes-16,000 tonnes is met by you and the other is imported. So, just wanted to understand, I mean the imported material is denominated in which currency? I mean, is it US dollar on the, I mean majority comes from the Korea, so in which currency it is denominated, and the Rupee depreciation has helped you, I mean because the increase in the butadiene side will impact you your global peers as well. So on the pricing front, I mean the global peers and the Apcotex should be on the same page but Rupee depreciation may give you some incremental demand. So, just wanted to understand that thing. So, around 80% of the NBR is imported. So, that imported component is denominated in which currency?

Management: It is the Dollar based.

Dhavan Shah: So, now Rupee has depreciated and even though the butadiene price has been increased but that will keep you as well as the other global peers on the same page. I mean, cost of finished product will be the same as the global peers are manufacturing? Now Rupee depreciation has helped you in terms of meeting the more domestic demand because the landed cost will increased?

Management: Yes, in our kind of business because of couple of things, one is yes the Rupee is depreciated but you also have to compare against our competitors countries and to see how their currencies have also depreciated against the Dollars. So, it is yes to some extent when the Rupee depreciates buyers do not want to import while it is depreciating because they are worried about what will happen in a month or 2 when the material actually comes in and they may have to buy that 74 and 75. Sure to some extend it does help us but having said that in the NBR business our issue is we are able to sell whatever we produce at the current level. As you rightly said our market share is around 20%-22% we do not have enough material. That is the real challenge. It is really not competition we are our biggest competitors right now. We need to get more volumes going.

Moderator: Thank you. Our next question is from Karan Sharma of Kredent Capital. Please go ahead.

Karan Sharma: So, you had mentioned in the last call that a lot of management bandwidth over the last 2 year has been taken up because of the CAPEX and the other works. So, an Apco Build the product which you have in the water chemicals base has not had much focus. So, any update on whether how the companies looking at that product or that side of the business?

Management: So, we are growing it, in fact it is also growing while it is always been a small percentage of the overall business. Yes, in the last couple of years because of the acquisition and the CAPEX of course, the focus was more on the new acquisition in the CAPEX in our Gujarat facility. But having said that we are very much focusing we have a separate team working on Apco Build. And building it as, it continues to be a smaller part of our overall revenue in terms of revenue terms and profitability terms as well a smaller part but it is growing actually quite well and building a small brand around the western part of India right now.

Karan Sharma: Any idea of the size of market in this segment which you are catering to or some color on that if you can?

Management: The market is very large. It is our construction chemicals I do not have any exact figure but we are not even, we are a very small player in the market currently.

Karan Sharma: Are you in the B2B segment or competing with the likes of Asian Paints and Pidilite in the B2B segment as well?

Management: So, this Apco Build is in the B2C segment but we are focusing on some products that where the Apcotex as a polymer manufacturer has a great advantage as an emulsion polymer manufacturer we have advantage in terms of cost in terms knowledge of the product, quality of the product. So, we are focusing on certain niche segment and certain geographies that we believe we are stronger in.

Moderator: Thank you. The next question is from Sukman Kaul. Please go ahead.

Sukman Kaul: What is the scope of scalability of the revenues from here on without the CAPEX which we have being rolled out?

Management: Well, we have enough capacity right now for the next couple of years. We have taken up a lot of debottlenecking projects as well as part of these first 70 crores. So, I think as far as normal growth that is expected in our latex and even NBR we should be able to cater to easily over the next couple of years.

Sukman Kaul: And any in percentage terms or any you can quantify?

Management: we don't give guidance on what is going to happen in the future.

Moderator: Thank you. The next question is from Kuldeep Razdan. Please go ahead.

Kuldeep Razdan: Sir, I have 2 questions. One is you are saying that the current CAPEX is more focused towards cost reduction and optimizing capacity. The new CAPEX that you are talking about 200 plus crores, is that to for any new products or did focus on the current set of products, mainly or is it going to be focusing mainly on new products that you are identified when newer market for higher margin, etc.?

Management: So, the new CAPEX is going to be partly for the NBR business, the nitrile butadiene business which we are already in right now and part of it is going to be for a nitrile latex that we are planning to introduce for the glove industry. That is a new market. We have already introduced it I would say but in a large scale we would need more capacities, so that would be it will be a combination of the 2.

Kuldeep Razdan: So, it did not focusing on current product with larger capacity rather than any new products.

Management: That is a new product, nitrile latex for gloves is a new product for us. In terms of chemistry it is still an emulsion polymer. So, it is very close to our core competency but it is a new product for us.

Kuldeep Razdan: Sir, one more question, about a week ago I saw the chief of rubber production naming that in other 2-3 years synthetic rubber will be more used rather than natural rubber. Natural rubber will end, the usage will be less after 3 years. Is that anything like this you think and there was since you are in the business of synthetic, would you be interest in that?

Management: Yes, of course we are in the synthetic rubber business. Having said that Natural rubber has its own properties and if you see some of the major applications of synthetic rubber let us say tyres …

Kuldeep Razdan: Yes, he was talking about tyres in that report

Management: Some amount of substitution that is possible but technically it is not fully used still need natural rubber they may be able to move it to a synthetic rubber by a percentage or two but it all depends on pricing of both either. So, if natural rubber is cheaper than synthetic we can move back. So, it is a complex topic because it has many applications tyres of course, being the largest of them. I am certainly not an expert on the topic.

Kuldeep Razdan: So I was just, the moment I read that report I was thinking about your company and thinking that an opportunity value could expand your focus to the market and hopefully make lot of money.

Management: Yes, so that actually can I just say one thing this nitrile latex for gloves that we have introduced is exactly that. Traditionally gloves are made from natural latex which comes from trees from rubber trees but increasingly there is a trend over the last 5-10 years to move towards synthetic latex because natural latex gives certain protein allergies to patients because gloves is mainly used in medical industry. And so, in this industry there is certainly a huge push to move from natural to synthetic which is great for us and that is the opportunity we have identified and therefore investing and to exploit that opportunity. It is little different from the tyre example you gave but similar in terms of concept.

Moderator: Thank you very much. We have a follow up question from Karan Sharma. Please go ahead.

Karan Sharma: Sir, the new product that you talked about the carbonated latex for the gloves could you give an idea on the size of the market that is there in the segment that we are catering to?

Management: It is huge, again whatever capacities and I do not have the numbers yet but whatever capacities we will come up with is not even maybe 2%-3% of the entire markets. So, it is largely exports to South East Asia.

Karan Sharma: And sir, the new CAPEX that you are coming up with which would start next year. By what time it will reach full capacity utilization?

Management: First, it will take us 18 to 24 months to implement it and after that of course it is going to take us some time to go to full capacity utilization. I do not have an answer to that, right now. But it takes us a couple of years to go to full capacity. It is not going to happen overnight.

Karan Sharma: And sir, what kind of asset turnover ratio are we looking on this capacity like would it be like the existing one which we have in our company right now?

Management: No, it will not, we will have to work out. We will come back to you on that once we have an exact number on the CAPEX and what are volumes will be in sort of values. So, I think that answer about asset turnover ratio for the new project will be answered next quarter but having said that even if the asset turnover is low where the benefit really lies is both are brownfield projects. So, there is not much fixed cost that will go along with it, so the contribution margins will be pretty compiling, the EBITDA margin, sorry will be pretty compiling.

Moderator: Thank you very much. Our next question is from Sukhman. Please go ahead.

Sukhman: Is there any scope of EBITDA margin expansion upcoming future or the margins will be lower as because the crude oil is, crude and the Dollar is in upward move?

Management: No, as I said for the most part able to pass it along with some time lag whether it is a price increase or a decrease then we have to also pass along the decrease in cost as well. Having said that it is the initiatives and the CAPEX that we have taken up in the first phase, the first 70 crores which we expect that EBITDA margins will go back up to at least 13%-14% what we had couple of years ago before the acquisition.

Sukhman: But are we able to pass on the whole the raw material increase?

Management: If you look at an average annual basis or if you look at 3 or 4 years basis, yes we are able to do that. As I mentioned many times in the past quarter-on-quarter sometimes depending on the volatility it can get difficult to hold on to the same EBITDA margins every quarter. But if you look at we have had really good quarters where we have had EBITDA margins as high as 16%-17% and then difficult quarters we have had EBITDA margins as lowest 10%-11% as well, so …

Sukhman: Between 10 to 16 it will hover around.

Management: No, I am just telling you the history. I do not know, I am telling what is happening in the past, future is anyone's guess.

Moderator: Thank you very much. As there are no further questions, I now handover the conference back to management for some closing comments.

Management: No more questions, so thank you very much. Thanks for your time and we look forward to see you again next quarter. If there are any clarifications that you need you can always contact our company offline. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen on behalf of Apcotex Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.