FILATEX INDIA LIMITED

CIN No.L17119DN1990PLC000091

FIL/SE/2017-18/41
15th November, 2017

National Stock Exchange of India Limited
Listing Department
5th Floor, Exchange Plaza, C-1, Block-G,
Bandra-Kurla Complex, Bandra (E)
Mumbai-400 051

The Bombay Stock Exchange Limited
Listing Department
25th Floor, Pheroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001

Subject: Transcript of Earnings Call on 8th November, 2017

Dear Sir,

This is in continuation to our letter dated 6th November, 2017 on the Earnings Call on 8th November, 2017. Please find enclosed the transcript in respect of the same.

This is for your information and records please.

Thanking You,

Yours Faithfully,
For FILATEX INDIA LIMITED

Rawat

COMPANY SECRETARY

CORPORATE OFFICE
Bhageria House
43 Community Centre
New Friends Colony
New Delhi - 110025, India
P +91.11.26312503,26848633/44
F +91.11.26849915
E fildelhi@filatex.com

REGD. OFFICE & WORKS
S. No. 274 Demni Road
Dadra - 396193
U.T. of-Dadra & Nagar Haveli
India
P +91.260.2668343/8510
F +91.260.2668344
E fildadra@filatex.com

SURAT OFFICE
Bhageria House
Ring Road
Surat - 395002
India
P +91.261.4030000
F +91.261.2310796
E filsurat@filatex.com

MUMBAI OFFICE
321, Maker Chamber - V
Nariman Point
Mumbai - 400021
India
P +91.22.22026005/06
F +91.22.22026006
E filmumbai@filatex.com

Website: www. filatex.com

“Filatex India Limited Q2 FY-18 Earnings Conference Call”

November 08, 2017

MANAGEMENT: MR. MADHU SUDHAN BHAGERIA – CHAIRMAN & MANAGING DIRECTOR, FILATEX INDIA LIMITED
MR. ASHOK CHAUHAN – EXECUTIVE DIRECTOR, FILATEX INDIA LIMITED
MR. R. P. GUPTA – CFO, FILATEX INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Filatex India Limited Q2 FY '18 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the 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 * then 0 on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Madhu Sudhan Bhageria, Chairman & Managing Director of Filatex India Ltd. Thank you and over to you, sir.

Madhu Sudhan Bhageria: Thank you. Hello everyone. Once again, I welcome you all on our earnings call for second quarter FY18. As before, I presume you have gone through the presentation which is uploaded on our website and submitted to stock exchange. I have with me Mr. Ashok Chauhan, our Executive Director; Mr. R. P. Gupta, our CFO and MrPankajChhaochharia from Strategic Growth Advisors, our Investor Relations Advisor. I hope most of you by now would be aware about Filatex.

New entrants if any are welcomed to ask questions after the initial remarks. I have narrated several times about our background and our journey till now. So, I will skip the whole story and before we move on to the financial performance of Q2 FY18, let me share some thoughts about future prospects of textile industry and our prospect as an emerging key player in top 5 in polyester filament yarn segment in India.

Textile sector plays a major role in the Indian economy. It contributes by value around 14% to the industrial production and 4% to the GDP of the country. With over 45 million people working in this industry, textile is one of the largest source of employment generation in the country. It is an important constituent of Indian export basket and contributes around 15% of the total exports from India. The size of the Indian textile market in the year 2016 was around 890,000 crores, approximately US $137 billion and it has been growing at a CAGR of around 8%.

Let us take a quick look at global scenario. Globalization has played a vital role in growth of global textile fibers market. After a slight dip in 2014-2015 which lasted for a short period, the global textile market has witnessed a steady growth. The year 2016 will always be remembered from textile perspective as a historic milestone. The world market size surpassed by incredible volume of 100 million tonnes. Textile sector has two parts, natural fibers and manmade fibers. Let me clarify this by naming some. Natural fibers are fibers that come from natural sources like cotton, silk, linen etc. Polyester, nylon, polypropylene, viscose etc. are called manmade fibers as these are made from different raw materials. At global level, manmade fibers' share is at 68% and all-natural fibers including cotton are at 32%. Manmade fibers' share is continuously increasing. Amongst various manmade fibers, polyester is the most prominent and has the largest share at 80% of all manmade fibers.

The growth in textile fibers continue to be driven primarily by manmade fibers. As natural fibers have reached a saturation point and have lot of constraints in the growth due to limitation of resources like arable land, water etc. besides the cost of natural fiber is high in comparison to manmade fibers. The future growth in textile fibers will be led by polyester due to its excellent properties which are quite similar to natural fibers and its affordable cost. There are no two thoughts that polyester has gradually become the common man's fiber. The global demand for polyester fiber is growing at 4% which means at global level, there will be increase in demand by approximately 3 million tonnes annually.

Asia Pacific is the dominant regional market for polyester fiber and is likely to remain so in coming years. Asia Pacific region accounts for 85% of the global polyester fiber market. Both US and Europe are expected to remain below 5%. But consistently, high production figures of polyester fiber industry in China and India is the key driver for the global fiber market. China alone accounts for around 70% of global production. India occupies second position. Howeverthe comparative position is quite **weak** as Indian production capacity is only one-eighth in size to that of China. This demand has to be met from Asia only.

Growth in China has been stagnant. In 2016, there is almost no growth in China for polyester filament, fibers put together. Chinese growth has slowed down due to a) High labor cost which is almost three times that of India; b) shortage of labor as the labor force is now reducing; and c)High shipment cost as compared to shipment from India. For the first time, Indian producers have become globally competitive almost in all product categories against the Chinese capacities. Indian companies have been able to compete both in terms of quality and price and have started grabbing increase in share of world trade.

As just mentioned, the demand and supply gap in global market is estimated around 3 million tonnes for polyester. Chinese producers cannot get this increasing share at competitive rates. The next obvious choice would be Indian producers. The current scenario indicates a huge opportunity window for Indian polyester sector. Government of India has implemented GST from 1st July 2017. Initial rates were 18% for all manmade fibers and 5% for fabric. There was disruption in the market and the entire industry came to almost a standstill for a short period of time. Industry representations were made to government for reduction of rates. Recently, Government of India has notified reduction in GST rate on manmade fiber from 18% to 12%. In addition, Government of India also increased the import duty rates on all fabrics to 20%. All these steps willhelp the manmade fiber industry and spur growth in domestic demand. While the domestic market issues have been addressed, Government of India needs to recognize this opportunity at the global level and encourage Indian manufacturers to capture as much as possible of this volume. The polyester producers at various forum have also presented their view point.

In addition to the opportunity due to slowdown in China, some policy initiatives like Fiscal incentive for capital investment and MEIS cash incentive on exports of all textile products will act as accelerators. The future prospects of Indian polyester business are bright. If these incentives are announced quickly, the likely impact would be the creation of around 10 million jobs directly and indirectly. It would not be out of line to say that a growth of rate of 20% can easily be achieved in polyester segment. There are several studies which state that when per capita income crosses the threshold value of around 2 lakhs, the growth in demand for fibers would be explosive. India is expected to reach that level by the year 2022.

Let me now come back to and update on brownfield expansion for Bright Polymerisation capacity. The project is progressing on schedule. We are almost at the last leg of implementation of Bright Polymerisation capacity at Dahej. This project will add bright polymer capacity of 108,000 tonnes per annum. Out of this, around 68,400 tonnes per annum will be used for FDY, 9,000 tonnes per annum will be used for Bright POY and 30,600 tonnes for Bright Chips. Our inhouse consumption for Bright Chips at Dadra unit is 13,000 tonnes which we presently buy from the market. We expect to start commissioning in a phased manner from January 2018 onwards and will complete commissioning before end of February 2018. So, in the next financial year, we will be able to offer a complete product basket of yarn, Bright, semi dull and colored in various denier ranges in all categories of filament, FDY, POY, and textured. We are not only expanding our product range of value-added product, but also pruning our product that are not runway item.

After a careful scrutiny, we have decided to shut down our Noida plant latest by17th of November. The size of this plant is very small in comparison to our other two plants at Dadra and Dahej. The current net aggregate capacity after closing Noida plant would stand at 2,36,500tonnes as of now. After that expansion of bright polymer capacity, overall capacity will increase to 3,31,500tonnes per annum.

Over the years, the company in its various phases of growth has strengthenedeach pillar, be it products offering, expanding our presence in end market, integration of manufacturing facility towards these economies of scale, change in product mix and overall profitability of the company. We now are fully geared up to utilize on the growth in the industry. With the increasing demand in the market, higher volumes and better capacity utilization,the company will improve its top and bottom-line exponentially. With implementation of GST, our market reach will expand to pan India. As earlier, we had a disadvantage of paying CST 2% whereas some of our competitors in Dadra and Daman enjoys CST exemption.

With regards to the financial of Q2 FY18, notwithstanding the GST implementation from 1st July 2017, which resulted in a slowdown in the market, the company has reported revenues of 414 crores as compared to 383 crores in the corresponding quarter of previous year signifying a growth of 8% on a year-on-year basis. EBITDA for the quarter stood at 36.19 crores as compared to 34.32 crores in Q2 FY17 which is a growth of 6% on a year-on-year basis. The net profit for Q2 FY18 stands at 13.52 crores as compared to 11.81 crores in Q2 FY17 signifying a growth of 14.5% on a year-on-year basis.

After this quick brief, now I look forward to responding to question and clarifications that you may like to ask. Thank you for listening patiently.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of AshimSahni from Alpha Alternatives. Please go ahead.

AshimSahni: You had mentioned that increasingly the company is looking to move more towards value-added products. What I see currently is that EBITDA margins, the company at overall level stands at around 8%-9%. Can you just give us a very broad breakup in terms of what kind of products you are looking to go into FDY or DTY and what kind of impact do you see on the margins on a product level?

Madhu Sudhan Bhageria: Currently, we are doing POY, DTY and FDY all, but whatever we are adding is mostly FDY. So that will increase our value-added product because FDY is more value added product. And Bright per se has more value addition compared to what we are making as of now. We are making only semi dull products.

AshimSahni: Okay. How are the margins in FDY as compared to the others?

Madhu Sudhan Bhageria: Since in Bright per se are 2%-3% better than semi dull and overall because this project is a brownfield project, the overall profitability should go up by 250 to 300 basis points in the next financial year.

AshimSahni: Understood. Second question is in terms of interest cost, what are the effective interest costs for the company and breakup of term loan and working capital?

Madhu Sudhan Bhageria: Presently, the interest cost is sub 10%. It should be between 9% to 10%.

AshimSahni: How much is of the total debt that you have? How much is term loan and working capital facilities?

Madhu Sudhan Bhageria: Working capital we have is around 100 crores. And term loan would be, we are in the middle of putting up the project. So before that, it was around 250 crores, but once we complete the project, then it will be close to 500 crores.

AshimSahni: Is there any TUFF subsidy or any other subsidy that we have on these term loans?

Madhu Sudhan Bhageria: Not on these new term loans. Previously when we had put texturizing, we have a subsidy of TUFF in that. That we are getting around roughly 80 lakhs per quarter .

AshimSahni: So final question that I have is on your sales channels. Can you just explain to me is it primarily all the sales through distributors or do you have any direct clients as well?

Madhu Sudhan Bhageria: Primarily through distributors, they are product wise. Like Chips is direct sale, POY is direct sale, but most of our products are Draw Textured Yarn (DTY) and Fully Drawn Yarn (FDY), . So,DTY and FDY are through dealers because they go directly for manufacturing**.**

AshimSahni: And how has the impact in the last couple of quarters post GST? So, what we are seeing across the textile value chain is because of GST, the inventory at the dealers has substantially reduced. So as a result, we are seeing a substantial….

Madhu Sudhan Bhageria: See in July, there was a disruption. There were lot of dealers and traders, manufacturers are on strike. So, July was a challenging month. But we could sail through, we didn't have to cut production much, although sales were hit but we had huge exports also, we could manage.Because there was a pressure on margins although. So, when the demand is low, you have to reduce prices to push in sales.

AshimSahni: What percentage is exports currently?

Madhu Sudhan Bhageria: Around 18% to 20%.

AshimSahni: Has that increased in the last 6 months?

Madhu Sudhan Bhageria: Last 6 months compared to previous year, it has increased.

Moderator: Thank you. The next question is from the line of Sachin Shah, an individual investor. Please go ahead.

Sachin Shah: I just have a couple of questions. So, what is the demand outlook for DTY, FDY and Bright polymer?

Madhu Sudhan Bhageria: DTY has a very robust demand because now India is one of the cheapest producers of DTY. India is very cost competitive even against China, our prices are much lower. So DTY, I do not see any problem going ahead. FDY, of course we are at par with China or slightly costlier. Slightly means it is not very high, maybe 1%-1.5% we are costlier than them, but going forward I feel that Chinese prices should increase because of their cost of production.

Sachin Shah: So, on the yarn space, are we increasing our capacity in India not only from you, but from the competitors as well?

Madhu Sudhan Bhageria: Only one competitor has announced the big project that is Bhilosa Industries. So, they are putting new capacity. Rest, nobody is putting any capacity. Very marginal increase, I don't know

Sachin Shah: And recent price rise in the crude oil, is it impacting your profitability?

Madhu Sudhan Bhageria: No, the crude oil does not affect our profitability. It is a pass-through. Within 10 to 15 days, it is a pass-through.

Sachin Shah: Are PTA-MEG prices stable in last 3 months means have you started buying MEG from Reliance?

Madhu Sudhan Bhageria: We have started buying from Reliance, not full quantity, small quantity. We have yearly contract with our suppliers from foreign countries. So once the contract will lapse in December, we will increase our quantity from Reliance.

Moderator: Thank you. The next question is from the line of Dinesh Iyer, an individual investor. Please go ahead.

Dinesh Iyer: So, I had joined the queue late, so there maybe some duplication on questions. So, my first question sir was with regarding when India is becoming cost competitive in textile space especially in the manmade fiber like DTY and FDY, can you provide some color on it?

Madhu Sudhan Bhageria: Because all these process involve huge labor cost and even power cost is slightly higher in China compared to India and the Chinese local demand has increased quite a bit. So, they do not have much to offer for exports. That is why the prices have gone up. So, it is role of a demand and supply and because the labor cost in China going up. Labor cost in China is almost three times that of India. DTY is little more labor intensive.

Dinesh Iyer: So, what you are saying is basically there are no new capacities coming online in China.

Madhu Sudhan Bhageria: No, right now there is no big capacity. Small capacities always keep on coming. They are so huge, they are almost 39 million tonnes per annum compared to India is around 5 million tonnes.

Dinesh Iyer: And sir my last question would be this that since GST implementation has led to some disruption in the textile industry, but our yarn production volume expanded to around 8% year-on-year.

Madhu Sudhan Bhageria: It will reduce our yarn production and we could manage because we are not a very big percentage of the Indian market. We would constitute around 7% of the Indian market. So we could manage our sales and we could increase export at that particular time. So we did not have to cut production and see in our case, volumes are because of the denier, sometimes if we are making thicker denier**,** the volumes would go up, topline would go up, but the main thing for us is the EBITDA should remain better.

Moderator: Thank you. The next question is from the line of Shruti Sharma, an individual investor. Please go ahead.

Shruti Sharma: Sir, I have few queries. I wanted to know like in last call, you have highlighted that the production of texturing stopped due to labor issues. So, is that company suffering any labor issue in the current quarter also?

Madhu Sudhan Bhageria: No, we did not have any labor issue and there is no labor issue. I am saying the China, the availability of labor is decreasing. That is why Chinese cost of production is increasing and they cannot put more labor for textile per se.

Shruti Sharma: So that is beneficial for us?

Madhu Sudhan Bhageria: Yes, that is beneficial for us because we have lot of availability of labor and the cost of labor is much lower in India compared to them.

Shruti Sharma: My next question is again in the last call that you have mentioned that you sell around 80% to 90% in Gujarat and remaining is exports. So now post GST, has geographical mix has changed how much percentage?

Madhu Sudhan Bhageria: It is changing. It has not changed too much, but it is changing, slowly we are selling more to Northern part of India and other parts of the country.

Shruti Sharma: So any particular region where we have seen the sharp uptake?

Madhu Sudhan Bhageria: Yes, Northern part of India like Panipat, Ludhiana, Delhi.

Shruti Sharma: The working capital days has reduced with reduced debtor days and increasedcreditors days. What led to this improvement?

Madhu Sudhan Bhageria: This is just more managing of the debtors and creditors. Sometimes it is cyclic also.

Moderator: Thank you. The next question is from the line of SudhirDeorah from Mentor Capital. Please go ahead.

SudhirDeorah: Two questions. One is that I understand that the GST on your inputs, PTA-MEG remains at 18% and your output has now dropped to 12%. So, what is the impact on the business if at all?

Madhu Sudhan Bhageria: There will be impact. We will have surplus GST available, but there is a provision for getting a refund when the inverted duty structure is there.

SudhirDeorah: So, will this have a meaningful impact in your working capital because you have to pay a lot more and you will receive the fund back from the Government later. So is it a meaningful impact or is it a marginal impact? **Madhu Sudhan Bhageria:** It is marginal, but I told you in the quantum that would be the impact. So if we get a refund in let us say 3 to 4 months, around 20 crores will be blocked.

SudhirDeorah: 20 crores at a time, okay. And second question was just wanted to get a sense on current price of FDY and textured yarn. I understand that FDY has actually come off a little bit more in the last few months, maybe during the GST time and textured is holding strong and at the same time the export markets have become more attractive. So, if you can just throw your comments on?

Madhu Sudhan Bhageria: Even the local markets, see what happened in October, basically Diwali was there and there was announcement from 18 to 12 and all these happened during the Diwali period and Diwali period, Gujarat and Maharashtra basically closed down for almost 10 days. They just opened from last week. So, the demand is quite robust and the prices are moving up in both. Textured, of course it is moving much faster, but even in FDY, there is an improvement in the prices.

SudhirDeorah: So, both the prices have started to move back up. I understand that there is various danier, could you give me an idea for the average price realization or what the increase has been on percentage basis?

Madhu Sudhan Bhageria: I would say around 3%-4% in textured and 1% to 2% in FDY. FDY is lower.

SudhirDeorah: Rs. 88 – Rs. 89 will now be closer to Rs. 90.

Madhu Sudhan Bhageria: Yes. In FDY, it will be closer to 90 and textured, it will be closer to maybe 95.

SudhirDeorah: And on the raw material side, PTA-MEG prices are stable?

Madhu Sudhan Bhageria: PTA-MEG has also increased by around 660 paisa that is all.

SudhirDeorah: So, your selling prices have increased, your deltas have expanded basically.

Madhu Sudhan Bhageria: Yes, deltas have improved too.

SudhirDeorah: And in the coming year, you see the trend improving further barring any other major hiccup from the Government based on current demand and trend..

Madhu Sudhan Bhageria: Yes. In textured, I see more improvement and in FDY, I am not too sure how much it will improve.

SudhirDeorah: And all your Bright capacities going to be FDY only?

Madhu Sudhan Bhageria: It is mostly FDY, not all. There is POY also some.

SudhirDeorah: Which goes into textured eventually. So the FDY, Bright capacity coming about 200 tonnes per day that you could see that the prices might not be so favorable.

Madhu Sudhan Bhageria: Yes, there could be and but the existing capacity, we are making some efforts to convert FDY to POY, for that flexibility we are trying to do.

SudhirDeorah: POY to FDY?

Madhu Sudhan Bhageria: No, FDY to POY because FDY is not that good compared to POY at the moment.

SudhirDeorah: POY also goes into the FDY market only or you sell it to someone else?

Madhu Sudhan Bhageria: No. POY goes into texturizing**SudhirDeorah:** So, you are saying that you will change the mix from FDY towards POY**Madhu Sudhan Bhageria:** So, lot of people are trying to do that. So eventually, FDY will also improve then.

SudhirDeorah: And besides Bhilosa, anyone else announcing any capacity expansion plans?

Madhu Sudhan Bhageria: No, not that I know of.

Moderator: Thank you. We have next question from the line of Neeta Jain from NJ Limited. Please go ahead.

Neeta Jain: Sir my first question is on your Noida plant. We heard that there was some closure in November. So, can you just throw some light on that what was the reason behind it and because of it, what was the impact on our revenue?

Madhu Sudhan Bhageria: Noida plant per se is giving very low revenues. It is total 1.18% of the total revenues which we generate in 2016-17 and after that, in last 6 months we are seeing that those products are not in demand so much. And also being such a small revenue getter, it was taking too much of time and attention and it has been almost 23-24 years since we started Noida plant and those machines are still working and the machines are getting obsolete. So, we have decided to close that plant.

Neeta Jain: Okay. So what was the capacity?

Madhu Sudhan Bhageria: The capacity is 500 tonnes per annum. It is very small.

Neeta Jain: Any plan to utilize that for something else, some other plants?

Madhu Sudhan Bhageria: No, it is totally a different product. It used to go for zippers, fish net and other things.

Neeta Jain: And are you planning to sell that land?

Madhu Sudhan Bhageria: Yes, definitely. We will first sell the machinery and then land also. It is a small parcel. It is just 3000 square meter. But it is situated in Noida, so we should get a reasonable price.

Neeta Jain: Sir, what is your expectation for next FY18-19 on your revenue terms and how will your EBITDA margins or growth will be. You can tell us what are the key drivers which drive your EBITDA growth or your margin expansion in coming next 2 years?

Madhu Sudhan Bhageria: Topline, we are expecting to have around 2400 crores.

Neeta Jain: For FY18?

Madhu Sudhan Bhageria: FY19. And EBITDA margin should improve by 250-300 basis points. And the third question was because of this brownfield project that will give us lot of leverage because our capacity utilization would increase and brownfield project, the CAPEX is lower and even operating costs are lower and we are going to value-added products that will help us in increasing all these margins.

Neeta Jain: And is there any other expansion plan in pipeline?

Madhu Sudhan Bhageria: Not as of now. I think FY19 will be a year of consolidation for us and then we will do some planning in FY19 to be implemented in FY20.

Neeta Jain: No major CAPEX till FY?

Madhu Sudhan Bhageria: No major CAPEX in FY19.

Neeta Jain: So currently I guess you have done some CAPEX of 180 odd crores which you will be taking the foreign loans.

Madhu Sudhan Bhageria: This total CAPEX which we are doing is 343 crores. So, in this loans are 175 foreign loan and 105 is the Indian component.

Neeta Jain: Is there any hedge towards the foreign loan?

Madhu Sudhan Bhageria: Foreign loans, as of now we have not hedged. We have good exports, so I do not think we need to hedge because the repayment is over 10-year period. So it will be like 17.5 crores every year.

Neeta Jain: What will be the natural hedge?

Madhu Sudhan Bhageria: Natural hedge we have because our exports are more than 300 crores. Last year, we were 300 crores. This year, we should clock more than that.

Neeta Jain: And other thing is like since you are doing lot of value addition and you are getting out of each product, are you any time trying to get into more fabrics or something, any plans on that front?

Madhu Sudhan Bhageria: Yes, we do have plans to get into it.

Neeta Jain: anything on it?

Madhu Sudhan Bhageria: Nothing concrete as yet. All are very initial stages.

Neeta Jain: Just a last book-keeping question. I just wanted to understand your finance cost if you look at on half yearly basis has come down by approximately Rs10 odd crores. So, can you just throw some light and can you explain me any what is the reason behind it? So as on H1FY…

Madhu Sudhan Bhageria: Rate of interest has gone down and our financial costs also include financial charges other than interest cost. Now we have started getting the TUFF benefit. So that is also there in this. So almost like close to 3.75 crores is the TUFF benefit in this.

Neeta Jain: So out of your borrowings which is outstanding, how much of that is eligible for TUFF benefit because I guess you get approximately 400 out of the 460 crores. How much of that loan is towards TUFF benefit?

Madhu Sudhan Bhageria: I think now 65 crores get qualified for TUFF.

Neeta Jain: Okay and like any other benefits like in cotton or in other textile?

Madhu Sudhan Bhageria: No other benefit. We would also get a benefit from State government. Gujarat state also has a textile interest benefit and we are qualifying for that, but we have not provided for that. As and when we get our first installment, then we will provide it.

Moderator: Thank you. The next question is from the line of AshimSahni from Alpha Alternatives. Please go ahead.

AshimSahni: You have mentioned that you are doing a CAPEX of 350 odd crores and currently from what I understand is that you have gross block of about 780 crores, right? So, sales to gross block of fixed asset turnover ratio is roughly around 2. Is there any component of trading revenue as well in the 1500 crores annualized revenue that you have?

Madhu Sudhan Bhageria: 1500 crores last year ?

AshimSahni: Yes, is there anytrading revenue or it is all manufacturing led revenue?

Madhu Sudhan Bhageria: No, there is a small trading revenue, could be around 40-45 crores.

AshimSahni: Typically, from what we have seen and this is something which I wanted to check, the sales to gross block for yarn majors is roughly around 1:1-1.2:1. In your case, it seems to be quite high as 2:1. Is it because of value-added products or what is the reason? Can you just explain slightly on that?

Madhu Sudhan Bhageria: Which company has 1:1 you are talking, how can I tell you why mine is 2:1.

AshimSahni: Typical yarn companies that I have seen across. Now…

Madhu Sudhan Bhageria: Specifically yarn companies, see there can be spun yarn, there can be viscose yarn. Yarn is very vast just by saying that, but if you would see companies like which are in the similar field, you will find a similar ratio. It will not be that varied if you will see maybe JBF or Sumeet, these are the two listed companies or Garden or Indorama. Because lot of varieties of yarn are there, so I do not know which you are referring.

AshimSahni: I think it is typically the ring spun yarn.

Madhu Sudhan Bhageria: Ring spun, maybe the CAPEX are higher compared to the turnover.

AshimSahni: And in terms of so currently 350 odd crores of CAPEX that you have done, you are saying that…

Madhu Sudhan Bhageria: That will get us a topline of roughly 800 crores.

AshimSahni: Because of incremental impact coming from the value addition?

Madhu Sudhan Bhageria: Right.

AshimSahni: And you mentioned that 250-300 basis points is the overall incremental benefit, so that means that the new products that you are adding will effectively have 400-500 basis points extra margin, it is around 13%-14% in the FDY and DTY space primarily?

Madhu Sudhan Bhageria: Right.

Moderator: Thank you. Next question is from the line of Nikhil Rungta from Bajaj Allianz Life Insurance. Please go ahead.

Nikhil Rungta: Just one question. Internally, what is the target of exports which we are having? Currently, our export is approximately 19%-20%. Last year, it was significantly lower than this. So…

Madhu Sudhan Bhageria: So basically, DTY gets exported. Last year, we were in the process of putting DTY machines. So that is why it is lower. If you see the second half of last year, it has gradually increased because DTY machines came into production and now we are trying to export FDY also. So, I presume we should be still be as a percentage it may be close to 20-21 only. But as a number, it would go up. Last year, we were 300, but 300 also included deemed export into India, physical exports would be around 250 crores. So, this year we should do around 350 of physical exports.

Nikhil Rungta: So, in percentage term, it would maintain at around 20-22 odd percent?

Madhu Sudhan Bhageria: Percentage term, it might not grow that much because it is not a compulsion for us to export. We normally export if we get a better realization than the local market or to balance the local market with export.

Nikhil Rungta: Is there any hedging strategy on account of appreciation of rupee if you would have that in mind?

Madhu Sudhan Bhageria: No, but we are also importing equivalent amount of raw material, so it is a natural hedge for both sides.

Nikhil Rungta: That also we keep it open, around 20%-22 odd percent of our raw materials is imported which….

Madhu Sudhan Bhageria: Yes.

Moderator: Thank you. Sir, there are no further questions in the queue.

Madhu Sudhan Bhageria: Okay, then. Thank you everybody.

Moderator: Thank you very much, sir. Ladies and gentlemen, with this we conclude today's conference call. Thank you for joining us and you may now disconnect your lines.