Updated:	03-11-2018 09:50
Tags:	@vishnu570

83-105 minutes

New Delhi Nov 2, 2018 (Thomson StreetEvents) -- Edited Transcript of SRF Ltd earnings conference call or presentation Friday, November 2, 2018 at 9:30:00am GMT

* Anoop K. Joshi

* Abhijit R. Akella

* Ranjit R. Cirumalla

Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst

PhillipCapital (India) Pvt. Ltd., Research Division - VP & Pharma Analyst

Ladies and gentlemen, good day, and welcome to the SRF Limited Q2 and H1 FY '19 Earnings Conference Call hosted by Edelweiss Securities Limited. (Operator Instructions)

I now hand the conference over to Mr. Rohan Gupta from Edelweiss. Thank you, and over to you sir.

Thanks, Vikram. Good afternoon, ladies and gentlemen. On behalf of Edelweiss, I welcome all the participants logged in for the conference call of SRF. From the management, we have Mr. Anoop Joshi, President and CFO of SRF; and also Mr. Rahul Jain, Senior Vice President, Treasury and Corporate Controller. Good afternoon, gentlemen.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [3]

Good afternoon.

Sir, first of all, thank you very much for giving me the opportunity for hosting this conference call. I will request you, first, if you can give -- share your current quarterly performance and also some industry trend and then you can follow it up with the question-and-answer session, sir. Over to you, sir. Please go ahead. Thank you.

Good afternoon, everyone, and thank you for joining us on SRF Limited's Quarter 2 and H1 FY '19 Results Conference Call. We will begin this call with brief opening remarks from our President, CFO and Company Secretary, Mr. Anoop Joshi, following which we will open the call forum for an interactive question-and-answer session.

Before we begin this call, I would like to point out that some statements made in this call may be forward-looking, and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Mr. Joshi to make his opening remarks.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [6]

Good afternoon, everyone, and I extend a warm welcome to all the investors and analysts on SRF Limited's Q2 and H1 FY '19 results call. I'm thankful to you all for joining us today to participate in our quarterly results calls. I will initiate the call by briefly taking you through the quarter's key operational highlights, following which we will be happy to have a detailed Q&A session.

I'd like to share that we have delivered a healthy performance for the quarter under review. All our business segments have delivered encouraging operating and financial performance in a fast evolving and volatile domestic and global environment. I must remind you here that we have realigned our businesses into 4 segments based on requirement in the operating segments, which have been stated in the presentation that has been shared with you all.

I will initiate with Chemicals segment, which comprises of the Flurochemicals and Specialty Chemical Business. This segment delivered an encouraging performance with contribution from Flurochemicals segment. The segment revenue recorded a growth of around 57% when compared to corresponding quarter last year. This was mainly on account of production and sale of Chloromethanes from the plant which was commissioned by us in December 2017 and higher prices realizations in the business.

Our margins witnessed a slight reduction as compared to corresponding period last year. Some of the reasons of the dip in margin was essentially due to higher input cost. We are the only player in the market offering the widest portfolio of refrigerants and value-added products to our customers giving us a unique edge. We successfully launched a new product in the domestic market under the name Supertron Air Pure. This is a multi-purpose product and can be utilized for -- in both car and split ACs.

During the quarter, the domestic air conditioners market witnessed an uptick. However, demand from passengers vehicle remained stable. Over the past decade, SRF has transformed into a dominant player in this segment. We have made prudent investments in innovation and technology, which make us one of the very few fully backward integrated producers globally. We are well positioned to further strengthen our relationship in the industry, leadership in the industry as the demand scenario improves, and we'll leverage our existing asset base to deliver superior performance.

In the Specialty Chemicals Business, as we had mentioned earlier, a meaningful recovery is expected the agro chemicals market in the second half of the current financial year. Visible green shoots, inquiries from our customers and our pipeline gives us enough confidence on the performance of the segment in H2 of the current financial year. Our focus continues to be on increasing the product portfolio for both agro and pharma offerings and increase our customers base in existing and new geographies.

I'm happy to share that our Chemicals Business site in Bhiwadi and Dahej have been granted permission to use the Responsible Care Logo by the Indian Chemical Council for a period of 3 years, which showcases that our facilities have world-class environmental health, safety and security measures in place. Furthermore, our robust R&D capabilities, new capacities, skilled manpower and processing give us a unique advantage in this business.

Moving to our Packaging Films Business. The segment delivered robust growth in revenues and enhanced margins in BOPET, leading to a strong profitability and a healthy performance. The segment recorded a significant growth of 69% when compared to corresponding period last year. The EBIT margin also recorded a growth of around 143%. This essentially is being driven by the BOPET segment, which has performed very well both in India and Thailand as well. We have introduced multiple new products during the quarter, which has increased our portfolio of value products and helped us delivered industry-leading margins. We continue to face challenges in BOPP segment on account of supply overhang, which is likely to continue in the short to medium term. Despite the same, our South Africa BOPP unit and the DTA BOPP unit performed in line with our expectations.

SRF continues to garner accolades for its focus on superior operational performance. Our Indore SEZ facility received the Sword of Honour and a 5-Star rating for Occupational Health and Safety from the British Safety Council, a first of its kind recognition in the Indian Packaging Film Industry.

Last month, we also began our work at Hungary site. Europe currently imports a significant amount of their BOPET requirement. With our new site in Hungary, we will be in a position to serve our existing customer base in Europe and also ramp up delivery to existing as well as new customers, as we aim to become a formidable domestic producer. Our recently announced investment in Thailand is also proceeding as per schedule.

Moving on to the Textile -- Technical Textiles Business. This segment witnessed a robust revenue and profitability in the quarter under review. This was on account of enhanced volumes and focus on improving operational efficiencies in the tyre cord fabric segment. We have improved our volumes on account of strong market pull in the [buyers] tire segment. Lower imports witnessed on account of high custom duty on cheap Chinese imports also aided domestic volume growth for us. The segment recorded a growth of 30% in its revenue over last year and witnessed expansion in its EBIT margin as well. As indicated in the past, a weaker rupee is a margin positive for the segment, but the segment also benefited from exchange movement during this quarter.

In Belting Fabrics, SRF registered better domestic volume with growth from Tier 2 markets even though competition from Chinese imports impacted realizations.

Coming to Others segment. In Coated Fabrics, we continue to introduce new products and maintain domestic leadership. The Laminated Fabrics segment witnessed oversupply situation and increasing raw material cost, which adversely impacted overall performance. The Engineering Plastics segment reported healthy performance with higher sales to the electrical industry.

The external environment both on the foreign currency and interest rate also witnessed a volatile second quarter in the current fiscal year. The rupee witnessed significant pressure to hit its all-time lows due to the price of crude and India's fiscal position. Due to the large volatility, our Q2 FY '19 results recorded an exchange currency loss of INR 18 crores, which essentially emanates from the open FX position that the company carries and gets translated on a quarter-on-quarter basis. The interest rates, both domestically and globally, have witnessed tightening. Due to the NBFC meltdown and the local liquidity position, the interest rate coverage shifted upward significantly. Our interest had also increased from INR 30 crores during Q2 of FY '18 to INR 50 crores in Q2 of FY '19. While some of this is on account of hardening of the interest rates, largely this is a function of the CapEx vehicle that we have been in over FY '18 and H1 of FY '19, which has led to increased borrowings.

Our net working capital also witnessed an increase. The increased inventories were largely a function of the price of crude-linked raw materials and inventories from new production facilities that commenced production during the previous 12-month period. The trade receivables also recorded a jump due to the current level of operations and higher export sales. Some of these positions are expected to correct withing the next 6 to 12 months.

In conclusion, I would like to reiterate that we are enhancing operational excellence by focusing on R&D across all our products. Furthermore, we are building deeper relationships with our customers and extending our global footprint as we build an everlasting SRF brand delivering value to all its stakeholders.

On that note, I conclude my remarks and would be happy to discuss any questions, comments or suggestion that you may have. I would now like to ask the moderator to open the line for Q&A. Thank you very much.

==

Questions and Answers

Operator [1]

(Operator Instructions) We have a first question from the line of Amar Mourya from Emkay Global.

Amar Mourya, Emkay Global Financial Services Ltd., Research Division - Research Analyst [2]

Sir, if you can help us understand like the Speciality Chemical growth of 57%, I mean, what are the key drivers in the growth? And secondly, my second question is, in the Chemicals Business, like the raw material impact was largely towards the R gas business or also you have faced this kind of raw material impact also on the Specialty Chemical part?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [3]

Amar, the 57% growth is not only on Refrigerant Business. This is -- not only on the Specialty Chemicals, this combined as we have been mentioning and maintaining. For this segment, it consists of 2 parts, both refrigerant chemicals as well as Specialty Chemicals. So the 57% growth that you are seeing is a cumulative growth for both of them. The good amount of that growth is coming from the refrigerant side, as I mentioned in my opening remarks, because of the Chloromethanes plants that we capitalized in December 2017. Obviously that was not available in the corresponding quarter last year, so that has contributed and some bit by the refrigerant gas other product portfolio also. It has also some element of growth in terms of revenue coming out of the Specialty Chemicals, but when you go to the bottom line, overall, there has been a little reduction because of the input cost as you rightly observed. Some input cost we have been able to pass on, but it's a continuing business where some bit of that we like to be absorbing in the initial period and eventually, we'll be able to pass it on.

Amar Mourya, Emkay Global Financial Services Ltd., Research Division - Research Analyst [4]

So sir, I mean, correct me if I'm wrong? So is it fair to understand that lot of this margin contraction is largely towards the Specialty Chemicals side of the business or it has also been in the R gas business?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [5]

R gas business, see, a little bit on R gas business, as I said, but largely on account of Specialty Chemicals because we were holding the inventories and obviously, the operating leverage having not played out fully, now when we sell and dispose of the inventories, that loss will hit this.

Amar Mourya, Emkay Global Financial Services Ltd., Research Division - Research Analyst [6]

Okay. So it is largely because of the currency?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [7]

Yes. Seasonality, if you -- if you are comparing sequentially quarter-on-quarter, then yes, seasonality because the first quarter was a season for the refrigerant gas business. But if you are comparing the same quarter last year, what I just now said holds good.

Amar Mourya, Emkay Global Financial Services Ltd., Research Division - Research Analyst [8]

Okay. So it is largely because of the inventory. And so basically, what you're saying is, you were having a inventory and now the prices have come down, that is the reason you are going to see -- I mean, you have seen the losses or is it purely the currency impact?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [9]

No, no. Amar, what happens is, inventory, you value at the cost.

Amar Mourya, Emkay Global Financial Services Ltd., Research Division - Research Analyst [10]

Correct.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [11]

Until you sell that inventory, you actually don't book the loss. Now, as I mentioned that the offshoots -- green shoots are now visible, so some amount of inventory, we have started off-loading. Obviously, these inventory were included in them, there is a part of cost, the higher fixed cost. Now when you go to sell it, there is an impact on the profitability, which gets realized now.

Operator [12]

(Operator Instructions) We have a next question from the line of Atul Tiwari from Citigroup.

Atul Tiwari, Citigroup Inc, Research Division - VP and Analyst [13]

Sir, what was the consolidated net debt at the quarter-end?

Unidentified Company Representative, [14]

Roughly about...

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [15]

About INR 3,800 crores.

Atul Tiwari, Citigroup Inc, Research Division - VP and Analyst [16]

Okay. And sir, how much of it is the dollar-denominated debt or is it all rupee?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [17]

It keeps changing whenever the repayment, et cetera, happens and whenever we rise, but largely about 75% to 80% may be foreign exchange borrowing and the balance is rupee.

Operator [18]

We have the next question from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [19]

Couple of questions. One -- sorry, I apologize, if you have included this in your opening remark, I missed some of it. Is there any inventory gain in your Textile -- Technical Textile and Packaging Film for this quarter?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [20]

No, not -- no. No.

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [21]

No, inventory gain. So this is all operational margin what we have shown?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [22]

Yes.

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [23]

Okay. Second on the Chemical Business. You said on the inventory losses, I didn't get that. Can you please help us understand that a little bit better?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [24]

See, when you produce smaller quantities compared to your capacity because there is no adequate demand. What happens is your fixed cost gets spread over the lesser number of unit and thereby the unit cost of the inventory at which you carry is higher, right?

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [25]

Right.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [26]

When you actually sell in the market because now the people have started lifting that material as I said, some green shoots are visible, people -- wherever we were holding the inventory earlier one, they were deferring. Now they actually start lifting as per their original committed price, then you book the loss because your operating leverage has not fully played out. That results in kind of a loss going to the bottom line.

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [27]

So is it fair to assume that the loss which has -- the margin contraction which has happened in the Chemicals Business this quarter is more to do with the operating deleverage and not because -- not so much because of the raw material price inflation?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [28]

Absolutely, yes. Absolutely.

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [29]

That's the right way to look at it, right?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [30]

Yes.

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [31]

And second on the CapEx side, we have already done a significant part of CapEx this year. You were talking of INR 800 crores of CapEx for the entire year. Is there any change in the CapEx, which we are anticipating to incur this year?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [32]

Not really, not really. I think that will be more likely INR 800 crores to INR 900 crores in this year. So including...

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [33]

INR 800 crores to INR 900 crores, so it will be much lower. Just wanted to understand a little bit more on the CWIP. What all this INR 750 crores is towards? and what is expected to be commercialized in the second half?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [34]

See, this largely ongoing CapEx on the Rg side, we had announced about INR 350 crores worth of CapEx where we are more or less doubling our HFC capacities. So essentially part of that is constituted -- or it is the constituent. And the second is a couple of projects on the Specialty Chemicals side. One AI that we are putting up for specified customers, that also is about maybe INR 250-odd crores and a couple of other smaller CapExs. The aggregate of that is largely the CWIP which we look at.

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [35]

So what are the plants which are going to commission in next quarter? I thought the AI plant was supposed to commission by June end, right?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [36]

Not really, no. It was due to be commissioned by September, October. It is -- at any rate, it will commissioned. Now we are just taking the trial run of this. It is a very complex technology, it takes time, and therefore, some challenges were faced in the last couple of months, but now we have sorted them all out and any day it will be commissioned.

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [37]

So the revenue will come in probably from Q4 onwards from this plant?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [38]

We believe from -- yes, from Q3 itself, it will come.

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [39]

Okay. Last question from my side. Any update on the CWGIP (sic) [cGMP] plant, which we were building on?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [40]

----

cGMP.

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [41]

Yes, sorry, cGMP plant..

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [42]

----

cGMP plants will also get commissioned more or less along with this in the next maybe 15 days or 20 days or so.

Sanjesh Jain, ICICI Securities Limited, Research Division - Research Analyst [43]

So this is all included in your CWIP as of now?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [44]

Right, that's right. Yes.

Operator [45]

We have the next question from the line of Surya Patra from PhillipCapital.

Surya Narayan Patra, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Pharma Analyst [46]

On the fluro speciality front, you just said, the dedicated plant is likely to commission relatively a bit delayed, instead of Q3, it will be starting in Q4. So the...

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [47]

I didn't say that. I said that we are likely to start the plant very soon, any day now, as a matter of fact, and we will begin the sale from the third quarter itself.

Surya Narayan Patra, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Pharma Analyst [48]

Okay, okay. Sorry. Sorry, for that, sir. And on the -- just to have an update on the guidance what you had given about the fluro speciality growth of around 40% to 50% Y-o-Y and largely that should happen in the second half. So you are on track for the -- as per the guidance, but it is because already 2 months into the third quarter.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [49]

Yes, we are on track, we are on track.

Surya Narayan Patra, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Pharma Analyst [50]

Okay, so that's good, sir. And sir, on the margin front, though you have indicated that, okay, there is some element of inventory that is -- that has been created so that's why the full benefit of that is not been shown, but I think the EBIT margin while it is one of the lowest margin that we have reported over the last few year time. And is it because of the increasing share of refrigerant gas in the overall chemical mix to some extent.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [51]

No, no. As I said, not refrigerant gas business, in any case, is doing well, the revenues have increased. Some bit of challenge in the raw material side was there, but that's not very significant. The mainly -- the main contributor, as I said, is the Specialty Chemicals because of which you are seeing this reduction, which hopefully, by the time we end this year, you will see a significant change in the entire profile.

Surya Narayan Patra, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Pharma Analyst [52]

Okay. But in the overall stock adjustment or inventory adjustment, is that the picture sort of visible, sir, what you are indicating for the quarter?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [53]

I didn't get what you said.

Surya Narayan Patra, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Pharma Analyst [54]

Sir, like in the stock adjustment what we report if there is a inventory addition meaningful because that is visible why because I think there is reduction of a INR 11 crore in the stock adjustment for the quarter?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [55]

No, that is the overall change in the inventory level. If the opening stock and the closing stock, whatever is the change which occurs, if we dispose off inventory or inventory goes down to that extent based on the adjustment, but the profitability has nothing to do with to the extent -- except to the extent, as I mentioned, the high cost inventory which you held because of the lower operating leverage, that has resulted in to an actual reduction to the extent that we sold that off, but inventory adjustment otherwise is not giving rise to any reduction or increase in the margin.

Surya Narayan Patra, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Pharma Analyst [56]

Okay, okay. And sir, on the Technical Textile front, since that was anyway operating at a optimal utilization level, now this quarter, we are seeing a meaningful growth, a significant change in the trend. So are you now considering any CapEx there?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [57]

We are not considering any CapEx because we only would like to juice our existing assets. And whenever this kind of opportunities arise in the short term, we are able to have more on the operation side to increase a little more on the volumes and satisfy the demand and also take advantage of this. Because we believe on a long-term basis, this is not a very growing business and therefore, we don't want to commit any further capital. But practically, obviously, we'll take advantage by turning to our operation efficiencies and see how we can have a little more on -- in terms of volume as and when -- as the opportunities arise.

Surya Narayan Patra, PhillipCapital (India) Pvt. Ltd., Research Division - VP & Pharma Analyst [58]

Okay. Just one more question.

Operator [59]

Sorry to interrupt, sir. Please come in the queue. (Operator Instructions) We have the next question from the line of Sneha Talreja from Edelweiss.

Sneha Talreja, Edelweiss Securities Ltd., Research Division - Research Analyst [60]

Firstly just continuing with the Technical Textile question. So you mean to say, all the 30% growth which has come on the top line is only led by increase in volumes because we have been able to replace imports?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [61]

No, no. Not really volume. Because as I -- we have mentioned in the -- I mentioned in the opening remark also, a good amount of that is also on account of exchange volatility, which has happened. The weakening rupee helps us to realize more. Because these are all -- the domestic sale are all dollar-denominated, and therefore there is a good amount of money which we earned extra on account of margin as well because of this movement. And yes, there is an increase in margin and the volume as well.

Sneha Talreja, Edelweiss Securities Ltd., Research Division - Research Analyst [62]

Can you requantify that how much would be the benefit only due to the exchange rate?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [63]

We have to see that separately, but maybe you can separately contact our office and we'll be able to give some numbers.

Sneha Talreja, Edelweiss Securities Ltd., Research Division - Research Analyst [64]

Sure. And do we have the volume numbers ready? I mean, what would be the increase in volume in Technical Textiles?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [65]

To that extent, we don't -- we'll not be able to share in the call. But yes, there has been maybe about 5% increase in the quantity.

Sneha Talreja, Edelweiss Securities Ltd., Research Division - Research Analyst [66]

Volume.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [67]

In the volume.

Sneha Talreja, Edelweiss Securities Ltd., Research Division - Research Analyst [68]

And sir, the second question is related to Chloromethane. Can we specify what is the contribution? What is the utilization rate in the Chloromethane plant that we have achieved? The...

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [69]

Utilization is 100%, but to the extent of margin, I'll not be able to share because there are different products which we make from the chloromethane. There are -- there is MBC, there is chloroform, every product has a different margin profile and different user because a good amount that is also used for our captive requirement.

Sneha Talreja, Edelweiss Securities Ltd., Research Division - Research Analyst [70]

So this 100% utilization is after the expansion which took place in December?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [71]

Yes, that's right. Yes.

Operator [72]

We have next question from the line of Shaleen Kumar from UBS Securities.

Shaleen Kumar, UBS Investment Bank, Research Division - Associate Director and Analyst [73]

So sir, 2 of your segment, Technical Textile and Packaging Films are on -- their margins are on the higher end. And given the cyclicality of these -- both these segment, it's less likely that margins must stay here. Please, correct me if I'm wrong. So what we want to understand that from going from here, BOPET we understand there is a visibility of maybe 3, 4 quarters before new plant is coming in. But how much is the currency playing over here and how much is the pricing is playing over here? Because in October prices of many products have also started coming off?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [74]

Sorry? The last part I didn't get, Shaleen. Hello?

Shaleen Kumar, UBS Investment Bank, Research Division - Associate Director and Analyst [75]

Sir -- hellos, am I audible, sir?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [76]

Yes.

Shaleen Kumar, UBS Investment Bank, Research Division - Associate Director and Analyst [77]

Sir, just want to understand that the prices of many -- prices of PET and other products have started cooling off in -- from the month of October. Just wanted to understand, will that be have any bearing and the currency have any bearing on the margin going forward? Unlikely for these 2 segments, you have these kind -- these levels of margin. Please, correct me if I'm wrong.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [78]

You mixed too many things, let me try and do this. As far as the foreign exchange volatility is concerned, as I said to the extent that we export because we are net exporter for both the Technical Textile. Though it is sold in India and domestically, but it has got an import parity and therefore, we are -- we get the benefit whenever the rupee weakens. And if it continues to remain the same, obviously, our margin will be better, but over a period of time, they will become sort of normalized. On the Package Film side also, to the extent that we export, if the rupee remains weak, we will be able to have on the net of -- I mean in import, to the extent of margin, we will benefit from that. As far as the raw material prices are concerned, we only look at the margins. If you are only talking about the margins, raw material is a pass-through with a bit of lag maybe a little later or little earlier depending upon which way the prices are going on. So it's only a matter of time that is only temporary. As far as increasing the crude and whatever by choice happen. As far as the foreign exchange thing is concerned, to the extent that there is an export, import packaging as well and entirely on the NTCF, we stand to gain.

Shaleen Kumar, UBS Investment Bank, Research Division - Associate Director and Analyst [79]

Sure, sure. Any sense on how has the R-134 prices has moved compared to last year, both domestic and international market?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [80]

Not no -- not much change, no significant change. They are more or less same or similar.

Shaleen Kumar, UBS Investment Bank, Research Division - Associate Director and Analyst [81]

Okay, okay. Here because we got some bit of currency benefit, not on the pricing you're seeing?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [82]

Yes.

Operator [83]

We have the next question from the line of Gauri Anand from Old Bridge Capital.

Gauri Anand, [84]

I just have one question. This fluorspar prices had went up on a quarter-on-quarter basis. Did that have any impact on our margins? I understand you've been telling us that there has been a negative operating leverage, but if you were to look at the imports and other costs, can you just help us understand what would have been the gross margin pressure?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [85]

This fluorspar is a major raw material for our refrigerant business, and we have been maintaining that with some kind of a -- some little bit lag we are able to pass it on. Otherwise, the market price, all the market participants will, obviously, look at what are the import prices are, what are the export prices, what is the dollar and what is the rupee, and that is the way that you do pricing. And therefore, it is -- with some bit of a lag here, we are always able to pass on the fluorspar prices. On the Specialty Chemicals side, fluorspar does not constitute a huge part of our cost, and therefore, to the extent that it gets utilized for our Specialty Chemical Business, it is not significant.

Gauri Anand, [86]

Okay. So sir, if your specialty gross margins would have been, let's say, about 75% or thereabouts in the past. Because of the integration benefit that you enjoy, you don't think that it would have impacted a lot even into this quarter. This is a small explanation that I'm looking for.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [87]

No. See, that the margin, as I tried to explain to many other people who were asking about the margin reduction on the Specialty Chemicals, this is has nothing to do with the raw material price. This is more to do with our operating leverage that you also mentioned in the initial part of your question. This has to do with the operating leverage rather than the raw material pricing. Because in any case, the raw material component of the Specialty Chemicals is very less and very insignificant.

Operator [88]

We have the next question from the line of Sumant Kumar from Motilal Oswal Financial Services.

Sumant Kumar, Motilal Oswal Securities Limited, Research Division - Research Analyst [89]

My question is regarding Packaging Films. So what is the capital making for that? And what is the change mix in volume and value term?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [90]

Capital utilization is 100%.

Sumant Kumar, Motilal Oswal Securities Limited, Research Division - Research Analyst [91]

Okay. And what is the growth mix? Or what -- how much volume we are -- the segment has volume growth? And also in relation growth?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [92]

It's compared to the same quarter last year. We had put up almost 30,000 metric tons lines for BOPP in December 2017. That has completely got sold. So that extent, there's a complete addition of 30,000 to the volumes you can look. Rest is all increasing the margin, largely BOPET.

Sumant Kumar, Motilal Oswal Securities Limited, Research Division - Research Analyst [93]

Okay, okay. So can we say or to quantify the -- whatever the growth we have? So how much will be the realization growth in that because we do not know what is the realization?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [94]

We'll have work it out separately. That 30,000 tons capacity growth added, as I said, in December 2017, so all the water base that we had in September and 2017 versus 2018, 30,000 was added in terms of volume. And the rest, all I've is said, is on account of increasing the margins. We'll have to work it out. I mean, it's not the information, which is readily available.

Operator [95]

We have the next question from the line of Archit Joshi from HDFC Securities.

Archit Joshi, HDFC Securities Limited, Research Division - Research Analyst [96]

Can you throw some light on the newly launched product, which is Supertron Air Pure and -- in the sense if it's HFC or HCFC or a blend? And what is the sales potential of this particular product?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [97]

Let me clarify, this is not (inaudible) product asset. This is only to leverage our existing distributor channel -- distribution channel through which we will sell this. This is more of a purification and you put some in your air conditioner, car air conditioner as well as the air conditioner at home. It will be give you a good aroma and a feeling and -- that kind of a thing. It's just a product, which can be suitably sold in the existing value chain. It is has nothing with the refrigerants gas or the -- all the products that we are manufacturing.

Operator [98]

(Operator Instructions) We have the next question from the line of Ranjit Cirumalla from B&K Securities.

Ranjit R. Cirumalla, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [99]

My question again is from the Specialty Chemicals margins front. We were gunning for a recovery in the sales. I think that is now coming true. You -- would you have any idea about this operating leverage? When it will start going out in the Specialty Chemicals margins front?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [100]

I think this is second half of this FY '19, as we have been maintaining, as we are closer to that period now. Our confidence remains that, as we have been maintaining earlier, that the second half is going to see good positivity to the operating leverage turning around. And you should see a much better picture by the time we end the FY '19, 30% to 40% increase in the Specialty Chemicals aside, as we have been mentioning earlier, is likely to be there.

Ranjit R. Cirumalla, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [101]

Would it be safe to assume that the bulk of the high costing eventually would be included in this particular quarter?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [102]

Well, yes, we believe so. We believe so.

Ranjit R. Cirumalla, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [103]

That is helpful. And lastly on the Chloromethane quantity captured under Chemicals Business or the other, sir.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [104]

A part of Chemicals Business.

Operator [105]

We have the next question from the line of Abhijit Akella from IIFL.

Abhijit R. Akella, IIFL Research - VP [106]

First, just wonder FX loss that we have booked the INR 18 crores loss, so this is pertaining to the FX loan book that you mentioned.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [107]

That's right. Yes, yes. That -- as I said, all our domestic sale on the nylon and tyre cord fabric, they happened in rupees. But they are benchmarked against dollar. So to that extent, we borrow in foreign exchange. And we obviously will have to have mark-to-market on those loans, which are outstanding. And there will be a corresponding gain, as I said, on nylon and tyre cord fabrics margin, which gets affected on the other side.

Abhijit R. Akella, IIFL Research - VP [108]

Right. And any other working capital fluctuations? I mean, the FX impact on working capital, that is also captured on this line only or that goes into other line.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [109]

Yes, yes, yes. We extended an inventory. Obviously, it will be a part of inventory management. Otherwise, to the extent that we'll utilize it, we still pass through this (inaudible).

Abhijit R. Akella, IIFL Research - VP [110]

Right. And finance cost is a key number. It doesn't include any FX impact of that.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [111]

No, no. It is -- it may not be shown separately. This is all the foreign exchange moment that happens on various accounts on receivables, payables, tax, borrowings and everything.

Abhijit R. Akella, IIFL Research - VP [112]

Okay. Got it, sir. Second, just on refrigerant gases, if you could just talk about what volumes you expect to end this year with in terms of each of your major products, 134a and 32 and 22 and just various...

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [113]

We have sort of reaching our capacity by the time we close this year, that's why we have announced the doubling of the capacity of all the elements of 134 -- of HFC taken together and that CapEx is on by the time we end this year of March '19. All or revision capacity should be operational. And therefore -- and that obviously is required because we are reaching our 100% capacity on all the elements of R32, 134a and various (inaudible) 135, et cetera -- 135, we don't have an existing manufacturing capacity. But all our HFC components, we would have used our 100% capacity by the time we end this financial year. That's why we are ready, almost 100% of the capacity.

Abhijit R. Akella, IIFL Research - VP [114]

Okay. Got it. And then on the Packaging Films and Technical Textiles Businesses, packaging, in particular. What's your outlook for capacity additions in the market and how long these margins can sustain in BOPET?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [115]

Well, as I mentioned on earlier calls, as far as BOPET is concerned, at least, we are not aware of any line being announced on BOPET, which are underway at this moment. And if somebody was to announce a line for BOPET, it will take not less than 24 months for somebody to really take the line and then toe it. Maybe more like 13 months or so. So for next 2, 2.5 years, we believe that the supply-demand balance will remain wherever it is. it's not been improved going forward.

Abhijit R. Akella, IIFL Research - VP [116]

And similarly, for Technical Textiles also.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [117]

Technical Textiles, we are not growing our capacity. We are selling whatever we produce. And as I said in the interim, whenever there is an additional demand, we could capture through our operational efficiencies and so on, which give us some extra margin. But there is a limitation up to which -- when which we can increase our margins -- our volumes, sorry, because there is no additional capacity, which is coming through on Technical Textiles.

Abhijit R. Akella, IIFL Research - VP [118]

Okay, okay. Understood. In the industry, sir, any view on new capacities being added there or nothing, really?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [119]

I think somebody is being added by a competitor called MADEIRA Industrial Yarn or something (inaudible) they added some capacity, and I don't have that [audit] recently. On Belting side, we are adding capacity to our business, so that will give an additional volume going forward. And the other component, NTCF,has got largely 2 -- the Technical Textiles has got 2 segments. One in nylon and tyre cord fabric, where we are limited by our capacity. And we have sort of 90%, 95% utilization level is there. And the other component, Belting Fabrics, there is already a CapEx announced, and we are taking our capacity from 700 metric tons to 1,100 metric tons over a period of time or the next 2 years or so.

Operator [120]

(Operator Instructions) We have the next question from the line of Dheeresh Pathak from Goldman Sachs Asset Management.

Dheeresh Pathak, Goldman Sachs Asset Management (India) Private Limited - Executive Director [121]

On the Technical Textiles Business, the raw materials is caprolactam, so that you are buying on spot or you have a long-term sort of price arrangement.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [122]

Generally, it is on spot.

Dheeresh Pathak, Goldman Sachs Asset Management (India) Private Limited - Executive Director [123]

Okay. And the selling that you're doing of the tyre cord and the belting fabric, that is also spot linked or do you have some long-term...

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [124]

We have a contract ranging from 1 month to 3 months to -- in a given year, maybe 6 months also. But typically, these contracts are renewed. And they are benchmarked against the caprolactam import parity price, so the margins are sort of protected.

Dheeresh Pathak, Goldman Sachs Asset Management (India) Private Limited - Executive Director [125]

Okay. And on the packaging side, with your buying the chips that you buy, that is also spot -- that is spot buying.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [126]

We buy chips also and we buy -- we manufacture our own chips also. So we buy to PET and energy to manufacture chips in our indoor plant. And we also, if needed, buy some chips. But it is -- as far as domestic lines are concerned, we are more or less entirely -- there's a captive chips, which is available. So PET and energy, which are the products -- petroleum products is something that we buy.

Dheeresh Pathak, Goldman Sachs Asset Management (India) Private Limited - Executive Director [127]

Okay. And on the selling side, is it you're also spot selling? Or do you have price -- fixed price contracts for a period of time?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [128]

We may have contracts with some of the bigger buyers on fixed rate.

Dheeresh Pathak, Goldman Sachs Asset Management (India) Private Limited - Executive Director [129]

Okay. So typically, in the past, when they have been sharp crude movement, I remember in one of the calls, you have mentioned about some inventory gains in the past. Or maybe I'm carrying a wrong impression. So why has it not -- why is it not occurring this time? Have you changed the nature of your contracts or my understanding was wrong in the past?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [130]

No. There's absolutely no change. Some inventory gain can always happen because if you are holding some inventory, which is at a lesser price, it will get realized whenever you sell it. And if it is a high-priced inventory, in the meantime that prices are going down, then, obviously, you will have some kind of a stock loss. But it is not significant in this quarter. This quarter, the entire growth is coming from volume as well as the margin. No part of that is inventory gain.

Operator [131]

We have the next question from the line of Manish Bhandari from Vallum Capital.

Manish Bhandari, [132]

I'm not sure if this question was asked earlier or you did make a comment on this. I wanted to know the -- are market share in refrigerant gas in India and B2C market and you had some plans of expanding this in after-sales market significantly. So if you could throw some light at what has been done now and what if...

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [133]

There are 2 segments in the refrigerant. One is R22, which is a controlled commodity in that sense. Our market share is about 40%. On the -- all other refrigerants, our market is more than 50% because we are the only manufacturer in India of R-134, R32 and the blends. So there is no other manufacturer. We are only competing against the imported material. There are market share a little bit above 50%.

Manish Bhandari, [134]

So would have any idea what the Honeywell's market share also because most of the places (inaudible)?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [135]

No.

Operator [136]

We have the next question from the line of Siddharth Rajpurohit from JHP Securities.

Siddharth Rajpurohit, JHP Securities (P) Ltd., Research Division - Research Analyst [137]

Can I have the just volume unit margin for BOPP and BOPET and its trend over the last 3, 4 quarters?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [138]

Sorry, I can't hear you.

Siddharth Rajpurohit, JHP Securities (P) Ltd., Research Division - Research Analyst [139]

Sir, can I have the volume unit margin for BOPP and BOPET and its trend over the last 3, 4 quarters?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [140]

I'm sorry, but we don't share detail to that extent in the call.

Siddharth Rajpurohit, JHP Securities (P) Ltd., Research Division - Research Analyst [141]

Okay. And sir, is the export capacity in the BOPP segment across regions? Is the export capacity scenario in the BOPP segment, is it across regions or in a particular, say, geography?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [142]

Across region, the BOPET also gets exported, so I'm -- where in which location, what is the capacity and what is the demand, that It is not known to that -- I mean, in that details. But overall, the capacity at, likely, say, in India and -- the demand and supply is also balanced. So 90% of the capacity gets utilized and that gets sold.

Siddharth Rajpurohit, JHP Securities (P) Ltd., Research Division - Research Analyst [143]

And sir, my understanding, correct me if I am wrong, sir that there is a huge interchangeability between BOPP and BOPET. To a certain price, will client move away from BOPET to BOPP? Is there a scenario...

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [144]

No interchangeability. But yes, at some point of time, people, if the BOPET becomes not too prohibitive in terms of pricing, people may try and find some alternative use and maybe compromises in BOPP and compromise on the something else in relation to which it gets utilized. But they are, by and large, different products and have different applications.

Siddharth Rajpurohit, JHP Securities (P) Ltd., Research Division - Research Analyst [145]

Okay. So just in terms of -- if BOPP prices go up by another 5%, 10%, will it be then the scenario?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [146]

I won't be able to comment. I mean, the people who are using the BOPET, they will have to take a call whether BOPP really serves their purpose, whether it maintains the aroma, whether it maintains whatever properties that they are looking and what particular product they are packaging. So I won't be able to really comment.

Operator [147]

We have the next question from the line of Chetan Thacker from ASK Investment Managers.

Chetan Thacker, [148]

Just wanted to know what is the revenue growth for Specialty Chemicals in H1 compared to refrigerants.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [149]

We don't break up between Specialty Chemicals and refrigerants on a quarter or a half yearly basis. Only at the year-end, we will share what is the component between the 2 because there's a great amount of interdependence and interlacing of both these segments. But at the year-end, we do share. But on a quarter-on-quarter basis and half yearly, too difficult for me to share that number.

Chetan Thacker, [150]

And so the second question on both the NTCF and the Packaging Films business, we're not carrying any lower cost inventory that was processed? And is that contribution higher in the quarter or no, it's just currency depreciation that has helped that?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [151]

It will always happen in any cycle in the caprolactam and PET and energy that we buy. It is always largely commodities. Some bit of that will get transferred and transpired into your margins, but that is not a very big component because you don't give inventory for the year or for the quarter and so on and so forth. So it is largely to do with the increase in the volume and the margins in both the businesses.

Chetan Thacker, [152]

Okay. And to the Specialty Chemicals guidance includes the dedicated plan that is coming on in Q3.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [153]

That's right, yes.

Operator [154]

We have the next question from the line of [Chandra Mouli], individual investor.

Unidentified Participant, [155]

Sir, one of the (inaudible) has gone up (inaudible) Is there any particular reason?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [156]

We can't say about the commodity prices have gone up quite bit and the imported material because of the dollar also will have the largest price per unit in that sense (inaudible) in rupees. And there is significant change (inaudible) in the operations, as I said, about INR 170 crores we spend on Chloromethane plant last year in December. Then we capitalized the BOP plant. And there are a couple of other smaller ones. All of that cumulatively has resulted in an increase in the number of inventories, but that's still not alarming. And this is not something, which is very significant. Over a period of time, when the complete operating leverage plays out, this will look (inaudible) in the context of the increased level of activity.

Unidentified Participant, [157]

Okay, okay. And apart from the new plant, which is the (inaudible) in the Speciality Chemicals, you're talking about the green chart in Specialty Chemicals in the second half. But that 40%, 50% growth, which you're talking about, it is only because of the new plant, which (inaudible) prior renewals underway.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [158]

No. What as I said, we started the bidding, some of the inventories. Also there are (inaudible) plants, which are not getting utilized fully. Now there are orders in hand and we are producing and we'll be selling all of that. So it is not only the (inaudible) plant, which is going to come in any time or any day now. It is a combination of both, existing capacity as well as (inaudible).

Unidentified Participant, [159]

So if that is the case, then which margin will be impacted?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [160]

(inaudible)

Operator [161]

We have the last question from the line of Dikshit Mittal from Subhkam Ventures.

Dikshit Mittal, [162]

So my question is on this Chemicals segment. You have been mentioning that in first half, there's not much contribution from the agrochemicals. But still, we have grown in mid-45% kind of range. So for the full year, is the agrochemicals also, which is (inaudible) for a segment as a whole, we can grow between 40% to 50%, right?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [163]

I won't be able to give any number. As I said, the Specialty Chemicals segment, as we said, that in the second half will grow by at least 40% to 50% taking -- on the whole year business. The last year, we were having about INR 670 crores, INR 650 crores of revenues on Specialty Chemicals. That will increase by at least 40% to 50% when you take the FY '19 number by the time you close the year. So this will be more like INR 1,000 crores in that vicinity.

Dikshit Mittal, [164]

Yes. But sir, already, with -- ex Specialty also, you have been growing pretty strongly. So I'm just like to confirm that. So on the overall segment itself, we can grow in that range, right, for the year.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [165]

Because now all of the refrigerant chemical capacities we have sort of reaching the capacity. So further increase on this quarter is to say sequentially, but not that much. But -- now for the entire segment, I don't know whether it is going to be more 40%, 50% or maybe 30% or so. It will be difficult. We'll have to do that calculation.

Dikshit Mittal, [166]

And sir, secondly, Technical Textiles, just as -- you mentioned it's mainly (inaudible) transition that is helping. But in terms of profitability, we have seen huge jump. So...

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [167]

No, no. I said no increase margin. Margins have increased. Margin increases largely attributable to the foreign exchange currency gain. But there is an absolute increase and little bit in the margin also. So all the 3 things. The absolute increase in margins, foreign exchange as well as the increased volume. All the 3 are contributing to the Technical Textiles performance.

Dikshit Mittal, [168]

Okay. So how much is the volume contribution you can give, volume growth in the...

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [169]

5% increase.

Operator [170]

Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Rohan Gupta for closing comments. Sir, over to you.

Rohan Gupta, Edelweiss Securities Ltd., Research Division - Research Analyst [171]

Thanks, Vikam. Thanks a lot. We had, I think, that covered all the questions on so many participating guests. Just before we close, there's couple of clarification from my side. So one is on Chemicals side itself. So sir, definitely, you are expecting a pickup in Specialty Chemicals in the second half with a strong (inaudible). Are you also seeing that margin profile will be similar what it used to be couple of years back in Specialty Chemicals segment or on the new orders or the current product profile, it is going to be lower than what it used to be?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [172]

Rohan, there have been lot of uncertainties, lot of confusions in the recent past, the way (inaudible) in past years was growing, will be growing or selling this where it's getting paid. Let us close this year. Then we'll have a better sense on how the entire margin profile looks. Obviously, this is not going to be of those 50%, 60% that you have seen in the past years. They may not be at that high level because having increased the base quite significantly and having invested a lot in the new capacities and so on. But hopefully, they'll be a sensible decent level going forward. But I won't be able to give you any number at this point of time.

Rohan Gupta, Edelweiss Securities Ltd., Research Division - Research Analyst [173]

Okay. And the second on Technical Textiles, the currency depreciation -- I mean, currency benefit, which we have enjoyed. So is it going to remain here as (inaudible) currency remains here? Or ultimately, the -because it's a (inaudible) IPP link, so all the global suppliers have started reducing the prices we will see the currency gain, which you have will be wiped out even if the currency remains here?

Rohan Gupta, Edelweiss Securities Ltd., Research Division - Research Analyst [174]

So that's what my point was that how do you think, I mean, differently, I mean, first of all, that our customer lobby is very strong, number one. And we must be seeing some completions on the global peer that somebody will be ready to (inaudible) the lower prices. So how long...

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [175]

I'm not that much worried because the dollar will have to be paid in that sense only. But yes, OES (inaudible) beyond the point and also growth, for some reason, doesn't remain as robust as one is expecting it to be, maybe some bit. But I mean, it is difficult to assign again a number, what it is going to be and so on. As of now, things looks good.

Rohan Gupta, Edelweiss Securities Ltd., Research Division - Research Analyst [176]

And the comment on Chemicals Business, so differently, Q3, we see that benefit of our 2 projects commissioning an AI. And at the end of the year, you are expecting that adjusting capacity will also be in place. So -- but what do you think that in next year, I mean, FY '20 in the first year, what is it likely to be utilization level in the HFC Business? And since we have capacities much ahead in place, so there can be contribution pressure in margin in Chemicals Business overall?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [177]

Well, if we reach our present capacity, you do need to put an economic level quantity or -- to increase the input of that kind of a plant. Obvious case is they don't get filled up right on the day 1 because that businesses that there is enough competition from outside India and so on and so forth. So it will take time, but we believe that we will be able to sell very soon as soon as we put up the capacity.

Rohan Gupta, Edelweiss Securities Ltd., Research Division - Research Analyst [178]

So sir, first year utilization level and (inaudible), what is your expectation?

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [179]

I mean, typically, it takes between 1 to 2 years for you to utilize going by (inaudible) 134 and so on. But I do not know how the entire --the U.S., China and various (inaudible) are going to play out. And how much time will it take? Maybe closer to that, even sometime by the time we end this year and are ready with the capacity, we'll have a better sense. We'll share it then.

Rohan Gupta, Edelweiss Securities Ltd., Research Division - Research Analyst [180]

So just last clarification, sir, you did any extraordinary gain is there in any of the segment at the Technical Textile or Packaging Film, especially in these 2 segments? Any (inaudible)? Any other -- any extraordinary gain we...

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [181]

It's already disclosed on the base of the balance sheet about it, but there's nothing significant pluses or minuses that (inaudible).

Rohan Gupta, Edelweiss Securities Ltd., Research Division - Research Analyst [182]

Okay. That's it from my side, sir. And thank you very much for giving us the opportunity for hosting this conference call. I think we have covered all the questions from the participants. We hope that differently, as you'd likely to see if the (inaudible) overall profitable (inaudible) of the company. With that, I'd like to close the call. Thank you, once again. Thanks a lot, And also thanks to all the participants who are logged in for the conference call.

Anoop K. Joshi, SRF Limited - President, CFO & Company Secretary [183]

Thank you very much. Thank you, everybody.

Operator [184]

Ladies and gentleman, on behalf of Edelweiss Securities, that concludes this conference call. Thank you for joining with us, and you may now disconnect your lines.