

AUDIO CONFERENCING SERVICE

TRANSCRIPTION REPORT

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Company	Arvind Limited
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Operator:

Thank you for standing by and welcome to the conference call for analysts and investors presented by Mr. Jayesh Shah, Director and CFO of Arvind Limited.

At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question please press *1 on your telephone. Please be advised this conference is being recorded today.

I would like to hand the conference over to the speaker now. Over to you, sir.

Mr. Jayesh Shah:

Good morning to all of you, and thank you very much for coming over for the call. I think you must have got the note that we had sent, but nonetheless I will go through some of the key highlights of the Q4 as well as year 2010-11, and then talk a bit about the outlook in the near future.

As you possibly know that we grew our top line by a very significant percentage, close to 59-60% in Q4, and the turn over for Q4 was Rs.1200 crores and EBIDTA margin as well grew to 14.9, that is a very high margin that we earned compared to not only last year but also the first three quarters. That number stood at 179 crores and PAT of course grew to 63 crores. There is no land sale income in this 63 crores for the current quarter.

As far as the year is concerned, our top line is 4090 crores, EBIDTA 556 crores is 35%, it is possibly the first time that our EBIDTA has crossed 500 crores, so is our PAT, it is for the first time our PAT is 165 crores, it was the best that we recorded was about 120-130 crores in 2005, this is the highest ever reported profit from our side.

This results as you possibly know came largely because of the growth in the top line to begin with, #1, our revenue in textile grew by 20%, it is close to 3000 crores now, our brand and retail business as you have seen in the earlier quarters had been witnessing a very-very robust growth, this quarter it grew again over 40% and for the whole year it grew by 47%. Now, these combined as a result improved our top line by 25%. Our

exports were about 1/3rd, and this is a good barometer from our point of view, because some of the in the past if you had noticed whilst we have been maintaining some time say robust top line growth and some times not so robust but moderate top line growth, our profitability has been choppy, and one of the reasons why our profits have been choppy is that our export revenue used to be about 50%, we have been talking about it we have been focusing about changing our focus to domestic market, one reason is of course that India is growing at a very-very fast pace, and the second is that the fluctuating rupee had significant negative impact on our bottom line, so we as a part of strategy are looking at becoming more domestic focused than the export focused, so that is another key highlight of the year.

If you look at the yearly margin it was 13.6% compared to 12.5%. Now, this yearly margin had component of textile growing from 14 to 16, and more importantly brand growing from 5 to 8, close to 8. This 13.6 is lower than 14.9, and one of the questions would be whether we would replicate 13.6 or 14.9? Answer to that would be it would be 13.6 or 14 and not 14.9, the reason for that I mean let me cover though it I was to cover that as a part of my outlook discussion, the reason for that would be that in the Q4 of the last financial year there would be a some kind of a lag effect of timing of price increases and timing of cost increases, but as we move forward they would move in tandem and they have been moving in tandem, so as a result the very high top line growth as well as a very high EBIDTA growth that you saw in Q4 in percentage terms may not remain so high though in absolute terms could be as good or better.

Looking at our performance for the entire year, some of the key highlights would be that our denim volumes grew to 26 million, that means we averaged about 104 million annually in Q4, so that is showing a robust growth and we believe that we should be able to maintain this kind of volumes. Our khaki volumes are also growing though now the growth would be higher because the new capacities are coming on stream, most part of last year we did not have enough to sell. So, that is as far as our two main line businesses are concerned.

As far as brand and retail business is concerned, total revenue was over 1000 crores. Our subsidiary, which is Arvind Brands and Arvind Retail, two companies, their turn over was over 800 crores, balance was from our joint ventures. This across the board the growth has been very-very good and if we were to talk about what has happened in first month of Q1, we continue to show 40-45% growth. So, one of the anxieties that one had was that would the growth rates in brand and retail slow down after the cost push that it has witnessed in the recent past? It appears that market is more or less absorbing the cost increases on account of cotton and excise.

In the last year the sectors that led to higher growth in not only revenue but also in earnings, there are quite a few of them. One is in our brands and retail business the like to like growth was very good at 20%, and that you can see that in margin terms from 5.7% to close to 8% on a very large 800 crores is a very high number in terms of earnings

that have come from there. So, that is one reason. The second reason of course is the demand particularly from domestic markets or our textile business, within textile the denim and wovens or shirting business, both were so high that we were able to charge the kind of premium that we would want to charge for the kind of quality products that we supply. So, we had sort of been able to charge prices higher than what the cost push warranted.

In terms of cotton situation, our cotton as you know the prices have been very-very choppy. In our denim business about as a part of conscious strategy we have been reducing the cotton and we are changing the cotton to yarn ratio so that you are not always primarily only making 100% of cotton. We suffered for some time because cotton yarn prices trend away faster than cotton, but as we look at today because we have now 30% of yarn coming from the market where yarn prices have come down as much or more than the cotton prices in the current last one month, and we have been able to contract good amount of sale for our main line business, which is denim, at a firm price for our export, so we see no negatives on account of the cotton inventory we hold. We believe that demand for brands and retails business in India would continue, that has double positive impact, (a) our brands and retail business would grow, (b) our fabrics in India would grow, and as a result we think that we should be able to manage or repeat a 20+ percentage top line growth, and we think that our margins should be protected. As far as negatives are concerned, I think the interest will definitely be going up for two reasons, one we have working capital needs have grown substantially because of increase in cotton prices, so even if you ended up with better asset churns you ended up with an inflationary led higher working capital which needed more outflow and as a result higher interest cost, but we think that even in the current couple of more quarters we think that the interest will remain high, (a) because now that borrowings is coming down but the interest rates have gone up, so that is one negative we see.

One more highlight was relating to Arvind Products, as you know it is a 54% subsidiary, we had certain reasons why we had to keep it separate because it has different set of covenants on lenders, which is now over, and we think that by merging them it will make our operations much easier and financially we should be saving anything between 6 and 10 crores. So, that we are intending to part do it in the current year, it will take about 3-6 months in terms of all the processes we will have to go through, COT approvals, and lenders and share holder's approval, so which we will go through.

There are a few other developments which you would have read or heard; one is on real estate front, we are on track as far as divestment is concerned. We have said that we would like to improve our ROC over next 3-4 years to take it to 17-18%. This year was a good year in terms of we went into close to 11% from what it was around close to 7-8% last year. I think one more this year again with some more asset divestment taking place, some more assets that are productive assets coming into play, and turn over top line coming in, we should be looking at once again at least if not 2 at least 1 – 1.5% growth in our ROC. So, one of the plans there is to divest some of the real estate and that is

happening. We had a successful sale and joint venture with one local group, one of the joint ventures there we have been able to sell more than 75% of the apartments and commercial property which are being built in that premise. So we think that in another 6 months we should be able to sell out 100% and construction should get over some time in the next financial year and we would be booking close to based on when the accounting permits, about 125 – 150 crores of top line from the joint venture that we did with Safal group. As far as TATA joint venture is concerned it is a pretty large joint venture, it is about 9 million sq.ft. It will take 5-6 years starting in the 3rd quarter of this year. We think that the pricing could be anything..., we are going to be led by our partners TATA to decide on product and pricing, but we think that the pricing could be around 2000 or 2500 rupees currently as you start, so at the constant value the valuation could be about 2000 crores of top line at constant value over 5 years. And if I were to take 800 rupees of construction to 1000 rupees of construction cost, it will leave out about 1000 rupees of spread for land, which is 250, and balance for the partners who will share 50:50 over a period of time. This is how broadly it will work, it is too early for us to say what numbers will pan out; however, our internal calculation says that anything between 20 and 25 rupees of present value per share is what we should be able to get from this particular deal over the next..., I mean it is in present value form, but money should come over next 3-5 years starting with about 100 to 125 crores coming between now and April next financial year, it is a 12 months process of transferring the entire piece of land. Our understanding with our lenders is that every asset parcel we sell and whatever money we get we would first utilize to prepay them, and we are following that and that is what is currently being planned.

As far as the last point is about capex, we are looking at spending about 300 crores in the current financial year. It will go between setting up the Bangladesh, completing the Bangladesh denim plant. It will go to add our shirting capacity and khaki capacity from 70 odd million to may be 80-85 million meters. And it will go in setting up about 300,000 sq.ft. of brand and retail space. So, essentially we are looking at top line growth of 20% and we are creating capacity to grow by another 15-20% in the next financial year, which is 2012-13.

So, all in all we are happy with the performance that we have and of course times are challenging and changing, but we think that near terms is looking quite positive. So, with that I close my presentation.

Hema, can you switch over to Q&A please?

Operator:

Certainly sir.

At this time, if you wish to ask a question, please press *1 on your telephone keypad and wait for your name to be announced. If you wish to cancel your request please press hash or the pound key.

First in line, we have Mr. Asin Gupta from Religare Capital. You may go ahead please.

Mr. Asin Gupta:

Hello.

Mr. Jayesh Shah:

Hi, Asin.

Mr. Asin Gupta:

Yes, good morning sir. Congratulations on a very good set of results. Just one clarification. I understand that we have passed the board resolution to raise 300 crores. If you could give the details whether we are looking at equity or debt?

Mr. Jayesh Shah:

I should have covered this in my presentation. Actually, we are not currently as we speak looking at raising any capital. However, we always every year pass this resolution so that in case we needed to we can quickly go over to the market to raise funds if suppose there is a need for us to raise because it cuts down the time. However, for the next six months at least I can tell you we are not looking at raising capital. The way we are looking at it is that if we can keep divesting our real estate in a sense we are raising capital.

Mr. Asin Gupta:

Right. Sir, but I was just having a look at the numbers, we are already generating that kind of cash from our internal accruals also. So, even if we are not divesting, generating 300 crores over the next one year should not be difficult.

Mr. Jayesh Shah:

You are absolutely right. I mean capital is not certainly in part of our fund flow plan for the next year that we have drawn for ourselves. However, you know, we honestly were taken aback this time from the way the cotton prices moved. What essentially happened was that on one hand the treasury was taken aback because they had to really run around to ensure that the cotton inventory is financed well, luckily our operating team reacted much better and they made money on the rising prices. So, our margins improved but at the same time what I wanted to do, I mean it was our internal goal to cut our debt by 200

current year, that unfortunately did not happen in the last quarter because of cotton increase. So, I would think that you know not knowing, you know, one is to make top line growth and second is to make bottom line growth, that is part one, and the second of course is to manage the fund flow and not have the debt component changing. So, from that point of view we are not too sure whether I will be able to cut the debt this year or will be able to maintain because I really do not know how the cotton will behave more particularly in the next season now.

Mr. Asin Gupta:

Right sir. Sir, you mentioned one thing, that going ahead inventory actually, so working capital requirements may go up and this should result in a higher interest cost, but from what I understand working capital requirement should have peaked out last year with the peak cotton prices.

Mr. Jayesh Shah:

Absolutely, so we may not need extra capital. We already added capital in working capital, what I am saying is that if I cannot reduce it because the interest rates have gone up I will have a higher interest cost you know.

Mr. Asin Gupta:

Okay. Sir, just one last question from my side, what kind of interest rate assumptions have you . . .

Mr. Jayesh Shah:

Currently, we are working on or about 11.25 to 11.5% interest rate expectation for the year. Currently, the Q4 was slightly lower than that but with the cost increases that we have seen in the first few months I think our budgeting would we would not go wrong if we do 11.5.

Mr. Asin Gupta:

Right sir, thank you sir. I will come back with more questions. Thank you sir.

Mr. Jayesh Shah:

Yes, thank you.

Operator:

Thank you sir. Next in line we have Mr. Manish Soni from Venture Securities. You may go ahead please.

Mr. Manish Soni:

Good morning sir. I have certain questions regarding your brand and retail business. It grew by 47% last year. So, sir, I just wanted to know what kind of expectations are there from the business going forward?

Mr. Jayesh Shah:

We are looking at another at least 40% growth in 2011-12.

Mr. Manish Soni:

Okay. And sir, can I know the status of stores you have right now in terms of EBO and Megamart stores.

Mr. Jayesh Shah:

In terms of number of stores?

Mr. Manish Soni:

Yes sir and number of stores you are planning to open in the next two years?

Mr. Jayesh Shah:

Just give me half a second, I will just open the data. We have currently 230 EBOs in our brands business. We have 204 Megamart stores including 6 large format stores within that included in 204, this is as of 31st March. Now going forward we are adding about 3 lakh square feet of retail space.

Mr. Manish Soni:

3 lakh square feet of retail space.

Mr. Jayesh Shah:

Yes that would come in form of adding about 30 plus Megamart stores, that is close to 40 Megamart stores, and about 90 plus EBOs.

Mr. Manish Soni:

And sir can you break it down into large format stores and . . .

Mr. Jayesh Shah:

In terms of you know, I would not want to get it to that specific because it is a constantly changing number in terms of location where you get what, but I would say that we are adding about 160,000 to 170,000 square feet in our Megamart stores, and we are adding about 130,000 to 140,000 square feet in our brands business.

Mr. Manish Soni:

Okay, brand business. And sir most of the stores would be opening in tier II cities or tier III cities?

Mr. Jayesh Shah:

A lot of it, yes.

Mr. Manish Soni:

Thank you sir. That is what I needed right now.

Mr. Jayesh Shah:

Okay, thank you.

Operator:

Thank you sir. Next in line we have Ms. Nag Deepika from Capital Market. You may go ahead please.

Ms. Nag Deepika:

Hello Mr. Jayesh. Congratulations in relating such top numbers. Just wanted to understand what was the price increase done in the year and for the quarter in denim business particularly?

Mr. Jayesh Shah:

Only I will want to just you know one caveat before I make this number, it is there. For the year the price went up from 116 to 139, only caveat is that you know the price increase is deceptive, it has also a cost element, so if the cost comes down the price

comes down, does not necessarily mean if I have a higher price I earn more and if I have a lower price I earn less, but having said that the price increase was 139 from 116.

Ms. Nag Deepika:

Okay 116, right. And what was the volume increase in textile business this quarter, Q4?

Mr. Jayesh Shah:

Volume increase, in denim business our volume grew from..., I have the yearly number on hand but not the quarter. Just carry on if you have any other question.

Ms. Nag Deepika:

My second question on denim business is you said like particularly textile business you said the export, we are trying to . . .

Mr. Jayesh Shah:

Okay, I am sorry. I am just going to tell you the number. It went up from 22.8 to 26 in denim.

Ms. Nag Deepika:

26?

Mr. Jayesh Shah:

26.

Ms. Nag Deepika:

Million meters right? Right okay. Particularly in the exports we were trying to reduce our exposure to export, one of our strategy. I really want to know how would be the Bangladesh Denim plant working, is it like you know the domestic market we are trying to support. . . .

Mr. Jayesh Shah:

What we are doing is that when we are adding capacity, I mean when we are growing, one of things we are wanting to do is to move significant export-led volumes from Indian plants into Indian market and service our international customers from our Bangladesh plant.

Ms. Nag Deepika:

Okay. By this way you may be even after the Bangladesh plant becomes operational it would be like the similar kind exports we do in the last year would work on?

Mr. Jayesh Shah:

Sorry, I am not able to understand that. If you are asking whether our volume exports will rise, the answer is more or less they may remain static or marginally go up. Most of the export I mean the growth may come from the domestic market.

Ms. Nag Deepika:

Okay. And in terms of changing the mix of cotton and the yarn in denim, what would be the precise ratio if you could give us to get you know for working out the prices and the margins, and in the light of decreasing yarn prices would the fabric margins be able to sustain in this level or you know it will, how are we looking margins?

Mr. Jayesh Shah:

In terms of cotton to or the yarn to sales ratio, typically in a rising cost prices, the percentage is typically for because of the arithmetic the way it works, because if you increase the price to the extent of the cost the percentages will be lower, the margin will drop in percentage term, in unit term they may remain constant. In falling it will be other way around. However, for calculating the model, if you are to take the Q3 and Q4 average, I think you will be all right.

Ms. Nag Deepika:

Okay, got it. Can you just tell us what was the inventory level of cotton at the end of March 31, 2011?

Mr. Jayesh Shah:

We constantly do based on our requirements, it may be two months to three month, based on what export orders or domestic orders we have been able to tie up, and we also do a mix of not buying cotton and then not buying yarn, or buying yarn and not buying cotton. So you know from that point of view it will be difficult to put a number of months, but as we said that it was..., you can take it two and half to three months that would be a safe number.

Ms. Nag Deepika:

And what would be the rate per kg?

Mr. Jayesh Shah:

We would not give the inventory rate, I mean, yes, because buying is our, you know, we consider it to be our USP, so we do not talk about it.

Ms. Nag Deepika:

No problem. My last question is on the excise duty on branded apparels. What was actually hit on this, what would be the revenue portion, and the government was also telling we will look back on this. What is the update on this front?

Mr. Jayesh Shah:

The excise was increased or levied for the first time, then they had given an abatement of 40% that got changed to 60%, now that is what is going to remain, I doubt whether it will change now. In terms of market I think there has been an adjustment between a retailer or a brand and a garment maker of the margin or the cost push and the consumer, and I think the largest portion has gone to the consumer. So, I think it is not hitting the brands or the retailer. The question or the issue or the worry that the brand or the retailer would have whether it would contract the demands, that we do not know. So, hopefully no, but that we do not know.

Ms. Nag Deepika:

Okay, fine. Thanks a lot for answering my queries sir.

Mr. Jayesh Shah:

Pleasure.

Operator:

Thank you madam. Next in line we have Mr. Rajesh Raganathan from Toric Capital. You may go ahead please.

Mr. Rajesh Raganathan:

Congratulations on a good set of results. I had a few questions in relation to your balance sheet. With respect to the slight increase in debt mainly driven by increase in working capital requirements, now that cotton prices is going down you said it is still a bit uncertain which way it will go, but do you have an internal plan on if cotton prices remain where they are or they come down from now, what will be the impact on working capital? And the second question is you know if you look at the joint ventures that you

have, you would have sold it partially to your joint venture partner, couple of years ago, and then they also had a call option and you have a put option something like that, you had mentioned at that time. So, can you give us an update on where we stand on that? And the third is you know with FDI in retail being talked about, how will that impact the way you structure your businesses going ahead?

Mr. Jayesh Shah:

The first question was that it could be couple of hundred crores of debt change, if the cotton were to remain benign, number one.

Mr. Rajesh Raganathan:

You mean they will reduce by 200 crores?

Mr. Jayesh Shah:

Yes. The second question you asked was about VF or the joint venture where we have a call and put options and those kind of things, that option exists, that due date has not come, it could be some time early next year. So, at that point in time we will have to see how it goes, but that is the situation as per as the call option is concerned.

As far as the FDI is concerned, I think it has been in the offing for a very-very long time as you know, hopefully it will come. We thought that you know rather than react to the situation we decided to create vehicle and be ready to be able to raise capital for fueling 40 and 50% growth and possibly even higher growth in brand and retail business, and if we needed capital, currently the capital gets from the textile business support set. So, if I could do a logical fund raising there, we have a vehicle now in our subsidiary to be able to do that. So, we would look at such opportunities very-very seriously. We are only hoping that this stock gets converted into reality in some form.

Mr. Rajesh Raganathan:

Your Capex for this year, could you just give us some numbers and how much goes into the textile business, and how much goes into the retail/brand business?

Mr. Jayesh Shah:

About 70 to 80 out of about 300 that we talked 325, we talked, will go into retail and brand business. There is also a working capital increase you know 40% top line growth in brand and retail would necessitate working capital. So, between the two the capital need may be higher, you know, so from that point of view I would say about 100 odd crores will be needed by our brand and retail business in the current year, so which is what could get in a way supported if the capital fund raising can happen.

Mr. Rajesh Raganathan:

And when you merge Arvind products with yourself, what will be the impact on your debt?

Mr. Jayesh Shah:

Well, the debt that you are saying is consolidated debt, so it does not change.

Mr. Rajesh Raganathan:

Arvind products today debt is not consolidated with you, right?

Mr. Jayesh Shah:

The debt you are saying 2211, it is consolidated debt, so it includes everything.

Mr. Rajesh Raganathan:

It includes Arvind products debt also. How much is that, for my interest?

Mr. Jayesh Shah:

125 or 130 or something like that.

Mr. Rajesh Raganathan:

Okay. And if you look at the textile business, the margins have been quite good, driven by strong demand, and also there have been some problems in Pakistan whereby you know their ability to export either due to cotton or due to their own domestic issues has been impacted and prices from China also going up. Can you give us a view on how the comparative scenario will evolve over the next 12 months and whether there is a longer term opportunity here or it is just cyclically we are in a straight path and we expect that you know things will go back to where they were couple of years ago?

Mr. Jayesh Shah:

You know, I mean I am going to give an answer but I will just put a caveat before that. It is a very fragmented industry as you know, so it becomes very difficult to collect the data. The best way of knowing what could happen is to talk to our customers. Now, what we have done is that sort of talked to several of our customers as to what they are looking in terms of medium term. How are they looking in terms of their strategy to buy. And without an exception I could tell you, without an exception, the customers are of the

view that they would want to buy more from India and less from China. The reason being that, I mean there are three reasons, one is that China is becoming expensive as you know, we get to hear that in the cost increases that happened in the last four to five months, in the last financial year, where the cotton just went vertically up, lot of Chinese mills renet on their contracts. Now, that is not something which because this I know because lot of customers in the last quarter came saying we just need an emergency supply. Now, those kinds of things shakes up, you know, though the first attractiveness is always a price, but people would always think that it is not a very good idea to in typical sense keep all the eggs in one basket. So, we believe that export sales looking good because some other countries are not looking so good, number one. We also believe that Indian market is up for a big positive surprise and it is driven by all the macro level stuff you know about our growth rate and our middle class and everything that is true, it is also driven by the fact that the way retail is growing, organized retail is growing, it kind of increases the impulsive demand. The impulsive consumption is increasing because the retail is growing so rapidly. So, people are able to go around and visit the shops and end up buying. So, we are seeing all across you know segments a very-very very positive demand coming from the Indian market. So, it is true that textile has been a very choppy industry, it is true that there have not been consistent two or three good years, I think, but if you look at what is happening at a macro level internationally and if you look at a very subtle but now very visible change which has happened in Indian demand and Indian consumerism, I think we believe that that would be a very good three-year period for textile industry in general and Arvind in particular.

Mr. Rajesh Raganathan:

Okay. And when you say 40% growth in the domestic retail business, how much of that is driven by same stores sales versus your 300,000 square feet expansion?

Mr. Jayesh Shah:

As we said last year, we did 47% growth, out of which 20% came from the same stores.

Mr. Rajesh Raganathan:

And this year, I mean your forecast?

Mr. Jayesh Shah:

This year we hope to achieve 15% like to like growth.

Mr. Rajesh Raganathan:

Okay. And that is despite the higher prices, you are not, so far in April and May you are to seeing any impact on volume?

Mr. Jayesh Shah:

Actually we saw a robust 40% April growth. So, that kind of, but just one again caution is that April is not a representative of a full cost increase, it is partial, because not all the merchandise that were in the retail shop were at a higher MRP. Some of the MRP increases have taken place later on and I think you may see a complete MRP increase in July.

Mr. Rajesh Raganathan:

Okay. So, apart from interest rate going up, any other risk that you see in the business?

Mr. Jayesh Shah:

We see, you know, the one issue that would be, we would love a steady or a rising or a gradually rising or a gradually falling cotton. A very choppy situation, you know, it upsets the calculation and pricing not only for us but also our customers. For example, every brand and retailer does not know what to price their autumn winter collection because we do not know what could the cotton be, so you know if 5 or 10% increase you could budget, a 50% increase suddenly just upsets all the numbers. So that holds good for everyone. So, it just puts extra pressure on us in terms of preparing a very dynamic and very what you call volatile scenario building, but apart from that demand being strong finally everything works.

Mr. Rajesh Raganathan:

And you probably watch cotton a lot closer than us, can you give us some idea of where cotton is going?

Mr. Jayesh Shah:

Cotton, it had gone up very sharply and it had something to do with some kind of low borrowing cost globally where all commodities went up and so did cotton. I think it has softened, it has come down. Neither in the period where it went up and nor in the period where it has come down the demand has been different. It is more of how much money funds or someone is borrowing and putting in cotton versus how much it is now withdrawing from cotton. So, beyond that . . .

Mr. Rajesh Raganathan:

But what about the supply?

Mr. Jayesh Shah:

Supply has been very good. There were certain hiccups like there were hiccups in Pakistan earlier, now if you look because there was this flood if you remember last year, and there was that in some parts of China some snow storm in the last year. But you know the forecast is a growth of 15% of acreage under cotton globally. The July is the, you know, the cotton the first arrival starts in first thing happens in Pakistan followed by India and China, and July is the first indication that comes from Pakistan. Pakistan is as projected 15% higher, okay, so demand supply looks quite okay.

Mr. Rajesh Raganathan:

Okay. And if cotton falls, will you have any problems with account receivables or you know any inventory liquidation issues?

Mr. Jayesh Shah:

No, I mean, see as we said that March end we had certain months, today we have say two to two and half months of inventory. We always have two to two and half months of you know what you call order in hand for our customers.

Mr. Rajesh Raganathan:

No, what I mean is if some of your customers have double booked or some of your wholesalers say punting on cotton and they have financial issues. Do you see that . . .

Mr. Jayesh Shah:

It will not be so, because it is not going to be like the fluctuation in the price of the final product could be 5 to 7%, it will not be, because you know cotton is a part of our total selling price. So, the fluctuation in selling price could be 5 to 7%, there would be you know typically what would happen that when the cotton prices or any commodity falls, the first tendency is to wait for a further fall and not buy. So, that inventory corrections would happen. So, we have to build that in. So long as that is built in your plan and secondly so long as you know that the retail off take is good, it will be a period of two to four weeks in which this will get corrected.

Mr. Rajesh Raganathan:

But that is something which you are planning for?

Mr. Jayesh Shah:

Absolutely.

Mr. Rajesh Raganathan:

Thank you so much for your patient answers and wish you best of luck for the year.

Mr. Jayesh Shah:

Thank you.

Operator:

Thank you sir. I repeat participants who wish to ask a question, please press *1 on your telephone keypad and wait for your name to be announced.

Once again, participants who wish to ask a question, please press *1 on your telephone keypad and wait for your name to be announced.

Next in line we have Mr. Vinit Sambre from DSP Blackrock. You may go ahead please.

Mr. Vinit Sambre:

Good morning sir.

Mr. Jayesh Shah:

Good morning.

Mr. Vinit Sambre:

Just one clarification; in your breakup of the revenues, the branded garments is the total branded sale. Am I correct on that?

Mr. Jayesh Shah:

In which . . .

Mr. Vinit Sambre:

Sir, let us say in the quarter, the branded garment breakup is 191.71 crores versus . . .

Mr. Jayesh Shah:

That is purely subsidiary.

Mr. Vinit Sambre:

That is only the subsidiary?

Mr. Jayesh Shah:

Yes the joint ventures are not part of that.

Mr. Vinit Sambre:

Okay, so where is that reflected then?

Mr. Jayesh Shah:

See if you see, if you go to the slide which has a pie chart on revenue, if you go to that slide it will..., unfortunately it is for the year with you, but you know we are breaking it down into brands and retail and we have a brands JV. So, that is how it gets broken down, but if you so like I can give you, I can send you out brand and retail for the quarter and brand and retail JVs for the quarter. I will do that.

Mr. Vinit Sambre:

Okay, yes, that is it. Thank you very much.

Mr. Jayesh Shah:

Okay.

Operator:

Thank you sir. Sir, there are no further questions. Shall I announce once again.

Mr. Jayesh Shah:

Yes, thank you very much and we can close.

Operator:

Okay. That does conclude our conference for today. Thank you for participating on Reliance Conferencing Bridge. You may all disconnect now.