Arvind Y 2012 Earnings Call 10 May'12

Operator

Thank you for standing by and welcome to the Conference Call for Analysts and Investor for 4Q Arvind Limited, presented by Mr. Jayesh Shah. At this time, all participants are in a listen-only mode. There will be presentation followed by a question-and-answer session. I would like to hand the conference over to Mr. Jayesh Shah. Over to you, sir.

Jayesh Shah, Director and Chief Financial Officer

Good morning everyone and thank you very much for participating in this call. I hope that all of you would have got the updates that we generally send it, and if some one has not got it, it is available on our website right now.

Let me begin now twith quarter four performance and then we'll go over to annual and then talk about the outlook. As you possibly know that we had a 6% growth in top-line, significant to know that this top-line growth has been achieved despite follow in prices of sales compared to quarter four of last year, as you possibly know quarter four of last year was very unusual quarter where practically on every stage there was a hike in the cotton price and selling prices was happening and the customer used to buy fearing for the price rises.

So it was a quite an unusual quarter that way. And hence the sales numbers were very different. Despite that because brands and retail grew this time this quarter by about 50%. We achieved a 6% growth.

Coming to the margin, which is one of the key areas where we have not done well, is there are three things which have gone wrong. As we had explained in the quarter three conference call that we were expecting drop in the margins for our brands and retail business as we had dropped the prices to sale the goods because the and -- but the inventory that we were holding for that a higher price.
As far as textile is concerned there were two items one is a one-off item where we wrote down the inventory as the there the cotton prices fell that impacted by almost 2%. So, our usual margin is about 16% and we lost about 2% because of that and there was a month and half for bad gas situation arising because of as you possibly know that there was a discussion that all gas supply should be curtailed in -- because the gas output in the country is lower because some of the private players output has come down.

As a result there as some cut that we experienced for about 1.5 month in three months of the period. Happy to tell you that we have got our full quota of gas back starting April 1. So as far as textile is concerned the entire margin lost has been regained as we speak. As far as brand and retail is concerned we have regained partially and hopefully from quarter two we'll get back to the normal margin.

So that's where our EBITDA margin discussions, I mean I just wanted to highlight. As far as other income is concerned we had throughout the year, we have excellent sale of assets that we could do. This sale of assets resulted in out of total 118 crores for the year, sorry, let me tell first about quarter four, about more than half came because of sale of assets and balance is come because of other recurring other incomes. Going to the yearly performance, as far as yearly performance is concern we as you having knowing that we had one of the best year or despite very difficult situations at we as a country passed through with all kinds of things going around including a very significant up and down of both key component cotton as well as foreign exchange which went up and down both during the year.

We have been able to manage 21% top-line growth, this 21% partially is not comparable because we've sold at joint venture company in between, had we not possibly we would have touched 5,000 crores, our EBITDA grew by 14% as we said the growth was - because of mostly one-off items in quarter four and PAT grew by 48%. This PAT has resulted into an EPS of 9.5 for the year which is again as about 45%, 48% growth and some of the other key parameters that we track internally and we always highlight, one of the key thing that we talk about is to bring down our debt to our EBITDA ratio.

So this year we have reduce our debt in absolute terms despite growing our top-line by 21%, I think debt has come down by closed to about 100 crores, debt to EBITDA ratio has gone down to 2.9 and our target is to bring it down to 2 by in next two years.

Return on capital employed improved to 13.2 and return on equity improved to 12.1 from a single-digit. We have clocked consecutively very good revenue growth of 25% last year and 21% in '11-'12. We sensing that our debt has come down and that outlook is looking good. Our Board recommended 10% dividend after - for six years, it's just a smaller percentage or a small amount for the shareholders but it just tells everyone that we continue to believe that we will, our company will continue to do well and the cash - would continue to be there. As far as brand and retail, I am just to take you through our two segments, textile business segment. Textile business segment grew by 15%.

Now this growth has primarily come because of value increase and not because of volume increase.

The in fact as we said that in the beginning because of sales prices was as the quarter April began, the sales prices and cotton prices both started falling and as a result customer kept on postponing purchases. So we, kind of lost quite a bit of volume in the initial second and the third quarter.

We recouped could quite a bit, I think we have practically a flat Denim sale in quarter four and slight better sales in once in quarter four but we lost ground in quarter four, quarter three was not, we were not able to recoup. So, we had a flat, practically a flat volume sale but these values increased because of higher sales prices compared to year '10-'11.

As far as brands and retail is concerned we have our one of the best years by adding last three months of margin drops. We had 44% growth after, I think this is the third year where have grown beyond 40% that textile companies 100% plus to about 1,200 crore of revenue. And some of our brands has done extremely well. Our U.S. Polo brand is become And I think it has become one of the best selling and one of the highest profitable brands not only in our portfolio but I think in the industry. You would have noticed that almost all the apparel companies and retailers have announced decline or degrowth in like-to-like sales.

I think our company has an exceptional good like-to-like growth 18% in our brand and about 7% in retail. This momentum it is difficult to maintain as you go forward but it is a third consecutive year where like-to-like growth has been extremely good because of significant improvement in the retail productivity. We have about now more counter, we've given those details in our presentation to all of you. So I will not take you through. We have now 568 standalone stores at 1 million square feet and about more then 300 counters in TFR.

So that's where we stand as far as cash flows are concerned, we reduced our debt as far as rating is concerned we because of our significant improvement during the year, the rating agency actually reviewed our rating twice and improved it two times in last financial year.

So that's one good thing which happened. Apart from that, so we had very good success on our brands. We had good success on the debt side where we faltered was on margin in quarter four. Quite a few of them are one off and brands and retail should regain as we go into quarter two.

We expect that next year our textile business would grow by in volume terms by about 14% to 16% both Denim, and woven and some other textile businesses that we do. We think that of course the wovens will be highest growth because we have a new plant which is now up and running. So, we think that the textile business will grow by 14% to 16% in volume terms.

As far as brands and retail business is concerned we think that it will grow by 15 plus percentage. On the whole, the revenue growth will be lower than the volume growth because last year was the high price, part of the year was a high priced growth I mean in the sense there was a lot of value because of cotton cost but now the prices have come down.

So we will grow by under 15%, may be 14%, may be 12% to 14% depending upon how the cotton price and the selling prices move. So that's we are, there are couple of concerns, concern number one, we have right now the retail markets in India are slow.

In fact quarter one seems to be quite bad. There would be in retail there could be a degrowth for one quarter. So that's one negative. The second negative is that we have there is a potential for cotton prices to go up, of course there is always a possibility of passing it on to our customer. But cottons prices are likely to go up because a government may announce increase in minimum support price by 10% to 15%. So that, may though globally it is a bearish condition even though government recently allowed export of cotton free, even that cotton prices are not been able to go up significantly because globally it is bearish condition.

However, this MSP increasing there is a possibility that cotton price may go up in second half of this financial year.

Because of this season is over. The other is the continued fluctuation of currency. We based on our partial it is significant quantity we've already sold plus whatever we have not sold we think that will achieve around Rs.51 to a dollar. Now, if rupee become 57, 58 obviously that would bring some price pressure to our primary sales price.

Not seen right now, not affected right now but it just can happen maybe after couple of quarters. So, that is we are, we are quite happy with what has happened last year and we are very positive about coming financial year. So, thank you and I would be very happy to answer any of your question.

Questions And Answers

Operator Jignesh Kamani

Sir you mentioned that in inventory write-down which is up two percentage?

Jayesh Shah, Director and Chief Financial Officer

Right.

Jignesh Kamani

So, in absolute term is how much 15 crore to 16 crore or is more than that?

Jayesh Shah, Director and Chief Financial Officer

See our turnover if you look from textile quarter four is about 800 crores.

Jignesh Kamani

Right.

Jayesh Shah, Director and Chief Financial Officer

And our write-down is about 16 odd crores

Jignesh Kamani

It has been booked on the - even our raw material or that?

Jayesh Shah, Director and Chief Financial Officer

See what happened is that, you just value your inventory at a lower price.

Jignesh Kamani

But it is booked under which head means in raw material of the Q4 or the other expenditure?

Jayesh Shah, Director and Chief Financial Officer

No no it is not a write-down. See what happens that or it not, it will not appear in anything other than reduced inventory costs.
Okay.

Jayesh Shah, Director and Chief Financial Officer

Closing stock will go down.

Jignesh Kamani

Okay. So, why I am wondering because our other expenses has improved increased by 30 percentage and removing the power cost.
So, what was the reason behind such a sky jump in those expenses?

Jayesh Shah, Director and Chief Financial Officer

In?

Jignesh Kamani

Fourth quarter?

Jayesh Shah, Director and Chief Financial Officer

Are you comparing with the old data?

Jignesh Kamani

No I am comparing revised data.

Jayesh Shah, Director and Chief Financial Officer

Consolidated numbers?

Jignesh Kamani

Yes consolidated numbers. It was 294 crores other expenses, versus 214 crores third quarter and 226 crores revised fourth quarter number.

Jayesh Shah, Director and Chief Financial Officer

Your looking at standalone?

Jignesh Kamani

No no consolidated number, other expense?
Other seems 4.2 and 378 right?

Jignesh Kamani

Yeah, because in the press release it is mentioned as 294 crores the expenses.

Jayesh Shah, Director and Chief Financial Officer

Can I send you a details because there is, it doesn't featured this, inventories right now doesn't feature that.

Jignesh Kamani

Okay.

Jayesh Shah, Director and Chief Financial Officer

So I am not too sure which number you are referring to, I don't have it right now, but I'll send you the data. But it is for this inventory is certainly not that. It is just a reduction in the closing inventory value.

Jignesh Kamani

Okay. Yeah. I am done with my question.

Jayesh Shah, Director and Chief Financial Officer

Thank you.

Operator

Thank you, sir. The next question comes from Ms. Prerna Jhunjhunwala from HSBC Invest. You may go ahead please.

Prerna Jhunjhunwala

Good morning sir. My first question would be on the textile business breakup, would you able to give me fourth quarter breakup of the textile business?

Jayesh Shah, Director and Chief Financial Officer

What breakup ma'am?

Prerna Jhunjhunwala

Revenue breakup in Denim, woven, wild.
Okay, so quantities and all?

Prerna Jhunjhunwala

Yeah.

Jayesh Shah, Director and Chief Financial Officer

I can but if you don't mine can I mail it to you?

Prerna Jhunjhunwala

Okay, not a problem.

Jayesh Shah, Director and Chief Financial Officer

Yeah.

Prerna Jhunjhunwala

And would like to understand there is other expenses that Jignesh asked some time back, that expense that he was talking about was item number 2-H in you consolidated financial release?

Jayesh Shah, Director and Chief Financial Officer

I'll check it up. Can I come back to you, let me get those data, pull out that.

Prerna Jhunjhunwala

Okay.

Jayesh Shah, Director and Chief Financial Officer

Or may be after in another 5, 10 minutes before revisit that.

Prerna Jhunjhunwala

Okay. Fine.

Jayesh Shah, Director and Chief Financial Officer

I'll get the data in the mean time.
Okay. And sir, can you please guide on a price decline that has happened because since we don't have the quarter four volume numbers, these numbers. How is the price decline now? And what is the pricing scenario in various products right now?

Jayesh Shah, Director and Chief Financial Officer

Right now. In quarter four there has not been any decline in the prices.

Prerna Jhunjhunwala

Quarter four there is been. Okay and sir, you were talking about 14% to 15% volume growth next year.

Jayesh Shah, Director and Chief Financial Officer

That's right.

Prerna Jhunjhunwala

What is the probability of it being achieved when prices have got fallen even in fourth quarter? I mean for the full year if we see, how what are usage of premise because if globally we are bearish on government?

Jayesh Shah, Director and Chief Financial Officer

Actually we are not bearish globally.

Prerna Jhunjhunwala

Okay.

Jayesh Shah, Director and Chief Financial Officer

I think the textiles exports from India for the global market though demand may not be growing, the supply from India is growing. So, it could be A, because relatively India is more competitive compared to some other countries.

Prerna Jhunjhunwala

Okay.

Jayesh Shah, Director and Chief Financial Officer

So, as of today in fact the quarter one if I were to look at it, we will achieve the kind of volume growth that we are talking about. Okay.
Okay.

Jayesh Shah, Director and Chief Financial Officer

So, we are not at all bearish globally. Where we are slightly concerned is the Indian Retail segment. Because Indian Retail segment is definitely slow. And so if at all there is a question mark right now is on our ability to continue growing in Indian market by 15% or there above. However internationally, absolutely no problem right now the markets are fairly, fairly strong.

Prerna Jhunjhunwala

Okay. And sir please guide us on the strategy that can be adopted by you for bringing Mega Mart in to double-digit like to like growth?

Jayesh Shah, Director and Chief Financial Officer

See there. It is a Mega Mart like any other value retailer or a discount retailer, we have a slight competition right now and let me explain to you what we are also doing about it. See Mega Mart or any discount there the methodology that was being adopted, was two types of sales.

One sale was in terms of you would say that the MRP was, MRP was 1,000 and you would give 30% or 40% discount there, right?

Prerna Jhunjhunwala

Right.

Jayesh Shah, Director and Chief Financial Officer

When we exercise for introduced in the beginning of last year, the exercise came on the MRP.

Prerna Jhunjhunwala

Right.

Jayesh Shah, Director and Chief Financial Officer

So what happened for Mega Mart and other discounters were they that were required to pay excise on these full 1,000 of MRP. And not on a discounted price of 600. So the actually MRP they realized were 600 but they paid exercise of 1,000. This is one. The second this which all the discounters do and so that mega mart was to give one garmentry for every one or two or -

Prerna Jhunjhunwala

Right.

Jayesh Shah, Director and Chief Financial Officer

When you do that again for the garment you sale you pay on full MRP or the garment you give out you pay on the MRP. So, essentially the way this entire sale model was working, suddenly got into kind of a complication because the MRP came now. What happens is that, these numbers what I am talking about would be Rs.15 to Rs.20 per garment of extra excise cost.

Prerna Jhunjhunwala

True

Jayesh Shah, Director and Chief Financial Officer

On millions of garment that you end up selling. Now, this coupled with high cotton prices in the beginning post all the discount and value retailers to go beyond three-digit and going to four-digit pricing. So, when the elasticity of price is very high at a lower level as we all understand.

So now this is the complication which is I am not going to go away because excise is going to stay. And as a result Megamart right now is changing it's model from being a discounter to a value retailer which is where they would give, they will sale at a lower price but will not slash the price at the store.

What I mean is that, you can slash the price at the factory from 1,000 and put a new MRP of 600, rather than saying the MRP is

1,000 and I am giving you a 40% discount. So there are two ways of offering discount for purpose of calculating excise duty.

So if you declare your MRP as a factory to be 600, by putting a tag of 600 then you will become a value retailer and not a discounter. So, that's a difference that we are trying to make. We are changing that model it is been now first time being done in Karnataka in the current month and then it will be rolled out based on the success all over the country.

So, right now Megamart has this, it is in a transition phase and it is in a uncertain phase.

Prerna Jhunjhunwala

Okay.

Jayesh Shah, Director and Chief Financial Officer

So, it will take I think two quarters before it stabilizes in it's new model because, the new model will also mean communication to our customers differently.

Prerna Jhunjhunwala

Okay.

Jayesh Shah, Director and Chief Financial Officer

On what we have been doing.
Okay. So, we would see that double-digit growth maybe, not maybe achievable in full year as ?

Jayesh Shah, Director and Chief Financial Officer

No, it will not.

Prerna Jhunjhunwala

Okay. And will it be profitable in the build up segment on profitable?

Jayesh Shah, Director and Chief Financial Officer

Yes, it is profitable wherein the last, I would say last four months and coming two, three months I would say I mean whole of April, May, June. Yeah.

Prerna Jhunjhunwala

Okay.

Jayesh Shah, Director and Chief Financial Officer

So this is a period where we are flushing out all the old high price inventories.

Prerna Jhunjhunwala

Okay. Sir your.

Jayesh Shah, Director and Chief Financial Officer

Don't see a problem it's a very strong model it has a, it is growing not like-to-like by 10% but it is growing at good 20%, 30%, 40% for last four years, and it will continue to grow.

Prerna Jhunjhunwala

Okay. And sir my last question would be on your foreign exchange policy, I mean it just volatile rupee scenario how are you managing your foreign exchange exposure?.

Jayesh Shah, Director and Chief Financial Officer

It is, we -- as we move forward we do a dynamic hedging for a period of 12 months and based on our view of our treasury and we experts that we consult. We increase our hedges or not take hedges. Right now as we speak for the current year we are 75% hedged and we are likely to realize, just about a Rs.51 unless rupee changes significantly from current level to, for the current year financial.

Prerna Jhunjhunwala

Okay.

Jayesh Shah, Director and Chief Financial Officer

Yeah.

Prerna Jhunjhunwala

Thank you sir. I'll if I have any further question.

Jayesh Shah, Director and Chief Financial Officer

Yeah, and I'll come back to you on that other side I need to get that data.

Prerna Jhunjhunwala

Okay, sir. Thank you.

Operator

Thank you ma'am. The next question comes from Maulik Patel from Equiris. You may go ahead please.

Maulik Patel

Thank you. Sir, I have two questions, one is on you mentioned that we can achieve around 14% to 16% of volume growth in textile next year?

Jayesh Shah, Director and Chief Financial Officer

We are hoping to do that, we are planning to that.

Maulik Patel

So how your planning to achieve so higher capacity utilization?

Jayesh Shah, Director and Chief Financial Officer

As far Denim is concerned as you know we can go upto 108 million. And we are right now this year we've closed at 95 million, 96 million. So there is headroom available there. As far as wovens business is concerned, we were at 95% under utilization last year.

Maulik Patel

And sir on the price realization in Denim you have seen some around Rs.150 from matter price realization in Denim. How the trend looks like? Whether it will increase going forward or it will decline?

Jayesh Shah, Director and Chief Financial Officer

We don't see Denim price is declining at least for next three four months. Beyond that we largely depend upon how cotton moves and everything else happens, so.

Maulik Patel

Okay. So, in near-term this price remain constant?

Jayesh Shah, Director and Chief Financial Officer

Yeah.

Maulik Patel

Realization will remain constant.

Jayesh Shah, Director and Chief Financial Officer

Absolutely.

Maulik Patel

And sir on CapEx front are we maintaining our Rs.200 of CapEx this year?

Jayesh Shah, Director and Chief Financial Officer

Yes.

Maulik Patel

So, there is not much additional capacity we are building into the textile business this year?

Jayesh Shah, Director and Chief Financial Officer

Well see, we have now created capacity for our woven business for next two years.
Okay.

Jayesh Shah, Director and Chief Financial Officer

In terms of the growth that we can achieve for this year and the next financial year. As far as Denim is concerned by end of this year we would possibly hit the 100% utilization hopefully.

Maulik Patel

Okay.

Jayesh Shah, Director and Chief Financial Officer

We are currently working and it is at a very, very at a preliminary stage, so I don't want to say that this would happen. But we are working things out with three of four mills in South Asia to including India to try and tie-up those mills for outsourcing from them.

And we have and we are going to invest in from finishing lines of our Denim plant. So we will add value at the finishing level but processing level but we will buy the semi-finish product. So that's what I think, we would be wanting to do over next three to four months tie that up.

So, that's where we are, our team is right now working.

Maulik Patel

Okay. And sir anything on real estate we would like to know, like how much of real estate income one can expect next year?

Jayesh Shah, Director and Chief Financial Officer

See in terms of, it get split between the two parts one is the other income.

Maulik Patel

Right.

Jayesh Shah, Director and Chief Financial Officer

We will, and other incomes in a sense is recurring but it is not on a quarterly basis. So, if and when we are able to sale other income gets booked but there will be some sale, there would be other income that we get booked, I won't be able to put a number but, and I won't be able to put the quarter but you could expect the 50 crores, 60 crores other income

in our numbers easily because apart from real estate now some of the operating incomes have also shifted to other incomes. Like as far revised schedules it, scrap sales goes there for example.
Okay

Jayesh Shah, Director and Chief Financial Officer

Now expenses on the inputs come into normal thing, but the scrap sales grows there. So those are some other anomalies I mean and we have today morning sent one reconstruction of how old schedule fix versus how new schedule fix.

Maulik Patel

Yeah, I have received that.

Jayesh Shah, Director and Chief Financial Officer

Yeah, and as a result some of the other income, other income as we understand, other income from operation itself will be a good number now a day, now onwards.

Maulik Patel

Okay. Thank you sir and wish you all the best.

Jayesh Shah, Director and Chief Financial Officer

Thank you, Maulik.

Operator

Thank you, sir. The next question comes from Riken Gopani from Infina Finance. You may go ahead please

Riken Gopani

Hello. Hi sir. Sir, first I want to understand that what would be the average cotton cost for Q4 and the gas cost?

Jayesh Shah, Director and Chief Financial Officer

Last year quarter?

Riken Gopani

Yeah.

Jayesh Shah, Director and Chief Financial Officer

One second. Can you ask the second question now?
Yeah, yeah. The second question is that this year in the last quarter we saw a very strong growth in your brands business, any specific reason I mean this is because of the loading of MRP I mean almost looks like a 70% growth in Q4 in your brands business. Anything that you'd like to highlight in that?

Jayesh Shah, Director and Chief Financial Officer

No. I think the brands has grown only by 50%.

Riken Gopani

I mean, 250 crores kind of turnover right in Q4?

Jayesh Shah, Director and Chief Financial Officer

Okay, just let me first answer your quarter four, gas 19.3, cotton 98.2.

Riken Gopani

98.2. Okay. Okay. So your cotton cost on a sequential basis has actually come down by almost 20%?

Jayesh Shah, Director and Chief Financial Officer

That is correct.

Riken Gopani

So then what would have let to, you said there was an inventory write-down in your?

Jayesh Shah, Director and Chief Financial Officer

The inventory write-down comes because, the inventories though we valuate on a moving average basis. So when suddenly cotton cost so much, the entire inventory will have to be written back.

Riken Gopani

Okay.

Jayesh Shah, Director and Chief Financial Officer

Even though the inventory that you carry could be offer higher cotton price in the finished product or in the WIP.

Riken Gopani Jayesh Shah, Director and Chief Financial Officer

That's why you see the the one-off item.

Riken Gopani

Correct. Correct. So, a better way to look at it is that in Q1 you would have a similar cotton cost and Denim realization remaining stable?

Jayesh Shah, Director and Chief Financial Officer

That is why you would manage or maintain or come back to a normal margin for quarter one.

Riken Gopani

And this gas cost is Rs.19 should go to what from here, again back to your normal Rs.16, Rs.17?

Jayesh Shah, Director and Chief Financial Officer

No because it is in dollars.

Riken Gopani

Okay.

Jayesh Shah, Director and Chief Financial Officer

And currently the dollar is such a very down level so.

Riken Gopani

Okay. Okay. So you would get your allocations but the cost will more or less remain steady at these levels?

Jayesh Shah, Director and Chief Financial Officer

Or it would be 20, more or like 20 then 19.

Riken Gopani

Okay. Okay. Sir, one question I had on your other expenditure line item. Is that on your full year annual report in FY11 you had mentioned one expense which is the construction contract expense, something like 66 croes on construction contract expense, is it a more Q4 item or is it more a portion over the full year?
One second, which?

Riken Gopani

66 page number on your annual report if you have it.

Jayesh Shah, Director and Chief Financial Officer

'10-'11?

Riken Gopani

'10-'11 yes.

Jayesh Shah, Director and Chief Financial Officer

'10-'11. What does it say?

Riken Gopani

In your schedule 13, it is a construction contract expense of 66 crores for FY11, because there is no corresponding expenditure in 2010 of similar nature, just wanted to know whether this is a more Q4 expenditure and therefore a more lumpy item which has come in this quarter?

Jayesh Shah, Director and Chief Financial Officer

No, no. This construction contracts and is relating to two of our business is nothing to do with textile, which is then on consolidated basis we have this engineering business.

Riken Gopani

Okay

Jayesh Shah, Director and Chief Financial Officer

It is a small business but it awards construction contracts and secondly is our real estate unit. So where we avoid construction contract. So, those would come. So, it is nothing to do with any quarter.

Riken Gopani

Okay.

Jayesh Shah, Director and Chief Financial Officer Riken Gopani

Sir, actually what I wanted to know. This is a portion throughout the year, I mean this is not actual.

Jayesh Shah, Director and Chief Financial Officer

It is actual. So it will relate to expense that you incur and the sales you book.

Riken Gopani

Okay. Can you give me the figure for FY12 if you have that number?

Jayesh Shah, Director and Chief Financial Officer

FY12 construction item, that I would not have it right.

Riken Gopani

Sure. I'll take it offline from you.

Jayesh Shah, Director and Chief Financial Officer

Can I get your email please?

Riken Gopani

I think Jatin has it.

Jayesh Shah, Director and Chief Financial Officer

Jatin, can you send him.

Riken Gopani

Sure. Okay. Yeah. The next, the question is to understand in the interest cost item, was there any ForEx write back this quarter or this is pure interest cost?

Jayesh Shah, Director and Chief Financial Officer

If there any write back in quarter four on ForEx 4 crores.
4 crores

Jayesh Shah, Director and Chief Financial Officer

Yes.

Riken Gopani

Okay, okay. And since we have now, could you because of the rating improvement what has our interest costs now become percentage and what was it last year?

Jayesh Shah, Director and Chief Financial Officer

See the average interest costs is about 11.2% right now. And rating improvements have come and we have start to renegotiating I think we get anything between 25 basis points and 50 basis points improvement or a period of time.

Riken Gopani

Okay. So, we have not yet had the improvement in ?

Jayesh Shah, Director and Chief Financial Officer

There has been a smaller increment but the -- because each bank will be negotiating independently. So, it's not, it doesn't happen it goes to back with a individual boards and all that. So it's takes a little time but I think it started has coming in from quarter four of last year.

Riken Gopani

Okay, and one, your guidance on the inventory and overall working capital requirement given the kind of cotton costs reduction that will happen. Is it a safer to assume that you would more or less have very negligible change in working capital in FY13?

Jayesh Shah, Director and Chief Financial Officer

In textile the answer is yes, in fact you maybe zero or slightly negative I know rather you may not spend so much on working capital though you will grow that top line by about 12% or so. And the retail would not be the same because in brands and retail in fact as you keep growing your working capital requirements it's proportionately but do keep increase. So there would be some increases but it will be like if turnover is going by 12%, your working capital may grow by 5%, 6%.

Riken Gopani

Okay. And sir you mentioned that you had he ForEx booked at 51 to dollar for FY13?
Yes, but we hope to achieve 51 is what I said, yeah.

Riken Gopani

Okay, hope to achieve, okay. So maybe the first half might not have even 51, is that the right way to look at it?

Jayesh Shah, Director and Chief Financial Officer

Not yet.

Riken Gopani

Okay

Jayesh Shah, Director and Chief Financial Officer

I think you should take an average.

Riken Gopani

Okay, and does that in anyways if at all a dollar rupee moves to 54, 55 impact our overall competitiveness in the market because ?

Jayesh Shah, Director and Chief Financial Officer

See what happens is that the problem what happens when the rupee become so volatile and it depreciates so sharply and when you are negotiating contracts for exports and if at that point in time rupee is weak and if you are, if you are, if there is also a - that's the forwards are looking very high and all that.

And so what happens is that you end up contracting or in negotiation this rupee discussion do come up. And as a result you may end up contracting at a, or you may end up getting a slightly lower price.

Riken Gopani

Okay.

Jayesh Shah, Director and Chief Financial Officer

So long as if you are getting Rs.51 and Rs.53 or Rs.54 and it doesn't really matter. But if you are hoping to get 51, 52 and if the market is 57 then you will get affected on your margin.

Riken Gopani Jayesh Shah, Director and Chief Financial Officer

No, not right.

Riken Gopani

We have not done anything for that right now, okay. Sir, last thing that I wanted to understand is on the real estate side. There was some mentioned in the morning by the promoter that, they're looking forward to expanding that business. Is there an intention to increase the capital employed in that business?

Jayesh Shah, Director and Chief Financial Officer

Not at all. In fact it - also.

Riken Gopani

So, that 3,000 crores mentioned that he did is relating to what can you ?

Jayesh Shah, Director and Chief Financial Officer

See we haven't, see right now the transactions that we've done. For example, see we've done several activities, a lot of activities are happening in our real estate unit but two large activity one is a joint venture which is going with TATA. A smaller joint venture going with the Safal Group?

Jayesh Shah, Director and Chief Financial Officer

These are two and couple of others smaller sites that currently are under construction. There the some total of the revenues that this business is will book is 2,000 crores.

Riken Gopani

Okay.

Jayesh Shah, Director and Chief Financial Officer

Over period of ex-number of year.

Riken Gopani

Correct.

Jayesh Shah, Director and Chief Financial Officer Riken Gopani

Okay.

Jayesh Shah, Director and Chief Financial Officer

We have and there is some of the revenue that we could book from there could be any thing between 2,500 to 4,000 crores.

Riken Gopani

Okay, okay.

Jayesh Shah, Director and Chief Financial Officer

And that's for Mr. Lalbhai mentioned that we are looking at another 3,000 crores of revenue, from existing parcels and we don't intend to put assets into, our money into it.

Riken Gopani

So it is more JV format again where we would have the land contribution?

Jayesh Shah, Director and Chief Financial Officer

I don't want to see which format we will use and we intend to not really increase capital employed in the business.

Riken Gopani

Okay got your point. Got your point. Alright. Yeah. So would you have put over the next X number of years, what would be the NPV of overall?

Jayesh Shah, Director and Chief Financial Officer

See we have currently the transactions we have done for the Surfer Group including some land that we have sold in last one year plus the transactions that has happened with TATA Group, the NPV of those committed transaction is about 600 croroes, of which I think 250 odd cores are coming to cash flows.

Riken Gopani

Okay. Okay, sir.

Jayesh Shah, Director and Chief Financial Officer Riken Gopani

Okay. Okay. Alright, got your points. Thanks a lot sir. That's very helpful.

Operator

Thank you, sir. The next question comes from Parag Thakkar from Quant Capital. You may go ahead please.

Parag Thakkar

Yeah sir. Thanks a lot for throwing there is light on real estate part because most of the people have understood that you are going to put 3,000 crore into it. The other part I, the other thing which I'll, see I am not got that schedule six reconstructed thing. So, I would refer Jatin to send it to me.

Jayesh Shah, Director and Chief Financial Officer

What I your good name, please?

Parag Thakkar

Parag, Parag Thakkar.

Jayesh Shah, Director and Chief Financial Officer

Parag, I'll send you, Parag.

Parag Thakkar

So, basically sir can I just have a bit because that will help me in putting out the perspective but can you just tell me that what is the consolidated EBITDA number in that reconstructed thing which you have sent to others?

Jayesh Shah, Director and Chief Financial Officer

New format 602, old format 671.

Parag Thakkar

Okay. Thanks a lot. And sir as you rightly said that from the global side, you're very positive when it comes to the demand of Denim and wovens both. Can it be only because of this currency benefit which is India is enjoying right now against others like China or you feel is it is a sustainable thing. So, and because Chinese wages are also going up?

Jayesh Shah, Director and Chief Financial Officer

I think the way to look out at it is not currency alone. I think to way to look out it is a relative competitiveness. So, when you look out relative competitiveness, let us start with cotton, India is a net exporter of cotton, China is a net importer of cotton.

Parag Thakkar

Correct.

Jayesh Shah, Director and Chief Financial Officer

So, India cotton prices if you look out today for example, even if the cotton is freely exportable because the kind of cotton is available, the quality, the technical, which are imperfection that you had. Is 15 to 20% cheaper always compared to cotton internationally.

Parag Thakkar

Correct.

Jayesh Shah, Director and Chief Financial Officer

As of now as we speak in fact if the gap is widened vis-à-vis China because China has been keeping he cotton prices even much higher they have a controlled cotton price scenario. So there is a difference. So when it comes to heavy fabric like Denim, the cotton plays a very major role. So you are definitely far cheaper as an country as far as heavy fabrics are concerned.

Parag Thakkar

Correct.

Jayesh Shah, Director and Chief Financial Officer

Number one. Number two the cost of conversion on which were the largest cost is the labor cost comes into play. So which is definitely Chinese costs are going up.

Parag Thakkar

Right.

Jayesh Shah, Director and Chief Financial Officer

Third component is of currency. Now, what in currency even if India was not to depreciate, the relative appreciation which is happening in Chinese currency.

Parag Thakkar

Correct.

Jayesh Shah, Director and Chief Financial Officer

Which was in a sense overview from a longer period our time.

Parag Thakkar

Right.

Jayesh Shah, Director and Chief Financial Officer

If it is just getting corrected, so I would have said that we are becoming competitive because we were not, in the past we were not allowed to remain competitive because of artificial taking of currency.

Parag Thakkar

Right.

Jayesh Shah, Director and Chief Financial Officer

To that extent I think it is just getting corrected and that is how the Indian textile mills are doing well. I think I don't know whether you must be in touch with other. I think every textile company right now must be doing well.

Parag Thakkar

Yeah, in terms of exports, right?

Jayesh Shah, Director and Chief Financial Officer

Yeah.

Parag Thakkar

Yeah, correct, absolutely. But sir right now as we see your export is around on 32%, 33% of sales. So, basically you expect that next year when we are seeing that export is robust while domestic is slightly struggling. You expect that export revenues will inch up as a percentage of sales?

Jayesh Shah, Director and Chief Financial Officer

It will not, let me explain to you this entire 32%, 33% it is including our brand and retail business.

Parag Thakkar

Okay.
So if you were to take that away and see just textiles and what percentage of textile is exported, the number is about 45%.

Parag Thakkar

Right.

Jayesh Shah, Director and Chief Financial Officer

And it will vary from 45 or 42 to 50 depending upon how the market conditions prevail at in different quarters in fact.

Parag Thakkar

Right.

Jayesh Shah, Director and Chief Financial Officer

You would sale something to retain your market share in the country or grow your market share but balance you will do where you make more money.

Parag Thakkar

Yeah, correct absolutely. Yeah, hello? As you said that you expect retail in India to be slow for a while and which already it is slowing down. So, is that case for our Denim and woven sales in India to slightly slowdown because of that, because Indian consumers are -- because the inflation is too high for them, so?

Jayesh Shah, Director and Chief Financial Officer

Actually if you look at it this way there are two players - that is happening in India. In India, all the brands which are so called premium, which in definition would be Rs.2,000 shirt.

Parag Thakkar

Correct.

Jayesh Shah, Director and Chief Financial Officer

Or Rs.2,500 shirt would be Louis Philippe, Arrow would be as an premium shirt. That is not under.

Parag Thakkar

Slowdown correct.
It is not under pressure.

Parag Thakkar

Correct, correct.

Jayesh Shah, Director and Chief Financial Officer

It is the Rs.1,000 it is under pressure.

Parag Thakkar

Middle class.

Parag Thakkar

Correct.

Jayesh Shah, Director and Chief Financial Officer

And what is growing the most is Rs.4,000.

Parag Thakkar

Correct I completely agree, yeah.

Jayesh Shah, Director and Chief Financial Officer

So for example Tommy is grown by 50% our brand. So what the service that we make and the shirting fabrics we make are actually meant for Rs.2,500 shirt.

Parag Thakkar

Right correct.

Jayesh Shah, Director and Chief Financial Officer

If you - see that as of has been a challenge for fabrics it is definitely under a little bit pressure in India but it is not such a big pressure.

Parag Thakkar

Correct.
As you see pressure in our Megamart format it is a Rs.1,000 shirt. So to answer your question we would, we are in both market as far as fabric is concern. So depending upon last 10% movement happens based on where it is more profitable.

Parag Thakkar

Right, right.

Jayesh Shah, Director and Chief Financial Officer

That's how it comes.

Jayesh Shah, Director and Chief Financial Officer

Yeah, correct sir. Sir last question from my side because this schedule fix and reconstruction and this is all very confusing. If you can just and this one-time write-off of inventory and all. Sir, if you can just maybe offline or maybe after this concall that if you exclude everything which is non-recurring in our entire and annual P&L, I am not talking about last quarter.

Then what is our consolidated EBITDA and what is our consolidated PAT? Everything which is non-recurring? If you just remove it.

Jayesh Shah, Director and Chief Financial Officer

No I could do that but see other way of looking at it is that it would be if I would not go wrong if one were to say it anything between 15.5% to 16% margin for our textile business and about for the last year. And about 6% margin for our.

Parag Thakkar

Brand and retail business.

Jayesh Shah, Director and Chief Financial Officer

Correct.

Parag Thakkar

Right. Right. Right. Correct. So for example I will just convert into numbers from my own end. So your textile business consolidated sales was around 3,431crores, right?

Jayesh Shah, Director and Chief Financial Officer

Yes.
And your branded business for the full year was 519 crores,correct?

Jayesh Shah, Director and Chief Financial Officer

That is not correct. It is closed to 1,170.

Parag Thakkar

No, no sorry other is brand, branded and retail is 1,100 correct. Okay. So this can be considered as a recurring EBITDA kind of thing right?

Jayesh Shah, Director and Chief Financial Officer

For the last year plus there would be other smaller businesses that would contribute. Like we have joint venture, we have some engineering business, we have some small telecom unit. So all of that we have to be added.

Parag Thakkar

Right but is it possible if we can have that number possibly in next one or two days?

Jayesh Shah, Director and Chief Financial Officer

I will get my colleagues to talk to you on that.

Parag Thakkar

Yeah. Yeah. Yeah. Thanks a lot sir. Thanks a lot. Yeah.

Operator

Thank you, sir. The next question comes from Ms. Abhilasha Satale from Techno Shares. You may go ahead please.

Abhilasha Satale

Yeah, sir. Yeah, thank you. Sir you have mentioned that your like-to-like sales growth is around 6%. Sir I just want to know whether market entire retail.

Jayesh Shah, Director and Chief Financial Officer

Like-to-like in which segment ma'am?

Abhilasha Satale Jayesh Shah, Director and Chief Financial Officer

That was actually in brand it was more it was 18% and 6.8% in retail.

Abhilasha Satale

Sorry in brands how much it has?

Jayesh Shah, Director and Chief Financial Officer

18%.

Abhilasha Satale

18%?

Jayesh Shah, Director and Chief Financial Officer

That's right.

Abhilasha Satale

Okay. And in retail it is, value retail it is?

Jayesh Shah, Director and Chief Financial Officer

6.8.

Abhilasha Satale

0.8%?

Jayesh Shah, Director and Chief Financial Officer

6.8 ma'am.

Abhilasha Satale

6.8%. Okay. Sir, actually I want to know this brand and retail like-to-like sales growth, like how much is the actual entire industry has grown. Is it in the range of 6% to7% year-on-year growth?

Jayesh Shah, Director and Chief Financial Officer Abhilasha Satale

Yeah

Jayesh Shah, Director and Chief Financial Officer

Some of the companies we found that have actually degrown. So, I don't know how to put a average industry data. But I won't think that this financial year, it would be more like, if at all 5%, 6% on an average. If at all.

Abhilasha Satale

So, sir it is mainly because of you have grown, you have outperformed industry is sharing your competitors share. Like gaining your competitor's share in the industry that is how?

Jayesh Shah, Director and Chief Financial Officer

That is possible yes.

Abhilasha Satale

Yeah. And sir the main strategy behind this is like you have more penetrated into let's say Tier 2 and Tier 3 cities? So that is how like.

Jayesh Shah, Director and Chief Financial Officer

We are currently doing for our growth, we have two or three things that we are doing. One we are doing is we are expanding distribution that we have been adding more traffic to our total thing, in terms of total sales doesn't add like-to-like but total sales growth comes because of that. Number two, we are adding what you call more products. So we are entering into say for example last year, we did not have US Polo kits, this year we have launched US Polo, last year we did not have a US Polo shoes, we have US Polo footwear business going this year.

So we are adding lot of categories to the same brand. Now as you add categories and you sale from the same store, your same store sale grows.

Abhilasha Satale

Right. Right.

Jayesh Shah, Director and Chief Financial Officer

So that is another big change that has happened compared to last year that we have added a lot of categories into our existing brands.

Abhilasha Satale Jayesh Shah, Director and Chief Financial Officer

I think I go wrong if I tell you the numbers. First clicking the like-to-like overall growth I know but within like-to-like.

Abhilasha Satale

Okay, in overall also like.

Jayesh Shah, Director and Chief Financial Officer

We can sent it to you.

Abhilasha Satale

In overall also sir. If you could just tell me how much is?

Jayesh Shah, Director and Chief Financial Officer

Yeah, the overall growth of volume last year, just one second let me give you exact number. Okay, the overall brands volume grew by about 24%.

Abhilasha Satale

Okay.

Jayesh Shah, Director and Chief Financial Officer

24% or near about and the total volume -- value growth was about 44%.

Abhilasha Satale

Okay, okay fine. And sir in this Q4 there are many discount, sales and all. So, how much of our Q4 turnover account for this discount, sales and have you taken any price downward revisions recently and some of our brands?

Jayesh Shah, Director and Chief Financial Officer

January we have reduced MRPs on many products inline with deduction in the input costs. The overall MRP reduction would be about 5% to 7%.

Abhilasha Satale

Okay.
On entire portfolio.

Abhilasha Satale

Okay. And your seeing like these reduction in MRPs demand has coming, the demand has picking up or?

Jayesh Shah, Director and Chief Financial Officer

Very, maybe early to say because it doesn't happen. A lot of products in fact what we reduce in January would enter the market now. So, it is very difficult, but we have some elasticity is always there and particularly when you look at at the value labels.

Abhilasha Satale

Right. So apparently is Q1 would be very lack luster for brand and retail business that is what we can and even ?

Jayesh Shah, Director and Chief Financial Officer

Brands should be okay premium brands are doing perfectly fine our linear yes, fabric should be doing well.

Abhilasha Satale

Okay and then going forward from Q2 onwards we expected to pick up?

Jayesh Shah, Director and Chief Financial Officer

We expect that, I only right, no right now Indian situation is very volatile for us to be, it becomes more difficult to forecast in a situation which is slow so volatile. But we would think that quarter two should become normal as far as margins are concerned.

Abhilasha Satale

Right, okay. And sir discount sale as a percentage of your total business in Q4?

Jayesh Shah, Director and Chief Financial Officer

What is this discount sale?

Abhilasha Satale

That is what like you had giving discounts on this your MRPs in Q4?

Jayesh Shah, Director and Chief Financial Officer Abhilasha Satale

Okay. So it is only from Q1 you will see this 5% to 7% reduction in MRPs that's it?

Jayesh Shah, Director and Chief Financial Officer

Yeah.

Abhilasha Satale

Okay. Sir your outlook on technical textile business like your ramping up brand business as well?

Jayesh Shah, Director and Chief Financial Officer

We are very, we are buoyant about technical textile, but it seems a very large field, we as of today we are experimenting, we are entering but we are still experimenting with three or four protective industrial and - fabrics and all. But to say, we are very bullish about it we are going to be very seriously looking at technical textile business. But we don't have right now a blue print of what all we can do.

We are in the process of preparing our business plan.

Abhilasha Satale

Okay. So, it is like three years, after three years we could see any initiative?

Jayesh Shah, Director and Chief Financial Officer

No, no you will see next year but I am still preparing the business plan.

Abhilasha Satale

Okay.

Jayesh Shah, Director and Chief Financial Officer

So, I can't, I won't be able to.

Abhilasha Satale

Comment.

Jayesh Shah, Director and Chief Financial Officer Abhilasha Satale

Okay, okay fine sir. Thank you.

Jayesh Shah, Director and Chief Financial Officer

Thank you.

Operator

Thank you ma'am. The next question comes from Ambal Singhania from - Capital. You may go ahead please.

Analyst

Hello, hi sir. I have couple of questions. Like as you rightly mentioned about your expectation of 14% to 16% volume growth in textile and couple of other players have also shown that the industry is growing on a Denim front in Q4 itself. However Q4 volume has degrew to 25.3 from 26, I just wanted to know your take on this why our numbers are?

Jayesh Shah, Director and Chief Financial Officer

See 25 point, few lakh meters is a daily number. So it's flat I would call it.

Analyst

Yeah, where is I think sir the industry is roughly around 4% to 5% volume growth has registered as such?

Jayesh Shah, Director and Chief Financial Officer

I don't think, I don't want to comment because 4% more or 5% more on 25 is not a material number. It happens because for example some customer did not lift the goods in the last one week. So, I would call 5% change either way as a flat change.

Analyst

Okay.

Jayesh Shah, Director and Chief Financial Officer

But sequentially if you see last year, the whole of last year in Denim was flat.

Analyst

Jayesh Shah, Director and Chief Financial Officer

Compared to the previous year.

Analyst

Okay

Jayesh Shah, Director and Chief Financial Officer

We will see hopefully 10% to 15% growth in the current year.

Analyst

Okay. 10% to 15%.

Jayesh Shah, Director and Chief Financial Officer

Yeah.

Analyst

That is in the volume terms, sir?

Jayesh Shah, Director and Chief Financial Officer

That's correct

Analyst

Sir, and on a value terms what kind of growth you are looking overall?

Jayesh Shah, Director and Chief Financial Officer

Value terms in fact, it will be slightly lower, may be 2%, 3% lower.

Analyst

15% lower

Jayesh Shah, Director and Chief Financial Officer

Analyst

So, what was the average price last year it has been just?

Jayesh Shah, Director and Chief Financial Officer

We have it in our report that we've sent to you but Denim average for last year was 169, if I am not mistaking.

Analyst

This year we are roughly around?

Jayesh Shah, Director and Chief Financial Officer

164, sorry.

Analyst

And what is the expectations for this year sir. 120?

Jayesh Shah, Director and Chief Financial Officer

We will try to that.

Analyst

Sir, second thing like as you mentioned that we're not looking for price cut in Q1 from whereas the cotton prices have also already come down significantly.

Jayesh Shah, Director and Chief Financial Officer

Price corrections have happened in quarter four whatever has to happened.

Analyst

Okay sir. That's why we're not looking.

Jayesh Shah, Director and Chief Financial Officer

Yeah. Yeah. Yeah.
Sir my last questions is towards our real estate side, like we have launched this project along with Tata Housing. How is the scenario there like, have you already booked the flats on the?

Jayesh Shah, Director and Chief Financial Officer

We had small about I mean 15% of the inventory or we had announced a project for affordable housing in the month of March.

Analyst

Yeah.

Jayesh Shah, Director and Chief Financial Officer

And very, very good response in fact about 1,000 odd houses are to be sold, we got 4,000 applications for 1,000 houses and we have to under go a lottery system to allot which we done. So it's a very, very success I'd say.

Analyst

So what kind of revenue you might have booked from this or will be booking in the month of April?

Jayesh Shah, Director and Chief Financial Officer

In Total, this is about the total about 125crores of inventory, I mean the houses are sold.

Analyst

That will reflect in Q1 this year?

Jayesh Shah, Director and Chief Financial Officer

No. No. No. I mean we have to see construct and there is a guideline how, as you build you book revenues and all that. So this will happen over 18 months.

Analyst

Okay.

Jayesh Shah, Director and Chief Financial Officer

But we will be in some of the JVs that would be more such different products and sales getting announced in the current year.
Okay. Okay. And sir just one clarification on the your earlier comment about not putting any more capital employed in the business of real estate assets. So whatever realization we will be getting, are we reducing that in the relation or we will be using for the repayment of our debt?

Jayesh Shah, Director and Chief Financial Officer

No net, on a net basis real estate for this year for example would have contributed over 100 crores in cash flow.

Analyst

Okay.

Jayesh Shah, Director and Chief Financial Officer

And we hope and expect that it would continue to do that even next year.

Analyst

Okay. And so at present we are looking only to the land parcel which we already owned to develop or joint development.

Jayesh Shah, Director and Chief Financial Officer

No no there are a few - We also are developing on some one else's land.

Analyst

Okay.

Jayesh Shah, Director and Chief Financial Officer

But without putting capital. It is just that someone else has given us the land to develop where we give them the land money back as we construct but we don't put our capital.

Analyst

Okay.

Jayesh Shah, Director and Chief Financial Officer

We put our management, our brand.

Analyst Jayesh Shah, Director and Chief Financial Officer

capital there.

Analyst

Yeah. Sir and also, I also haven't received that mail which you sent about in the morning about the rescheduled numbers.

Jayesh Shah, Director and Chief Financial Officer

Can I have your email ID please?

Analyst

Sir is there with Jatin but not ambal.singhania@-capital.com.

Jayesh Shah, Director and Chief Financial Officer

We will sent it - right over.

Analyst

Yeah, sure. Thank you very much sir. That's all from my side.

Operator

Thank you sir. The next question comes from Mr. Rajesh from HDFC Asset Management. You may go ahead please.

Rajesh Pherwani

Yeah, good afternoon sir.

Jayesh Shah, Director and Chief Financial Officer

Good afternoon.

Rajesh Pherwani

On the interest costs last quarter was about 64 crores. And your previous quarter was much higher for the year your interest expense was about 309 crores. Going forward where do you see interest expenses given that now run rate is?
See actually the foreign exchange fluctuation gets, the other borrowing costs kept into interest costs. So if you look at, for example quarter four the costs, interest costs as a borrowing costs is 70 crores in quarter four.

Rajesh Pherwani

Right.

Jayesh Shah, Director and Chief Financial Officer

Minus 4 crores of foreign currency gains. So, it was 66 crores. In the previous quarters, there was a huge amount of foreign currency loss so the interest costs looked higher. So, if you want to let's say, if nothing wants to change in the next financial year and we don't supposed to increase debt as you possibly know. 70 into 4 would be the highest debt interest costs we would incur.

Rajesh Pherwani

Okay. That could be you could better that because of the penetrating ?

Jayesh Shah, Director and Chief Financial Officer

Yeah, yeah.

Rajesh Pherwani

Okay.

Jayesh Shah, Director and Chief Financial Officer

And the reduction in debt if we sale some like.

Rajesh Pherwani

And what was the outlook for tax rate for the current year?

Jayesh Shah, Director and Chief Financial Officer

Meaning 1,230. You could take on that PBT console PBT about 5% to 6%

Rajesh Pherwani

Okay. And it's remaining low because of?

Jayesh Shah, Director and Chief Financial Officer Rajesh Pherwani

So when do you see these inching up, I mean which year do you see this going?

Jayesh Shah, Director and Chief Financial Officer

'14, 15 onwards our tax rates will start increasing.

Rajesh Pherwani

Okay, so you maybe paying MAT then, is it?

Jayesh Shah, Director and Chief Financial Officer

See MAT even now we pay.

Rajesh Pherwani

Okay I am saying reported basis it maybe higher, okay fine, I agree. And any outlook on margins if you can talk about both the segments?

Jayesh Shah, Director and Chief Financial Officer

Yeah. See next year I think we would be if you look at the current year including the last quarter which was not, which were say one-off items. We had our margin of 16% in textile and 5% or so for brands. So, we hope that the margin for textile will be maintained and margin for brand and retails would marginally improve. So, that's where we are.

Rajesh Pherwani

Marginally improve over 5%?

Jayesh Shah, Director and Chief Financial Officer

Yeah, it will be more like 6%, 7% in between 6% and 7%.

Rajesh Pherwani

Okay. And there was a plan to improve capital employed in the branded business as a whole. How are we on that I mean we were looking to also reduce working capital overtime?

Jayesh Shah, Director and Chief Financial Officer Rajesh Pherwani

Okay thank you much.

Jayesh Shah, Director and Chief Financial Officer

Bye, Rajesh.

Rajesh Pherwani

Bye.

Operator

Thank you sir. The next question comes from Mr. Rohan Gala from Subhkam Capital. You may go ahead please.

Rohan Gala

Hello? Sir all my question have been answered. Thank you.

Operator

Thank you sir. The next question comes from Mr. K.C. Suri from - Capital. You may go ahead please.

Analyst

Yeah, thank you for this opportunity could you just reiterate if your outlook for next year, you've said like textile volumes will be 14 to 16, and what was that outlook in terms of branded and retail?

Jayesh Shah, Director and Chief Financial Officer

About 15% volume growth.

Analyst

Sorry?

Jayesh Shah, Director and Chief Financial Officer

About 15% volume growth.
15% volume growth. Yeah. And what is the plan for the retail footprint growth plan for the next year?

Jayesh Shah, Director and Chief Financial Officer

We would grow by about 12% on our exclusive outlets.

Analyst

Okay.

Jayesh Shah, Director and Chief Financial Officer

Yeah.

Analyst

And this, the Black-Sheep store, the urban store, how much does that I mean it gets classified under three brands, right?

Jayesh Shah, Director and Chief Financial Officer

No, no, no. That is our separate. This business is not forming because it is small right now and it will remain small even in the current financial year. So we are not separately kind of reporting it. Right now, we have 50 stores.

{Analyst:} Okay.

Jayesh Shah, Director and Chief Financial Officer

And we would be doing another about 240 in this financial year

Analyst

Okay. What is make the usual store size and the cost to set up such kind of a store?

Jayesh Shah, Director and Chief Financial Officer

That is about on an average three different formats but on an average it is about 900 square feet.

Analyst

Okay

{C:Jayesh Shah:} which will cost you about Rs.2,500.

Okay. So, you've said there are three sizes, 900.

Jayesh Shah, Director and Chief Financial Officer

This an average

Analyst

Okay, okay, okay. 900 to 2500

Jayesh Shah, Director and Chief Financial Officer

Now I'll give you 600 to 1600 but we get average of nine months.

Analyst

Okay, okay. Okay. Right. Thank you. Thank you so much

Operator

Thank you sir. The next question comes from Mr. Avinash Agarwal from Sundarm. You may go ahead please.

Avinash Agarwal

Good evening sir, good afternoon sir. Actually just wanted more clarity on your power cost. You've seen an increase Q-o-Q. So, did we buy power from outside when we had this gas problem?

Jayesh Shah, Director and Chief Financial Officer

We do buy power even now from outside. See there are two things, one is that gas itself cost rose because the rupee it is dollar linked. So, dollar prices is went up on part of our gas supply as well as rupee price went up because the dollar was at a high level. So, that cost higher input cost for our power plants. Then as we grew our capacity.

There is no extra gas that we are getting. So incremental production comes from buying from the grid. We are currently working out I think we have trying to get the approval for buying power from open market. So there are some technical approvals that we need to have an open access and as a result you can buy when it is cheaper to buy from the market and use the grid power when it is cheaper and then market prices go up and our analysis says that at least seven, eight month in '12, the prices are lower than the grid cost. So we would be entering into that starting from 1st of July.

Avinash Agarwal

Okay. Okay.

Jayesh Shah, Director and Chief Financial Officer Avinash Agarwal

Okay. So, we at least in the Q1 and may be your last quarter of the year, can we assume the cost to be similar on these line sir, 110 crores per quarter?

Jayesh Shah, Director and Chief Financial Officer

It would be yeah absolutely.

Avinash Agarwal

Okay, sure. And sir just to confirm the Arvind Retail comes under standalone entity is it as of today?

Jayesh Shah, Director and Chief Financial Officer

No Mega Mart already the 100%.

Avinash Agarwal

Mega Mart is, no sir I meant the Arvind brand store?

Jayesh Shah, Director and Chief Financial Officer

The retail store?

Avinash Agarwal

Yes, sir.

Jayesh Shah, Director and Chief Financial Officer

That is running to on the branded which is a separate company for company for Arvind Lifestyle brand.

Avinash Agarwal

Yes.

Jayesh Shah, Director and Chief Financial Officer

There is a Mega Mart business which is under our company called Arvind Retail.

Avinash Agarwal Jayesh Shah, Director and Chief Financial Officer

Both are 100% stocks.

Avinash Agarwal

Yeah.

Jayesh Shah, Director and Chief Financial Officer

The Arvind Store which is for fabric sale.

Avinash Agarwal

Yes.

Jayesh Shah, Director and Chief Financial Officer

Is part of Arvind.

Avinash Agarwal

Standalone entity?

Jayesh Shah, Director and Chief Financial Officer

No, it's a division of Arvind.

Avinash Agarwal

Okay. So that doesn't reflect in a standalone numbers?

Jayesh Shah, Director and Chief Financial Officer

No, it does, it will, but it is very small right now. So it will not get is very small. So it is just becoming larger as we go. So right now it is part of our standalone balance sheet, P&L.

Avinash Agarwal

Okay and that sales only the fabrics not the branded apparels?

Jayesh Shah, Director and Chief Financial Officer Avinash Agarwal

Okay. So basically you sale Denim as well as shirting fabrics on that?

Jayesh Shah, Director and Chief Financial Officer

We sale all fabrics that we make.

Avinash Agarwal

Okay.

Jayesh Shah, Director and Chief Financial Officer

We also do custom clothing there. So we offer, we spoke, we have a big - offer where the jeans are made in our factory and supply. Or for our tailor made a supply and shirts are made at the shop and supply.

{A:Avinash Agarwal:} Okay, okay. And sir, the slowdown in the domestic retail front. Would we see similar slowdown even in the Denim front in the domestic market?

Jayesh Shah, Director and Chief Financial Officer

No. Denim is not slow, but it is the growth rates have of course come down that is for sure but Denim is not at all slow in India right now, because anything which shift, I think Rs.2,000 and above is selling well.

Avinash Agarwal

Okay, okay. Thanks a lot sir and all the best

Operator

Thank you sir. The next question comes from Ms. Nag Deepika from Capital Market. You may go ahead please

Nag Deepika

Good afternoon sir. Just a small query, what would be the current stock, cotton stock with

when you say end market prices are going to, sorry the minimum support prices are going to get increased.

Jayesh Shah, Director and Chief Financial Officer

We have stock for the current season, we will be buying in the next season market.
Okay we have fully covered?

Jayesh Shah, Director and Chief Financial Officer

Yes.

Nag Deepika

Okay that is why we have even hedged our 75% of our export book right?

Jayesh Shah, Director and Chief Financial Officer

I not believe but, yes.

Nag Deepika

Okay.

Jayesh Shah, Director and Chief Financial Officer

We have done both here.

Nag Deepika

Okay and what would be your average price, sir?

Jayesh Shah, Director and Chief Financial Officer

Ma'am we will not tell you that.

Nag Deepika

Okay. And would that be lower when compared to Q4 levels, because we saw the prices falling very sharply in, during Feb or March?

Jayesh Shah, Director and Chief Financial Officer

That is correct. So there will be marginally lower than the absolute prices Q4.

Nag Deepika

Okay and sir when you said the demand for Denim is good and has not flowed in the domestic front what you expect on the overseas front?

Jayesh Shah, Director and Chief Financial Officer

See volumes in quarter four have bee more or less constant. 25.6 and 26 or something like that. So, it is flat. The -- we in quarter four, I mean quarter one for example this year you will see an increase. So, it is currently in a very strong position the Denim fabrics. So, and even domestically or in export market both markets Denim is doing very well.

Nag Deepika

Okay. And you see the same percentage of growth 15% to 16% in export market too?

Jayesh Shah, Director and Chief Financial Officer

These markets we will tell we don't know, depends upon at different point in times what happen, but I would think that, I would think that export right now is driven stronger than India. So we would sale more.

Nag Deepika

Okay. And sir even on shirting and Khakee the revenues - of that division, there was although Q4 improved, there was a literally a flat growth on a year basis, what is your outlook on that business?

Jayesh Shah, Director and Chief Financial Officer

Sorry?

Nag Deepika

Hello?

Jayesh Shah, Director and Chief Financial Officer

Yeah.

Nag Deepika

On the shirting and Khakee business, what is you outlook on that business?

Jayesh Shah, Director and Chief Financial Officer

There, it is not as strong as Denim is but our volume growth will be higher because last year we were constrained by capacity. So, we would be gaining market share there but right now, the shirting fabric business is not as strong as denim business.
Okay. Will we be getting affected because of the slowing down in the retail demand?

Jayesh Shah, Director and Chief Financial Officer

That is one and secondly what are the causes of denim being strong is competitiveness, relative competitiveness vis-à-vis China.

Nag Deepika

Okay.

Jayesh Shah, Director and Chief Financial Officer

China is weaker when it comes to cotton, where denim is highly in cotton and if it is not as far as shirting business is.

Nag Deepika

Okay. Okay. Okay, sir thanks that's all from my end.

Jayesh Shah, Director and Chief Financial Officer

Okay.

Operator

Thank you ma'am. The next question comes from Jignesh Kamani from Nirmal Bang. You may go ahead please.

Jignesh Kamani

Sir, easy question that there is a concern on the brand and whatever Megamart. So, how is outlook on the ALBL because as of now were doing very well. So, what kind of area addition and the growth rate we can witness in that?

Jayesh Shah, Director and Chief Financial Officer

I didn't get your question

Jignesh Kamani

Sir, as you mentioned that our Megamart will face some problem - as you are telling.

Jayesh Shah, Director and Chief Financial Officer

Yeah.
So, how is your outlook on ALBL means we will continue to grow aggressively on that ALBL also?

Jayesh Shah, Director and Chief Financial Officer

Absolutely, we would grow in volume terms at 15%, 20% in this financial year.

Jignesh Kamani

So, what kind of area addition we have planning to in next one or two year in ALBL?

Jayesh Shah, Director and Chief Financial Officer

What addition?

Jignesh Kamani

Number of square feet addition. Right now we are.

Jayesh Shah, Director and Chief Financial Officer

We are growing at about 12% to 15% in square feet.

Jignesh Kamani

Okay. And sir can you verify those other expense which I asked earlier?

Jayesh Shah, Director and Chief Financial Officer

One second. Just hold on.

Jignesh Kamani

Which is there on the consolidated in our balance sheet, that's P&L scheduled, it's an expense account head number as.

Jayesh Shah, Director and Chief Financial Officer

I don't really answer.

Jignesh Kamani

Other wise can you, what is the breakup of other expenses which are the main breakup we've clubbed under our expense?
We send it to you it is some 30, 40 items.

Jignesh Kamani

Okay.

Jayesh Shah, Director and Chief Financial Officer

We'll send it to you but I can't give you an analysis of other because we do it on a variable and fixed cost. Not on a P&L basis. So that's why I am not able to answer.

Jignesh Kamani

But there is not you can say one-off item in other expense.

Jayesh Shah, Director and Chief Financial Officer

Not at all.

Jignesh Kamani

Its all recurring in nature.

Jayesh Shah, Director and Chief Financial Officer

Absolutely.

Jignesh Kamani

Okay sir. Thanks a lot.

Operator

Thank you sir. Due to time constrains, I would like to hand floor back to Mr. Jayesh Shah. Over to you, sir.

Jayesh Shah, Director and Chief Financial Officer

Thank you very much for attending the call. And hopefully, we will talk to each other again at end of quarter one. Bye-bye.