JBF Industries

3QFY13 Earnings Conference Call

MANAGEMENT:

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MODERATOR:

MR. SWARNENDU BHUSHAN – TATA SECURITIES

Moderator Ladies and gentlemen good day and welcome to the Q3 FY13 Earnings Conference Call of JBF Industries hosted by Tata Securities Limited. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing "*" followed by "0" on your touchtone phone. Please note this conference is being recorded. I would now like to hand over the call Mr. Swarnendu Bhushan from Tata Securities. Thank you and over to you, Sir.

Swarnendu Bhushan Thanks. Very good afternoon to all the participants on this con call. On behalf of Tata Securities we would like to welcome you all to the Q3 FY13 Con Call of JBF Industries. From the Management we have with us Mr. Rakesh Gothi, Managing Director & CEO; Mr. PN Thakore, Director, Finance. We are also joined by Mr. Anuswaparalu who handles the investor relations. I would now like to hand over the con call to the management. Over to you, sir.

Rakesh Gothi Thank you very much. This is Gothi speaking from JBF Industries. I would just like to brief all the listeners, all the participants on the salient features of our Q3 FY13 performance.

In terms of the operations the consolidated total income was at 1,742 crores for Q3 FY13. The EBITDA number was 177.2 crores for the same period. The PAT is at 29.8 crores and the consolidated diluted EPS was in INR 4.02 per share. So if you would look at these numbers there has been an improvement in the sales turnover. There has been an improvement in terms of the EBITDA numbers I should say. By and large we have maintained the EBITDA inspite of the difficult market conditions over the last three months. So that is one sign which is an encouraging sign. Apart from that we will be fielding lot of other questions. Other issues have been that there has been a consolidated exchange loss of 35.9 crores for the period Q3 FY13 which includes losses on account of derivatives contract and fluctuation in the foreign exchange.

On the operational front in terms of the issues which were bothering us in the previous year comparatively I can say that the PTA supply that is the raw material for us. The PTA supply has improved in vis-à-vis what it was about a year back with the resumption of the plant or rather better performance of the plant of some of our suppliers. But at the same time the raw material prices have also increased and there is some pressure on the margins for that. The margins are also under a pressure in prevailing market conditions both in India and outside. That was less as you can see. We have maintained our EBITDA numbers and we will strive to see whatever best is possible in future as well.

On the expansion front I am happy to inform you that there is encouraging progress and satisfactory progress on all the four projects which are in the offing.

To begin with the PTA plant at Mangalore, there is satisfactory progress that has been made. Last time I had informed you that the land was acquired and the environmental clearance was obtained. Since then we have also finalized Ms. Technique. We have been awarded the contract for execution of the project. So with this we have tied up with the technology, we have tied up the engineering contractors, the land is procured, the environmental clearance is through, the finances are also being tied up so we are just proceeding ahead with the project. And all going well we expect that the plant would be commissioned by first quarter of 2015 just about a couple of years from now and once that is there I think we will be absolutely self-sufficient in our requirements for PTA and it would definitely add to our turnover and profitability at that point of time.

The other interesting project which is also proceeding well is MEG-plant or the BioGlycol plant project at Araraquara, in São Paulo Brazil. I am glad to inform you that we have also received the environmental clearance there and again the land has also been acquired. The license for construction has been received and engineering design has been completed. All going well I think we should be again roughly at the same time, more or less at the same time as the PTA project. We should be able to commission the MEG plant also during that point of time.

The third project that is at Bahrain which is also progressing well as scheduled. This is for the polyester film lines with the capacity of almost 90,000 tonnes per annum and we expect one line to be commissioned by June '13, the next one by around December '13 and the third one by the first quarter of 2014. So that project is also proceeding well as per schedule.

The fourth project which is at Belgium, as you are aware it is co-located with BPs plant of PTA. This is for manufacturing PET chips. Construction is now in advance stage there and the first lot of equipment has arrived. And we expect this to be on by first quarter of next year i.e. by around March 2014 so just to summarize all the projects that has been envisaged. We have a very interesting time over the next one or two years and we are fairly hopeful and quiet hopeful that all these projects should materialize as per schedule in time and we look forward to great period after couple of years when all these new projects have been commissioned.

In terms of the business outlook as I had said PT availability domestically has been slightly better. We hope that the existing plants in India do not have further glitches as had been the case throughout last year and the previous period. There could be the expansion of certain new plants which could be by end of this current year or early part of next year. At the same time you would also see that we have the film realizations and the demand for film has improved slightly. Our volumes were slightly better than the previous period. We did commission the fourth line at RAK so we have to catch up on the entire capacity as the fourth line but nevertheless the volumes in the two comparative periods, the volumes for film were much better. I believe in general these are the summary highlights of our performance. We can field certain questions from your side.

Moderator Thank you very much sir. Participants we will now begin with the question and answer session. We have the first question from the line of Sai Prasad Prabhu from Nirmal Bang. Please go ahead.

Saiprasad Prabhu I had a couple of questions. Can you tell me the consol debt including all the new ventures as on 31st December?

PN Thakore As on 31st December the total debt is around 3,500 crores and at net level you can take about 3,250 crores.

Saiprasad Prabhu And sir, out of these how much is operational debt? Like these new CAPEX whatever they are coming they are not operational, correct sir?

PN Thakore I would say about 2,200 crores will be operational debt and the balance will be all new projects.

Saiprasad Prabhu About the delta heads as you said currently at Rs. 6 per kg according to your presentation. What will be at RAK, the delta on chips?

PN Thakore We don't go into individual delta but overall indicative I think we have mentioned and value addition I think indicative we can mention. I think PAT level at about $180 to $190 per tonne.

Rakesh Gothi For a standard variety it would be in the range of approximately, delta means the difference between sales and the raw material price could be in the range of around $190 to $200 per metric tonne.

Moderator Thank you. The next question is from the line of Rahul Soni from Baljit Securities. Please go ahead.

Rahul Soni Sir one question is on your CAPEX. You have said a total of four plants are under progress and this plant will be operational by first quarter of 2015?

Rakesh Gothi No it is like that. The plants in Bahrain and in Belgium would be operational by middle of 2014 and Bahrain the plant lines are going to be operational one by one partly during the course of this year and finally during the course of next year. The other two bigger plants which is PT and MEG will be operational in first quarter of 2015.

Rahul Soni So just want to understand your guidance on revenue and EBITDA over next two to three years. How will the revenue picture be?

PN Thakore You will appreciate that it is very difficult to give any guidance on EBITDA or renewal in this volatile market like last year we had thought certain things but market conditions were totally different and I don't think they are able to achieve the PET target whatever we had given. You can be more guided by what are production capacities and then depending upon the market conditions I think EBITDA may vary year-to-year.

Rahul Soni And sir what's your total capital outgo towards these four projects?

PN Thakore I think this was given last time individually. The PTA project is around $600 million. Bahrain project is around $200 million. The Belgium project is around 150 million Euro and the Brazil thing we are just in the process of finalizing. It has not yet firmed up. But it will be around $400 to $450 million.

Rahul Soni Sir, just want your comment on the current realizations and volume demand of your film products?

Rakesh Gothi As we see now of the total capacities whatever capacity is there we are able to operate and run at 90% or more. That is in India. And in the case of film as of now we have operated around 72% to 75%. We hope to improve on that capacity utilization. In the case of PET Chips at RAK also the number should go up from 75% to 80% and we should be able to operate at somewhere higher than 80% in terms of capacity utilization. So this would give the idea. I just wish to question you that the markets are very competitive currently both in India as well as in abroad. Even in China lot of companies are running at lower capacities and I think you have your assessment of performance of other companies in India. So you can understand that the percentages that we have as of now are comparatively much better than most of the other companies both probably in India as well as outside India.

Rahul Soni Just because more of the capacities are coming up domestically and globally in the light of that do you see going forward there will be any further decline in the realizations?

Rakesh Gothi I believe, no. Atleast our target would be able to maintain to whatever we are doing as of now. In our product mix we are making lot of improvements by doing certain varieties of specialty grade chips as well as specialty grade of POYR. That is as far as India is concerned. Even in case of films we will be trying to go for films which fetch better realization than the normal commodity type of films. We hope to maintain our margins and also try to improve upon that. This is what I can say in general as of now.

Rahul Soni So according to you the market has been stabilized and you don't see any further deceleration in demand or so?

Rakesh Gothi That question is very difficult to answer. What I can say our internal target would be to maintain or improve upon the existing margins.

Rahul Soni And sir do you have any debt repayment due during the current quarter?

PN Thakore Whatever existing business is there for that whatever loan was taken those repayments are there but all these new loans what we are taking for the project has a drawn down period of varying from two to three years and there is a one year moratorium and then there will be almost 5 to 7 years for repayment.

Rahul Soni Sir, do you have any still left with any debt denominated in yen?

PN Thakore Yes we have. That 20% amount still outstanding. We had a total borrowing of equivalent to 40 million out of which 80% was repaid last year and 20% is outstanding which is 8 million. Out of this 8 million, 4 million is open and 4 million we have that derivative transaction on which we were incurring losses. Luckily for us now January onwards the yen has depreciated significantly and we hope that if it maintains these levels then we may not incur any losses on that particular transaction.

Rakesh Gothi I think we can emphasize on this aspect that before PET in the coming period with yen having weakened to this extent and it is presumed that it could weaken further. The derivatives loss incurred so far on account of yen being so strong would not be there. So that should at least help us on whatever the numbers are after the EBITDA numbers.

Rahul Soni You have mentioned the exchange difference and derivative loss of 35.9 crores for December quarter, so in that how much is duty?

PN Thakore Around 10 crores is on account of derivatives and the balance is on account of Rupee-Dollar variations.

Moderator Thank you. We have the next question from the line of Vinay Agarwal from CRISIL. Please go ahead.

Vinay Agarwal Sir as I understand that Forex loss is to the tune of 25 crores apart from derivative losses. Can you put some light on what account this Forex loss is?

PN Thakore We have two type of Forex exposure. One is we have borrowings in terms of buyers credit. We also open import of material which happens on day-to-day basis. And if you see between December and September, this is almost 4% to 5% fluctuation in the dollar-rupee and it has been in both directions which has resulted into this sort of losses.

Vinay Agarwal Any hedging policy that you are looking for?

PN Thakore Right now we have decided because even the hedging cost is significant. We can hedge it we can hedge at the same price. There is a hedging cost involved. In the past we had taken hedging and since the volatility in both directions we did not get any advantage as such even by hedging. For the time being we have kept everything open.

Vinay Agarwal Sir any guidance on, what could be the direction of Forex losses in Q4?

PN Thakore My dear friend if I knew.

Vinay Agarwal Because that is the joker in the pack. If I see your PAT on consolidated level is 30 crores.

PN Thakore It is very difficult because there were all indication that rupee will strengthen and all of a sudden we find again it is moving in a another direction and experience has been whatever guidance we were getting from banks. I don't know. That is also materializing. The way they were talking to us so it is very difficult to be honest with you,

Vinay Agarwal Sir just to check with you. The loans which are in foreign currency they have been taken at what rate?

PN Thakore It varies widely, may be 4%, 5%.

Vinay Agarwal No. My question was in rupee – dollar, what rate?

PN Thakore No that was again taken at different point of time and this adjustment is done on quarter-to-quarter basis so original rate has no significance. You can read what was the rate at last quarter and which was 50%.

Vinay Agarwal Let's say if rupee gets appreciated by 31st March so the losses will be reversed again.

PN Thakore On the loan amount, yes. But if it is LC etc then no, because that will get booked.

Vinay Agarwal For buyers credit and import.

PN Thakore Yes.

Vinay Agarwal And sir my next question is regarding because you mentioned before that 1100 crores have been taken for the new CAPEX. So can you tell me what amount is incurred in each plant – ETP, PTA and film?

PN Thakore I may not have exact figures right now but I can give you an indicative figure like PTA plant we have spent about $40 million. Belgium we have spent around $25 - $30 million. Bahrain we have spent around $50 to $55 million and Brazil about $1 billion.

Vinay Agarwal But this plant is expected to commission soon 2013 June.

PN Thakore We expect that by June 2013 we should start the production from the first line.

Moderator Thank you. We have the next question from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.

Miten Lathia Sir, how much did you say you spent on Brazil?

PN Thakore Brazil we have not spent much. Around $4 to $5 million. Because Brazil still we are waiting for financial closure. We will be making any significant commitment only after completing the financial closure. All other plants we have financial closures.

Miten Lathia Sir out of the 3,500 crores of debt that we have as on 31st December at gross levels you said 2,200 pertains to the current business and the rest 1,200 – 1,300 crores is for projects.

PN Thakore Yes.

Miten Lathia This doesn't add up to 1,300 crores. The four projects put together – PTF 40 million, Belgium 25 million, Bahrain 50 million and Brazil 5 million. So that is just about 120 million.

PN Thakore And something we are keeping in though we have taken some slowdown, it is lying in FD for opening some LCs, etc., so about 250 crores is lying in fixed deposits lying waiting deployment, etc.

Miten Lathia Okay so 1,200 crores is the gross number.

PN Thakore Yes.

Miten Lathia And sir if you could just explain the FOREX bit again. The 8.87 crores translation loss is on the principal value of the FOREX debt you are saying?

PN Thakore That is whatever in RAK, etc., we have and we merged the balance sheets and I think there is a translation loss. The total FOREX loss would be showing in consolidated balance sheet. It is around 35 crores.

Miten Lathia 36 plus there is a FOREX translation in the finance cost itself. In the 57 there is a 9 crore foreign currency translation. What is that?

PN Thakore That is on the long-term loans which is there and on that whatever FOREX difference is there that is part of finance cost so as accounting policy that is shown as part of the finance cost.

Miten Lathia So on the loan value every quarter you are taking on the principal value you are marking it mark-to-market.

PN Thakore Yes. That is provisioning which will keep on changing depending on the rupee-dollar parity.

Miten Lathia Of the 36 crores the derivative component is just 12 crores you said?

PN Thakore Around, Yes. Balance will be rupee-dollar fluctuation. See because we are importing almost 50% MEG and almost 10% to 15% of PTA where the rate varies on day-to-day basis.

Rakesh Gothi Here all are 90 days LCVs so there is a gap by the time you have the bill of leading and the time the payment comes so there is a variation and hence these issues are there.

Miten Lathia Between purchase and payment whatever volatility is there in the currency.

PN Thakore And you see between September and December you see fluctuation. You say point to point fluctuation is there 4% to 5% and those fluctuations have been many times during 90 days period.

Miten Lathia So the corresponding benefit of currency?

PN Thakore That can come only when the rupee appreciates and in a steady manner and not in a volatile manner. Then yes, benefit can come.

Rakesh Gothi For example if you see we were at 55 plus and we were very happy when it became close to 53 but the last one week or so again it has moved close to 54 so these are the things.

PN Thakore They are just in currency movements. It is not steady. If rupee appreciates steadily then definitely there will be currency gain.

Miten Lathia At the current yen value you should be able to reverse some of the…..

PN Thakore The position is there that we have stopped incurring losses after yen crossed 92.5 but this transaction is getting over in July but if we go today and ask for unwinding it we have to pay a certain amount because it is in nature of options with the banks and so if you unwind that then there is a cost involved so we had a chat with our banker and they said that yen looks like it will remain weak and why you want to incur this expenditure for unwinding.

Miten Lathia Anyway you have not provided for mark-to-market but the 10 crores provision that you have taken in this quarter is anything reversible?

PN Thakore No. This is the charge to P&L.

Miten Lathia So, incrementally you are not suffering any loss.

Moderator Thank you. We have the next question from the line of Dhvani Modi from ICICI Direct. Please go ahead.

Dhvani Modi Sir if I look at our indicative realizations that you were mentioning for the unit there has been quarter-on-quarter they have been dipping. I just want to understand that internally are our realizations also dependent because our plans were that we will have thick grades coming into the picture which will probably help question in this.

PN Thakore I think our realization is steady between the last quarter and this quarter. Minor dip is there but it is still holding at reasonable level.

Dhvani Modi And what is the outlook on this?

PN Thakore It is a bit difficult to say. We can be neither pessimistic nor can we be very optimistic. By and large we believe it should be in this range only. That may not vary very much from this range of 2,100, something in the range of 2,100 to 2,300.

Moderator Thank you. The next question is from the line of Alok Deshpande from Elara Capital. Please go ahead.

Alok Deshpande Sir I had two questions. In one of your earlier comments you said that the PET chips delta in RAK is somewhere around $182 to $190 per tonne. Now if I translate it to rupee terms it comes to about Rs. 9 – Rs. 9.5 per kg which is significantly higher than what you are making in India. And if I look at the selling prices of those PET chips it is more or less similar or little lower than the Indian chips. Does this imply that the raw material cost of PTA, MEG, outside India or in RAK specifically is much lower than India?

Rakesh Gothi Well there is one aspect which we need to consider that when we buy in India the local suppliers in their arithmetic they would add on the custom's duty which is applicable in case you were to import. Now in the case of UAE that issue is not there. The raw material would definitely be slightly different. Again it also matters in terms of what the cost of production are? So your margins would be varying from the point of view of cost of production.

Alok Deshpande Sir, can you give some color on what's this cost of production number would be? If I remember correctly it is around Rs. 3 to Rs. 4 per kg in India.

PN Thakore I think in this competitive market it is very difficult to run through those figures.

Alok Deshpande Sir, just another question on film prices. Now in this quarter we have seen about $100 - $150 like fall in the film prices even though you sold more in terms of volumes. Any guidance you can give on those or is this call in this quarter is just a one – off or now is this the new normal at around 2,100 – 2,200?

Rakesh Gothi Well again it is a difficult question to answer but we believe we should be in this range only in the 2,100 to 2,200 because below this range I feel lot of other producers of film and specially certain old machines world-wide you find it difficult to survive. So I think as per our judgment we could be towards the bottom where there may be minor variations from that but not significantly very different from whatever numbers we have. And our judgment is we feel that some of these older plants with higher cost of production of film should have a difficult time, may shut down or there could be some takeovers. That is the way we feel because beyond this if the prices go lower than this it will be difficult for some of these old companies to survive.

Alok Deshpande And sir you briefly mentioned about the PTA supplies progressively improving in India with some of the plants in India improving their production and you also mentioned that some plants may increase their capacity. Any further sense you can give us on that because obviously your utilization has improved quarter-on-quarter but on a nine month basis it will still be at 70% utilization so going forward what sort of number can we look at?

PN Thakore We believe that we should be able to run at least in the range of 85%. We should be able to do that. Coming to the PTA supplies what I was trying to say that there is a new plant from Reliance which like come by the end of this year that's what we are indicating. That should increase the supplies. I was trying to inform you on that front.

Alok Deshpande And sir, just one last question on the deltas in polyester and chips in India. We have seen a very low delta here at around Rs. 6 again Q4 also looks like that it will be weak because I think the February MEG prices have also gone past 68. Any sense on how that market is sort of panning out? Are you able to pass through those increases in cost to get the chips price?

PN Thakore What we are trying to do is trying to move away from the traditional commodity type of chips and offer certain different varieties of chips. You might have heard of cationic dyeable chips, bright chips. Within these two there are variations of semi-dull, cationic, and bright cationic. We have also increased our proportion of bottle grade chips within India. So with these measures at least we should be able to try to improve upon the existing margins and if not margins should not go down but definitely we should be able to improve upon them.

Alok Deshpande You are saying that in the non-textile chip it is relatively easier to pass through those …..

PN Thakore If you have been able to produce good quality and if you have steady customers definitely life is much easier there.

Moderator Thank you. We have the next question from the line of Ishpreet Bindra from Sushil Finance. Please go ahead.

Ishpreet Bindra Sir I just wanted to understand that the production in the Indian business is that down mainly because of supplier of PTA or are there demand concerns?

PN Thakore I would say if you look at the consolidated number over a period of time, over the last one year, yes, the main factor was the PTA supply. Nevertheless the demand in our opinion is growing. There is a growth in demand. The demand growth is of the order of about 7% to 8%. This is as per our judgment but had PTA been available more in larger numbers the country would have produced more quantity of polyester.

Ishpreet Bindra Also wanted to understand the higher interest and depreciation cost that is there for the current quarter ie Q3 because we don't have any new production line which will come up?

PN Thakore We have. If you compare year-to-year we have two production facilities going into production. One is texturizing facility in India which has gone in commercial production. Last year it was at commissioning stage and similarly the third film line in RAK that has gone into production. So overall the depreciation cost has gone up and that has also affected the interest cost because last year part of it would have got capitalized because of CAPEX and now it is operationalized.

Ishpreet Bindra Your interest cost is expected to stay at similar level going ahead?

PN Thakore It should remain. At least for the quarter it should remain similar then perhaps it may come down. But at least next quarter I think it should remain similar.

Moderator Thank you. We have the next question from the line of Tina Banerjee from Sumedha Securities. Please go ahead.

Tina Banerjee I just want to understand the other expenses incurred in this quarter compared to the last fiscal.

Rakesh Gothi The other expenses as you would see are higher than the previous period. There have been three main factors built into it. The cost of power for the fuel has gone up. If from your analysis or whatever information you must be having the prices of gas have gone up considerably so that is power and fuel cost have gone up. The other is in case of RAK the distribution and the freight cost have been higher from that side. These are the three main factors which have led to higher cost in terms of other expenses. Otherwise there have been other minor increases in like packing cost. These have gone up. Even locally the freight costs have been higher because of higher diesel prices. So the three main factors have been the power and fuel and in case of UAE the packaging as well as the freight cost and in India to some extent the freight cost as well as the packaging cost also.

Moderator Thank you. We have the next follow-up question from the line of Vinay Agarwal from CRISIL. Please go ahead.

Vinay Agarwal Sir my question was regarding the demand which is expected to come up in the domestic market because if you see Reliance has also announced a huge CAPEX plan in polyester and PET and also globally China the capacity are expected to come up in next one year in PET so what kind of implications that will have on the utilizations of PET and the deltas of PET and also when I was going through your report where European deltas for PET were significantly higher as compared to Asian delta.

Rakesh Gothi Yes that you are right in whatever you are saying. Currently we expect demand perspective worldwide is of the order of 22 million tonnes. We expect that additionally 6 to 7 million tonnes of PET capacity would be coming up during the course of one year or one-and-a-half-year. That is there and we believe that the margins would be under pressure but looking at our total capacity and whatever world market share we have and whatever share we have in India our production share is fairly small and we do not believe that we will have difficulties in marketing at least to the extent of 80% odd of our production capacity.

Vinay Agarwal Sir but with FY15 coming up of your total polymer capacity of 1.5 million tonne 16% would be PET.

PN Thakore No I think you have mistaken. We are talking of PTA capacity coming up in 2015 that is the raw material for polyester.

Vinay Agarwal No I am talking about your Belgium PET capacity. So by 2015 your 60% polymer capacity would be for PET?

Rakesh Gothi Yes, you are right. To that extent we believe the competition would be there. Nevertheless, there is a market growth. The market growth in this segment is of the order of 15% at least than the other markets. Secondly, from Belgium we are in an advantageous position as we believe that almost 70% to 80% of our production would get sold within 200 km radius of that place. There are number of consuming centers in and around Belgium. That is one advantage we feel we should be having. And we expect it to get into……

Management Belgium also has other advantages considering that Belgium is going to be a subsidiary of Ras Al Khaimah where the tolling agreement that has been agreed upon that would help us basely the tax for the Belgium plant would not be at full. It would have a major tax implication at the bottom-line so this would help improve our PAT margins just for the Belgium plant. In an overall view we would be at a much better advantage than other players in that region.

Rakesh Gothi Secondly our cost of production with the latest technology should be much lower and better than what are prevailing worldwide. We are going to have the latest single reactor technology. It should give us both in terms of quality and cost price a very good product. So we should be both competitive than most other people also.

Vinay Agarwal Sir coming to second question of the delta difference between Asian PET and European PET so how do you explain that difference because as you mentioned Asian PET delta is around $150 and what I read is European delta is around $300.

PN Thakore This is some sort of a market phenomenon which has been in existence most of the time. It again depends on the kind of volumes and the demands in these regions so based on that the deltas are varying. Most of the other products that whether you produce PTA in Europe and you produce PTA in Southeast Asia the deltas are slightly different. You produce MEG in Europe and you produce MEG here the deltas are different.

Vinay Agarwal The difference would have been to the order of 10% - 15% but it is almost 50% difference.

PN Thakore I don't have a good answer for that question. May be we need to look at that a bit more deeply but yes this phenomena has been there all the time.

Moderator Thank you. We have the next question from the line of Prateek Poddar from ICICI Prudential. Please go ahead.

Prateek Poddar Sir, given the high CAPEX requirement that we have in FY14, FY15 and FY16, would we be able to maintain our dividend payout ratio?

Rakesh Gothi There is the intention we have but what will happen depends on lot of factors at that point of time. We are trying and see that our project implementation doesn't depend on the accruals of JV on India's profitability and cash accruals so that there is no strain on the ability to declare dividend. We are working on that.

Moderator Thank you. We have the next question from the line of Bharat Subramanian from Sundaram Mutual Fund. Please go ahead.

Bharat Subramanian In terms of all these new projects what would be your cumulative equity commitment in the next two years?

PN Thakore We have the projects funded whereby we have 30% equity and 70% debt. Almost all of these projects are funded that way.

Bharat Subramanian So in terms of our CAPEX done so far what should have been the equity pumped in?

PN Thakore Equity right now I think is a mix of both, 40% equity and 60% debt, roughly, I don't have the exact figure right now. May be we can get back to you at a later time.

Bharat Subramanian No put it the other way in terms of over FY14-15 what is that needs to be put in as equity for these projects from the parent?

PN Thakore We can say roughly may be about 100 million or so but we have already arranged funding for that and we don't foresee much problem.

Bharat Subramanian Would you at any point look at bringing in any strategic partner at the project level?

PN Thakore We may. Right now there is no such plan but if need be we can always look at Singapore level. The way we had in the past where CVCI had invested in a top level so depending on the requirement and things we can look at it. But right now there is nothing concrete.

Moderator Thank you. The next question is from the line of Shrikant Goyal from Tata Capital. Please go ahead.

Shrikant Goyal Just wanted to understand what is the status of financial closure in your Brazil, MEG plant?

PN Thakore Brazil financial closure is yet to be done. Other than Brazil all other financial closures have happened.

Shrikant Goyal Sir when are you expecting this?

PN Thakore This we expect in the next three to four months we should have financial closure.

Moderator Thank you. That was the last question from the participants. I would now like to hand the floor back to Mr. Swarnendu Bhushan for closing comments. Over to you, Sir.

Swarnendu Bhushan Thank you very much. We would like to thank all the participants for their valuable time. We would like to thank the management for their detailed presentation. Thanks to all of you and have a very nice day.

Moderator Thank you sir. Ladies and gentlemen on behalf of Tata Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.