

JBF Industries



Conference Call

November 14, 2011



MODERATORS: MR. RAKESH. GOTHI - MD AND CEO
MR. P.N. THAKORE - DIRECTOR FINANCE AND CFO
MR. JIGNESH KAMANI - NIRMAL BANG

Moderator:

Ladies and gentlemen, good afternoon and welcome to the JBF Industries Q2 FY'12 Results Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, for the duration of the conference all participants' line are 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 "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded.

At this time, I would like to hand the conference over to Mr. Jignesh Kamani of Nirmal Bang. Thank you, and over to you, sir.

Jignesh Kamani:

Thanks **Lavina (0:00:42)**. Good afternoon to everyone. On behalf of Nirmal Bang Equities I welcome you all to the conference call of JBF Industries. We have with us Mr. Rakesh Gothi, MD and CEO of JBF Industry and we have also Mr. P.N. Thakore, Director Finance and CFO of JBF Industries. I request management to make initial comment and result and give some idea about the current business environment following which we will have a question and answer session. Over to you sir.

Rakesh Gothi:

Thank you very much. This is Rakesh Gothi speaking on this side. On behalf of JBF Industries I welcome you all to this conference call. Let me begin by just summarizing the overall highlights of the Q2 results Q2 numbers that have come in. A total income has risen to Rs.1,856 crores for the quarter Q2FY12, the EBITDA is 413.5 crores, the EBITDA margin stands at 11.5% for Q2, the PAT that is a Profit after Tax is Rs.76 crores and the PAT margin for the current quarter stands at 4.1%.

Earnings per share on a – these numbers which I have just given on a consolidated basis and EPS now stands at Rs.10.57 per equity share. The cumulative number for the six months that is the first half of FY12 on a consolidated basis our income is Rs.3,454 crores, EBITDA being 376 crores and EBITDA margin overall being 10.9%. The profit after tax stands at 128.3 crores with the profit after tax margin of 3.7% and the EPS is Rs.17.84.

In terms of the overall performance as you would see that -- at that by and large at the EBITDA level the percentage to the sales stands in the range of around 11%, however the profit this time has been impacted by the Forex losses which were to a tune of Rs.63 crores for the quarter under session.

In terms of the other information, in terms of capacities et cetera what I would like to inform you that the total capacity in India now stands at 608,000 metric tonnes per annum basis, that is at the chips level, at the yarn level it is around 258,000 tonnes, at UAE RAK the total chips capacity stands at 432,000 tonnes, and the film capacity is currently at the 66,000 tonnes level. So if you combined both India and RAK together the total capacity as of today stands at nearly 1 million tones, to be precise 1.04 million tonnes, and the downstream capacity is, that is in terms of POY and films stands at 325,000 tonnes.

The expansion of chips in RAK has now resulted in this capacity going up to 432,000 tonnes well, and as I already said that chips capacity now stands at 608,000 tonnes. In terms of the ongoing expansion within our existing product range, I would like to inform you that as a result of the de-bottlenecking activities the chips in India would go up to 626,000 tonnes. And as you are already aware we are expanding the films lines at UAE, the film line total capacity which is currently at 66,000 tonnes would be going up, that is the additional line which is now coming up, the total capacity would go up to almost 102,000 tonnes.

So roughly that is the scenario so far as our performance for this current quarter goes. And as for the business outlook I can just summarize in this fashion that yes, there is an oversupply situation in chips and POY but nevertheless we are confident of maintaining our top lines. And as a very quick outlook for the remaining six months we are – we hope that our percentage increase -- the percentage top line on an year-to-year basis will be higher by at least around 15%.

The volatility in raw material continues as a wide fluctuation in prices of raw materials as you may already been aware, and in a scenario like this you tend to -- the customers tend to buy less where as soon as they see that the prices are going to fall and they tend to ask for more quantities where what one can produce

when the price is raised. Nevertheless we are keeping a very close track on the raw material situation and claim to see that both the raw material -- the inventories on the raw material and the finished goods level tend to be optimized keeping in view the raise and fall in the prices of both raw material and finished goods.

On the film segment yes, we -- of course last year let me say the year that was exceptionally good and of course it was also intended that -- it was also expected that this exceptional pricing situation or the margin situation in film may not continue, but nevertheless we have maintained our volumes in the film though the realization has been down. All in all I expect that we close this year by at least 15% higher number top line, we expect that the EBITDA margins would remain somewhat in the range that we already have been seen in the recent past and as of now.

At this stage I would like throw the discussions open and we'll be very happy to answer whatever question which you would like to post for us.

- Moderator:** Thank you very much sir. We will now begin the question-and-answer session. Our first question is from the line of Monami from Sunidhi Securities. Please go ahead.
- Monami Manna:** Hello, good afternoon sir. Congratulations on a good set of numbers, I just have few queries. Can you give me the, I mean, the contribution margin for this PET chips, POY Specialty Yarn for the domestic market and for RAK units I mean, the PET chips and BOPET films, I mean, what is the realization contribution?
- Rakesh Gothi:** Okay. By -- I would be giving you what is normally, normally speaks as the delta numbers that is the difference between the price of raw material and the finished goods, I hope that, that it should be okay with you.
- Monami Manna:** Yes .
- Rakesh Gothi:** Because it bit difficult to keep absolutely -- various grades of chips, various grades of POY, so I'm just going to give you as a consolidated delta number within the raw materials and the finished goods.
- Monami Manna:** Okay.
- Rakesh Gothi:** Approximate number for India in terms of the chips would be -- the delta would be around Re.9, 9 to or approximately Re. 9.5.
- Monami Manna:** Okay. Per KG?
- Rakesh Gothi:** Per kilo gram, yes.
- Monami Manna:** Okay.
- P.N. Thakore:** Per kilograms, yes, approximate some of POY and the yarns which is all yarn combined.
- Monami Manna:** Okay.
- P.N. Thakore:** Would be approximately Rs.22 to Rs.23.
- Monami Manna:** Okay.
- P.N. Thakore:** And in the case RAK that is the UAE plant which here we talk normally in terms of dollars per metric tonnes. The approximately delta for chips would be \$280 per metric tonnes and in the case film it would be in the range of around \$850 per metric tonnes.
- Monami Manna:** Okay. So, this is your, I mean, this is your realization, I mean difference between your cost price and selling price, right?

- P.N. Thakore:** It is the difference between my raw material price and the final finished goods price.
- Monami Mann:** Sir, I mean in your just presentation part you have given there, I mean, whatever, I mean, selling price you had shown for your this PET and MT terms it is coming I mean, if I convert it 50 per I mean U.S. dollar 50 rupees then it is coming around 130, that will be the selling price. So I just want to know what will be your, I mean, contribution margin and what is your realization apart from the selling?
- P.N. Thakore:** I am sorry; I did not get your question. The average selling price for film be in the range of \$2,500 to \$2,600 per metric tonnes would be the average price for films and the average price for chips would be in the range of \$1,700 per metric tons.
- Monami Mann:** Yes, this is this 2,600 is the selling price or this is your realization? This is selling price right?
- P.N. Thakore:** So, what do you mean by realization, realization is....
- Monami Mann:** No, I just want to know that, what is the contribution from the films to you're...
- P.N. Thakore:** EBITDA we say is around 850 it's the delta.
- Monami Mann:** Okay, okay. So, 850 is the contribution from the PET and MT whereas the selling price is 2600
- Rakesh Gothi:** That's right.
- Monami Mann:** Okay. Thank you so much sir, thanks. That's all from my side.
- P.N. Thakore:** Thank you.
- Moderator:** Participants if you have a question you may press "*" and "1" at this time. Our next question is from the line of Jigar Shah from Kim Eng. Please go ahead.
- Jigar Shah:** Good afternoon.
- P.N. Thakore:** Good afternoon.
- Jigar Shah:** My question is about the trend that you've witnessed cotton prices which have come down and looking a bit crop et cetera, probably it may come down further. So, what kind of impact do you see on the yarn prices as the result of that?
- P.N. Thakore:** You are right, that when the cotton prices tend to come down, there is impact on the yarn prices, though may not be exactly in the same fashion because it would remain to certain extent on the relevant yarn segment that is the demand and supply situation of yarn as compared to demand and supply situation of cotton. So, the prices, as we had seen historically do tend to vary along with the prices of cotton. But generally in our line of business, we also see that the prices also move in tandem along with the raw material prices.
- For example, if the raw material prices of PET and MT tend to go down, the prices of yarn and chips would also -- do also tend to go down. And that's what we have seen in the last two or three months there has been a raise and there has been a fall both in terms of in the prices all in similar frequency maybe slightly somewhat about difference, but as the prices of raw material would go up, prices of the finished goods should go up and as they would go down, the finished goods will also would go down. But yes, if the prices of cotton always go down, it is not always necessary that the prices of the yarn -- the synthetic yarns -- it would be more dependent on another demand supply situation at this point of time.
- Jigar Shah:** Okay. Sir, at the moment you don't foresee any problem to the sales growth in the POY?

P.N. Thakore: I do not see in terms of the volumes that we are seeing any situation. If you see our topline, we have maintained a highest number of top-line by almost 30% if I am not wrong, almost 30% is the increase. So, in terms of the top-line I don't see any major issue, though we could have done much better, had things been as good as last year but at 30% level and what we seek going from here next six months, we don't see any problem in the top-line. And I as I already said, we should see an increase of 15% in the growth at the topline level.

Jigar Shah: Okay. The second point which I want to ask you is about the PET film business. So how it is doing and what kind of global demand supply in pricing situation you see over the next six months?

Rakesh Gothi: In terms of volumes if you see, we have done more or less of same volume as last quarter. So, in effect what we are seeing is whatever we can produce, we produce almost like 102% capacity utilization and we were able to sell the entire quantity, yes there was a difference in prices. These prices have been varying as far the demand supply situation of film. For example, this year or this quarter, we got a realization somewhere in the range of around \$2,500 per metric tonnes.

And if I am wrong, the last year at the similar point of time, we -- \$2,900 per metric tones, so the prices have fallen, but the delta has fallen in the larger number than what the prices have been, because the raw material price has not fallen as much as the prices of the finished goods that has been falling. Yes, the capacity increases have been there world over, so and the demand is slightly subdued in considering the overall economic situation world over. Second thing what has also happened and the quite of few must be already aware of this, that in India as you remember about four to five months back the gutka was banned in India, okay. Now, as a result what we have seen that, a lot of the suppliers from India had -- this almost affected to the extent about if I am not wrong around 25% to 30% of the demand in India.

Consequently, lot of films being produced in India has to be sold -- exported out and once supplier from India would -- which is the fairly good capacity. All these films when they are exported out, we are trying to find markets and market share outside India and various countries and of course there is a price pressure at that point of time. So, this has also contributed in someway to a reduction in the international prices. All the same, we feel there is going to be a normal growth of 7% to 8% in the world markets, I see the prices levels somewhat in the same range, maybe plus or minus \$100 here and there.

Jigar Shah: Okay. What is your outlook on the PET and MEG prices?

P.N. Thakore: Very difficult question. Okay, if you see the numbers which you have see in the last -- I can just throw some numbers actually in the last three months, and you will therefore appreciate why this question is so difficult. The volatility in the raw material prices has been so high. Last three months we see the prices varying almost \$150 to \$200 per metric tonnes. And these are largely due to what's happening in China.

Now, various factors which we are operating in China, there is something called PTA futures which is operating in China and this PTA future is more like a share market phenomena where we've seen the world economy or the economic situation good or bad PTA futures move to go up and down irrespective of what that PTA demand supply situation has been. At the same time there are certain credit facilities in China which have been put under pressure by the local government. So, at the same -- when these things happened immediately there is a downturn, there is a fall in the prices.

But as soon as the fall in prices is there and once the PTA supplier finds that he is not able to make money he shut shop and within one week or 10 days the prices tend to go up. So, one can be -- one does not feel uncomfortable when the price is up or price raises are in the range of \$20 to \$30. But yes, what we have seen in the last 3 months to 4 months price differentials on a month-to-month basis can be as high as the \$150 per metric tonnes. So, from that point of view when I am watching the situation happened in the last four months to five months, your question does appear to be difficult.

But I see at least in the future that in the next 4 month to 5 months that is up till this year end, there should be some stability, which should be now coming in the price I mean and we are looking at what happens at the PTA suppliers and looking at what happened in the down scene and I think the industry is now coming to grips and we feel that the price variations may not be higher than \$20 to \$30 per metric ton. But, it is very difficult judge at this stage what level of volatility we may face in future.

Jigar Shah: In that scenario, how do you manage your raw material, like how – from where you procure, how much and I mean, is there any....

Rakesh Gothi: But, we – 90% of our raw material is being procured from local sources expect for PTA where I procure it from the international sources -- for MEG, I'm procuring from international sources, let me repeat that again. I'm procuring 90% of my PTA from local sources and almost 60% of my MEG, rather 50% of my MEG from international sources. Now the local suppliers like Reliance, Indian Oil Corporation, Mitsubishi tend to exist their prices as per the, what is happening internationally.

So, we are on a situation where we try to seek an absolutely close watch on the inventory levels of our raw materials and we try to see that we do not get caught in a situation where there are major inventory losses. But, sometimes such losses are unavoidable; you do tend to have some stocks on the roads and sometimes on the, in your warehouse as well. At the same time in a situation when the prices would go up, you tend to wean also. So, by and large things start weaning out over a period of time.

Jigar Shah: Okay. The last question is on this your unending saga of foreign exchange loss. Can you give some ideas to when this will end because other than that your number seems to be pretty good.

Rakesh Gothi: This saga should end I think within a period of – I think the major problem of the saga should end by next year and the entire sage should end within the next two years, that is by 2013, it should end. See, I would just explain you; there are two components as far as FOREX loss are concerned. One is the derivative transaction what we have, second is the sudden volatility in the dollar, rupee. Now, as far as derivative is concerned, that loan has already gone by 20% and another 60% we are going to repay in the July, with that the derivative value will go down from 80% to 20%.

After that you don't expect significant variations, so we have to live with the same till next July. The other portion which has happened this quarter is because of certain appreciation of the dollar against the rupee, as you know, the dollar has been become almost 50 rupees. So, that's where the losses have come this quarter; it's very simplified to say where the rupee, dollar will stabilize. The general consensus is it should not go above 51, 52. In that case perhaps, things will stabilize. But, if international market continue to remain volatile, if Europe continues to have the turmoil what it has, then it's very difficult to say. So, these are very uncertain times as far as FOREX is concerned.

Jigar Shah: In Q2 you had 108 crore of loss right?

Rakesh Gothi: Q2, we have 63 crores of loss, **(Indiscernible) (0:22:43)**.

Jigar Shah: So, 63 crore is due to derivative?

Rakesh Gothi: Out of that around 42 will be – 42, 43 will be derivative and balance will be because of other foreign currency.

Jigar Shah: So, 21 crore is due to the whatever mark-to-market impact on foreign currency?

Rakesh Gothi: So, actual crystallized losses of those -- FOREX transactions.

Jigar Shah: Okay, this is an actual loss not a notional loss, right?

- Rakesh Gothi:** It's crystallized, Yes , this is actual loss and not notional. Notional loss we have given by a note in the notional account. And then yet what you are saying is for 6 months period, the actual loss which is crystallized for 6 months is and then 8 crores.
- Jigar Shah:** So, in the H2 of this year, how much will be the derivative loss?
- Rakesh Gothi:** It can be as high as 70 crores.
- Jigar Shah:** Okay, and any loss due to your forward contract booking or anything that you're end results?
- Rakesh Gothi:** No, then it depends on rupee, dollar, if rupee is correct itself, then there will be no losses that rupee will depreciate further then there can be loss, it's very difficult to say.
- Jigar Shah:** If rupee stays where it is at 50 or something?
- Rakesh Gothi:** Then something which is in end-to-end, it definitely gets materialized that may not be more than 15, 20 crore.
- Jigar Shah:** Okay. Thank you very much and all the best.
- Moderator:** Our next question is from the line of Paurav Lakhani from Prime Securities. Please go ahead.
- Paurav Lakhani:** Yes hello, just taking ahead previous speaker's question, 60 crore is the actual loss right?
- Rakesh Gothi:** That's right.
- Paurav Lakhani:** And the notional is over and above that?
- Rakesh Gothi:** Notional is over and above this year.
- Paurav Lakhani:** Okay, and that 63 in H2, actual loss you are expecting to go another 70 crores?
- Rakesh Gothi:** Yes , if the Yen remains where it is and dollar remains where it is, then there may be....
- Paurav Lakhani:** So, can I just have the rate at what do you believe if the Yen remains at where it is and you get 70 crores loss?
- Rakesh Gothi:** Yen remain at around the 77, 78 level.
- Paurav Lakhani:** 77 crore to 78 crore?
- Rakesh Gothi:** So, then there can be this additional 70 crore loss.
- Rakesh Gothi:** 70 crores, right. And so, have you calculated everyone Yen -- \$1 change in Yen, then what is your loss?
- Rakesh Gothi:** It can be about 80 lakhs.
- Paurav Lakhani:** Okay, alright. And Sir now coming to other questions. Sir, you mentioned that you see a top-line growth of 15% that is Sir, value terms or volume terms?
- Rakesh Gothi:** Well, talking in a value terms because I think the total turnover – it's the turnover terms, I'm looking at a 15% increase.
- Paurav Lakhani:** Okay. So, does that mean Sir, there will be a bit of de-growth in H2?

- Rakesh Gothi:** No, I'm talking on year-to-year basis.
- Paurav Lakhani:** Year-on-year basis because you are already going at 22%.
- Rakesh Gothi:** Right.
- Paurav Lakhani:** So, majority of – the growth will slow down in H2, what do you want to view? Not de-growth, growth will slow down in H2 to around 10% levels?
- Rakesh Gothi:** The 15% number is given on a very conservative basis and that's the minimum number we are expecting and we – our internal target goes much higher than that.
- Paurav Lakhani:** Okay, alright. And Sir, could you just guide us on volume front for this -- major four products, the four categories POY **processed that the Yarn dye (0:26:29)** and in RAK, the other two?
- Rakesh Gothi:** On volume front, I think by and large, we should be able to maintain our capacity utilization in the current – in the remaining 6 months. If we – as you would have already seen the volumes, which we have achieved in the first 6 months and amount to roughly to – in terms of production of chips have been of the order of 240,000 tons, at least in the first half of the – first of this current year.
- Paurav Lakhani:** Sir, could you just speak on the sales on because there would be some internal consumption also, captive consumption also, right?
- Rakesh Gothi:** These would be a bit of a detailed numbers because there are divisions, is it okay if we send this email to you separately because there are a lot of numbers which should be coming out of this...
- Paurav Lakhani:** Okay.
- Rakesh Gothi:** It will be not very, very easy to note a graph to all these number, I would prefer if you don't mind that our colleagues at R9 would be sending these by email to you, is that okay?
- Paurav Lakhani:** Yes, that would be great, Sir. Sir, now last question sir, one more if you allow me. Sir, what is your CapEx target for the year and for next year. But, I believe you have already done 410 crores of CapEx in the current year?
- Rakesh Gothi:** Current year, I think, the additional CapEx in next 6 months may not be more than another 50 crore, so as far as India is concerned, UAE, we are just installing that film line and I'm not sure on that. But, there are also major expenses that have already been incurred, so additional CapEx will not be.....
- Jignesh Kamani:** All set together not more than 75 to 100 crores.
- Rakesh Gothi:** These would be all internal de-botanizing activities time to time, that we continue to undertake.
- Paurav Lakhani:** Yes . And sir, anything for FY 13 that you would like to just give us a ballpark figure, I know you cannot give an exact figure?
- P.N. Thakore:** Can you please repeat that question?
- Paurav Lakhani:** For FY'13 some ballpark figures? CapEx, CapEx?
- P.N. Thakore:** Okay. In terms of CapEx you are asking?
- Paurav Lakhani:** Yes .

- P.N. Thakore:** As far as Indian operation is concern there will be no major CapEx.
- Paurav Lakhani:** Okay.
- P.N. Thakore:** In UAE also the film line would have come by that time so there will be no major CapEx, but we may start spending some money on our new project PTA, but that will come in our subsidiary.
- Paurav Lakhani:** Okay.
- Rakesh Gothi:** At this stage I can, let me interfere and just give you a little bit of brief on the two major projects which is upgraded between in the coming years, I hope that's okay with you if I can interfere at this stage.
- P.N. Thakore:** Definitely.
- Rakesh Gothi:** On PTA as you already aware we are putting up a plant of 1.12 million tonnes per annum capacity, this will be set up at Mangalore, this what I have briefed you earlier also. And, we are well steady of; we are going Sandy I would say at a first pace for this project, we are in the process of getting the clearances from the government sources, government authority. The land has already been allotted to us. We have virtually tied the engineering as the technologies as well as the engineering company, and we hope to get to the, let me say the construction were somewhere by in over four to five months time, we hope to get into that mode.
- We expect this projects to get completed somewhere by 2014, third quarter of 2014. The other project, of course this project is being treated we would be as big as 1 million tonnes of capacity which requires almost around 900,000 tones of PTA. So we would be self sufficient in terms of our PTA requirement. So that is what we are really looking forward to in over the next years and it will virtually double these top-lines once this project comes into operation. In a full year of operation we should virtually double their work top-line at that point of time.
- Paurav Lakhani:** Q3 of 2014 you mean by FY of 2014 or calendar year 2014?
- Rakesh Gothi:** Calendar year Q3 2014, calendar year, that is almost July, August, September period of 2014.
- Paurav Lakhani:** Okay. And so, what is the amount that you will, could you just explain on the cash flow in FY'12 how much, in FY'13 how much in 14 how much?
- P.N. Thakore:** As far as current year is concern FY 12 we don't see major outflow, not more than 40, 50 crores. Next year also the major activities in opening LCs et cetera there maybe 200, 300 crores of cash out, the bulk of it will come only towards the completion of the project.
- Paurav Lakhani:** Okay.
- P.N. Thakore:** And the other projects which we have already briefed you earlier and you must have quite, you must be well aware of it is a project at GEN in Belgium which is next to the BPs PTA Project, its an arrangement along with BP for collocating a PET project next to their PTA production site, the land is just alongside for the PTA project at GEN in Belgium, that is a BPs plant in Belgium, and this project would be of capacity 390,000 metric tonnes per annum and would be set up at a cost of around \$200 million US, and this also should be operational somewhere by middle of 2014. So these are the two major projects which are in the offering and we are quite excited about these and I think this, ones on this projects would really total us forward into a -- into a major petrochemical company.
- Paurav Lakhani:** So, the CapEx figure that you spoke are 75 to 100 crore does not include the 40 to 50 crores PTA plant, right?

- P.N. Thakore:** It doesn't. Now, these are separate, these are separate.
- Paurav Lakhani:** Over and above that.
- P.N. Thakore:** The normal.
- Paurav Lakhani:** Yes , and for Belgium sir the cash flows if you could explain?
- P.N. Thakore:** At least next year we don't foresee any cash outflow because initially it will be environmental clearances which take long time, it's only after a year I think some CapEx will start, Yes .
- Paurav Lakhani:** So, the cash flows also, sorry, the revenues will start pouring in only by FY, by the financial year of 2015 and the full benefit will be only in FY 2016, right?
- P.N. Thakore:** That's right, that's right. Yes /
- Paurav Lakhani:** Sir, that's it from my side.
- P.N. Thakore:** Thank you.
- Paurav Lakhani:** Thank you and all the best sir.
- Moderator:** Participants if you have a question you may press * and 1 at this time. Anyone who has a question may press * and 1.
- Paurav Lakhani:** Hello.
- P.N. Thakore:** Hello.
- Paurav Lakhani:** Sir, I have two couple of question on working capital side. If you think about absolute number they may go on a contemporary increase in the price, but how is the working capital volume comes and how the scenario has been in this, are you getting normal inventory or there has been opinion?
- Rakesh Gothi:** If you compare to six month between March and September, as far as inventory and data's are concerned I think it's more or less at similar level. However our creators have gone down because we have switched over from some of the imports to local purchases. So maybe well 150 crores additional funds have gone into working capital as a result of.
- Paurav Lakhani:** Okay. So that's why our interest has been increased because...
- Rakesh Gothi:** It is partly that, partly we had drawn money for this CapEx which has got some details, our loans are not drawn earlier which has been drawn, so it's a combination. And interest rate also has gone, you know banks had interest every month and it has some impact on cash flow.
- Paurav Lakhani:** And sir, out of currently, since you have to think about loan, there has been increase in the loan, so its just one account of the Rupees dollar conversion or absolute amount also where we can stop increasing that?
- P.N. Thakore:** Make debt level by increases about 300 crores or so of which almost 80 crore is coming out of this Bank of India conversion of derivative losses into loan and partly we have drawn money for this CapEx for the very end curve.
- Paurav Lakhani:** Okay. And sir, if you can come out of RAK operation, PET chips, there are some peso underutilizing. Also, by when we expect the situation will comeback to normal level?

- Rakesh Gothi:** Well, I think the situation that has now come back to a normal level more or less. We had a problem, some problem on the, on one of your equipments like the turbine had there were some problem in the turbine front, but that problem has now been overcome. And if we see that in the coming period we should be more or less coming to the normal situation.
- Paurav Lakhani:** So, it was on account of operational issue or demand being considerably over...?
- Rakesh Gothi:** It would be combination of both issues over there.
- Paurav Lakhani:** Okay. So now you can say we expect stabilizing from Q3?
- Rakesh Gothi:** Definitely, yes, yes.
- Paurav Lakhani:** Okay. You said, just be hard, the EBB has been you can extinguish now, so do have impacted on account of this?
- Rakesh Gothi:** No, we switched to another scheme such as the advance LIFO scheme or the duty drawback scheme, so we do not, I do not see any problem on switching over from one scheme to the other scheme for, I don't see any issues.
- Paurav Lakhani:** Okay. And just how much CapEx we incur in first half in absolute amount was it India and RAK's?
- P.N. Thakore:** Total we have incurred almost I would say around 400 crore or so, I will just give you a ballpark figure, India about 100 crore and UAE about 150 crore.
- Paurav Lakhani:** Okay. The UAE I think 100 crore is mainly for chips only or we also increase our?
- P.N. Thakore:** UAE something on the different line, India it is partly for our POI, the bottlenecking which was going on, and partly on chips the bottlenecking which was going on.
- Paurav Lakhani:** So, current rate is our chips capacity is 258, so by de-bottlenecking how much capacity will be increased?
- Rakesh Gothi:** Totally we will go up to 630,000 tonnes, 628,000 tonnes.
- Paurav Lakhani:** But POI in India?
- Rakesh Gothi:** I mean, POI we should – we will grow at a 258,000 tonnes, we will go up to that number, gradually increase, and final number would be that.
- Paurav Lakhani:** Okay. So by when?
- Rakesh Gothi:** I think, the next, by this end of this year itself.
- P.N. Thakore:** By March.
- Rakesh Gothi:** By March you will be able to recognize.
- Paurav Lakhani:** Okay. So then there will be much I can say higher sales of POI other than chip selling? And what are the margins that we are ranging currently in the chips and POI, you can see more or less stabilize or...?
- P.N. Thakore:** Yes, as of today the data numbers which I had indicated were almost 9 rupees in the case of chips and around 22 rupees in the case of POY. By and large, we have been able to maintain able to maintain these

kind of margins as we reflect a minus 1 rupee here and there, but if you see historically we have been able to retain these.

- Paurav Lakhani:** Okay, and sir one more question, if you think about since we have we can say dollar denominated loans also it should be in everything, so there is a interim loss anything which we have not factored in?
- Rakesh Gothi:** Yes, even in loss accounts, the derivative loss plus building bond derivative just M to M loss.
- P.N. Thakore:** This figure includes total this 232 crore what we have given that includes derivative as well as on other foreign currency borrowings. So if you want to know separately how much is for other foreign currency borrowing, this may be around 20 crores, 25 crores.
- Paurav Lakhani:** Okay. So it's surely a long-term basis, the 77...
- P.N. Thakore:** It is short-term in the sense it's a combination of long-term borrowing of SEB and also short term biased credit or some creditors all put together.
- Paurav Lakhani:** Okay.
- P.N. Thakore:** But it is not materialized, it is empty.
- Paurav Lakhani:** That's I am saying.
- P.N. Thakore:** The supplies have been charged to profit and loss account.
- Paurav Lakhani:** Definitely, Yes .
- Moderator:** Jignesh have you got any more questions.
- Jignesh Kamani:** Just check whether somebody is there or not.
- Moderator:** Sure. We have got our next question from the line of Saurav Jinodia from SMIFS Securities, please go ahead sir.
- Saurav Jinodia:** Good afternoon sir, congratulations on a good set of numbers. You have given a delta of \$850 per metric tonne for the film division and help along with the similar number for the first quarter in the film division?
- Rakesh Gothi:** One second, just hold on, slightly higher but I think it was about \$1,000.
- Saurav Jinodia:** Total.
- P.N. Thakore:** It was about \$1,100 or so.
- Saurav Jinodia:** \$1,100, so where – going forward where do you see this delta stabilizing in the coming quarters?
- P.N. Thakore:** We should be able to retain this around \$850 as I see the prices over the last two months have fairly stabled out, become stable. And we have –we seem to moving in relation to the raw materials, so around \$800 to \$850 should be the deltas which we should be able to retain now.
- Saurav Jinodia:** Okay and you have given the topline guidance of 15% year-on-year growth, can you help with me some EBITDA numbers also?
- Rakesh Gothi:** See year as a whole we expect EBITDA will load 800 crore or so.

- P.N. Thakore::** 8% to 9% of the topline would be our estimated EBITDA.
- Saurav Jinodia:** 8% to 9%.
- P.N. Thakore:** Yes .
- Saurav Jinodia:** Okay. Thanks lot sir.
- P.N. Thakore:** Thank you.
- Moderator:** Our next question is from the line of Vinay Agarwal from CRISIL, please go ahead.
- Vinay Agarwal:** Hello sir?
- P.N. Thakore:** Yes.
- Vinay Agarwal:** Sir my question is related to demand side, sir most of the capacity from the yarn division is supplying to the European countries specifically in the sense, so sir given the expected volatility in Europe demand Italy, Greece, Germany sir how do you see the demand pending out next couple of months and for let's say one year or so?
- P.N. Thakore:** I see an estimated growth most in case of chips and film on an intentional basis in the market at least overall in the market in which we sell somewhere in the range of 7% to 8%. I think we would be operating in those markets and with whatever has been our market share we should be able to not only retain our market share and continue to sell whatever we are able to produce. See, if you look at our numbers, I mean, our marketing has done fairly well that whatever has been our capability to produce in terms of quantities for example, if chips – in certain division was able to produce 102% of the capacity utilization somewhere in the range of around say 102%, we have not able to – we are not stocking the material, we have been to sell all the material, whatever we have been able to produce at our capacity utilization level we are able to sell that number.
- So in terms of marketing, because, okay, all I can say is that at we -- with whatever competition we have, with whatever we have in the Middle East and the Europe and the American market, whatever we are able to produce to we are able to sell. So I don't see that our numbers would come down though, even though there may be slight volume shifts here and there in the world market.
- Vinay Agarwal:** So product range that is – it goes to essential products like water bottles or soft drinks or...
- P.N. Thakore:** Because, well those categories are witnessing around 6%, 7%.
- Vinay Agarwal:** That's right, okay. Sir what about the film extension, when are – when is that plant expected to start commercial production?
- P.N. Thakore:** I think the commissioning should be over by the end of this year that is December 2012 and by middle.
- Rakesh Gothi::** December 2011.
- P.N. Thakore:** 2011, Yes and by middle of January 2012 and we should be able to start the commercial production from there.
- Vinay Agarwal:** Okay. So that is on line.
- P.N. Thakore:** That's right, that's right.

- Vinay Agarwal:** Sir then, regarding the domestic market, currently we have some excess capacity out of it around 20% is dedicated to bottle grade chips.
- P.N. Thakore:** That's right.
- Vinay Agarwal:** Yes , sir and given the other player also expanding if you take **(indiscernible) (0:43:46)** he is almost doubling his capacity which is expected by next year or so. Sir, what kind of utilization levels do you see, because the Indian market demand is going at around 10% plus.
- P.N. Thakore:** Right.
- Vinay Agarwal:** So given one player is doubling his capacities what kind of pressure are you seeing or?
- P.N. Thakore::** Yes, we are – what there will be pressures, no doubt, you are right, there will be pressures on us that we have to sell our quantities. We are looking at two things. We are trying to tie up higher numbers with certain buyers, with certain strong buyers, such as Coke and Pepsi. So and I can say okay these people have agreed to pick up higher numbers from us, at the same time we are also looking, I mean, as is India exports 50% of PET chips production.
- We are also doing that more or less and from India also we will be exporting our PET chips, so keeping these two aspects in view whatever our production capability in India is we don't feel there should be any problem in marketing whatever we are going to produce.
- Vinay Agarwal:** Okay. Sir then regarding the rupee depreciation because the major raw material PTA and MEG those the prices are internationally linked, so given the depreciation – the apart from demand and supply only because of rupee depreciation the prices has gone up.
- P.N. Thakore:** That is right, you are right.
- Vinay Agarwal:** And sir and in the scenario of falling cotton and cotton yarn prices, sir where do you see the margins, because in the first half the company has reported a quite a decent numbers, but given the rupee expected 50 levels and good cotton crop arrivals have already started.
- P.N. Thakore:** I will give you a brief on this like this that; our product mix within the yarns, there is some standard variety of yarns and there is some – certain other varieties. So these other varieties are like micro yarns, colored yarns, various colors of yarns are there also, there are some fully dyed yarns also. So if you – what we have done is that over a period of time we have gone – we have shrunk our marketing from the standard yarns but moved towards the non standard yarns.
- And as a result even though my standard yarn realization would have gone down in the overall mix I have been able to maintain my average for the overall yarn production that I am having. And this is what we will be continuously looking to do at the same time in terms of dowsing we have got some pasteurizing where we find to make certain higher volume – higher value added items. So our strategy would be that we produce more and more this high value or high value added yarns so that the overall yarn realization does not suffer too much on account of the overall fall in the price of the standard yarns which don't directly compare with cotton yarns et cetera.
- Vinay Agarwal:** Sir, sir these products are using the domestic market or...
- P.N. Thakore:** That's right, that's right, these products are being more and more used in the domestic market.
- Vinay Agarwal:** Okay, okay sir that's all from my side.

- P.N. Thakore:** Thank you.
- Moderator:** Our next question is from the line of Rahul Soni from Baljit Securities. Please go ahead.
- Rahul Soni:** Hello?
- P.N. Thakore:** Yes.
- Rahul Soni:** Yes sir. Good afternoon sir. Sir in the last phone call you have said that the company has purchased some raw materials at higher prices, so I just want to know what's sort of quantity you are for a high – high raw material quantity you are carrying now and what's the price change with the June -- comparing with June in the raw materials?
- P.N. Thakore:** That situation was in March...
- Rakesh Gothi:** In the first quarter.
- P.N. Thakore:** First quarter. Yes, there was some inventory duration in the first quarter, but I think since then we have liquidity at most of that inventories and we are now come to modest formal level that has come. Unless you have some other question, shall we move to the next person?
- Rahul Soni:** And what's the change in the raw material prices in second quarter?
- P.N. Thakore:** If you take my average people to use the the raw materials prices – just let me look at these numbers – what is that number? The April, May, June – average PTA prices is still not sure what ranging between 60% of which we have received and now they are ranging between to around 58 to 61 rupees. So some – that is the kind of range. Currently, today is 67 rupees.
- Rahul Soni:** Okay and what about the MEG prices?
- P.N. Thakore:** MEG prices – if I may, I'll read out the numbers, exceed 55 and sorry – as July, August, September exceed 58 and 61 and currently, 66.
- Rahul Soni:** Okay. Thank you very much sir.
- P.N. Thakore:** Thank you.
- Moderator:** Our next question is from the line of Mitul Kalawadia from ICICI Prudential. Please go ahead.
- Mitul Kalawadia:** Hi, good afternoon.
- P.N. Thakore:** Good afternoon.
- Mitul Kalawadia:** Give us some update on the PTA plant, can you help the – whether the financial closure has been done, achieved or and has that more years to clearance some?
- P.N. Thakore:** As far as the financial closure is concerned, we already have an in-principle letter from bank and now the assessment is going on. We expect that by end of December, we should have financial closure and or – what is second question that we will be – the clearance from MoEF, actually in this case is comes in the category B, so we have to get a state-level clearance and we are in the process of getting this environmental clearance from the state. I expect that this – is the longest site, but I think we already began earlier and so we should be able to finish like January through February of 2012. Does this answer the question?

- Mitul Kalawadia:** Yes , Yes , Yes , very much. I just wanted to know how in terms of self prices, do we hold that still the view that 850 dollars, but then on an ongoing basis, like it can be achieved?
- P.N. Thakore:** Well, what I expect that the prices have now come to a somewhat level below which either the supplier would not like to make – the supplier will not be very happy going below these prices. At the same price, the buyers also would not like say a much higher price than this? So somewhat a equilibrium kind of situation has been reached, but what would happen once having reached to this kind of a level, any variation in raw materials prices will tend to get past to the consumers. So our judgment is that this is the level that we will be operating over the next five to six months.
- Mitul Kalawadia:** Okay and sir, how about chips margin in the RAK business? What are they around right now?
- P.N. Thakore:** As of now, these datas, which is the difference between the -- around 280 dollars.
- Mitul Kalawadia:** Okay, thank you very much.
- P.N. Thakore:** Thank you.
- Moderator:** Participants if you have a question, you may press “*” and “1” on your touchtone telephone. We will take our next question from the line of Pradeep Nimani from Sunidhi Securities. Please go ahead.
- Pradeep Nimani:** Hello sir, what is the status of BPTP project as of today?
- P.N. Thakore:** The status is like -- this is the – I mean, of course all the MoUs are in place, and the groundbreaking ceremony was held about three weeks back, if I’m not wrong and the environmental clearance procedure are a bit more stiff in Europe as specifically in Belgium. So we are going through that process. Our team of consultants and lawyers are working at it. We hope to get this clearance in another four to five months time. When we want that environmental clearance has been received, then we can go ahead further in terms of implementation of the project.
- Pradeep Nimani:** And you mentioned, regarding Mangalore PTA, financial closure done, but what about BPTP project?
- P.N. Thakore:** I feel financially...
- Pradeep Nimani:** I mean – Yes , the in-principle approval has come.
- P.N. Thakore:** In-principle, yes.
- Pradeep Nimani:** And what about the BPTP? What kind of scenario for financial closure in here, like a progressive?
- P.N. Thakore:** There also we have in-principle approval from financial situation, it will be tied up overseas only. So we have that comfort with us.
- Pradeep Nimani:** Okay. Sir, my next question was regarding this RAK film project where you are 6000, you are making it 102,000 lakh and you said lot of Indian guys who are like alluring to gutka or plastics and – I mean, they have gone out. So if there is a -- what supply kind of situations and -- you know...
- P.N. Thakore:** This will mean, which we have additional capacity that we have pertaining is going to be for six films. So this is slightly different from the normal commodity type of films, which going to good costs, et cetera, et cetera. So that’s a different market that we are aiming at – looking at. This film line which we are putting now does not compete with the standard in films, which are in the world markets.

- Pradeep Nimani:** Okay and sir, last question regarding derivative losses, the payment of which – like I understand correctly – the tranche, which fell from 80% to 20% going down, it will come in next July 2012. Right?
- P.N. Thakore:** That's right, that's right. After July, it will become 20%.
- Pradeep Nimani:** So the actual guess outgo will be in July 2012.
- P.N. Thakore:** Yes, it should be a shock for us even now, we have entered into an arrangement with a bank loan the derivative was done, whereby we have to make only 10% payment right now and balance 90% has got funded; out of this, 35% is going for long-term loans with the interest of 3.5%. 35% is going as preferentials, which are repayable seven years and 20% is getting accumulated where the company will have option to convert in to equity share after 1.5 years or so.
- Pradeep Nimani:** Okay. So this 232 crore odd amount, which is pending, which yet to be provided, will it be provided once all payments have been done to...
- P.N. Thakore:** No, that depends on – see there are monthly observations as far as derivatives concerned. So each month, we know whether there is a loss or there is no loss or what is the loss. So that amount reflects future expectation of those losses and what happens is, derivatives in Yen, the Yen forward is always strong – you know, it's always as premium as against the currency. So **helpline (0:54:48)** will always show higher than what actual loss may be.
- Pradeep Nimani:** Okay, thank you.
- P.N. Thakore:** I think, may be last question?
- Moderator:** Sure sir. We will take our last question from the line of Paurav Lakhani from Prime Securities. Please go ahead.
- Paurav Lakhani:** Thanks for once again for the opportunity. Actually my question is partially answered by the previous speaker. So I just wanted one more – some more clarity like on the same thing – about the FOREX thing that we have gone up – we have 80% -- actually 80% of the loan will be FOREX stated to July -- the next year, right?
- P.N. Thakore:** That's right.
- Paurav Lakhani:** So – from April to July also, there would be – if you don't remain flat, there's severe loss. There will be around 35 to 40 crores of loss, right?
- P.N. Thakore:** Yes, you are right.
- Paurav Lakhani:** But on that price also, we will have to able to master market loss, which we had not both will come in our books to that extent of 60%, right?
- P.N. Thakore:** Yes .
- Paurav Lakhani:** Can you just quantify the figure if the yen remains at current level, then what is that figure?
- P.N. Thakore:** Like, as you mentioned, the next six months will also see about 70 crore or so and from April to July, it may be another 40, 50 crores.
- Paurav Lakhani:** That is derivative loss.

- P.N. Thakore:** Yes .
- Paurav Lakhani:** Employment loss, which we had not booked by PNA, we have to book right at that point of time.
- P.N. Thakore:** No, after ensuring what represent the bulk of employment is represented by this derivative losses, but rest is on FCCB and Meyers credit and other things. That will depend on the rupee level, if the rupee goes back to its original level, then FOREX, there will be not any loss. If rupee remains at this level, then FOREX mix – two quarters and you may to book this may be around 60 to 70 crores of loss. Then, it is uncertain at this point of time.
- Paurav Lakhani:** Alright sir. Thank you sir.
- P.N. Thakore:** Thank you.
- Moderator:** That was the last question. Now I would request Mr. Kamani to add a few closing comments. Jignesh, could you add a few closing comments?
- Jignesh Kamani:** Yes , thank you Lavina. I would like to thank management of JBF Industries for taking time in their busy schedule and sharing the vital information about the business and financial also. Also I would like to thank all the – all participants for participating the conference. Thank you and all the best from all for the coming quarters.
- P.N. Thakore:** Thank you. Thanks to all of you.
- Moderator:** On behalf of Nirmal Bang Equities Pvt Ltd, that concludes this conference. Thank you for joining us, you may now disconnect your lines.