

# Q3 2011 Earnings Call - JBF Industries

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## Operator

Ladies and gentlemen, good day and welcome to the JBF Industries Q3 FY11 Earnings Conference Call hosted by Tata Securities Limited. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode. And there will be opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. At this time, I would now like to hand the conference call over to Mr. - of TATA Securities.

## Corporate Participant

Thanks, --. Good afternoon everybody on behalf of Tata Securities. We would like to welcome all participants to the 3Q FY11 con call of JBF Industries. We have with us Mr. Rakesh Gothi, Managing Director of JBF; and Mr. P N Thakore, Director of Finance of JBF to present their quarterly financials. Over to you, sir.

## P N Thakore, Chief Financial Officer

Yeah, good evening. Mr. Gothi will present the financials.

## Rakesh Gothi, Chief Executive Officer

Good evening everybody. Thank you very much for spending time with us and getting to know our company slightly better. Basically, I think I would start off by giving certain key information or key numbers that we have arrived at for the quarter and then question.

I'll just take about 5 to 10 minutes on that. The consolidated turnover as you are aware have gone up to 1,700 crores from 1,190 crores, this is a increase of 44%. The EBITDA has gone up to 303 crores from 104 crores, which is an increase of 192%, and the profit after tax has gone up to 186 crores from 30 crores, it's an increase 534%.

Well as a percentage of sales the EBITDA number now stands at 18% as compared to 9% in the corresponding quarter last year. The profit after taxes is up to 11% as compared to 2% in the quarter last, in the same quarter last year. If we look at certain important key, in certain important issues, some of the good numbers that are getting thrown up are the return on networks stands at 59.84% where return on capital employed stands now at 28.37%.

The long-term debt-to-equity ratio is a comfortable 0.71 well within 1.00. In terms of the coverage ratios the debt service coverage ratio now stands at three times and interest service coverage ratio stands now at 8.50 times.

As you might have already noticed the earnings per share have wound up in the quarter under question to Rs. 26 from a figure of 4.47 in the same quarter last year. In general the outlook in general performance...excuse me...the performance in the last quarter was attributed to the excellent performance from our polyester films division at UAE.

In the sense that leads to the run polyester films plant to a capacity level of almost 110%, effective slightly and could get a realization of almost 110%... sorry, get realization of \$4,000 per metric tonnes as compared to a realization of \$1,900 per metric tonnes in the corresponding quarter last year.

So, the realization almost doubled and the quantity was also on the higher side vis-à-vis last year. So, this has contributed substantially to the profitability. Secondly, the POY division in the current quarter did also quite well.

We were able to get better margins by way of introduction offset and specialized varieties of POY such as bright POYs, colored POYs, double POYs et cetetra, which fetched much better margins than as compared to what same quarter last year.

So these were the two main reasons why the profitability has been on the higher side. Of course, we profited the margins in the bottle grade chips as well as the textile grade chips were also higher in comparison to the same quarter last year.

Just to brief you, we are currently going through certain expansion plans. At the UAE plant, we are now increasing the capacity of ships from 360,000 metric tonnes to 430,000 tonnes an increase of 70,000 metric tonnes per annum.

We would be also increasing or rather we would also be adding in line of polyester film, which would add to the capacity of...the existing capacity of 66,000 tonnes, the addition would be 36,000 tonnes. So that will take the overall capacity of 1% in UAE beyond 100,000 tonnes. So these are the two important expansion plans on the annual. And also in India we'll continue to do complete the debottlenecking activity already taken in for polyester chips, which would raise the capacity of 6, from 540,000 tonnes per annum to somewhere around 710,000 tonnes per annum that is increase of 70,000 tonnes.

And gradually, we should also be increasing the capacity of POY by suitable debottlenecking in our plant in Silvasa. I presume I have given you the highlights for the important issues, which are there in front of us, the important aspects which are in front of us. I might add that by the end of the year, the current 4,500 crores turnover is likely to go reach almost 6,000 crores. And we hope that the average, that the EBITDA level of around 685 crores would be coming close to somewhere around 1,000 crores. And the PAT, the internal target is to bring up the PAT from already achieved number of 385 crores to 500 crores.

With this, I will leave the floor open you can kindly ask any questions that you might have and we'll be extremely happy to answer them.

## Questions And Answers

### Operator

Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions]. Our first question comes from Dhvani Modi from ICICI Securities. Please go ahead.

### Dhvani Modi

Yeah. Good evening sir, congratulations on a wonderful set of numbers.

### Rakesh Gothi, Chief Executive Officer

Thank you.

### Dhvani Modi

Sir actually just that the CapEx that you mentioned right now in terms of the capacity where we are adding, I mean adding capacity over there as well as the poly films capacity that you will be adding in the way, I wanted to know the CapEx and how we plan to fund that?

### Rakesh Gothi, Chief Executive Officer

The CapEx of the expansion at BOE that is boot for chips and films combine, the combined number would be of US\$71 million.

### Dhvani Modi

Okay.

### Rakesh Gothi, Chief Executive Officer

And we would be funding if both from by the way of rules as well as, funding is already in place. Funding is already in place.

### Dhvani Modi

Okay.

### Rakesh Gothi, Chief Executive Officer

We'll be drawing money as and when required.

## **Dhvani Modi**

Okay, sir. That's it from me. Thank you, sir.

## **Operator**

[Operator Instructions]. Our next question comes from Paragfrom Mutual Fund. Please go ahead.

## **Analyst**

Sir, could you just share the volumes that we've done in the quarter, both in India and UAE?

## **Rakesh Gothi, Chief Executive Officer**

By volumes, you would mean the tonnages, actually?

## **Analyst**

Yes sir.

## **Rakesh Gothi, Chief Executive Officer**

Okay, the numbers would be quarterly, you want the quarterly numbers right?

## **Analyst**

Yes, sir. Yes, sir.

## **Rakesh Gothi, Chief Executive Officer**

In terms of the tonnage achieved for polyester film, it was 19,000 metric tonnes for polyester film, for PET chips it was 96,000 tonnes. For fiber grade chips, the number is 119,000 tonnes, and for the POY it is 57,000 metric tonnes.

## **Analyst**

Okay. Sir, in terms of PTA availability, are we facing any constraints at this point of time?

## **Rakesh Gothi, Chief Executive Officer**

Yes. We are facing certain constraints the local plants are not supplying...are not producing to their rated capacities for reasons more related to the down times that they are having at their end.

So in spite of having MOU it is them for a certain quantity, we are not able to fulfill the MOU quantities. And very frequently, we have difficulties in procuring adequate quantity of PTA and running plant to 100% utilization.

Very often therefore, we have to resort to imported PTA but as you maybe aware even in the worldwide PTA availability as of today is not adequate enough. And so PTA yes I agree with you PTA as of now is a constraint though we have been able to turns around quite a bit from here and there and able to run our plants anywhere between 85 to 90% utilization.

**Analyst**

So, when we do this debottlenecking, what is the likelihood of our utilizations going up? Theoretically we have a higher capacity, but in terms of put this constraint in terms of availability, would it take time for us to actually start using the?

**Rakesh Gothi, Chief Executive Officer**

We have already started moving in that direction.

**Analyst**

Okay.

**Rakesh Gothi, Chief Executive Officer**

We are trying to build up some longer term contracts to certain foreign suppliers for PTA. At the same time, I believe that okay whatever the problems which the local plants have had for example the plant at Mitsubishi Haldia has have intermittent problems, technical problems.

I think we are going through a major re-ramp at their end and I presume that they should be able to overcome whatever problems we have had in the past and not facing the same problems all over again.

Nevertheless we are trying to tie-up certain contractual quantities with certain suppliers from abroad. And in terms of whatever quantities that maybe required say about four to five months from now, that will be...we will be able to reach our capacity utilizations beyond 90% if not 100%.

**Analyst**

So typically, how many suppliers do we have sir in terms of PTA sourcing is it quite ?

**Rakesh Gothi, Chief Executive Officer**

In India we pick PTA from all the suppliers. There are three suppliers in India, Indian Oil Corporation, Mitsubishi and Reliance. We have used all three of them. They are keep supplying to us.

But as I said they are even not able to fulfill their MOU constraints because of technical issues at their end. So we're trying to bridge the gap by imports. And imports we try to get from anywhere as we can there are about three to four suppliers in Korea, about two or three suppliers in Taiwan, there is a supplier in Europe also.

So, we try to pick up whatever we can get from here and there. These people are the suppliers from abroad cannot give us very big quantity like 10,000 tonnes at a time, or 7,000 at a time. They might just give us 1,000 tonnes or 2,000 tonnes from time-to-time. So, if you we just round up five or six of them, we are trying to bring the gap, which maybe necessary as and when the problems are faced in the existing market.

**Analyst**

Okay. And in terms of POY, could you just share some colors to what is the industry capacity addition say for over the next one year, what was that you were hearing or reading in terms of apart from new who else is there in terms of capacity additions in a big way?

**Rakesh Gothi, Chief Executive Officer**

Well. As far as we see the growth of POY, the demand growth of POY as of today stands, polyester stands at around 15 to 16%. But at the same time, I'm seeing that there is not so much of a downstream increase in the capacities in India, there is one or two companies who have already lined up expansions, but these expansions would canton out somewhere in the range of about 800 tonnes per day or

900 tonnes per day in totality.

But beyond that not too much of an expansion would be coming in the next year. Simply because of one reason is that there is so much of requirement of equipment, the POY equipments in countries like China or in other countries that the equipment suppliers are finding it difficult to meet the..to fulfill their orders in a short time.

So even if somebody places an order today for POY. And that for maybe even polyester film also, but let us say since we are talking of POY even if somebody, if I place an order today for POY some improvement for a decent price line. It would be a fees around 18 months by the time the equipment comes in and we are able to commission the plant. So strictly from that reason I don't believe that in the coming year there will be any major capacity build up though over a period of two to three years there could be some capacity build ups.

**Analyst**

And lastly in terms of our spread set in polyester as compared to Q3 how was it, as we send today how is it sir?

**Rakesh Gothi, Chief Executive Officer**

Okay. By spreads you are implying the deltas the margins?

**Analyst**

Yes, sir. Yes, sir?

**Rakesh Gothi, Chief Executive Officer**

Difference between the price of raw material and the price of the finished goods, right?

**Analyst**

Yes, sir.

**Rakesh Gothi, Chief Executive Officer**

Okay. No doubt the polyester film gave a very good spread this time. We had a spread of almost \$2,500 in the case of polyester film. \$2,500 per metric tonnes which was as compared to \$900 in the previous quarters same period... previous quarter last year, sorry.

Chips all we got almost \$250, in the fiber grade chips in India, the spread was Rs. 10.50 compared to all Rs. 8 in the previous period. And in the case of POY, we got Rs. 25 vis-à-vis Rs. 20 in the previous year.

**Analyst**

Thanks a lot sir.

**Rakesh Gothi, Chief Executive Officer**

Thank you.

**Operator**

And your next question comes from from Capital Market. Please go ahead.

**Analyst**

Hi, sir. This is Deepika from Capital Markets.

**Rakesh Gothi, Chief Executive Officer**

Yeah. Yes Deepika, carry on.

**Analyst**

Yeah. Just to get update on the PTA project in Oman, how things are going on? You said in the last con call, that was still in progress, can you just throw light on this project?

**Rakesh Gothi, Chief Executive Officer**

Yes. I can throw light on this, but I am not too happy to say that the progress has been quick, has been good enough. There has been some restructuring kind of a thing going on at Oman.

So the Omanis are taking a little bit of their time and I believe it will take another two or three months before we are able to sign on the...sign the final agreement. Nevertheless MOU is in place. We believe that after the Omanis are able to...or raise things at their end, we should be able to sign or go ahead with the project aspects say within about three months from now. This is my judgment as of today.

**Analyst**

Okay, okay. Sir, can you just throw some light on what would be the bottle grade aspect regime that would be produced in this quarter, I have the data for the total bottle grade but for total film 18,000 to 96 metric tonnes but what would be that bottle grade?

**Rakesh Gothi, Chief Executive Officer**

For bottle grade in UAE we should be well the capacities of the order of 360,000 tonnes per annum, which means we are capable of producing 90,000 tonnes every quarter.

**Analyst**

Right.

**Rakesh Gothi, Chief Executive Officer**

We expect to be somewhere near that number in the current quarter. For UAE we have adequate PTA, so we should not have any problems. We hope that we should be able to produce that kind of a quantity in UAE that is run to full capacity in UAE to around 90,000 tonnes.

**Analyst**

Right. But what was...is it full of bottle grade chips or was it some other kind of chips you are producing?

**Rakesh Gothi, Chief Executive Officer**

In UAE we produce only bottle grade chips. I will also inform you that in India also we are producing bottle grade chips.

**Analyst**

Right.

**Rakesh Gothi, Chief Executive Officer**

That number is somewhere around I think about 10,000 tons every month. So maybe in a quarter another 30,000 tons. So in totality, if you combine, India and the UAE, the number should be around 100,000 tons for the entire quarter.

**Analyst**

Okay.

**Rakesh Gothi, Chief Executive Officer**

Yeah. One aspect out of this is that, since the capacity of film, the same kind of chips are used for making film, okay. So at the base level, I will have whatever tonnage I told you, but at the same time, I will take away from this on a captive consumption basis for producing film to the extent of around let's say about in a quarter I would making about 16,000 tons or 17,000 tons of film. So I should be extracting out of this for captive consumption, 17,000 tons for making my own film.

**Analyst**

Okay.

**Rakesh Gothi, Chief Executive Officer**

And the balance would be sold in the market.

**Analyst**

Okay. Sir just to get clarification. Last time in the con call you said like the film realizations were around 24 -- USD 2800 and this con call you are telling the realizations are around USD 4,000 per metric ton. It was -- it comes to a bit surprising factor what is the reason in this spike and is this sustainable?

**Rakesh Gothi, Chief Executive Officer**

I know you are not believing it. At the first time I couldn't believe it, but it's a fact.

**Analyst**

Okay, but I just want to know about the sustainability of these products?

**Rakesh Gothi, Chief Executive Officer**

Okay, I will be -- these are one of the -- these are one of the very good numbers. I think in my -- as we see it, the prices of film have slightly softened, but they have not softened to the extent, we might have softened around USD 200 or USD 300 per metric ton. They are not above, they are not increasing as of, what as it stands today, but they have slightly softened, say maybe around 36, USD 3700 per metric ton. So that's the situation as of today.

**Analyst**

Okay. But going ahead when do we see our margins in this particularly polyester film segment because this has really drive the quarter results as for this Q3. Going ahead having the PTA price also hovering high, why was this easing in the prelim prices now?

**Rakesh Gothi, Chief Executive Officer**

Well, as I had explained in the earlier conference was that there was a gap between the supply and demand for -- in the case of film. But if we look forward, yes, the prices may not sustain at such a high level. Nevertheless in our special case what we are doing is, we are trying to add on in our product mix certain varieties of film, which would fetch us better realizations. Now these kind of, these films like films meant for photovoltaic cell applications or for LCD panels these are high-tech films.

Now some of these prices of these kind of films are above USD 5,000. So we are trying to shift our product mix to some of the specialty variety. So even if the commodity film price falls on the lower side, at least our overall weighted average price in the film side should stay, I think on the comparative, on the higher side say around 3500 to USD 3600 in totality. And once my numbers, after my expansion of film would go upto over 100,000 ton. So I feel that we should be able to retain the profitability, the overall profitability at a good level I would say.

## **Analyst**

Okay. Okay, got it. Sir one more question on the standalone as well. Where do we see the demand in -- I found the -actually they are below like particularly on the standalone front, they are below the expectation, what has been the driver for this? Is the demand for POY or chips not doing, where are we losing in the standalone trend?

## **Rakesh Gothi, Chief Executive Officer**

Okay. I would like to correct your interpretation, on your interpretation.

## **Analyst**

Sure, sir.

## **Rakesh Gothi, Chief Executive Officer**

Basically if you look at our standalone numbers, if you have the detailed numbers.

## **Analyst**

Yeah.

## **Rakesh Gothi, Chief Executive Officer**

The EBITDA number is 13.4% as compared to 11% last year. So there is an improvement in the standalone margins also. Okay. What is drag down? What has reduced the bottom line is certain losses we had on ForEx account. Okay?

## **Analyst**

Okay. But what is, my dragging point is our POY margins on Y-to-Y basis was around 27%, and chips margins were around 12% higher. So that mix was making my EBITDA around 15% at least. So that was not crashing in the standalone numbers?

## **Rakesh Gothi, Chief Executive Officer**

Since there has been certain other increases in terms of, what we give you are the margin increases, that is the difference between a raw material and the finished goods.

## **Analyst**

Correct.



**Rakesh Gothi, Chief Executive Officer**

There has been slight increases in the staff as well as other operating expenses also.

**Analyst**

Okay.

**Rakesh Gothi, Chief Executive Officer**

That is how the EBITDA number it now stands at 13.4%, okay?

**Analyst**

Okay. But going ahead the OpEx will be in the same range of the current quarter or will they go in height, because we have to have some corners for the next quarter?

**P. N. Thakore**

See we expect that the EBITDA margin should remain same or slightly improve because now we have gone for yarn, which has higher EBITDA margin, and this 27% figure, we never had a EBITDA of 27% on POY, I think some mix up is there.

**Analyst**

Okay.

**P. N. Thakore**

Maybe value addition perhaps 27%, and not EBITDA.

**Analyst**

Okay.

**P. N. Thakore**

Because there is definitely improvement in the EBITDA margin, as Mr. Gothi said from 11% to 13%. And this have one of the highest EBITDA margin for POY in recent past.

**Analyst**

Okay. Thanks, sir. Thanks a lot. I will come back in the queue.

**Operator**

Thank you. Our next question comes from Dhimant Shah from HSBC. Please go ahead.

**Dhimant Shah**

Hello.

**P. N. Thakore**

Hello, how are you?

**Dhimant Shah**

Yeah. Sir just a related question to the one of the earlier questions, A on spread, and B on what kind of flexibility do you have in terms of, let's say tomorrow, technically if let's say the spread on polyester were jump to -- I mean hypothetically to jump to let's say USD 3,000, whereas the other products would shrink. Do you -- can you shift, what kind of production to the polyester grade in this case?

Just wanted to know the flexibility that you have within, number one. Number two, we also read some reports on head winds as you rightly pointed out that PTA, NAG both are expected to be in tight supply. So I mean, what is the ability to pass on the price increases in our -- with our customers and I mean at what frequency would you be doing perhaps so as to maintain the margin?

**Rakesh Gothi, Chief Executive Officer**

Okay, to answer your question in installments, let me put it this way. The first question was whether -- what kind of flexibility we have in terms of moving between a product-to-product, right?

**Dhimant Shah**

That's right.

**Rakesh Gothi, Chief Executive Officer**

Let's say in India when we produce fiber grade chips and bottle grade chips along with POY. Now it's like this that there is a capacity for making POY and there is a capacity for fiber grade chips. If we find that the margins in POY are not that good, we would like to sell more of chips, but basically that does not happen. Okay, historically and at any point of time you will find that the POY is, the margin in case of POY are better than in the case of chips.

So I am afraid that that issue does not arise that we reduce POY and we can make only so much POY. For example out of 540,000 tons capacity today, we are able to produce somewhere around 250,000 tons of POY. So that 250,000 tons has historically given us better margins than chips at any point of time. So we always would like to put POY to the maximum capacity utilization and then whatever is left there we produce the fiber grade chips for sale in the market.

**Dhimant Shah**

Perfect.

**Rakesh Gothi, Chief Executive Officer**

It's that kind of a shift is not -- the necessity of that kind of shift has not been felt. Now...

**Dhimant Shah**

But what between the -- the polyester and do you have flexibility at POY level and polyester level?

**Rakesh Gothi, Chief Executive Officer**

In case of film you mean, right, it is polyester POY, it is polyester POY and polyester chips. They are same generic items.

**Analyst**

No. For the polyester grade that you supply for films?

### **Rakesh Gothi, Chief Executive Officer**

Okay. This -- what that aspect would come into play is in UAE. Okay. Now in UAE the product division, the two products that we manufacture are the polyester chips which are meant for bottle grade and out of the bottle grade chips we can also make polyester film. Now again as we see today what's happening is that the polyester film over the last two to three years since we have set -- erected the plant has always given us a better profitability comparatively vis-à-vis the polyester chips. Though the volumes are low. So and again if you look at the capacity numbers out of around 360,000 tonnes of total capacity of chips, we captivity consume 66,000 tonnes towards polyester film. So in I mean what would, what is happening and as I see what would always happen is that films are giving us better margins we would always like to build polyester film to the maximum capacity that is at least 66,000 tonnes that is the capacity we can produce. We cannot go beyond that. And whatever is leftover of chips or whatever chips we can sell, we certainly to sell in the market.

So I hope, I am able to answer to a certain manner your question.

### **Dhimant Shah**

Yeah. Films you said to 66 crores.

### **Rakesh Gothi, Chief Executive Officer**

That is right.

### **Dhimant Shah**

Okay.

### **Rakesh Gothi, Chief Executive Officer**

Now coming to the second question the other question that you had was?

### **Dhimant Shah**

PTA energy we get some report that what will be tight supply ?

### **Rakesh Gothi, Chief Executive Officer**

If you look at my margins what...let me, generally what happens in our kind of an industries that the movement of PTA chips...PPA and NED is closely monitored and generally the raw metal increased, whatever it may be tends to get passed on to the downstream customer. Now, I'll give you an example of what's happening over the last four to five months.

The prices of raw material have gone up somewhere in the range of...or rather let me take the exactly last month, the price of raw material went up by Rs. 9 a kilo, between the 1st of January to 1st of February, it is very recent

phenomenon.

So, what we have done is, we have been able to increase the price of chips by Rs. 10 and a slight increase the price of POY by Rs. 9. In short, we have been able to pass on the increases in chips and POY downstream.

This is precisely which has been happening over the last four to five or six months. So, as and when the PTA energy prices loss, we have been able to successfully pass down the increase of our downstream products also to the consumer. Yes, the customers used data customer would then have attract for importing the products but internationally also the same thing is happening that international prices also tend to be moving up now as the prices of raw material keeps moving up.

**Dhimant Shah**

So, which means let's say if your margin, so optically your margins should look lower quarter-on-quarter despite maintaining the same absolute amount of gross margin?

**Rakesh Gothi, Chief Executive Officer**

No, the margins would look more or less similar quarter-to-quarter because we have been able to pass whatever increase in the chips is there. We have been able to pass on inspite of a Rs. 1 or Rs. 2 slightly more with a explanation to the downstream consumers as they have certain increase in other kind of costs such as the cost of chemicals, or the cost of power et cetera, whatever or cost of fuel oil, et cetera, et cetera. So, we have been able to get another Rs. 1 or 2, from time to time along with the raw material price rises.

**Dhimant Shah**

So would you be able to maintain same percentage gross margins?

**Rakesh Gothi, Chief Executive Officer**

Percentage, as a percentage, yes it will look little lower, but in absolute term I think it will be much higher if you compare with the previous quarter.

**Dhimant Shah**

Got it, in reference with the note of that 214 crores, I mean at what level of Yen do we kind of based even or are you able to wriggle out of that contract because?

**P. N. Thakore**

See the, it's a little complex because the clause of loss gets knocked out only when the Yen is say 115 or so, which we don't see in our near future.

**Dhimant Shah**

How much?

**P. N. Thakore**

115. That is Dollar to Yen. So that is unlikely to happen in near future. But what we have in mind that if it goes above 92.5 we'll buy some protection and try to minimize the losses.

**Dhimant Shah**

But we are not thinking of any hopefully the partial provision if not full?

**P. N. Thakore**

No whatever losses are there for the quarter, we are accounting in the books, because the observation that has started from last August. So each month whatever the losses accrue for the month, we account in the book. So the losses we have started accounting.

**Dhimant Shah**

No, but the gap of 214 crore is owing to what?

**P. N. Thakore**

Yes, there is no point in, we don't know what will be the actual loss. So we cannot provide that loss today, when tomorrow the Yen goes to say 90 and losses will be minimum. If the Yen is above 92.5, there will be no loss. So it's very difficult to say exactly what will be the loss.

**Dhimant Shah**

Okay.

**P. N. Thakore**

Yeah.

**Dhimant Shah**

And lastly sir, how do you see the demand for next few quarters, at least overall do you see maintaining recent growth and margins?

**P. N. Thakore**

Yes. We are quite bullish on polyester. You see what's happening is...cotton is at a very high price and cotton availability also low. So the next best option for the consumer polyester. Today polyester is cheapest item if you compare with cotton if you compare with nylon or any other similar fiber meant for apparel.

Consequently the demand for polyester is quite good and we are able to sell whatever we are able to produce. I wish we could produce for sometime but then whatever we are able to produce we are able to sell. So the growth is there, there are certain new applications coming in for polyester.

So in general we feel that, the demand should be there and we should be able to maintain the margins whatever we have as of now, this is our goal.

**Dhimant Shah**

Okay. Many thanks sir.

**P. N. Thakore**

Thank you.

**Operator**

Our next question comes Perna Jhunjhunwala from HSBC InvestDirect. Please go head.

**Perna Jhunjhunwala**

Congratulations sir on a good set of numbers. Sir little information on FDY capacities required like what is the capacity currently and the performance of that in the quarter?

**Rakesh Gothi, Chief Executive Officer**

Perna please repeat that question?

**Prerna Jhunhunwala**

Sir from can you throw some light on FDY capacity and its performance in the quarter for the company?

**Rakesh Gothi, Chief Executive Officer**

FDY fleet on yen.

**Prerna Jhunhunwala**

Yeah.

**Rakesh Gothi, Chief Executive Officer**

Okay. I have not brought in the FDY numbers I am sorry.

**Prerna Jhunhunwala**

No, I just need capacity in terms of how much would it contribute please if not exactly?

**Rakesh Gothi, Chief Executive Officer**

As of today in my opinion it would contribute around 15%.

**Corporate Participant**

Hardly 10% of our overall POY.

**Rakesh Gothi, Chief Executive Officer**

It will be in the range of 15% range.

**Prerna Jhunhunwala**

15% of total POY performance or total revenues?

**Rakesh Gothi, Chief Executive Officer**

Of total POY, total POY.

**Prerna Jhunhunwala**

Of total POY. Okay. And sir, you have told that specialty, you have started producing more on specialty and risks bright and colored chips and all. How much would that contribute to your margins like, how much that have you contributed to EBITDA increase?

**Rakesh Gothi, Chief Executive Officer**

Okay, Prerna, your question is a bit intricate, I will have to use some arithmetics to come to and give you that answer.

**Prerna Jhunhunwala**

Okay.

**Rakesh Gothi, Chief Executive Officer**

So, will you please allow me to come back to you at any point of time with detailed answer on, because these are all minute numbers which we'll have to work out in the entire products mix and to give you proper answer on that?

**Prerna Jhunhunwala**

Okay.

**Rakesh Gothi, Chief Executive Officer**

Okay?

**Prerna Jhunhunwala**

Okay sir. And sir, is your debottlenecking at chips plant is done or is it yet to?

**Rakesh Gothi, Chief Executive Officer**

Yes, out of the 70,000 tonnes, we have already completed the 35,000 tonnes level debottlenecking.

**Prerna Jhunhunwala**

Okay.

**Rakesh Gothi, Chief Executive Officer**

Balance 35,000 tonnes would be completed somewhere by April or so of the current year.

**Prerna Jhunhunwala**

Okay. So, the current capacity is higher than 540?

**Rakesh Gothi, Chief Executive Officer**

Exactly.

**Prerna Jhunhunwala**

Okay.

**Rakesh Gothi, Chief Executive Officer**

I mean capacity would be of the order from 570,000 tonnes and we hope to raise it over 600,000 tonnes by the April or May.

**Prerna Jhunhunwala**

Okay. And sir, you have mentioned about the bottle grade chips, I would like to know the margins in those areas where, I mean, is it

higher in bottle grade chips or it's now with the same scenario it is higher in the fiber grade chips, the margins? And second would be, what is the your capacity utilization in bottle grade chips?

**Rakesh Gothi, Chief Executive Officer**

Okay. Generally, the fiber grade chips give at least about a couple of rupees more margin vis-à-vis the textile grade chips.

**Prerna Jhunjunwala**

Okay.

**Rakesh Gothi, Chief Executive Officer**

And that seems to be the phenomena. Okay, Rs. 2 could become Rs. 3 sometimes or 2.5, Rs. 1.5 or Rs. 2 like that. So, 1.5 to Rs. 3 is a better margin in case of the fiber grade chips.

**Prerna Jhunjunwala**

Okay.

**Rakesh Gothi, Chief Executive Officer**

And what was your other question?

**Prerna Jhunjunwala**

What would be the capacity utilization bottle grade?

**Rakesh Gothi, Chief Executive Officer**

No, it is like this that, so far as the UAE plant goes, well the bottle grade chips...

**Prerna Jhunjunwala**

No, I am asking only on India, because UAE numbers are there?

**Rakesh Gothi, Chief Executive Officer**

In India there is a slight interchangeability between...

**Prerna Jhunjunwala**

Okay.

**Rakesh Gothi, Chief Executive Officer**

Textile grade chips and bottle grade chips.

**Prerna Jhunjunwala**

Okay.



**Rakesh Gothi, Chief Executive Officer**

To the extent of CT availability, iron went on to the maximum. If I reduced slightly fiber grade chips I produce more of bottle grade chips, if I reduce..

**Prerna Jhunhunwala**

Okay. It is interchangeable completely.

**Rakesh Gothi, Chief Executive Officer**

In between these two grade chips, there is some interchangeability.

**Prerna Jhunhunwala**

Okay. So you produce what is the, what gives you maximum margins and maximum demand.

**Rakesh Gothi, Chief Executive Officer**

That's correct. That is right.

**Prerna Jhunhunwala**

Okay. So in this quarter since you are, and sir this margin improvement that you say that 2 to Rs. 3 is higher in textile grade chips and...?

**Rakesh Gothi, Chief Executive Officer**

Fiber grades ships, bottle grades also.

**Prerna Jhunhunwala**

Then bottle grade chips. Is this a phenomenon throughout the industry and over a period of time in the last two, three years or it is not a changed scenario?

**Rakesh Gothi, Chief Executive Officer**

I believe this would be the phenomena throughout the industry and amongst the other competitors also.

**Prerna Jhunhunwala**

Okay. And has it been a trend over the past also that fiber grade chips yield better margins than bottle grade chips?

**Rakesh Gothi, Chief Executive Officer**

Yeah, Prerna I think there is some confusion. I have always meant to say bottle grade chips give you higher contribution vis-à-vis -- a higher margin vis-à-vis the textile grades give. Okay.

**Prerna Jhunhunwala**

Okay.

**Rakesh Gothi, Chief Executive Officer**

And let me again repeat, the bottle grade chips margins are generally higher in the industry and throughout the period of time, there were times when the margins were higher by 6 to Rs. 7.

**Prerna Jhunhunwala**

Okay.

**Rakesh Gothi, Chief Executive Officer**

Of late, we are finding the margins are higher just by about couple of rupees, 2 to Rs. 3.

**Prerna Jhunhunwala**

Okay, sir.

**Rakesh Gothi, Chief Executive Officer**

Yeah.

**Prerna Jhunhunwala**

And sir last question would be, would you consolidate -- for the full year or at 100% or it will be pro rata with the buyback.

**Rakesh Gothi, Chief Executive Officer**

It would be 100%.

**Prerna Jhunhunwala**

100% to full year?

**Rakesh Gothi, Chief Executive Officer**

That's right.

**Prerna Jhunhunwala**

Okay, thank you sir.

**Operator**

Thank you. Our next question comes from Alok Deshpande from Elara Capital.

**Alok Deshpande**

Hello, sir. Congratulations on an excellent set of numbers.

**Rakesh Gothi, Chief Executive Officer**

Thank you Mr. Deshpande.

**Alok Deshpande**

Okay, sir. I have a question regarding the expansion plans. Now the film capacity addition of about 30,000 tons, just wanted to know whether that is on track for December this year-end?

**Rakesh Gothi, Chief Executive Officer**

Yes it is quite on track. And I think by December ending.

**Alok Deshpande**

Yeah.

**Rakesh Gothi, Chief Executive Officer**

We should be able to commission that film plant, the new line, that is the new line at UAE.

**Alok Deshpande**

Right. And what about the PET chips expansion also?

**Rakesh Gothi, Chief Executive Officer**

That is also on track and I think by, somewhere by the middle of, at UAE, I am saying, by the middle of this year we should be able to complete that expansion.

**Alok Deshpande**

Right. And that is about 200 tons per day?

**Rakesh Gothi, Chief Executive Officer**

Around 70,000 tons; 70,000 metric tons per annum.

**Alok Deshpande**

Okay, 70,000. And sir just one more question. Regarding the conversion cost sir of, if you can just broadly give me the conversion cost for the four products; poly chips, POY, PET chips and films?

**Rakesh Gothi, Chief Executive Officer**

Okay. Mr. Deshpande, I am not prepared to give you that conversion cost right away.

**Alok Deshpande**

Right.

**Rakesh Gothi, Chief Executive Officer**

But if you permit me, I shall definitely be able to send it across.

**Alok Deshpande**

No problem sir.

**Rakesh Gothi, Chief Executive Officer**

Yeah.

**Alok Deshpande**

Yeah, no problem. Thank you sir.

**Rakesh Gothi, Chief Executive Officer**

Thank you.

**Operator**

[Operator Instructions]. Our next question comes Saurabh Ginodia from SMIFS Securities.

**Analyst**

Congratulations sir for a good set of numbers.

**Rakesh Gothi, Chief Executive Officer**

Thank you.

**Analyst**

Sir my first question would be regarding the tax rate in the UAE. How long are we enjoying this tax rate exemption in the UAE?

**Rakesh Gothi, Chief Executive Officer**

I hope forever, but it's something which I cannot say.

**Analyst**

Okay.

**Rakesh Gothi, Chief Executive Officer**

But it has been -- there have been no taxes.

**Analyst**

Okay.

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**Rakesh Gothi, Chief Executive Officer**

I don't see -- in the next couple of years there should be anything. But then these are anybody guesses, these are all political issues also.

**Analyst**

Okay.

**Rakesh Gothi, Chief Executive Officer**

So, that question is not a very easy question to answer. For now, yes, there have been no taxes.

**Analyst**

Okay. Sir can you give me the consolidated debt numbers at the end of the quarter?

**Rakesh Gothi, Chief Executive Officer**

At the net level we had on 1350 crores.

**Analyst**

1350 crores?

**Rakesh Gothi, Chief Executive Officer**

Yes. Net level, net debt.

**Analyst**

Sir one more question regarding the USD 20 million ECB loan which we have taken. What is the repayment schedule for that?

**Rakesh Gothi, Chief Executive Officer**

It starts from July '11.

**Analyst**

Okay.

**Rakesh Gothi, Chief Executive Officer**

20% in July '11, 60% in July '12, and remaining 20% in July '13.

**Analyst**

Okay.

**Rakesh Gothi, Chief Executive Officer**

Yeah.

**Analyst**

Okay, sir. Thank you.

**Operator**

Thank you. Our next question comes from Deepali Kujekar from Kotak Mahindra Bank. Please go ahead.

**Analyst**

Hello. Good evening, sir. Deepali here. I had two questions in my mind for you. One is, I just wanted to get a sense of repayment during FY12. What is the repayment obligation during FY12? And second question is, what are the sources

of this buyback of RAK stake?

**Rakesh Gothi, Chief Executive Officer**

What that sources of RAK...

**Analyst**

Yeah. It was about 472 crores, if I am not...?

**Rakesh Gothi, Chief Executive Officer**

We had taken about 30 million of term loan and balance has come out of accruals.

**Analyst**

Sorry.

**Rakesh Gothi, Chief Executive Officer**

We had taken term loan of about USD 30 million.

**Analyst**

Okay, from...?

**Rakesh Gothi, Chief Executive Officer**

From one of the banks, and balance has come out of accruals, of the group company.

**Analyst**

Okay. And the repayment during FY12. What is the repayment obligation during FY12?

**Rakesh Gothi, Chief Executive Officer**

Repayment in '12, one major payment will be 60% of this ECB which is about 120 crore.

**Analyst**

Okay.

**Rakesh Gothi, Chief Executive Officer**

India, beside the normal repayment in India you can take about say, 70 crore and UAE you can take about 80 crores.

**Analyst**

70 crores in India and...?

**Rakesh Gothi, Chief Executive Officer**

About 80 crore there.

**Analyst**

80 crores in UAE?

**Rakesh Gothi, Chief Executive Officer**

UAE roughly, yes.

**Analyst**

So about 270 crores on consolidated?

**Rakesh Gothi, Chief Executive Officer**

250, you can take about 250 crores.

**Analyst**

250. Okay, thanks sir.

**Operator**

Thank you. We have no further questions. I would now like to hand the floor back over to Mr. Swarnendu Bhushan for closing comments.

**Analyst**

Thanks, Wright. We would like to thank everyone for their participation. Thank you Gothi sir and Thakore sir for your valuable time. Thanks a lot and have a nice day.

**Rakesh Gothi, Chief Executive Officer**

Thank you.

## **Operator**

Thank you, gentlemen.