JBF Industries

Conference Call

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Moderator: Ladies and gentlemen good day and welcome to the JBF Industries Q3 FY'12 Results Conference Call hosted by Nirmal Bang Equities Private Limited As a remainder for the duration of the conference all participants lines 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 been recorded. I would like to hand the conference over to Mr. Jignesh Kamani, of Nirmal Bang thank you and over to sir.

Jignesh Kamani: Good afternoon 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, Managing Director and CEO of JBF Industries and Mr P N Thakore, Director Finance and CFO of JBF Industries. I request management to make initial comments on the third quarter results and some idea about current business environment following which we will start question and answer.

P N Thakore: I welcome all of you for the conference and I request the Mr Rakesh Gothi, our Managing Director and CEO to give the presentation on this result.

Rakesh Gothi: To begin with I will just point out on the highlights of the Q3 results as well as the numbers as it packs up for the first three quarters of the current year. For the quarter under question that is Q3 FY'12 we have reported a total turnover of Rs. 1,86.3 Crores. Our EBITDA of this period was Rs. 175.2 Crores and EBITDA margins stood at 9.7%. The profit after tax for Q3 FY'12- now all these numbers are on consolidated basis were reported at Rs. 71.2 Crores with a PAT margin on a consolidated basis again at number of 3.9%. The earnings per share was Rs. 9.80 per equity share.

As a cumulative performance for the first three quarters that is for the entire nine months of this current financial year our income stood at Rs. 5,257.1 Crores with an EBITDA of Rs. 547.7 Crores, EBITDA margin being 10.4%. PAT that is profit after tax for the nine months period on consolidated basis was Rs. 199.4 Crores with a PAT margin of 3.8%. The earnings per share for all for the entire period that is for the first nine months period was at Rs. 27.46 per share.

In terms of the current capacities which are really within us- now we have a total capacity between India as well as the UAE plant. Total chips capacity that is the polymerizing capacity now stands at 1 million tonnes almost you can say 1.04 million tonnes and the downstream capacity in terms of chips and POY at 3,24,660 metric tonnes. Breakup of that would be like POY and specialty yarn would be at 258,420 tonnes, films would be 66,240 tonnes and the remaining part is all chips, so that the current downstream capacity is totally 324,660 metric tonnes.

As we go forward the forth line of chips at UAE should be going in to a production by around February that would take the total capacity on annualized basis 100,000 tonnes of chips at the UAE plant. We would be also conducting certain other debottlenecking activities which will be enhancing our chips capacity in India to 626,000 metric tonnes and there will be some shift, we are adding some equipment's so that within the overall capacity of chips there is some shift towards in bottle breakthroughs. We feel that profitability in the bottle based chips, would be slightly better than that of textile based chips, so we are going to add some equipment's such that within the overall capacity there is a little bit of tilt towards the additional tilt towards the bottle based production.

You might be keen on knowing the status of the other projects that we have announced earlier. Two projects are live and in the offing as of now. One is the PTA project at Mangalore and the other is the PET chips project at Geel in Belgium. So far as the PTA project at Mangalore is concerned of course as you might recall and we have stated earlier as well the total capacity of this plant being setup is of the order of the 1.12 million tonnes per annum and the land is of course been allotted to us we are in the process of getting certain statutory clearances such as environmental clearance and other consent to established clearance from the local government. We believe those should be coming up within a period of another 2-3 weeks or so. Thereafter we should be going ahead with the various as activities related to procurement of equipment's and trying to see that plant gets commissioned within the period of about two years.

We expected this commissioning should be done before end of 2014. As far as the other plant at Geel in Belgium is concerned we have already initiated the matters related to environmental clearance there as well. The process there is a little bit more stringent and takes a little bit more time, nevertheless that process has already been initiated. That project is for 390,000 tonnes of PET chips to be on a collocation basis next to BPs plant of PTA, so a sort of an understanding with BP that we will erect this plant next to their PTA plant and we would supply the PTA on a dedicated basis to us so well BP being what it is so it is a prestigious project for us as well and we hope to get this through or get up and going also by mid or Q3 of 2014.

Theses are some of the things, which are in the offing, and I believe you will have quite a few questions as we go along. I would now like to throw this session open and I invite questions and we will try to answer these to the best of our ability. Please go ahead.

Moderator: Thank you very much. Our first question is from the line of Mr. Avinash Nahata from Aditya Birla Group. Please go ahead.

Avinash Nahata: First thing this redemption of preference shares what is the cash inflow into the parent company?

Rakesh Gothi: See these are the shares what company had brought from CBCI and it has been redeemed. It is a 42 million of preference shares, which has been redeemed but there is not going to be any cash flow as such because this money is going to adjusted against the shares of REC, which is held by global, eventually as you know earlier we had mentioned that we are in process of dismantling global entire holding from global will shift to India so it is part of that there is nothing going to outside group, it is within the group.

Avinash Nahata: Okay, we are writing that delta 14.5 from POY when the manufacture POY from our raw materials PTA and MEG this is industry wide phenomenon based on the monthly average prices, it is right?

Rakesh Gothi: Yes.

Avinash Nahata: How are we placed in terms of this delta what we have shown as in the presentation vis-à-vis industry delta?

Rakesh Gothi: We would be slightly better of than this number because what we would be coming up with a consolidated weighted average number which is a weighted average between the various price of product that we would be manufacturing. For example the middle POY, colored POY, fully drawn yarns, micro yarns so our numbers would be higher than this number that we have already given to you.

Avinash Nahata: And the case of film, it is showing $1,050 per ton that is approximately 5.2 per kg so it is also downstream product this will be normalized delta or this time it was slightly less?

Rakesh Gothi: Our delta for film of 1,057 is a consolidated- it is an industry level number also what we have shown to you is what are the average raw material prices within the industry, what are film prices within the industry taken as a simple arithmetic average and arrived in delta and given those indications for you.

Avinash Nahata: Okay, my question since this is also a downstream product since manufacturing so $1050 is it a normalized one or there was excess capacity this time around?

Rakesh Gothi: Our number will be more or less it is more or less similar to this number in the case of film for the quarter under question.

Avinash Nahata: Okay, and any guidance for our capacity utilization as for as 1 million ton of chips capacity is concerned-going forward into the next year?

Rakesh Gothi: The current utilization in the industry is of the order of 80% but our utilization has been around 95% as far as we have been able to perform. Of course there are certain bottlenecks, which I must brief you again related to procurement of the raw material PTA, but we have been trying to do our best and we have been more PTA we would have run more than 100% also. At the same time knowing the fact that PTA is restricted. We will try to import them and the import terms have to be very expensive in some cases and there are lot of uncertainties related to import specially when you watch the volatility on the international prices as well as volatility on the exchange prices on the rupee dollar exchange number, so looking at all that yes we have performed at 95% level almost and whereas the industry average in my opinion is around 80%. Looking forward as a guidance I can only say that we should be doing for the current quarter as good as in terms of at least the EBITDA numbers as we have been performing the last quarter or for the first nine-months. We do expect that the next financial year should be better than current financial year looking in terms of what we believe is that there should be an improvement in diesel prices, we see some indications of that right now. We also see some improvement in the PET chips prices we have already seen those indications right now. So in toto we believe that the next financial year should be slightly better than the current financial year.

Avinash Nahata: Okay, in your presentation what has defined as net current asset include excluding cash. Can we have some numbers as of what are our debtors as on 31st December?

Rakesh Gothi: Both will be in range of around 650 to 750 Crores on a consolidated level.

Avinash Nahata: Both, put together.

Rakesh Gothi: No, individually.

Avinash Nahata: Okay, put together 1400 Crores?

Rakesh Gothi: No, 1,500 inventory and debtors.

Avinash Nahata: Okay, one question existing derivative contracts if I may assume right 16 million of our contract is open out of which we have taken exposure as for as derivative on ECB is concerned?

Rakesh Gothi: That is right.

Avinash Nahata: Just if you can answer in simple terms in the sense that assuming that it is closed out at today US dollar Japanese Yen parity of 76 what would be the P&L impact and cash flow impact as on date?

Rakesh Gothi: Would be about 100 Crores.

Avinash Nahata: You are saying both P&L and cash flow impact?

Rakesh Gothi: Yes, it will have creates impact of P&L then we have to make the payment.

Avinash Nahata: Correct so the P&L assuming that nothing has been provided for on these things. So P&L and cash flow impact will be equal?

Rakesh Gothi: Roughly yes.

Avinash Nahata: So, FY'12 and 13 whatever amount is due in that fashion as you assuming that if it is closed at current US dollar Japanese parity?

Rakesh Gothi: See M2M is always slightly on higher side because the top of M2M they always look at what is the forward gain and Yen always have a premium and there is the premium rotates to uncertainty etc. So M2M figure is always higher than the actual losses, which comes into the entirety.

Avinash Nahata: Right, but not M2M it is as if it is closed today at the current prices?

Rakesh Gothi: Yes, I cannot give the exact figure.

Avinash Nahata: No it is a tentative number whatever?

Rakesh Gothi: You can say roughly.

Avinash Nahata: Around 100 Crores.

Rakesh Gothi: Yes.

Moderator: Thank you very much. Our next question is from the line of Naga Deepika from Capital Market. Please go ahead.

Naga Deepika: My question first pertains to the share of bottle grade chips in our total domestic chips capacity what was the capacity we have on the bottle sector?

Rakesh Gothi: But as of today we are operating at approximately 12,000 metric tonnes per month in terms of the bottle grade chips capacity, but if you look the name plate numbers we have 155,000 tonnes of bottle grades chips in India and in UAE the total capacity of chip stands at around 432,000 out of which 66,000 is taken away for captive consumption into film so the net getable capacity is around 360,000 tonnes of bottle grade chips. So let me summarize 360,000 tonnes being sold from UAE and approximately 15000 tonnes being sold from India that is the total number that we have.

Naga Deepika: No, the 155,000 would be the bottle grade chips of the total 600..

Rakesh Gothi: Let me clarify again in India out of total 608,000 tonnes 155,000 tonnes in bottle grade chips and the remaining are that textile grade chips.

Naga Deepika: Okay, and out of this bottle grade chips there were what will be the next after adding some machinery what would be your expanded capacity of bottle grade chips?

Rakesh Gothi: The expansion bottle grade chips would be roughly around 300 tonnes per day translate into approximately 10,000 tonnes in every month or 100,000 tonnes per annum.

Naga Deepika: Okay, and when will this happen?

Rakesh Gothi: If that happens, the textile based equivalent capacity comes down if we have just shifting from one variety to the other variety and this would happen in a period of about 4 months. Am I clear on that the total capacity is not increasing it is our textile grade to bottle grade.

Naga Deepika: Yes, there is shifting textile grade to bottle grade current. And how much will be the incremental cost on this changing up that our textile grade chips?

Rakesh Gothi: The total CapEx including based plus some other debottlenecking etc. we are doing at not more than 40 to 50 Crores.

Naga Deepika: Okay, and my second question was we heard some news about besides the Mangalore PTA capacity there would be some more chips capacity coming up was this right?

Rakesh Gothi: Geel in Belgium, which I had given in my introduction to all of you, if you want I can repeat that again.

Naga Deepika: No, this is on Mangalore SEZ front?

Rakesh Gothi: In Mangalore we are just going in for a PTA project, we have also talked of a PET project in Mangalore which would be supporting its PTA project, but that would be in the second phase.

Naga Deepika: Not now.

Rakesh Gothi: Along with the PTA project in the first phase, it will be only in the second phase.

Naga Deepika: I believe in Bangalore SEZ PTA capacity funding would be around $700 million right?

Rakesh Gothi: Around 600 is the project cost and funding is around $416 million.

Naga Deepika: How would be these funded?

Rakesh Gothi: It is $416 million will be the term loan and balance around 190-194 million is the debt equity portion.

Naga Deepika: This is the equity portion? How is the funding for the BT project?

Rakesh Gothi: It is around 150 million Euros that is roughly about $200 million, which is about 60 million and 140 million is the debt.

Naga Deepika: How will this debt be?

Rakesh Gothi: This we are not starting immediately. This will be starting may be year from now or so and it will get completely only towards end of 2014, so the term loan will be tied up locally from there and equity pumped in from the existing operating companies.

Naga Deepika: Coming back to the Mangalore PTA plant what kind of machineries were we trying to link up the EPC? Was it a new plant?

Rakesh Gothi: This seems to be 100%. None of the plant is second hand plant. All our plants are brand new plants. This is also going to be brand new.

Naga Deepika: Where are we closing the machinery?

Rakesh Gothi: From different country. Well there is no single country, which supplies all the machinery which is involved, some come from Germany, some come from other plants of Europe as well, so there are various locations but the critical items some of these items are sourced from Germany and may be some other items like reactors etc., could be either fabricated locally or we have to bring them in from Japan or Korea also, so these are the sourcing world for us various items which are there.

Naga Deepika: Do we have any power plant to supply of power for the steel PAT plants?

Rakesh Gothi: We would be having a standby power plant and we are working on that, but the other power for regular use would be supplied from the Karnataka Grid. It is not very power consuming plant. Basically this is processed by itself, exports from power, so what you require is a little bit of power for OSBL units, which is the outset battery limits, and that may be just around 10 to 12 MW so we just require power just to start of the plant and what we need is a little bit of a backup power for which we will be having some generators.

Naga Deepika: What would be the capacity for the standby power plant?

Rakesh Gothi: Standby power plant could be of the capacity of 20 MW.

Naga Deepika: Coming back to the chips performance and deltas it seems to be there is a small decline in q-o-q realization and still the company is facing pressure on raw material front and if yes, how are they addressing?

Rakesh Gothi: The numbers given to you are industry average numbers. They are not company numbers. You can see is there is some sort of a decline in those number, by and large we have internally managed to maintain a similar level as before, actually in India, because we have been able to produce our chips, the product mix consists of certain special varieties of chips such as bottle grade chips or film grade chips or bright chips, which have an above average industry realization as well as if you take into account the bottle grade chips as a weighted average which are higher than what we have the industry numbers as you can see, we have virtually maintained the same delta over the last three quarters.

Naga Deepika: There was a decline in sales of RAK Unit on volume for both chips and film what was this driven by because we can see from last couple of quarters at least the film sales were down although the volumes were also been slowing down, and you were also increasing the film capacity, so can you throw some light on film demand on that?

Rakesh Gothi: The total numbers as they stack up, there is definitely, your observation is very correct that the total numbers are down in case of RAK. We had some technical problems in the turbine there and we had to shutdown our plant to get that thing rectified, so we lost production on that front. If you look at the film numbers we are by and large all right, because what we did last year, because the last year the film market was so good that we stretched the plant over 100% capacity utilization and if you see that number it is higher than our total capacity. It is coming to an average of 69,000 tonnes per annum whereas our capacity is only 66,000 tonnes. This time we have run the film plant to full capacity more or less, it is around 62,000 or 63,000 tonnes average basis like 15,500 x 4 will give you a number of around 62,000, which is almost as good as 95%. There is no difference. I would virtually put it as 100% because you make different varieties of films some are thin films, some are thick films, we have been able to utilize the plant by and large fully and this would not actually reflect any reduction in the capacity, but it is matching the capacity of the plant.

Naga Deepika: On a q-o-q basis the film realizations have increased, what was driving this?

Rakesh Gothi: That has decreased. If you see the q-o-q basis we have shown $4,000 last quarter and this quarter it is $2,400.

Moderator: Thank you so much. Our next question is from the line of Mr. Takin Techaeisesa from Greyhound Capital. Please go ahead.

Takin Techaeisesa: I had two questions. I am not sure whether you are aware of this that Indo Rama ventures is going to build the 2 million capacity in India in 2014 and 2015, so I was wondering whether this will affect your business and how far away are you going to build your plans?

Rakesh Gothi: As far the press release from Indo Rama ventures, all I can say is that we have announced a plant of the capacity whatever you have indicated, we have not specified any location or they have not specified where they would be precisely getting their raw materials for, so I cannot comment on their locational aspect, I do not know whether they have tied up with technology or selected any land or any location as of now. As far as we are concerned we are very clear. We have already taken the land in Mangalore. We have already moved ahead towards tieing up of the technology. We are more or less 90% of our way in getting the statutory clearances and as far as the sale of PTA is concerned there is no issue from our end because our plant is of the capacity of 1 million tonnes and that is virtually going to be my entire requirement for PTA as I go along in 2014 and 2015, so even if there is any other producer such as Indo Rama we would not be in competition with them, but whatever we are going to produce PTA is going to be taken in for captive consumption and to that extent we are extremely comfortable.

Takin Techaeisesa: The second question, maybe to elaborate on that, can you please elaborate again what is your current capacity compared to the capacity you are planning, I know you just said 1 million but you also mentioned something about a BP plant you are building, so I am a bit confused whether this would be in addition to Mangalore?

Rakesh Gothi: We have a plant in UAE and we have plant in India, the combined capacity of these two plants stands at almost over slightly over 1 million tonnes of production as of today. Now this requires almost 900,000 tonnes of PTA and I am sure as we go along over the next three to four years there will be some debottlenecking, some minor sanction will be taking place, so whatever will be the production from the Mangalore plant will be taken in for captive consumption at India and at UAE. What the plant which we are building up in Belgium is going to be next to the BP's plant of PTA and it is in a colocation basis where we agree to take the PTA supply from BP for making our PET chips in Geel at Belgium.

Takin Techaeisesa: Got it and you said you require some equity raising? I heard something about US $190 million and US $60 million so I am not sure whether that was correct there? How much equity you will need to raise?

Rakesh Gothi: There is no fresh equity infused in, we have some cash on hand and equity will be required over a period of three years and company is going to have sufficient cash accruals to take care of its equity.

Takin Techaeisesa: So you will not require any further equity raising, so no dilution of assets?

Rakesh Gothi: We do not think it will be required for this project.

Moderator: Thank you, very much. Our next question is from the line of Alok Deshpande from Elara Capital. Please go ahead.

Alok Deshpande: Just two questions, one was on the outlook of PTA and MEG demand supply, because off-late if you see the MEG prices have increased quite a bit over the last maybe 15 or 18 months, and also if you can give us some outlook on what sort of demand supply dynamics are you seeing in film pricing?

Rakesh Gothi: As far as India is concerned, I am not talking specifically on PTA, the total capacity of PTA that is between the three plants at Indian Oil, Reliance, and Mitsubishi, we believe that if Mitsubishi plant runs to optimum capacity and the capacity that they have declared. There is going to be a demand supply balance, as far as SPV is concerned. China is building up quite a few new PTA plants, so we believe that import into China will be coming down over a period of time, as of now there is some restriction in supply paraxylene, which is a raw material for PTA. So let me summarize it this way that paraxylene is short, PTA is currently world over is over supply, but then PTA prices cannot come down so much because of the high prices of paraxylene, which is a raw material for PTA. So far as MEG is concerned, yes MEG, analysts say that there is going to tightness on the MEG front, I would think to agree partially on that but we have seen in the past if the downstream is not very strong, there will be a number of plants, which may not be used for working at full capacity, if the capacity utilization is slightly less than 75% or it is around 75% or 80% then MEG demand supply will definitely balance out that.

Alok Deshpande: Your outlook on film pricing?

Rakesh Gothi: Film prices have shown a tendency to grow up further. We began this year we have given a very good number on the film prices. They were of the order of somewhere $3,600 per metric tonne whole. Today the prices prevailing are in the range of $2,200 or $2,300 per metric tonne. We see off late there is an improvement by about $50 to $100 and we also see that more orders coming in for film so I see our forecast is that at least there should be around $200 to $300 per metric improvement in the next financial year and as we have done in the past we should be able to sell all our capacity, whatever the full capacity is.

Alok Deshpande: One last question, in terms of film pricing then would be fair to assume that we are making somewhere close to $400 or $500 of EBITDA per tonne on film pricing?

Rakesh Gothi: That is right. We should see around $400 tonnes of EBITDA approximately.

Moderator: Thank you very much. Our next question is from the line of Nirav Shah from Aditya Birla. Please go ahead.

Nirav Shah: I would like to know what is the latest debt position as of Q3 end- the repayable debt?

Rakesh Gothi: The total borrowings as on December 31, at gross level you can take roughly 2,500 Crores and at net level you can take about 2,000 Crores, it includes all long-term, short-term borrowings.

Nirav Shah: Roughly as of March 2011 what was the repayment? Was there any incremental debt that you were talking before?

Rakesh Gothi: No other repayment, but there was a new loan taken for expansion and there is some loan, which has come by way of this derivative losses which are getting converted into loan, because we have to pay only 10% and remaining 90% gets converted into loans- all put together by and large it is at the same level.

Nirav Shah: Can you just briefly explain about the commercial borrowings what is the maturity date for this?

Rakesh Gothi: It is different borrowing. It has different maturity. The borrowing, which was JP borrowing, 20% of that we have already repaid, and 60% is getting repaid in next July and then 20% will get repaid in July 2013.

Nirav Shah: July 2012 60% and July 2013 20%?

Rakesh Gothi: That is right, these deal will start derivative.

Nirav Shah: What is this amount as on date?

Rakesh Gothi: Right now it is the deal on derivative is around 60 million.

Nirav Shah: 60 million USD?

Rakesh Gothi: Yes equivalent of 60 million.

Nirav Shah: So 60% you will pay in July?

Rakesh Gothi: That is right.

Nirav Shah: The balance is in 2013?

Rakesh Gothi: Yes.

Nirav Shah: What are the other ECBs?

Rakesh Gothi: The other ECBs which are taken during the year, which has repayment of about five years, so it may start from 18 months from now it will get repaid in five years. These are different.

Moderator: Thank you, very much. The next question is from the line of Neeraj Mansingka from Edelweiss. Please go ahead.

Neeraj Mansinka: As of financial closure for the PTA plant been done?

Rakesh Gothi: We cannot call it financial closure but the loan has been tied up we have comfort from the bank and in principle approval and we are hoping by March we should able be to announce financial closure.

Neeraj Mansinka: Just wanting to know without that raw material supply contract would the banks end up giving a financial closure?

Rakesh Gothi: The raw material supply is available in ample because the project has set up with the assumption that we will be importing raw material from anywhere in the world and selling it anywhere in the world. So it is purely based on the commercial transaction that has been done. So there is no reason why it should not.

Neeraj Mansinka: What stops the MRPL or what is registering MRPL to sign a long-term contract with you give on back to back for varying plant?

Rakesh Gothi: It is too early. We would be coming the production by Q1 of 2013 or may be Q2 of 2013 that is point #1. It is the PSU so they will have their own method of marketing as far as value. Nevertheless whether we are going to set up the plant there. So we have both the options so far either we import or we take for that. So from that point of view there is no concern as far as our raw material procurement. The port is in 8 km from where we are located and there is PX supply and PX available and if you go through the numbers, which have been produced by analyst there should be ample PX available in 2014 ending or 2015. Additional capacities of PX are coming up both in the Middle East in and Southeast Asia. So from that point of view we have kept all our options whether we take a locally or we import it.

Neeraj Mansinka: Could you just throw some light on the current availability of India from the PTA from the Mitsubishi plant in India?

Rakesh Gothi: Good question and a difficult one to answer. We have two plants. One is 440,000 tonne old plant per annum. now they run at 470,000 tonne. Another there is a new plant of 800,000 tonne per annum. Now earlier plant 440,000 tonne plants continues to be operate as the normal plant would do, but we are having some difficulties on operating the newer plant. There they are having some technical difficulties and off and on that plant has gone into shutdowns but we believe that we should be able to solve that problem in due course and able to run at normal capacity.

Neeraj Mansinka: Any specific thought in what is leading to that because the same question come here what if you comfortable that you would be able to manage some technical problems when your plant start Mangalore?

Rakesh Gothi: There are different technologies. That technology is the Mitsubishi technology and we are going for a different technology.

Neeraj Mansinka: Just some color on how has been the recent offtake of polyester because the cotton prices have come up and with the good prices being higher. There are some probabilities that demand can be pushed down lower on the polyester demand side. Some color on that?

Rakesh Gothi: With cotton prices going up slightly we do anticipate that on a similar basis there could be an improvement in the polyesters prices but it is bit too early to come to final conclusion on that front. Theoretically yes we should improve. Of late what or what we are observing is that the prices of yarns as well as chips seem to be moving more or less in tandem with the raw material prices. As the raw material goes up the prices of chips as well as POY move up. Otherwise there are some slight corrections. However we believe that as the prices of cottons go up and remains stable at a higher level. They should remain stable at higher level or continue to go up. Thereafter we should see additional delta coming up in the case of chips or in the case of POY but that is yet to happen.

Neeraj Mansinka: Last question, what is the last payment date for the derivative contract?

Rakesh Gothi: As you mentioned 20% was repaid last July. Another 60% will get repaid in this July. So remaining 20% will get repaid in July 13.

Moderator: Thank you very much. Our next question is from the line of Tina Banerjee from Sumedha Fiscal Services. Please go ahead.

Tina Banerjee: Can you put some light for the 28% decline in sales volume of UAE chips?

Rakesh Gothi: I had answer that question earlier. There was some technical problem with our turbines in the last quarter. So our production had to be curtailed and therefore the production got affected in case of chips at UAE.

Tina Banerjee: When are you expecting to be at normalized?

Rakesh Gothi: Current quarter we should be on the normal production.

Tina Banerjee: Can you give us some outlook for FY'13 UAE chips demand?

Rakesh Gothi: Our capacity would be of the order of 430,000 tonnes in case of chips at UAE. We expect that whatever is taken away from film because the film the fourth line is now going to be coming under operation say by around February or March and more like by February ending before. So on an annualized basis the film plant assuming the film plant continues to operate at normal capacity of 100,000 tonnes. We should be selling around 330,000 tonnes of PET chips and producing 100,000 tonnes of PET films.

Moderator: Thank you very much. Our next question is from the line of Jignesh Kamani from Nirmal Bang. Please go ahead.

Jignesh Kamani: I want to ask a followup question. Right now we have booked only realized loss in the Q3 and we are sitting on some MTM loss. If rupee remain at current level what would be the impact or MTM turning into the actual loss rupee dollar loss in the Q4?

Rakesh Gothi: Rupee dollar other than derivative it should come down dramatically, we have not worked it out. It may be 10 to 15 Crores. Should not be significant.

Jignesh Kamani: This is a strategic level question. If you take about we have ventured into RAK. The partner with a Prince of RAK to bring out our (indiscernible) 45.31 we end up with 100% equity or we consider for about some?

Rakesh Gothi: Bahrain will have 100%.

Jignesh Kamani: When this plant will get commissioned?

Rakesh Gothi: All this things will come around 2013-2014.

Jignesh Kamani: Just one you have ventured with government at one time does it put a pressure on the cash flow because overall large in the?

Rakesh Gothi: All these have different implementation timeframe.

Jignesh Kamani: So we will maintain the sufficient timelines if once PTA venture gets stabilized you can use the cash flow to look at that.

Rakesh Gothi: We have seen and even about peak debt equity does not go 1.4. We will be quite comfortable should not be a big issue.

Jignesh Kamani: And right now we are setting up for inventory and if the price of chips and POY is more and so we will maintain some inventory gain in the Q1 or there are only tied up with forward contract over the current product?

Rakesh Gothi: We can possibly assuming that the prices continue to go up there could be slight inventory not much.

Jignesh Kamani: How much money you have spent in the PTA venture and the Belgium venture?

Rakesh Gothi: Belgium nothing has been spent. It is initial stage where we are just now looking at environmental clearances etc. PTA project we have spent about 80 Crores.

Jignesh Kamani: As you mentioned Belgium is a JV so how is our stake?

Rakesh Gothi: Belgium is not a JV it is just colocations.

Jignesh Kamani: We end up paying 100% only PTA sourcing we will get from our partner. I have done with my questions.

Moderator: Thank you very much. I would also like to ask Mr. Jignesh Kamani to add his closing comments.

Jignesh Kamani: I would like to thank management of JBF Industries and Mr. Gothi and Mr. Thakore for taking time out from their busy schedule and sharing vital information about the company. I would also thank the participant for participating in the conference call. Thanks a lot and all the best to the management of JBF Industries for coming quarters.

Moderator: Thank you very much. On behalf of Nirmal Bang Equity Private Limited that concludes this conference call. Thank you for joining us.