



“JBF Industries Q4FY12 Earnings Conference Call”

May 30, 2012



TATA SECURITIES



**MODERATORS: MR. RAKESH GOTHI – THI ORS MR. THI HAKORE –
MR. P N THAKORE – AIRECTOR, FINANCE
MR. SWARNENDU BHUSHAN – UNALYST, TATA SECURITIES
LIMITED**



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Moderator

Ladies and gentlemen, good day and welcome to the JBF Industries Q4FY12 Earnings Conference Call hosted by Tata Securities Limited. As a reminder for the duration of this conference all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call please signal an operator by pressing * followed by 0 on your touchtone phone. I would now like to hand the conference over to Mr. Swarnendu Bhushan. Thank you and over to you sir.

Swarnendu Bhushan

Thanks Seema. Good afternoon. On behalf of Tata Securities we welcome all participants to the fourth year FY12 conference call of JBF Industries. On behalf of the management we have with us Mr. Rakesh Gothi – MD and CEO and Mr. P N Thakore – Director, Finance. I would now like to hand over the floor to the management. Over to you sir.

Rakesh Gothi

Thank you very much and I welcome all of you for this teleconference. I would straight away begin by giving a summary of results for the period ending March 31, 2012. Just to summarize the numbers that we have achieved during the financial year under question, the sales for the financial year 2012 on a consolidated basis was 7179 crores as compared to 6471 crores in the corresponding period the previous year signifying an increase of around 10.94%. This is a consolidated number for the entire year at the same time there was an increase in the raw material prices up to 5618 crores from 4708 crores. This signified an increase of almost 19%. The EBITDA numbers came over at 712 crores and the PAT, the bottom line stood at 222 crores as compared to 546 crores last year. As a percentage to sales the EBITDA number still stands at 9.9%. Of course last year it was 14.8%. There has been a FOREX loss in the current year which was almost 4.1% of the total sales as compared to 1.4% of the sales last year. The net profit stood at 3.1% off to the sales as compared to 8.4% last year. On a Q to Q basis it is only for the quarter. Our revenue was 1922 crores as compared to 1933 crores more or less same number as last year. The EBITDA number stood at 165 crores as compared to 273 crores last year. There has been a FOREX loss this quarter as well of close to 80 crores as compared to 28 crores last year with ultimately the PAT standing now at 24 crores as compared to 163 crores for the period last year. The EBITDA number was still in the range of almost 8.6% as compared to 14.2% last year. Just to give an overall scenario for the period under question, the prices of products in India have moved more or less in tandem along with the raw material prices, which implied that the margins were similar more or less as compared to the previous period.

There has been some increase in other expenses of production such as the cost of power and fuel from freight cost and packaging cost. In the case of film there has been a reduction in realization that is the product produced at JBF track. Well this is an overall worldwide phenomenon so not only it is restricted to JBF but in general the film market after having a peak in about two years back was on a downward last year but we believe that it has not



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bottomed out and we do some increase in the film prices in the period over the last two to three months. As per our internal research we demand for polyester grade chips and yarn in India continues to grow at 9% to 10% whereas the bottle grade chips growth is almost in the range of 20%.

In terms of expansions I would like to inform all of you that we have finished commissioning the fourth line of polyester film at JBF RAK and this would add close to around 36,000 tons per annum of the film capacity. At the same time the company would within the other existing products, the company would continue to minor debottlenecking activities with the objective of value enhancement and minor increase in capacity. By way of the derivative transaction we would be paying off almost 80% of the ECB loan by July this year and we believe that the pain on that account will be much lesser in the coming year and we should have much lower number in terms of negative on that front as the year goes by. Just as a quick guidance, looking at the overall scenario of production, PTA availability, estimated prices, prevailing prices of the finished product that is. We have internally targeted a turnover in the range of around 8500 crores and we are expecting an EBITDA of 10% and a PAT of over 4.5% which will be almost equal to around 400 crores for the coming period. I think as you may already be aware by now in the yesterday's board meeting the board of directors have recommended a dividend of 80%, i.e., Rs. 8 per equity share, of course this is subject to the approval of shareholders at the AGM. Just to update you on the project under implementation that is the PTA project which has been executed through our wholly owned subsidiary that is JBF Petrochemicals Limited, this project at Mangalore is progressing well and further to the fact that we have already acquired land of 104 acres at Mangalore, we have been able to get the environmental clearance for this project from the government authorities, from the MOEF, i.e., Ministry of Environment & Forest, so that is one major milestone so far as installing this project is concerned. We are now in the process and we should be getting very shortly the consent to establish, hopefully this comes within a couple of weeks' time. We have already initiated technology aspects and we expect to finalize the technology within a couple of weeks' times. I would also like to inform that the funds for this project have already been tied up and to that extent we are now fairly ready to go. It is just subject to giving the finishing touches on the technology tie-up.

Now I think I will keep the floor open and I would invite questions. Please go ahead and shoot your questions and we will try to answer them to the best of our ability. Please go ahead.

Moderator

Thank you very much. We will now begin the question and answer session. We have the first question from the line of Paurav Lakhani from Prime Securities, please go ahead.

Paurav Lakhani

Good evening sir. Sir, I had a few questions. As far as our current business is concerned that is apart from PTA and Belgium and other projects which are supposed to get commissioned in



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FY15 only, is there any other CAPEX that you are looking forward to in FY13 or FY14 apart from those three projects?

Rakesh Gothi As of now there is nothing except some small texturing facility we are planning at our Sayli Project where we have POY, so by way of forward integration we may go for some texturing facility just to increase the value addition. Besides that there is nothing concrete right now.

Paurav Lakhani So sir what could be the CAPEX for that?

Rakesh Gothi That will cost Rs. 40 crores.

Paurav Lakhani Okay. And apart from that can I know what is capital WIP currently on books?

Rakesh Gothi About 150 crores.

Paurav Lakhani Yeah, and could you just breakup between the projects PTA Bangalore Project and Belgium Project ?

Rakesh Gothi No, that breakup I cannot give right now, it is not readily available but roughly I can tell you that we have spent about 125 to 150 crores on a PTA project that is mainly by way of advance for land and other related expenses and we have given about 25-30 million for Bahrain project towards advance for equipments etc.

Paurav Lakhani Okay. And sir, can I have the gross debt on books?

Rakesh Gothi Yeah gross debt is as on 31st March, it is roughly 2700 crores, at net level about 2200 crores.

Paurav Lakhani Alright, sir and the 8500 crores the guidance that you have given can you just give us what is the realization that you are seeing for 9.5% EBITDA, what kind of EBITDA per ton that you are seeing for the various products, something of that nature?

Rakesh Gothi The basic assumption is that the market will be the way it is now and there will be some marginal improvement because we are going for texturing and little bit modification in chips facility etc. So with those assumptions we have worked it out. I think right now we can provide this information.

Paurav Lakhani Okay sir. If you could just give us EBITDA per ton for FY12 full year divided into four PET chips, PET films RAK and the India chips and POY process yarn put together?

Rakesh Gothi Overall I can give you the EBITDA for, RAK is roughly around \$59-60 million and for India it is about 400 crores.



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- Paurav Lakhani** That is okay but on a per ton basis, if you could give for chips it is how much, POY processed yarn is how much?
- Rakesh Gothi** Product wise breakup is not available right now, maybe at later stage we can provide it to you.
- Paurav Lakhani** And sir can you give us the expected capital expenditure per PTA plant, Bahrain plant and Belgium plant? Total what do you expect to -
- Rakesh Gothi** All put together will be about a billion dollar. You can say roughly around 550 to 600 million will be for PTA and roughly about 300 for Belgium and Bahrain put together.
- Paurav Lakhani** Okay. And can I have the timelines on how you are going to spend this because you said 150 crores is already spent in FY12, right?
- Rakesh Gothi** That is right.
- Paurav Lakhani** So FY13 how much can we expect out of this?
- Rakesh Gothi** '12-'13 total outflow for all projects put together will be a major of around Rs. 700 crores to Rs. 800.
- Paurav Lakhani** Alright so majority will come in FY14?
- Rakesh Gothi** FY14 you can take about 1200 to 1500 crores and balance will be in FY14-15.
- Paurav Lakhani** Okay. And sir now the last word, actually it should have been the first question – what is the expected loss that you see from derivatives, you know see we will have still four months of \$12 million and \$4 million for another eight months and in other two months of FY14 even that will be paid up as you understand, right.
- Rakesh Gothi** Yeah, see M2M as on 31st March is around 47-48 crores. After that the dollar has appreciated further so we expect that total loss for 12-13 maybe around 60 crores or so on these derivatives and on other transactions it is difficult to say, it depends on the rupee dollar movement. But derivatives we do not force it more than 60-65 crores.
- Paurav Lakhani** So total put together is 120 to 125 crores?
- Rakesh Gothi** I do not think it should be so much. I think it should be within 100 only as against 300 crores what we have booked for FY11-12.
- Paurav Lakhani** Yeah, so this is for FY12-13, right?



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- Rakesh Gothi** Yeah.
- Paurav Lakhani** And for FY13-14 sir, for that remaining portion of 4 million?
- Rakesh Gothi** It may not be more than 30 crores or so. I think this I am saying on higher side because
- Paurav Lakhani** Yeah, yeah it is better to be conservative because -
- Rakesh Gothi** But nonetheless let me say, it depends on the market, the way markets are behaving banks have stopped giving any expectation on the currency.
- Paurav Lakhani** Sir and even if you give it is very difficult. So what I was asking was typically if supposing hypothetically, currency – is 56.
- Rakesh Gothi** Yeah if we go by the current scenario, things remain as it is the actual loss is maybe lower than what I said.
- Paurav Lakhani** Okay. So at 56 the losses will be lower?
- Rakesh Gothi** Yeah it maybe, say if everything gets stabilized then it maybe lower.
- Paurav Lakhani** Okay. Alright sir and all the best for the future sir. That is all from my side
- Moderator** Thank you. Participants just a reminder again, anyone who has a question at this time may press * and 1. Also each participants are requested to limit their questions up to two only. For any further questions kindly come back to the queue again. We have the next question from the line of Jignesh Kamani from Nirmal Bang, please go ahead.
- Jignesh Kamani** Sir out of 300 crores of FOREX loss close to 126 crores was on account of rupee-dollar and other currency movement, so just want to know how we are trying to tackle that issue because right now currency has become much volatile and we can say such a swing in the forex loss in the future also.
- P N Thakore** As I said about 167 is derivative loss.
- Jignesh Kamani** No, I am not talking about derivative, I am talking about the tier loss only.
- P N Thakore** The remaining thing what we are trying is to do and push exports little bit and cut down the imports because we had to import PTA and MEG, now we are finding local sources for MEG also and PTA also. I think Mr. Gothi will explain that further but we are trying to reduce the gap between exports and imports.



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- Rakesh Gothi** See basically what happened last year was due to the PTA plant attempt CPI not being performing well at all, so the imports were substantially high as far as PTA was concerned. We expect that this year that problem should be eliminated to quite an extent. Therefore the PTA imports would be coming down. At the same time we are trying to source more MEG from the local sources, so an entire percentage of a purchase we are trying to bring down the import content in our entire raw material as compared to last year. Nevertheless we are also now planning that at least some portion of our additional exposure FOREX account is hedged. So we are going into that kind of a working though we need to do a little bit of exercise and a little bit of analysis on how much quantity and to what extent we can do the forward hedging contact. This is the way we are trying to at least bring down the impact of this kind of a problem.
- Jignesh Kamani** And just to understand what kind of foreign liability right now we are exposed to which can contain the FOREX component?
- P N Thakore** See the entire borrowing in RAK is dollar.
- Rakesh Gothi** It will be not vulnerable to rupee-dollar.
- P N Thakore** As far as India is concerned roughly about 500 crores will be FOREX raised loan about \$100 to \$150 million.
- Jignesh Kamani** Okay sir, debt will be vulnerable to rupee dollar. And sir just one question on domestic CAPEX, we have spent close to 200 crores CAPEX, so what kind of incremental profitability we can generate from that?
- P N Thakore** See it has resulted in increase in capacity of both chips and POY which will add to the sales turnover like we are targeting now almost 8500 consolidated turnover. It will be incremental turnover which should bring additional EBITDA and besides that current year we are going to spend little money on some texturing facility also, which may not increase the turnover but it will improve the margins, value addition.
- Jignesh Kamani** That is what I am coming to, what kind of incremental profitability we can generate?
- P N Thakore** Jignesh, it is very difficult to say, the markets are so volatile. But I think we are targeting 10% overall EBITDA. We feel that the actual spend is better than that but looking at today's market condition I think that is what we --
- Jignesh Kamani** Okay sir. I will come with a follow-up question.
- Moderator** Thank you. We have the next question from the line of Vinay Agarwal from CRISIL, please go ahead.



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Vinay Agarwal Sir just wanted to check with you, you mentioned that you are targeting revenue of 8500 crores and you mentioned PAT of 400 crores.

P N Thakore Yeah, you can say about 350 crores to 400 crores in that range.

Rakesh Gothi It is about 4.5% of the turnover.

Vinay Agarwal Okay. Sir does this include the derivative losses it is without derivative?

P N Thakore It is without the derivative losses.

Vinay Agarwal Okay 350 to 400 crores. Okay. And sir regard the demand in the domestic market, sir now because the cotton prices have come back to Rs. 35,000 to Rs. 32,000 a candy so is polyester facing some kind of demand pressure because crude oil prices are high rupees at lifetime low? So sir is there again substitution going back to cotton?

Rakesh Gothi Well as it goes in the short term and what we are envisaging the current market scenario, because we are selling this product on a day to day basis. We do not find that kind of thing happening anymore. The demand for polyester seems to be continuing and as I said the demand continues to be in the range of 9% to 10%. This has formed its own segment. The polyester has formed its own segment both in terms of whether it is technical textiles or it is the household fabrics or it is the shirting-suiting etc, formed its own segment and year on year growth we will see that 9% to 10% continues to grow. There can be short term issues, okay, they have been in a couple of months when the prices of cotton have really shot down the polyester might go up. I mean the polyester may not be in demand or in the case when the prices of cotton have really gone up and polyester would suddenly shoot up. But if you take an average evened out kind of a thing on a year to year basis on a long term basis, you will find that the growth is still continuing to be in the range of 8-9-10% and as of now we do not see that cotton is hitting us and we do not feel that kind of a pinch as of today.

Vinay Agarwal But sir again, I think on demand side it can achieve still 8% to 10% but if you see the supply also, Alok Industries has put up somewhere around 5 lakh tons. Again, there are small-small players which are expanding. Also there has been a 2% hike in excise duty for polyester. So, all this and given the current strong interstate scenario, do not you think that the pressure on profitability would be much higher than what you are expecting 9.5% to 10% EBITDA can still go as low as 8% or 9%.

P N Thakore Well in the normal times we have achieved EBITDAs much higher than this. We can have slightly conservative estimate because of what all you are saying that there is a capacity increase. In the normal course we would have taken a target of 11% or even 12% and I you would see historically we have achieved those numbers in good time.



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- Vinay Agarwal** I agree because FY11 was completely an exceptional year where your film prices were like \$3000 to \$4000.
- P N Thakore** In the previous period we also achieved slightly higher numbers than what -
- Rakesh Gothi** 12% we have achieved even then I think.
- P N Thakore** So I believe in these times where the competition is a bit more stiffer or the supply is increasing we do not believe there should be a difficulty in achieving this number of 9-9.5%. Nevertheless this is the forecast, this is our internal credit and we will try to achieve that.
- Vinay Agarwal** And sir my last question is regarding the financial closures for the PTA plant, sir what kind of mix is the company going to take, debt-equity and how is the debt going to be funded?
- P N Thakore** See out of this around 31% is the equity and 69% is the debt so it is around \$416 million of debt which we are taking by way of ECB loan and it is 3+1+7 years so three years of construction period, one year moratorium and seven years repayment.
- Vinay Agarwal** So sir basically now if you get an ECB it would be beneficial for the company because you would be getting at around 50%.
- P N Thakore** Yeah, we have tied up with ECB loans here.
- Vinay Agarwal** Okay. That is all from my side. All the best for the future.
- P N Thakore** Thank you.
- Moderator** Thank you. The next question is from the line of Alok Deshpande from Elara Capital, please go ahead.
- Alok Deshpande** Good afternoon everybody. Actually sir my question was more on the outlook of film prices. I mean as I understand for the last five or six quarters there has been a decline in the film prices and as I understand it is due to the new supplies, new capacities which have come on streams in the various regions. Now, what is your view in terms of where do we stand in terms of are there any more capacities coming up which would put pressure on the prices, or are we going to look at a range of 2300 or 2400 for the next maybe five or six quarters?
- P N Thakore** When we began our average risk prices of films were somewhere in the range of \$3200 per metric ton then it became to around 2500 to 2400 and then it was around 2200 or 2300 but now I think we have come back in the range of around \$2700 for metric ton. What has happened was that there was suddenly a spurt of some new machines, new equipments coming into the picture because as you are aware the certain entrepreneurs saw a good opportunity of



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making good money in this business. So there was a certain spurt of additional capacity. I think that is now thing of the past. There may not be so much of an additional capacity and the very fact that the prices have slightly gone up or rather marginally gone up from say around 2300 or 2400 to around 2800 now adds to our thinking on this kind of phenomenon. I do not expect to prices to be as high as what they were about couple of years back. At the same time I am not expecting the prices to be going down to the levels of \$2100 or \$2200. This would be in the range of \$2600 to \$2800 and that we will see in the next few months, next three to four months at least.

Alok Deshpande

And sir second question was on, you briefly touched upon the availability of raw materials. And what we have seen specifically in the case of POY, there has been some pressure on the utilizations. Can we expect utilizations of say close to 95% or 100% in FY13 or are we looking at a lower number?

Rakesh Gothi

Sir it all depends on the PTA production in the country. As it stands today there are certain issues with the performance of two plants, two main plants in the country out of the three. And so there is some concern, so we will have to bring in some quantity by way of asking the other suppliers to provide some additional quantities but if you look at the overall in totality within the industry the utilizations could be slightly affected because of this PTA shortage. Within JBF I think we should be able to improve upon the capacities as we have tied up in a little bit more with the suppliers and hopefully the pain that we had on this was not that high but nevertheless we do feel that there will be some pain on the PTA front because of the malfunctioning of the equipments with the existing suppliers.

Alok Deshpande

Right. And sir just one last question on the JPY exposure you have. Now you will be paying off the 60% of the underlying loan so you will be left with only 20%. So is there is a possibility where you can consider prepaying the remaining 20% because as you are aware I mean that has been a huge overhang on the stock as well.

P N Thakore

I think we will able to take this call only in July depending on what is the level of JPY and what bank is suggesting at that point of time because as you know banks have funded these losses so we will help them also. And we will go by their advice.

Alok Deshpande

Right. If I have any more questions I will just get back in the queue and take the question. Thank you so much.

Moderator

Thank you. The next question is from the line of Amitabh Sonthalia from SKS Capital, please go ahead.

Amitabh Sonthalia

Just to re-clarify the answer to an earlier question the PAT guidance, the indicative range that you have given does not include FOREX losses, right.



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- P N Thakore** No, I will put it this way, if you take a PAT of around 400 that will be without including FOREX losses. At net level perhaps 300 you can take net off FOREX losses.
- Amitabh Sonthalia** Okay. And you mentioned that this will, I mean
- P N Thakore** The 400 crores it amounts close to around 4.5% to 4.6%, which is generally we have been able to achieve. I mean we have achieved higher numbers in this. On a conservative basis we are taking that as the number this time.
- Amitabh Sonthalia** Okay. And this is sort of the ballparkish top-line EBITDA, etc., that we are expecting for this year what are your basic assumptions underlying those figures and what can change that drastically?
- P N Thakore** Current market scenario and whatever capacity, debottlenecking etc we have done, we expect better utilization of capacities and little bit improvement in the margins in film particularly.
- Amitabh Sonthalia** And I believe your RAT facilities or some subdued demand last quarter
- P N Thakore** Yeah which is now improving.
- Amitabh Sonthalia** So what is the scenario there in the current quarter and the current year?
- P N Thakore** Let me make this correct impression, it was not a subdued demand but it was some issues related to PTA at one stage that the PTA supplies were not adequate there, at the same time we had some problems with the turbine there, in fact if you recollect the teleconference last time there were some issues related to the equipment that is the turbine and therefore that has affected the production. So if those two issues were not there we would have had much higher capacity there. We have arranged one more turbine also, so...
- Amitabh Sonthalia** What is the status on these two issues at present in the current quarter?
- P N Thakore** As of today PTA is some concern, I mean there is, we would like almost 105% but we are getting only about 90-95%. So there are some issues with PTI availability which we are trying to tackle. As far as the turbine is concerned, no, that problem is totally sorted out. It is now under our control and it is totally sorted out.
- Amitabh Sonthalia** And so generally the outlook in terms of demand trends and overall business conditions in the Middle East are all okay as per you? There are no worries on that front.
- P N Thakore** Yeah there is nothing to worry about as such. We believe it is, like I mean in the world there is competition and we have to face all that but nothing which is insurmountable and I would still use the word 'fairly normal'.



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- Amitabh Sonthalia** Okay. I will come back with the question. Thank you.
- Moderator** Thank you. The next question is from the line of Aditya Agarwal from ICICI, please go ahead.
- Aditya Agarwal** Hello sir. I just wanted to understand like your raw material cost is a major component in your production so like last year which product has impacted you the most and you had a lower EBITDA margin in that product?
- P N Thakore** You know film is the main product which had affected us the most because there the prices had gone down from as high as \$4000 to about \$2200. The film product was where the margins came down substantially. There were minor variations in the other products but it was mostly because of film that the margins got affected.
- Aditya Agarwal** Okay, so like what percentage we can assume that that was the drop in EBITDA margin?
- Rakesh Gothi** On account of film.
- P N Thakore** Primarily related to the film prices, if we saw last year in FY11 we achieved as high as 14% EBITDA margin on a consolidated basis that is because film prices were as high as \$4000 a ton, which has now come down to \$2000 a ton.
- Aditya Agarwal** So EBITDA has become negative in that?
- P N Thakore** No, it was not negative but it was very low.
- Aditya Agarwal** Okay. And one more question sir, like your PTA project which are coming up at Mangalore, how much capacity it will be used as a domestic consumption of your plant in India and what will be the surplus available in that?
- Rakesh Gothi** Well it is like this that the capacity that is being set up is for 1.2 million tons and as you see as of today the capacity in India is of the order of around 160,000 tons roughly and the capacity in UAE is of the order of around 400,000 tons. My capacity between the two locations is of the order of around 1.1 million tons – round number. So within a three year period I expect this to become a capacity of almost around 1.2 million tons. So for 1.2 million tons of capacity you require 0.86 so almost around 900,000 tons of PTA. So the production capacity would be 1.2 million tons, consumption is expected to be around 900,000 tons, so that will be our internal captive consumption and 300,000 we will give it for the merchant markets.
- Aditya Agarwal** Okay that will be a surplus situation.
- Rakesh Gothi** That is right, yeah.



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- Aditya Agarwal** Okay. That is all I wanted to know. Thank you very much.
- Moderator** Thank you. We have the next question from the line of Naga Deepika from Capital Market, please go ahead.
- Naga Deepika** Hello sir. Just wanted to check on the capacity utilization in Indian plant particularly and RAK unit also, both on chips, yarn and film front.
- P N Thakore** See last year the capacity utilization for chips was roughly 80% and for POY it was about 90% and RAK it was about 80% or so.
- Naga Deepika** Sir actually in Indian business, correct me if I am wrong, the margins and chips are actually lowered on the POY margins but still we are trying to increase our scenario.
- P N Thakore** I will try to correct you slightly on that front. There are various grades of chips. There is something called textile grade chips, that is one major portion. There is also the bottle grade chips. We also make some value added chips which are called cationic chips or colored chips. So if you take the weighted average of all this, I mean the margins are fairly comfortable and they would not be as low as one would think in terms of the commodity for middle kind of chips which would be produced out of a continuous plant. So there is some edge that JBF carries on that front.
- Naga Deepika** Okay but what is the demand outlook or what you see is particularly on domestic POY and chips front because bottle grade chips you said around 20% growth for the industry and for POY it is lower particularly 9% to 10%. Why is this variance?
- P N Thakore** Because bottle grade chips is a different application and the POY is a different application. POY would go for the clothing or textile end use and a bottle grade chip would go for carbonated soft drinks or the water packaging etc. The base is different. In case of POY the base we are talking of is almost about the order of 2.4 million tons which is a total industry demand, whereas in the case of the bottle grade chips it is just around 800,000 tons. So this is totally different. So these are two non-comparables that way.
- Naga Deepika** Okay. Can you just tell me what is the sales for bottle grade chips in FY12?
- P N Thakore** I think the breakup is not available right now but we will ask our consultants to send that separately to you.
- Naga Deepika** No problem. And actually you are speaking about PTA supply concerns. Is this an Indian plant or to RAK also?



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- P N Thakore** Well RAK does not import anything from India. Rather India does not have anything surplus to send to RAK or to any other part of the world. So as far as India is concerned, yes, there is the issue from the Indian plant. And RAK, the issue is of course what is happening in the different parts of the world like Korea or Taiwan where there are some issues related to plants there as well, as well as some shipment issues, the movement of good from that side of the world to this side of the world. There are some shipment related issues so that have affected the PTA supplies to that region.
- Naga Deepika** No, why I am asking this question is because your both capacity utilizing sales for chips and films were down the quarter and for the year instead of increasing your no chips capacity at RAK.
- P N Thakore** In case of India there was no significant difference. In case of RAK there was some difference because of the PTA availability and as I said also because of the exponent failure of the turbine. But if you see, look at the total volumes that was done in India, the total volumes remained in the range of 500,000 tons if you take in totality.
- Naga Deepika** The turbine problem in RAK unit happened in Q3, right?
- P N Thakore** It happened in Q3 but the PTA problem was on and off, on and off, it was continuing.
- Naga Deepika** Okay. I will just raise one more point, can you please tell me what would be the FOREX debt on your books?
- P N Thakore** You can say about \$150 million in India.
- Naga Deepika** Okay. And RAK?
- P N Thakore** RAK entire thing is FOREX but their entire business is on dollar, so that does not matter so much.
- Naga Deepika** Okay sir. Thanks a lot.
- Moderator** Thank you. We have the next question again from the line of Jignesh Kamani from Nirmal Bang, please go ahead.
- Jignesh Kamani** Sir I just want to know about have we tied up the sourcing of Paraxylene or still we will sell to the merchant market?
- P N Thakore** No, it is like that the Paraxylene can be supplied by OMPL but if we have to procure almost for about 1.2 million tons plant will have to procure close to around 850,000 tons of Paraxylene. There is some tender which should be coming out from OMPL, wherein it would



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be giving some preference to the unit located close to Bangalore for offering of Paraxylene. So we hope to acquire at about 600,000 tons from there, which is just a ballpark number. Nevertheless irrespective of that we would not like to put all the eggs in one basket. So a good portion we would like to take from OMPL who would be our neighbor and the balance we would like to import Paraxylene. And the option is open, if we do not get from OMPL we will import the entire quantity also. That option is open. We have made arrangements. Rather the technical arrangements of pipeline from the ports to the plant are being in that way.

Jignesh Kamani And sir if you take about recent experience of our, you can say few of the word supply are like Mitsubishi and everything. When they commission that Paraxylene facility it will take close to 1 to 2 years to stabilize and this thing also they are facing you can say, some distinct problems. So how we are trying to sort that issue?

P N Thakore It is a matter of times of the right technology. Mitsubishi's technology is totally different and I do not want to comment anything at this stage.

Jignesh Kamani Do we feel that we also may face such problem or....

P N Thakore We are looking minutely at all these issues and the technology that we would be tying up would be such and at least we will be striving to see that the problems faced elsewhere are not incur plants such as ours.

Jignesh Kamani And sir in RAK plant, apart from Paraxylene our chips facility also face pressure on the margin, so what was the reason behind that. I am talking about fourth quarter.

P N Thakore Well I do not think that interpretation is right. The deltas or the margins on the --

Rakesh Gothi On this film where bottle grade chips have remained good or fairly consistent over the last one or two quarters.

Jignesh Kamani No because when I did the reverse engineering the delta hedge declined by almost 10% in fourth quarter I am talking about sequentially.

Rakesh Gothi In RAK?

Jignesh Kamani Yeah in RAK.

Rakesh Gothi Film EBITDA was low so overall EBITDA was also low.

Jignesh Kamani No, no I am talking about the update delta.



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- P N Thakore** The reason for this is because last year not only film prices because of the increased demand even there was a slightly better realization across chips as well.
- Jignesh Kamani** No, I am comparing Q-on-Q.
- P N Thakore** Q-on-Q it should be pretty standard but we will go back and look at it.
- Jignesh Kamani** And sir on the last question as you mentioned we are not trying to hedge any of the ECB for the PTA and other venture?
- P N Thakore** PTA is in SEZ so all the dealings will be on dollars. So I do not think they will need to hedge that.
- Jignesh Kamani** No but if we supply to India.
- P N Thakore** So that will also be seen, basically against the export commitment so it may be against advance license, etc., and we will try and make dollar. If there is need to have rupee billing then to that extent we may look at hedging options.
- Jignesh Kamani** Okay so we will not witness so such kind of volatility, etc.
- P N Thakore** We do not expect that.
- Jignesh Kamani** Okay sir. Thanks a lot.
- Moderator** Thank you. That was the last question from the participants. I would now like to hand the floor back to Mr. Swarnendu Bhushan for closing comments. Over to you sir.
- Swarnendu Bhushan** We would like to thank the management for reviewing this in detail. Thanks and good day to all.
- Rakesh Gothi** Thank you very much. Thanks to all of you.
- Moderator** On behalf of Tata Securities Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.