



AYM Syntex Limited
Q2 FY20 Results and other Business Update Conference Call

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Management: Mr. Abhishek Mandawewala – Managing Director & CEO
Mr. Himanshu Dhadha – Chief Financial Officer

Moderator: Ladies and gentlemen, good day and welcome to AYM Syntex Limited conference call to discuss the Q2 FY2020 results discussions and other business updates. On behalf of AYM Syntex Limited, we have with us the key senior management including Mr. Abhishek Mandawewala – MD & CEO and Mr. Himanshu Dhadha – CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded.

Before we begin, I would like to state that some of the statements made in today's discussion maybe forward looking in nature and may involve risks and uncertainties. I would now like to hand the floor to Mr. Himanshu Dhadha for opening comments. Over to you sir.

Himanshu Dhadha: Thank you. Good afternoon everybody. I welcome you all to the conference call on our company's behalf. Let us begin this with a short update on the second quarter results which is also in the public domain and uploaded on our website.

AYM Syntex posted revenue from operations of almost 269 crores for this quarter which is a growth of 8% over corresponding quarter last year and 7% over Q2 FY19. On YTD September basis, it goes about 17% as compared to H1 of the last year on account of higher exports. This quarter sale as well as the EBITDA numbers is amongst the highest in last 10-12 quarters. Stability in demand witnessed in Q2 FY20 post the input price stability resulting in better volumes in the quarter. BCF segments also witnessed higher utilization of capacities and increase in exports resulting to improve gross contributions at the company level. Palghar

business is moving towards the stabilization phase with the volumes gradually improving in last quarter.

In terms of tonnage, we did almost 50,200 tonnes which was higher as compared to Q1 FY20 and was more by 90% as compared to Q2 FY19. YTD September, it was 28,700 tonnes. Exports as a percentage of NR has grown up. It was 39% in Q2 which is highest in any quarter in last 3 years on account of increase in all down exports in all the sectors.

EBITDA for the quarter has improved and it is at 25.1 crores, which is 9% of NR as compared to 22.4 crores in Q1 FY20 and 18 crores in Q2 FY19. The EBITDA per tonne in the current quarter was in line with the previous quarter which was around 16,500 per tonne and as compared to last year same quarter, which was at around 14,300 tonnes, it is better in this quarter. Profit before tax stood at around 3.7 crores as compared to 2.1 crores in last quarter on account of some higher interest expenses due to higher utilization of working capital.

The net debt figure has reduced and stands at 258 crores as on September 19 versus 274 crores in March. Share warrants options were exercised by the promoters during this quarter and hence the ICDs of Rs. 24 crores got converted into equity.

The gross debtors in the book stands at around 127 crores, an increase over March 19 figures of 102 crores on account of increase in exports. Current ratio stands at 1.03 which is in line with March 19. As far as CAPEX is concerned, in the current quarter we had spent around 3.5 crores in CAPEX which is largely related to earlier committed CAPEX payments which we continue in the coming quarter also. As stated earlier, we had done with our CAPEX cycle and no further vision CAPEX in the coming few quarters is anticipated.

With this information note, I am handing over to my colleague Mr. Abhishek who will provide you more business updates for the Q2. Over to you, Abhishek.

Abhishek Mandawewala: Good afternoon everybody. Before I start my commentary, I would like to wish everybody a Happy Diwali and Prosperous New Year. I will begin with the update of Nylon and Polyester. Since the last 2 quarters, we have been consistently breaking new production records. This quarter too, once again we have achieved new heights. On a quarterly basis, almost all numbers in production of the OI, texturizing, Air Tex, splitting and multi-folding on new records.

The market situation has really deteriorated in the last 3 months particularly nylon in the domestic market. The margins have been continuously declining since January and have hit what I feel is close to the bottom in this quarter. The margins today are as low as they were in 2017 in the aftermath of demonetization and GST. This I am talking particularly with respect to nylon. In the last 3 months, there have been imports of nylon yarn to the tune of almost 8000 tonnes particularly from China which is more than a 200% year-on-year growth. However, I believe at current prices prevailing in the market, even some of the imports will be unviable.

As a result of this, we have decided to shut some production lines down beginning of September. Some of these lines continue to remain shut and have been converted to polyester.

Since the demand is weak during the month of Diwali, we will only plan to start up after Diwali. We hope that as imports come down in the coming few months, prices should also hopefully stabilize and improve. The situation at AYM is not very different as compared to direct nylon competitors, most of whom have cut production by 30% to 40%. Fortunately for us, we have polyester to fall back on and hence the impact is much lesser. The situation in polyester which is more export dependent is complete opposite. Here, we seem to be falling completely short of capacity and are having to outsource some capacity. There is good progress on the customer acquisition front particularly on the Wonderfeel and automotive front. Volumes in both segments are growing. The great thing is that even the sampling in both these segments are at high which is an indicator of future business.

We have added a huge carpet maker in the US as a first time customer in the Wonderfeel product. We have also been able to start big commercial volumes with the new customer in Netherlands. And also on the automotive side, we have added a new Italian customer.

For the coming few months, the focus will be in POI text to continue growing our volumes without committing any major CAPEX. While there be a small break in this direction until Diwali, we hope to get back on the path that we have been since the last 12 months immediately after.

In BCF, plant has been running full blast in the last quarter and we continue to sit on an order backlog. Last quarter volumes were the highest. This is despite the fact that there is a tremendous amount of spare capacity globally. Let me mention here that there is still lot of room for improvement to increase the volumes even further from here and tweak the product mix. December is generally a weak quarter for BCF because customer shut plants for up to 20 days during this time leading to generally lower order inflow.

Overall, there is tremendous progress. We have received trial orders for Comfeel with a new customer in Europe and if it runs well, we hope to ramp it up. We executed the highest ever volumes in solution dyed nylon in this quarter, but the good thing is these volumes will only increase further. We have some exciting new prospects where sampling is ongoing and we hope to add some further new customers in the upcoming quarters.

Automotive BCF is a particularly new interesting area for us where some good work has taken place over the last 6 odd months. In Palghar, the business has performed better than Q1 in the last quarter, but still well below potential. Sales continue to be the bottleneck in the business. Last quarter that I had mentioned that we have recruited a new business head. We continue to recruit more talent at the senior and mid management level in sales. One new person has already joined us and hopefully, one should join us by first week of November. By the time we meet again, I hope to have placed offers to a few more people. These additional people will

completely re-energize the sales team and we should hopefully start getting some new business.

On some of our new carpet products which I have been speaking about in the last few quarters, sampling activity has picked up pace like anything both in domestic as well as exports. We faced a lot of teething issues earlier on, but all of those issues have been resolved. While one more quarter has passed without any meaningful volumes from the segment, I continue to remain upbeat and excited about this 2 or 3 innovations of ours in the segment. I expect a lot of customers to showcase these new products using our new innovative yarns in the carpet segment in the upcoming carpet exhibition in January which should hopefully translate into business.

We have identified some other geographical markets also where our new recruits have started work and hopefully they should also start to bear fruit in a while. Overall at the company level, we seem to be making progress quarter after quarter. As Himanshu said, the last 6-7 quarters we seem to be trending towards quarter-on-quarter growth in terms of EBITDA from a low of 16 crore EBITDA about 6 quarters back, we have grown our EBITDA to almost 25 or we have crossed 25 crores and we hope that this trend will continue. Notwithstanding the fact that Q3 tends to be a weak quarter generally due to Diwali in the domestic market and Christmas globally, we should continue our momentum as is.

Our warrants have been converted at Rs. 75 per share as Himanshu had mentioned which reinforces the confidence and support of our promoters in the business. This has also brought down our level of net debt with major CAPEX out of the way, the next 2 years will be all about maximizing productivity of existing assets and continuing to upgrade our product mix through development of new products and acquisition of new customers and new segments. All this while continuing to pay down debt and making the balance sheet stronger.

With this, I would like to end the commentary and move to questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of **Yohan Risani** from Mittal Analytics. Please go ahead.

Yohan Risani: Just wanted to understand sir this quarter we have had some higher other expenses. Is there any one-off or any other reason behind it?

Himanshu Dhadha: Basically, the other expenses include these dyes & chemicals cost, power and fuel, stores spares and all that which somehow are more or less variable also. So with increase in sales and particularly the volumes, this also goes up. So apart from that, there is not much.

Yohan Risani: Can you just tell us more about where we are in terms of capacity and its utilization for these different segments like one of the capacities in BCF you mentioned you are working on equal capacity and what about others, nylon, polyester and on Palghar right?

Abhishek Mandawewala: I do not have the numbers in front of me, but before the end of the call, I will definitely share those numbers. I have just called for them.

Moderator: Thank you. We will take the next question from the line of Dhwani Desai from Turtle Capital. Please go ahead.

Dhwani Desai: Abhishek, so three questions. First one is I think you mentioned about thinking nylon segment normally too good and prices kind of going way below and you can make money and we are planning to shut down some of the lines. So do you think will it have any material impact for us in terms of the quarterly numbers this quarter and the next quarter, how do we see the conversion from nylon to polyester that you talked about?

Abhishek Mandawewala: Some of those conversions have already happened. Most of the conversions that was supposed to happen have already happened. The ones where we have not converted are the ones where we do not want to convert because we are just waiting 15-20 days I think the demand should be back to where it was earlier. Too many imports came suddenly in the last 3 months, it was an anomaly, it is not difficult to understand where too many imports have come in. So the entire domestic market, if you remember last quarter the situation was not as bad when we met the last quarter. So suddenly in the last 2 months, the thing has deteriorated, but the prices even in the last quarter I had mentioned, they were quite low. They dropped little bit, but already in August and September, the impact of the prices to a large extent, it is already built in into the August and September results. July, the prices were slightly higher but August and September, a big part of that drop in prices has been covered. So the only thing I can say is I think hopefully after Diwali, I am expecting personally and I might be wrong, but being in the market, I feel that the prices as well as the volume should start to pick up post Diwali.

Dhwani Desai: My second question is on the BCF, I think last time when we discussed, we were booked for this quarter fully all the lines including new expanded capacity. So how does the scenario on the BCF side looks for the new capacity that we have put in including tricolor, is there any progress on that front?

Abhishek Mandawewala: So the lines are running in its entirety and we have a healthy order backlog even today. I hope that it will continue, maybe few days we might have a hiccup again. December quarter generally is the weakest quarter because many of our customers they shut their plants down for 15-20 days, but other than that, I think the demand situation is healthy. We are running all the lines, but there are still opportunities for us to improve the productivity. So particularly on cabling and heat setting side, I think there is still some scope. Some initiatives are going on and if we can make more, we will be able to sell more. So on that front, work is still going on, but

as such as we stand, we have a good order book in direct BCF in cabling as well as in heat setting.

Dhwanil Desai: And any progress on the tricolor front?

Abhishek Mandawewala: So tricolor, we have found some more customers where sampling has started. So as we ramped up, we started to face some minor issues which we are trying to get resolved, but while the business comes over there, those lines continue to run on monocolour. But we are hoping for something or the other. So we are running. Even tricolor products we are running, but they are more low-end products as opposed to high-end products, but we have some sampling which has started. It will take time. Even when we started our original monocolour lines in 2012, almost for 1.5-2 years there was no strategic business. We started with spot business and for 1.5-2 years we were really running only spot business and the strategic business took almost 2 years. So I do not think in tricolor also, the situation will be any different. The customers take their own sweet time. They want to be sure that we know what we are doing and they want to be sure before they give the opportunity.

Dhwanil Desai: So on Palghar business, you said that we continue to make progress, but we are still well below our potential and I think you mentioned in the last call that we are still in that phase where we are recruiting people and building sales team and things like that. So at what capacity utilization we are operating in Palghar today and any timeline in terms of where you can have the full benefit of Palghar going in?

Abhishek Mandawewala: We are operating below potential in all three segments in the sense that there is always room to improve in all three segments. In Palghar, let me put it in a different way instead of giving the capacity utilization, let me say that our own peak numbers are roughly 25%-30% higher than where we are currently operating. So we can increase sales by 20%-30% let us say from where we are today and that entire 20%-30% is all contribution going down to the bottomline if you know what I mean. So the key challenge there is that our entire salesforce, they have a certain capacity and we seem to have run out of capacity on the salesforce side of things. So the key thing for us was that we started to look at building up the team and already one person has joined and one more person is in the works and hopefully some more people in the next quarter also, I will be able to come and tell you and these are all mid and senior recruits. So these are guys who can bring us business. I do not think there are any structural problems. It is just that we need somebody to be able to develop that business, new business and bring the business to the company. So it is just an execution issue which we have identified and we are working. So last quarter, you will remember we got a new Chief Executive on board for the Palghar business, our new business head. So even he joined and he is also bringing some new energy to the table. So with these new people, I am hopeful that the problem will be resolved. The root cause is actually the fact that our current sales team is not able to deliver enough volumes what we are expecting.

Dhwanil Desai: But I think if I remember correctly, sequentially at least this quarter we are expecting it to be better than the last quarter and last quarter was an anomaly. So will we be able to sustain what progress that we have achieved in this quarter for the next few quarters, building upon that will probably take time, but are you sure that we will be able to kind of aim what we gained in terms of capacity utilization?

Abhishek Mandawewala: So see, typically December quarter is weaker quarter as compared to the normal quarters that are there. So December quarter generally always the sales are slightly on the lower side, but apart from that, we will probably be somewhere between the Q1 and Q2 numbers in Palghar and as these sales follows they start to bring business, the sales volume will increase. Now in Palghar, I am hoping that the timeline will not be as long as BCF, but we will only have to wait and watch. So what we need to do is we need to put the actions in place. We need to make sure that we have the right people in the right place doing the job and once that is there, then we need to give them place and they will ultimately deliver. So there are no structural bottlenecks which are now stopping us from increasing the business in Palghar. So in the last 2-3 years, we have gone through our entire big exercise even in the plant, we put in a new team, some quality systems, new processes, lot of new things have happened. There were structural issues dealing with high quality customers. So all of that, more or less is behind us. We seem to have settle down on the plant front. Now the ball is in the court of the sales team which is not able to deliver. So we need to augment that and we will start getting the business. So it is a step by step.

Dhwanil Desai: Two questions on the P&L side. So I think one is other expenses, Himanshu, I understand that it is in line with your volumes, but I think from whatever your notes to accounts, I think the lease rental part has moved out of our expenses and gone into the finance cost. So even after that, now our other expenses have moved up more than our volume growth. So any reason is attributable to that because from Q1 to Q2, delta is significant. So if you can throw some light if something stands out and second question is on the finance cost. I think a note of this Ind-AS accounting part, what is the actual interest cost now which is where in that MCR now we have mentioned?

Himanshu Dhatta: Taking your first question, Ind-AS 116 adjustment on account of this lease accounting was there in Q1 as well as in Q2 as it got effective from April 1 itself. So the lease accounting has actually moved to finance cost and depreciation in both the quarters. So that is like to like. The other things are that, so as I said that these kind of like power fuel, packing materials, dyes and chemicals, even the contract labor charges and all are part of other expenses. We have given the fact that this Ind-AS format has limited space of disclosure, I think all this form part of other expenses. So these are all kind of variable or semi-variable expenses which are actually affects with the increase or decrease in production and sales. Over and above, there was some repairs and maintenance expenditure which you can say could be one of the quarter expense.

Dhwanil Desai: Out of the total finance cost, what will be the actual interest paid and?

- Himanshu Dhatta:** The actual, it is there in the cash flow also, down below, but if you see the lease accounting effect is around 18-20 lakhs in the quarter which is sitting in the finance cost.
- Moderator:** Thank you. We will take our next question from the line of Brijesh Gandhi from Discovery Capital. Please go ahead.
- Brijesh Gandhi:** Just a couple of questions. In terms of our interest cost has actually increased slightly, although net debt has reduced. Is it because the conversion happened towards the end of the quarter?
- Himanshu Dhatta:** So conversion has happened in the September month itself and also because the product mix and sales mix has changed, we have increased our share of exports in revenue. So the working capital requirement has increased to that extent.
- Brijesh Gandhi:** The working capital debt would also be included in the net debt as well, right?
- Himanshu Dhatta:** Yes.
- Brijesh Gandhi:** But so we would expect to see a reduction in interest rates going forward given with the conversion and pay down your debt from the next quarter onwards effectively?
- Himanshu Dhatta:** Yes, some small reduction is expected because of this conversion.
- Brijesh Gandhi:** And increase in receivables which we are seeing is because export business has increased the receivables, is it? Is that how we should see it as such, think about it?
- Himanshu Dhatta:** Absolutely.
- Abhishek Mandawewala:** So if you look at the March and September balance sheet, you will see that the receivables have increased by almost 25 crores as a result of our exports going from 31% to 39%. So we are moving in the right direction, but this needs to be considered in some sense as an investment that we need to make in order to get access to better quality of customers outside of India.
- Brijesh Gandhi:** Is actually in returns which we make also on export higher, is it?
- Abhishek Mandawewala:** Yes, without doubt and also the business is also slightly better in terms of the quality.
- Brijesh Gandhi:** it's steadily
- Abhishek Mandawewala:** So you see steadily, last 2-3 years, we started with like 17%-18% export. Today, we are at 39% export and I hope that we continue on this path and increase it even further.

Brijesh Gandhi: And then despite all of the headwinds which you speak about and external prices being close to 2017 levels on Nylon etc. The reason we have been able to grow EBITDA is just a better utilization of BCF and other capacities. Is it? Is that is how which we...

Abhishek Mandawewala: I think I would attribute that as the largest reason. So better use of capacities would be in my opinion that largest reason why because every incremental tonnage that you make, the contribution goes straight to the bottomline. And the second aspect is also the product mix. So if you look at the product mix, we have gone from 17%-18% exports, 20% exports to 39% exports. So both these things when you put together, they have been leading to, if you look at the results since 2017, today the prices in terms of the margins in Nylon, they are very similar to where we were in 2017. Look at the numbers in 2017 and look at the numbers today, there is a sky difference between both the years.

Brijesh Gandhi: And with regards to effectively the power subsidy that was expected in Maharashtra, that is kicked in or that is not kicked in as yet?

Himanshu Dhadha: From the month of May this year, it is already there.

Brijesh Gandhi: And with regards to the Nylon, there is a degree of chatter about a few of the other players pitching hard for the antidumping duty to come in. Is there any view on that? Is that something that you believe as in consideration or?

Abhishek Mandawewala: It is under investigation. So I will not comment anything right now, but it is under investigation.

Brijesh Gandhi: In our belief, the case is reasonably strong?

Abhishek Mandawewala: Again, I do not want to comment, but there is certainly from our point of view you can see if the imports increased by almost 3 digit percentage numbers and the dumping is happening at raw material prices. I am sure that someone will take notice of this and do something about it. But certainly, this is not normal market practice and in our opinion, there is a strong case.

Brijesh Gandhi: actual as the incremental capacity coming up in Nylon, obviously given what the environment is like and already the expansion which had happened a couple of years ago.

Abhishek Mandawewala: There is some capacity which will come up in December 2020 which somebody has lined up and maybe some players are trying to look at converting of polyester to nylon or something like that. Nothing officially has been announced, but one capacity is coming up in December 2020 is what I know.

Brijesh Gandhi: Is that large or that sort of not...?

Abhishek Mandawewala: I do not know what large is, but it is about 5%-6% of the market.

Brijesh Gandhi: And just to clarify the understanding, I think you indicated in your opening comments that despite December being the weakest quarter, you are expecting you will continue on your growth of trajectory in terms of EBITDA?

Abhishek Mandawewala: I do not know what the numbers will be, but certainly as you know very clearly some of our lines are shut in Nylon and in BCF, while we have a healthy order book right now, but I do not know what is going to happen in December, typically in a month of December. So right now, the visibility is very strong, but...

Brijesh Gandhi: I understand visibility as of now, but obviously the things are long way?

Abhishek Mandawewala: Correct.

Moderator: Thank you. Our next question is from the line of Rishit Shah from Riser Capital. Please go ahead.

Rishit Shah: Abhishek, I wanted to know, we seem to be talking about sampling in all our divisions. I just wanted to understand is there any structure to our sampling like in the sense that if are there like some commitments from people or be fulfill any conditions and it will move beyond sampling or are we just sort of feelers that we have sort of giving around?

Abhishek Mandawewala: No, there are other two types. Some are where they are our inventions and we try to create something new, but 90% of the samples are where customers have asked us that okay, this is something that I like. Can you send it to me and this color or can you send this sample, I would like to make a draft and check how my customer reacts. So something like that. But there is no commitment. The customer will never say that okay if your sampling is fine, then I will give you business. But typically, what I have seen in my experience is the amount of sampling activity is needless to say directly proportional to the business that you are going to win in the future.

Rishit Shah: Second question is we have converted some lines from nylon to polyester. Now, obviously the prices have completely dropped. So are we saying that once the prices stabilize, we are going to convert it back to nylon or have we found some new demand in polyester, anything like that?

Abhishek Mandawewala: So temporarily, at least for the next 3-4 months, as I told you we have large customer in the US which we acquired and we were on one hand having extra capacity in nylon and on the other hand, we were having extremely short capacity in polyester. So it made a strategic sense for us to convert it to polyester and do strategic business on those lines as opposed to run it on nylon. So right now, the plan is to run it on polyester. You know the lines are very much interchangeable, so we will take a call in the future how things pan out.

Rishit Shah: And thirdly, do we have numbers for capacity utilization in BCF at least?

Abhishek Mandawewala: The overall efficiency, if you take the OE, in spinning we were at about 90% for the quarter. In texturizing, we were at about 79% for the quarter and in BCF, we were at about 82% for the quarter.

Rishit Shah: BCF is 82%?

Abhishek Mandawewala: Correct.

Rishit Shah: And lastly, I think you spoke about some new customer on the auto side, right? Could you just speak about that?

Abhishek Mandawewala: Just some new customer has been added. So he has placed a trial container. If everything is okay, the volumes will ramp up. Good customer in Europe, buying from European sources and for the first time he has tried source from India. So good opportunity. Also very important reference for us with it. That customer is a global company, they have dozens of plants all over the world. So if we have one reference with one plant, then it makes us easier for us to get business.

Moderator: Thank you. Our next question is from the line of Dhwani Desai from Turtle Capital. Please go ahead.

Dhwani Desai: Abhishek, just two more questions. So one is if you can throw bit more light in terms of more customer acquisition in industrial side and on the solution dyed nylon, you said that now you have executed one of the highest of quantum in the solution dyed nylon, if you can talk about both those areas?

Abhishek Mandawewala: Yes, we have done some sampling in the last quarter also and in the preceding quarters and we are eagerly waiting for certain customers who have verbally told us that they are going to give us the business, but it is a matter of time. I do not know when that business is going to materialize, but verbally they have told us that we will get some business. So let us see. Hopefully in the next few quarters, the business should increase. Even on the industrial side, we have an order backlog and so we are going cautiously there. We do not want to overcome it and add too many customers, but certainly some of the value-added products downstream, so industrial and then further value addition to the industrial products in that segment we are doing some work and we have added some export customers and we are expecting some increase in volumes even on that front. So both these segments, we are doing well.

Dhwani Desai: One more thing. So I think Turkey is a large market for carpet and BCF, both and whatever is happening globally, if there is sanction from Turkey, how will it have an impact either positive or negative on our business if you can at least throw some light in terms of how the dynamics work and what do you think about that?

- Abhishek Mandawewala:** Are you referring to some Syria, Turkey that thing are you referring?
- Dhwanil Desai:** Yeah. Does it have any impact at all or how does in terms of either competition coming in or reducing or how do you think the dynamics may pan out, can you talk about that?
- Abhishek Mandawewala:** Not really. In BCF, we do not have any sales in Turkey. In Textiles and Palghar, we have sales in Turkey. But in BCF, we do not have any business in Turkey which is funny because Turkey seems to be the largest carpet producer and also yarn producer, but the business there is very commoditized. So we have never focused on it. I really do not know how to answer that question what is going to happen, but in BCF, we do not have much business there.
- Dhwanil Desai:** We do not see any significant risk to our existing business because of whatever is happening there, right on the BCF side at least?
- Abhishek Mandawewala:** BCF, I do not think that there is. I will tell you one thing. I had met our machinery manufacturer a few weeks back and he told me when I met him a year back, he was sitting on a heavy order book of machines which means more competition for us, but when I met him a few weeks back, he was sitting with folded hands with barely any new business. So the market situation is not very healthy.
- Moderator:** Thank you. Our next question is from the line of Rohit Koti, an Individual Investor. Please go ahead.
- Rohit Koti:** My first question is you mentioned that in the nylon side, new dumping that happening from China which is unprecedented. Can you explain why that is happening at this point of time?
- Abhishek Mandawewala:** Very hard for me to say, but I do not know what is happening in China, why the dumping is happening, but one of the reasons could be that there was an antidumping petition and in anticipation maybe some people might have taken a cautious stand and try to build up inventories that in case the antidumping comes, they should be ready with stocks for few weeks or few months going ahead. So one of the things that when I thought about it, this was one of the things that came to my mind, otherwise it is very hard to say why in the last 3 months so much material has come.
- Rohit Koti:** The thing is more probably demand led, not supply led?
- Abhishek Mandawewala:** It is not demand led. So our customers would have gone out to the Chinese in anticipation that what if an anti-dumping comes. Now there is no certainty about it, but in anticipation they might have ordered, and they got healthy prices. So they decided to place extra orders and it was unprecedented. Last 3 months, the volumes were phenomenal, the import volumes.
- Rohit Koti:** The next question I had is you mentioned in your initial remarks that even though there is excess global capacity available in BCF, you are running at full capacity. Could you explain why?

Abhishek Mandawewala: See, most of the lines abroad, they are polypropylene, and we do not participate much in that segment. So I think most of the Turkish people, they supply locally and we do not play in that market. So that is the difference basically.

Rohit Koti: Is the product itself some part of it also because of the strategic business that you have won which sort of gives you steady orders or it is primarily the product?

Abhishek Mandawewala: I would say so.

Rohit Koti: The next question I had was you repeatedly explained how the increase in proportion of exports from 20% a couple of years back to 39% today is leading to the improvement in gross and EBITDA margin for the business. The question I have is, is it possible for you to detail what proportion of the increase in export sales is let us say from 2 years back to today because existing strategic customers have increased their business and because you have got new orders. Is it possible to give that a flavor at least?

Abhishek Mandawewala: I have not worked this number out and it would be next to impossible for me to work that out. Incrementally, I can say that our strategic customers have certainly increased business with us.

Rohit Koti: So over the last couple of years in conference call you have converted a quiet of sample orders to strategic orders. The question I have was let us say over the last 1-1.5 years, the businesses that you have begun, how many of them have increased the order book, did they have increase their commitment to you over with time?

Abhishek Mandawewala: It is a very general question which is very difficult to answer because some customers have increased business, some customers might have even reduced. But in general, if I look at the totality, many of our customers who have been working with us for the last 5-6 years continue to work with us. They continue to buy volumes from us. There are lot of factors which come and play here. Sometimes what happens is that the customer has an intent to increase, but they themselves their own business takes a knock. Sometimes the customer's business increases, so they are able to increase with us. Sometimes, they trust our company. So they place extra orders with us as compared to competition. So there are many factors that play, but overall I can say that the strategic part of the pie is certainly increasing.

Rohit Koti: And in general, the sampling as we see also has increased year-on-year at a good pace, is that right?

Abhishek Mandawewala: Yes.

Rohit Koti: And just on the debt side, I was confirming that the debt has reduced to 254 from 270, is that correct, this number?

Himanshu Dhaddha: Yeah. As compared to March, it has reduced from 270 to 258 crores.

Rohit Koti: Will it be right to say that it will reduce materially from near till the end of the financial year as well?

Himanshu Dhatta: Yeah. So since no CAPEX plan is there going forward, so this is going to further reduce the net debt.

Abhishek Mandawewala: So let us say all the cash flows that the business will generate will go to reducing net debt or let us say majority of the cash flows will go to reduce net debt. There might be some minor plant improvement CAPEX, maintenance CAPEX whatever you would like to call it, so that 5-10 crores will continue annually, but everything apart from that will move towards reduction of debt. And we have enough opportunities on the table to increase our EBITDA and to increase our sales without actually increasing any capacity from here.

Rohit Koti: When you say increasing sales etc., I would be right in thinking with the working capital debt might rise because of that?

Abhishek Mandawewala: So already we are at 39% exports. Certainly, as the export percentage will increase, the working capital requirement will certainly increase, but I am hoping that we will increase both exports as well as domestic business and domestic is a negative working capital. So we buy on long credits and we supply on immediate payment. So it is very hard for me to say what will happen, but yes, as the export business increases, the working capital will increase.

Moderator: Thank you. As there are no further questions from the participants, I now hand the floor back to the management for closing comments. Over to you, sir.

Abhishek Mandawewala: I would like to thank everybody for their continued patience and support and to close, I would like to wish everybody once again a Happy Diwali and Prosperous New Year and see you in the next quarter.

Himanshu Dhatta: Happy Diwali to everyone. Thanks for attending the call.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of AYM Syntex Limited, that concludes this conference.

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