

AYM Syntex Limited

Q1 & Full Year 2017 Earning Conference Call

August 03, 2016

Moderator: Ladies and Gentlemen, Good Day and Welcome to the AYM Syntex Limited Conference Call to discuss the Q1 FY-17 results and other business updates. On behalf of AYM Syntex limited we have us the key senior management including Mr. Abhishek Mandawewala, Whole time Director, Mr. S M Khire, Director of Operations and the IR Team. 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 call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Mandawewala for the opening remarks. Over to you Sir.

Abhishek Mandawewala: Good Afternoon, Ladies and Gentlemen Ladies. Welcome to AYM Syntex Con Call for Q1 2016-17. Pleased to share this quarter results with you. We have done fairly well with achieving record EBITDA this quarter of 31.9 crores as against 24.9 crores in the corresponding quarter in the previous year which is a 28% jump. Where has concerned regarding sales fortunately we have had a minor sales growth of 202 crores versus 194 crores in the previous quarter that's about a 5% jump. In terms of PBT and PAT also we have grown with respect to last year so we are at about 18.7 crores PBT versus 14.8 which is a 26% increase and about 14 crores PAT versus 11.8 which is a 19% increase over the last year. Our sales which is I'm pleased to announce in terms of Volumes has grown about 5%. EBITDA percentage while it has grown as compared to last year but of your compared it with last quarter let's say Q4 year ended 2016 we have slightly gone down so we are at about 15.4% versus I think it was about 15.8 last quarter. Debt levels have remained more or less similar to last quarter. In terms of CAPEX I think things are moving well as per planned. We have commissioned a new Nylon line now this is a decision that we had a taken over a year back and it's the last of the Nylon line that we have added or that we plan to add any time in the near future. We will now spend our time more on Product development and value addition as and also to adding capacity in the same kind of products. With respect to the earlier project I think the last time we met I think there were about 30 crores spends which were pending that has now come down to 10 crores. 10 crores of previous projects are still pending, the expenditure is left over and from the latest projects which we called Project 5, which was announced last quarter of about 75 crores, we already made an expenditure of 5 crores. So total capital outlay of 80 crores will be expected over the next let's say 12-18 months. This is apart from this I think you know as I mentioned time even in Project 5, lot of the Project 5 expenditure will be towards let's say

Non- productive or Non- top line accretive investments, these are all Non- productive investments or let say their investments in to the future so almost more than 50% let's say invested towards Building and Building of infrastructure and upgrading the Lab, Upgrading Machine etc., so it might not directly lead to a significant increase in Top line. Now just a small word even about the future CAPEX while we have not finalize any future plans beyond Project 5 but I will be not surprised if even little bit next round of CAPEX, you know there might be some amount of long gestation projects in that or again investment in Infrastructure which might not immediate yield to increasing of Top line so our company right now all the people in our company entirely focused on Building of capability and capacity building is actually our second priority as of now. There is lot of Plant upgradation that need to be done, again these don't actually add to the Top line but they can always help to improve the quality and also help in cost reduction which is also an important think that you need to do aside from increasing the capacity. Obviously since these are all project which are not going to yield immediate results let's say we are going to try and fund most of these projects through internal accruals and resort to less debt as compared to what we have done earlier. This where we are with respect to CAPEX. Now in terms of priorities I think more or less moving in line what we had discussed last quarter, Plant operations is obviously are priority so automation and optimization of efficiency wastages, Downgrades, quality improvement these is, there is a lot of work happening in the company around this in both the plants. Obviously new product development is the key company focus; the entire company is involved in this activity. Besides that, talent acquisition now also an important area that we will be focusing on, we have been focusing and will continue to focus on in the next let's say year or so. And we had a Vision Mission workshop about to 3-4 weeks back and there was a healthy Debate amongst all the core Team members of the company and you know one of the key areas that has come is of people focus so there is going to be lot of work that is going to go in let's say over the next 12 months over T&D (Training and Development), Setting clear Accountability, Coaching, overall upgrading the skill level and overall upgrading the level of all the people. Finally, there is lot emphasis also on the working capital management I think there is lot of old Inventories and Raw Materials, etc., that are blocking our Cash Flow and blocking our working capital which there is a significant amount of our sizeable activity happening in order to reduce that to a certain extent. So I don't think there will be a drastic change in the working capital but you know some of the Non- productive inventories, or debtors and all these kind of things which were company is not making any money out of it but the money is tied up. There is a big focus in order to bring that under control. In other updates last time we have discussed about the quality in the BCF area which has slipped a little so there is lot of issues that we have sorted out over the last 3-4 months but still there are some unresolved issues and but I'm confident with the people that we have in the plant also in the Marketing area I think we will get through all of these issues if not today then tomorrow. Similarly Palghar plant, the new which was commissioned earlier this year again we have made a lot of progress in this area but still there are unresolved issues and while we're have started to let's say use these line in order to carry out production but it is not happening to the at the level in

the way that we expect and but I'm hoping again this issues will sorted out sooner or other than later. Overall I just want to say that even to the extent of at the cost of the short term our company is extremely focused on the let's say the extreme long term horizon and most of the activities and projects that we are carrying out is keeping a long period of time in view and anything we would do we like it to be sustained over a long period of time. This is something that I'm extremely happy about; this is change that I'm also seeing in the team. More and more the things that we are trying to do is actually going to increase the strength of our business and increase the overall capability of our business. While in the short term there might be lots of pain and there might be lots of questions but we would want to prepare the Organization for the future so that we get ready not just for headwinds but also for, once we are ready in terms of process, in terms of capability, in terms of infrastructure. Then nothing stops us from growing faster than let's say our competitors. So this is the focus right now of everybody in our company. With than I would like hand over back to the Moderator and I would be happy to answer any question that anybody might have.

Moderator: Thank you very much. Ladies and Gentlemen now we will begin the question and answer session. We will take the first question from the line of Nimish Tansania, Individual Investor. Please go ahead.

Nimish Tansania: That I been reading AYM Syntex after rename obviously earlier it was Welspun Syntex. So is that some of the large orders 150-200 crores have been lost by the company to competitors. So is that true?

Abhishek Mandawewala: I think you should stop reading Money control messages. There is lot of rumors which is unsubstantiated claim you know sometime I have noticed some of those things. I don't think there is much true to any of that. Of course in the BCF area we have a had quality issues but nothing has caused any kind of order loss or anything I mean I would recommend to take all the comments that are posted there with a pinch of salt.

Nimish Tansania: Okay. My next question is Abhishek, you would have appreciated that know after having Dream rally last year from the where Stock moved from 40-50 to around Rs 160. Today the price is hovering it around in the 100 range for the last may be from 3 to 4 months. Probably if you look at the yearly high low, the yearly low has been 85. It is actually hovering around the yearly low for the almost last 6 months since January. So now when I saw your quarter is just announced couple of days back on 30th of July. You were showing definitely increase in your revenue, we are showing increase in the net profit as well you know to avoid 14 or 15 crores. So in spite of all this why did you think share is not gaining attraction on the Stock exchange?

Abhishek Mandawewala: See Nimish, my job is to run the company and you know I'm not bothered about were the share price goes. That is something which is let's say our supply demand kind of think and obviously on the basis of strength of the company sometime the price goes up, sometime the price goes down. I mean I should not be telling you they because you know this better than

me. So I have absolutely nothing to add with respect to why the price is going down or up. Certainly we are not involved in making price up or down so.

Nimish Tansania: yes I know you got nothing to do with the price volatility on the Stock exchanges but you know the price is indicative an reflective of the performance of the company now if the company is doing good there is no reason why you are company should be still quoting at the yearly lows when quarter on quarter on the company has been delivering consistent performance and has been delivering profits so I think that is also concern for you to look into as to. If the company is doing consistently well how come you know it is not reflecting in the Share price. Yes while you dint have any direct control, but it is also for you to have any broad Macro look in to the issue why macron 165 and having perform consistently, your stock has still covering at the yearly low and it just not refusing to go about the 100 mark.

Abhishek Mandawewala: So again as I said we are focused on the extreme long term we are absolutely not interested where the stock price goes today or you know any time in the short term in the next two months or three months. All we are really concerned about is building about the good, and strong business and If we are successful in doing that automatically investor will pay more for the future earnings as what they are doing today. So today maybe our price earnings ratios are hovering somewhere between 7 and a held or 8 something like that. I don't know the exact number. So certainly that of we pay attention towards building a strong company and building a strong sustainable business model. Investor will give us a higher premium as compared to what they are giving us today. But to answer your question directly Nimish , I'm not at all interested in understanding why the stock is moving up or down. It none of my concern and it's not actually my job, to be honest. My job is to make the company stronger by each day and to allow to put it in a position where it can grow seamlessly and profitably.

Nimish Tansania: No, agree but your concern should be the Shareholders interest my friend or not?

Abhishek Mandawewala: Absolutely but you know that is something I have to do running by my company and not by checking the share price.

Nimish Tansania: Yeah not checking the share price but the Shareholder is of paramount important all your Stake holders.

Abhishek Mandawewala: I think we can move towards the next question.

Moderator: Thank you, we have the next question from the line of Ayush Mittal from Mittal &Company. Pleases go ahead.

Ayush Mittal: Just I missed out on the volume data; I think you have given in the earlier Con Call the Metric ton volume production that we have done in this quarter and the EBITDA?

Abhishek Mandawewala: Right the EBITDA was 31.9 crores as against 24.9. so metric tons were 14,983 in Q1 FY17 vs. 14,110 in Q1 FY16.

Ayush Mittal: And the EBITDA is?

Abhishek Mandawewala: 31.9 crores.

Ayush Mittal: versus?

Abhishek Mandawewala: 24.9 crores.

Ayush Mittal: And second we have been noticing in the expense side that the employee cost has been increasing quite a lot. Can you educate us about the reasons behind the same?

Abhishek Mandawewala: Absolutely Ayush. As I said even in the last call. Lot of activities is going to add fresh talent in your company. Lots of areas have been strengthened and even to a certain extent new departments are been created and we are bringing new skills to the company. In every area recruitment is taking place whether it be marketing, whether it be Sales or let's say Sales & Marketing, whether it be Operations or HR or Finance or commercial. We have inducted almost 20 new graduates engineer trainee this year so see this are all, while we might look at Manpower expense but actually these are investments in building as stronger future. And I would expect it to increase little bit more.

Ayush Mittal: So some of this hiring's are of Production side or Marketing side or is it spread out across different department?

Abhishek Mandawewala: It is spread out across the company Ayush. So we are hiring in almost any and every department and overall we are upgrading the skill level of the company. So in some areas new departments are been created so but it across the board hiring.

Ayush Mittal: Another question is about the competition that you have mentioned in your earlier Con calls. Can you update us about the competitor's scenario playing out in the industry?

Abhishek Mandawewala: Right. So there are some segments of the market let's say particularly in the domestic market in some of the areas where competitive intensity has certainly increased and we are expecting further already there have been pressure on the margins in this quarter. We could have done a lot better as this pressures not been there, these are external pressure which we are subjected to. We must find a way around this pressures so we must develop new products but its I can certainly say that competitive situation is going to get even more Stricter and its going o get tougher as we go by the day and we must keep our focus of developing new product if we have to overcome this competitive pressures. So overall our margins have been impacted and I'm sure they will continue to remain impacted. We are not expecting the competitive pressure to ease in anyway.

Ayush Mittal: Okay And in the last Con Call you have mentioned about some New Product development, a new product which was to get commercials some success had been received. Any further update on that or some product is getting commercialized or something like that?

Abhishek Mandawewala: So we have a process with respect to commercialization of products and there are lot of trial and samplings which takes place and then we receive trial. First we do sampling work then we receive trial orders and finally it is commercialized what we say it's commercialized when we do about 25 to 30 tons of business. So while in this last quarter we are not commercialized any product. So no products we have started any bulk production but certainly couple of products we have reached the cross the trial stage and we have come to the trail and we are in process of executing trial orders. Now depending on the feedback of the customer and the response of the end consumer we will know how successful or whether it is succeed or whether it is failed. But the entire company is behind this activity of new product deployment and I personally quite happy with the progress. Slowly and steadily we are making in the right direction.

Ayush Mittal: when you talk about the New Product development and the cycle typically what is the time period you need or usually you spent when you start a product can you start take us through the cycle may be?

Abhishek Mandawewala: It depend on a product to product, market to market it could be anywhere between 1 and 3 years Aysuh. Sometimes even more than that.

Ayush Mittal: Like we have our legacy of old machines and all those things are we in a position that all these machines are efficient when we go up the value change and try to do new products or will have to do new CAPEX wherever we try to commercialize this products?

Abhishek Mandawewala: It will be a mix of both so sometimes some new products will require some new capabilities and new machinery but to a large extent sometime we can always use the existing machinery to make new products. It's a mix both so it one cannot happen without the other. So we always need machines also and many times we can use the existing machine. It a mix of both.

Moderator: Thank you. The next question is from the line of Rohit Balakrishnan from Rare Enterprises. Please go ahead.

Rohit Balakrsihnan: Can you provide the volume data for FY 16 if you have it handy?

Abhishek Mandawewala: we have not shared FY 16 data. So we just started sharing from three quarters back so I can share with you this quarter volumes which are 14,983 in Q1 FY17.

Rohit Balakrishnan: Okay got it. Abhishek I was just doing numbers. Have the ASP dropped for us?

Abhishek Mandawewala: ASP (average selling price) you mean. See again we are looking at our business in four different kind of business, we got Nylon, BCF, Palghar as well as our Polyester business. I don't have the figure off hand if you just give me a minute I can try and get back to this question at the end of the call if you don't mind or we can even take it up offline incase.

Rohit Balakrishnan: No problem, I just basically just wanted to numbers that I did was our EPS. But the good part is that our EBITDA per kg or whatever you call has actually increased. So I just wanted to understand. How has it happened more qualitatively even avoid the specific numbers?

Abhishek Mandawewala: Right it's a mix of several things, Bala. One is that of course the product has mix has changed significantly from. Are you talking last year vs. this year or in general?

Rohit Balakrishnan: This quarter and I have nine months' number from there.

Abhishek Mandawewala: Okay definitely there has been some upgrade in the product mix. Some high margin product have entered and some low margin products have exited that is one and of course we always has, we have some tailwinds with respect to Supply and Demand and this is something we been speaking about I don't its affecting from a yearly basis so I don't know the if Tailwinds are affecting us June 16 vs. June 15 actually that situation has not much changed. But I would say changing of products mix an upgrading of product mix is the biggest reasons why margin would have changed between last year and this year.

Rohit Balakrishnan: Whenever you can just share the EBITDA per kg number just to verify what I have? We can take it offline also.

Abhishek Mandawewala: I will share with you offline.

Rohit Balakrishnan: You have mentioned that the last time that we would want to track revenue from innovative products so is it a too early to talk about that yet or have we started doing something on that front?

Abhishek Mandawewala: Good Question, the first step is actually to Start measuring that, so that we are quite busy putting a system in place through our ERP system where we can actually start tracking that ourselves without actually generating thousands and thousands of reports. So we are putting a system in place where we can track that ourselves you know until then even we are actually in some sense we are also in a dark, so once we have the system in place then I would be happy to share the numbers with you on the con-calls. Perhaps next time or it might take a little bit longer, so are some major developments that made to be there in our ERP software in order to get these numbers out. But in general I think we are little bit early you know the number will be you know low single digits right now and you know as I said that development time is between 1 and 3 years and lot of activities has been initiated in the last 12-18 months we will need to give it some time before we can expect commercial orders.

Moderator: The next question is from the line of Arjun Sanger from Reliance Mutual Funds.

Arun Sanger: So one thing was that I think last one year you added some capacities in Nylon and certain other segments. So have we commissioned most of that CAPEX?

Abhishek Mandawewala: The CAPEX, if you remember we have done some CAPEX in BCF. All of the BCF CAPEX has been commercial last year itself. When we have done CAPEX in Palghar, that CAPEX while it has been commissioned we are still facing issues in order to fully utilize that line there are some issues which are unresolved issues. We have made progress;

Arun Sanger: Which product segment in Palghar?

Abhishek Mandawewala: Its Dyne. So Nylon we have commissioned in literally I mean 2 or 3 days back we have commissioned. So one new line.

Arun Sanger: So Now what capacity utilization are we standing at for the Company as a whole?

Abhishek Mandawewala: I mean we more or less we run at about greater than 90%. More or less almost all lines remain utilized. But you know depending on the product mix sometimes you have to make low margins product since we don't have the orders for high margin products. So always capacity utilization might not always be the best way to look at.

Arun Sanger: If we try to extend out to Volume growth outlook, we are looking at low-single digit kind of growth

Abhishek Mandawewala: Yeah I would say that volume growth is probably not going to touch double digits.

Arun Sanger: Secondly all this action that has been happening in the Cotton, Cotton prices have gone up significantly. Does it have any middle term implication for synthetic twist fabrics and Yarn and so on?

Abhishek Mandawewala: I don't know if there is a direct impact but you know definitely if you look at it from the consumers' point of view, if substitutes are available, and substitutes get more expensive then obviously demand of your product might go up. But you know I am talking on a very macro level. I cannot substantiate this with data or anything, but just from a purely common sense kind of view, you know indirectly it might impact but I would not go on to say that it has a direct impact and I cannot say that the Cotton prices have gone up so I am expecting a demand to go up this quarter nothing like that. Definitely not in the short term.

Arun Sanger: Thirdly this incentive policy that the Government have come out with specifically for garments. What do you take on that?

Abhishek Mandawewala: See, I mean the policy looks all good but our philosophy is that we want to make our business a little bit of stronger before we actually go out and look out other areas and look at garmenting and all of that. So right now we are extremely focused on making our core business lot stronger than where we are today. And all those opportunities are there and they will continue to be there but then you have to remember that it there for me and it is there for all my competitors also. So I mean you cannot take an Investment decisions basis of incentives. You need to take it on basis of what competitive advantage you can built. So right now we are focus on our Yarn business.

Moderator: The next question is from the line of Rukun Tarachandani from Kotak Asset Management. Please go ahead.

Rukun Tarachandani: In the last calls you have mentioned about two risks, one is of the Entry Tax and the second one is Anti-dumping duty on Nylon. So on both of this risks what do you think on going forward, has there been any updates on this?

Abhishek Mandawewala: The entry tax is not coming under this year budget, So I think at least until next year you know there is going to be no such thing. But you know as soon as the GST comes then automatically it will result in a some small reductions in our margins, in one particular market. With respect to add the sunset review is due for 2017 until then as of now there are no updates, we will have to wait and watch. We are making our representation and we certainly believe that prices of some players particularly in China, Korea, and Vietnam and Countries like these, there is significant amount of dumping happening not just in India but also around the World. We are hopeful that the authorities will take a favorable view but then again it is my duty share with you as it is a risk but right now it is an open point right now.

Rukun Tarachandani: On a new product, I understand you might not be willing to disclose much about the product itself but can you give us some clarity as to whether this are related to an existing product or how big is the market potential for these products?

Abhishek Mandawewala: All I can say is that to a large extent we are using our existing infrastructure and existing customer base in order to you know commercialize these products. There are some areas where we are coming in to a new customer segment and also some new kind of product which we have not made before but you know that's all I can share with you right now.

Rukun Tarachandani: One final Question. In terms of operational efficiencies, do you think there is scope to bring in more efficiency by providing new technologies and making some other changes. Do you think lively that has been achieved?

Abhishek Mandawewala: I will never say that, there is always room for bringing improvement and certainly where we are today you know we might be better off as compare to where we were 12 months' back, when it comes to our operational parameters. But I know for a fact that everybody in the

plant is you know everybody is ambitious and people would like to do a lot better. They have set strict targets for themselves, on basis of that there is lot of improvement which is yet to be made.

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

Dhwani Desai: I have couple of questions, one is that if you can just elaborate broad on typical kind of product life cycle, you know what are the stages, and how do you decide go or no-go you know once you reach a stage where you need to take a call whether you need to commercialize this product or not. So in terms of financial parameters how do you take that call?

Abhishek Mandawewala: Our company is not sophisticated probably like Pharma Companies but we have a very simple process and seldom there are cases where we choose not to commercialize the product so obviously when the customer is willing to pay the prices that we are asking for then the product gets commercialized we would more than happy to sell those products. But so far it has not happened that we have decided not to commercialize the product. So the process is very simple, there are some platforms on which we are working in order to create new products and I cannot get into the intricacies of it but we have a different customer base and we try and understand little bit more about what the customer needs and what the customer wants and sometimes what the customer doesn't know what he wants and we try and create products around that and offer those to the customers in turn at a price which hopefully he will also see some value and at a price which hopefully we are also able to earn some margin. In a nutshell that is the way we work. So it's an outward in approach and inside out both.

Dhwani Desai: The Idea generation happens mainly from the needs of the customer rather than we trying to see what mark we add to the existing product parameters.

Abhishek Mandawewala: Its is a bit of both. So sometimes it's our customers tell us that can you make this for us or could you hypothetically make something like this for us or sometimes it is more a case like ok if we want to do like this then this type of customer would love a product like this so why don't we try and create something like that. And then we go out and ask the customer after we made the product that what do you think of this of any relevance and of course going down that route you may be create 10 products and sometimes you are only able to commercialize 3 or 4, 6 or 7 may be the customers says ok your thought is good but we don't need something like this. But it's a mix of both.

Dhwani Desai: And in terms of what you say that at a price which is comfortable to both you and the customer you commercialize at if there is a need on the customer side. So I am sure that while setting that price there will be some threshold financial numbers would have been worked out right by you, to ensure that whatever investment that you have made and the operating cost and everything after that you still made a decent return? So any thresholds that you want

to share beyond which you would not want to commercialize even if there is a need from customer.

Abhishek Mandawewala: Different areas have different thresholds, also it depends on opportunity cost so what is it that we are doing right now? versus what is the opportunity that is present. If we make and sell these products then will we do better than we are doing right now or we will do us. So it's a combination of several factors I think it's very difficult to give a threshold I mean in terms of investment as I said it's also very hard to quantify how much money went in it developing a product. Several trials happen lot of time is consumed, lot of management bandwidth. Now there is no way to quantify those kind of things. We don't have any such strict guideline but I would say it is more of an opportunity cost kind of thing we use in order to decide. More them it is a market driven thing, as the end of the day I can want the Moon but the customer should be willing pay that to me. Customer should it depends also on the customer that what is that he can afford to pay for a product like this so various factors go into deciding the pricing, but to answer your question obviously we are not going to spend huge amount of time on developing new product and then sell it at a Bargain price, at a price which is lower than our competitive product or whatever it is. So definitely that is not our agenda or objective.

Dhwanil Desai: My second question was maybe it's not a question I think I just want to through an idea and get your feedback on. Is that typically we see a tangibles as an investor, we see tangible cost reflecting on Product Development and R&D because we want to travel the path for a long term that's going to be like that for some time so I was thinking If it is possible to share something like decide a number of new product development, build the pipeline out of those product which are the stages which these products are and this a typical opportunity size for this product without revealing any details which are confidential and competitive in nature. So that makes give us more little bit idea as to the part in which we are moving and the amount of money which is getting spent vis-à-vis what are the tangible things that are happening. So if you just give your feedback on that?

Abhishek Mandawewala: I appreciate your suggestion Dhwanil. Thank you and also I appreciate all our Investors need to be better informed about our company. We little bit more informed what it is that doing and trying to do but I think let's take one step at a time. I think the first thing that I want to get going is at least start talking about this percentage sales though innovation and we have various products that we are working on but it's very hard for me first of all to give you a number that who carry addressable market is so big. So I can tell you honestly and I am telling you this frankly that many of the products even we don't know how big the market will be. So we don't know how the customer will respond. We don't know even he will whether respond or not. So lot of the work is sometime it happens in the dark because you don't want to go unprepared to a customer, you don't want to go to customer with a half-baked product. So many times it is actually something which is very hard to predict what is going to happen and coming up with the market size is very difficult secondly product development is a quite an

iterative process so while we can have stage gates and as we can say that this the process but again there is lot of two and foo, lot of iteration which happen between when we commercialize, it doesn't get commercialize instantly. So there is lot of feedback that we received from customers, reiterate, rework on the product you now again it like to tweak, I completely appreciate what you are trying to say probably at this I don't think we would like to share that but definitely we are making an attempt in order to share that what is the percentage of sales which comes through innovation. If not the next quarter hopefully by the quarter after next hopefully we can start sharing these numbers with the investors.

Moderator: Thank you. The next question is from the line of Arjun Sanger from Reliance Mutual fund. Please go ahead.

Arjun Sanger: Can you tell us what is your spindleage. I am saying how many Spindles do you have?

Abhishek Mandawewala: No actually we are a Synthetic yarn manufacturing company. This cotton is relevant to the cotton spinning company so it not relevant.

Arjun Sanger: So the only way to measure capacity in your filed is per metric tons? Can you tell me who are your top 3 competitors?

Abhishek Mandawewala: I think in different areas they are different but there are lots of people, Century Enka and Sarla and there are some private players, Filatex, Valson, Beekaylon and there are quite a few players.

Arjun Sanger: We understand that India has abundant cotton you know as a Raw Material which is why India has a competitive advantage in cotton based yarn and fabric and Garment and Home textiles and so on. So and we also hear that China is very strong in Synthetic based products. So can you give us an idea about what it is about the Synthetic value change which gives China that advantage?

Abhishek Mandawewala: See I cannot comment on China, certainly China is far ahead when it comes to Synthetic products and their capacity is our more than 10 fold when it comes to, when we compare it to India. I don't know what they do to be so competitive. I mean they work on that large model in some of the plants in Chin maybe one or two they are larger than the entire Indian industry and then also there are some government incentives and all that. I can never be too certain all I can say is that advantage cannot from the country I mean there are many players even today which are operating in countries like USA, Europe and all this advantage doesn't come from the country actually advantage come from what you do and how you differentiate yourself from competitors. I mean this are more macro things and sometimes they are not applicable.

Moderator: Thank You. The next question is from the line of Ayush Mittal from Mittal & Company. Please go ahead.

Ayush Mittal: It's a sort of follow up question from the earlier discussion that you were having on the realization. Like if we see the volume we have seen a bit of 6-7% increase versus last year and the EBITDA has also increased quite of it since the last year but our turn over hasn't increased much, so as a company when you move to better products or move up the value change shouldn't the realization also be going up?

Abhishek Mandawewala: Yes or no, there is small amount of impact also of the raw material prices and finished goods prices. So there is a small impact which that's is also taking place but in general in agree with you that in general in a board sense the overall prices should go up but it's not necessarily true so again we have four division, four different product areas where we are selling product sometime the product which have low margin or sometime the product which are lowly priced, the low priced products, even if you are making a 10 rupee change in that product I mean it can lead to drastic change in the margins but overall it might reflect the big deal in the Top line or in the realization so again lot of moving parts. Lot of ifs and buts and lots of permutation and combinations. If not entirely accurate as what you are saying, I mean in general you can argue that yes when you make better products, the realization increased but we have to look it in a relative sense. So sometimes we have low margin products and those low margin products even a slight change can make a big different because the volumes are high sometimes the product might saw that the they are at extremely high price and small additional tonnage can of course skew the realization and increase the realization but it's a mix of both. It's not necessarily true but to answer your question there is also an impact of the raw material prices.

Ayush Mittal: Second question is just from the previous question that when we talk about the competitiveness versus some other country or something like that. As we have not doing something like Innovative as of now, the product range that we have. So when you go out to sell your product. What are the two three competitiveness or value addition that you provide versus the competitor?

Abhishek Mandawewala: See right now some other products that we are selling since the many of the product are not innovative. Many of the products that we are selling aboard they are not innovative as such and some of these products to large extent it depends on the lab pour rate. So to a large extent some of these products because we are having lower labor rates as compared to our Counter parts in Europe or anywhere else. Sometimes we are more competitive and we can sell those products at margin which is comfortable to us but it might not comfortable to the importing country so to large extent the reason for us being able to do exports. And there are some other orders which are quality depended where not anybody and everybody can make those products or whether they can make the product, they can't make the right kind of quality and give the right kind of consistency. So some of the customers they don't want to change the source quickly so that why we are able to have slightly but a realization and compete and sell. So it's a mix of two factors. But as of now with respect to innovation I don't

think we have anything extra ordinary that we are selling in the export market which is highly innovative in nature.

Moderator: Thank you. We will take the next question from the line of Rajat Sethia from Rare Enterprises. Please go ahead.

Rajat Sethia: What was the export number last year in this quarter?

Abhishek Mandawewala: We are just trying to remove that number. Give us a moment. Do you have any other question meanwhile?

Rajat Sethia: What kind of expectation do you have from your Value added products in terms of margin?

Abhishek Mandawewala: Right before I answer that question, the exports let's say FY 14-15 it was around 181 crores, in FY 16-17 it was 197 crores.

Rajat Sethia: In this quarter?

Abhishek Mandawewala: In this quarter it's about 43 crores.

Rajat Sethia: What kinds of margin do you expect from your value added products? Is there any threshold a that you go after it, any definition in terms of margin for the value added products?

Abhishek Mandawewala: See as I answered Dhwani as such It is very difficult to generalize it but all I can say is that the expectation is that it should do better than what we are doing. So that is the in general expectation.

Moderator: As there are no further question, I now hand over the conference to Mr. Abhishek Mandawewala for closing remarks.

Abhishek Mandelvala: I appreciate everybody joining on this con-call. Thank you very much.

Moderator: Ladies and gentlemen on behalf of AYM Syntex Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.