AYM Syntex Limited
Q1 FY20 Results and other Business Update Conference Call

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

Moderator: Ladies and gentlemen, good day and welcome to AYM Syntex Limited conference call to discuss the Q1 FY20 results discussion 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 Dhaddha, 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 call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded.

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

Himanshu Dhaddha: Thank you. Good evening everybody. I welcome you all to the conference call on our company's behalf. Let me begin this conference call with a short update on Q1 results. The results are already in the public domain and also uploaded on our website.

On the revenue front, AYM posted revenue from operations of around 249 crores for the quarter ended 30th June 2019, which grew by 8% over corresponding quarter last year and a slightly degrowth over Q4 FY19. In terms of tonnage, we did around 13,531 tonnes in this quarter which is almost equal to last quarter and it is more by 12% as compared to Q1 of last year. Exports as a percentage of NR also remains at similar levels of 31% in Q1. Stability in the demand witnessed in Q1 FY20 post input prices stability resulting in the better volumes in this quarter. Dope dyeing business also continued to show encouraging signs of recovery as well as improvement at Rakholi while the conventional dyeing business had dropped profitability on the account of lower volumes.

EBITDA for the quarter has improved and it is at 22.4 crores as compared to 16.4 crores in last year same quarter and it is almost at the similar levels as compared to the last quarter. EBITDA per tonne in the current quarter is in line with the previous quarter which is around 16,600 per tonne and it is on a higher side as compared to last year Q1. Company also has adopted Ind-AS 116 effective 1st April and which has actually given some positive impact on EBITDA. Profit before tax items for the quarter ending June stood at around 2.1 crore as compared to 2.3 crores in Q4 FY19 on account of some higher depreciation and interest expenses.

The net debt figure stands at around 268 crores in June versus 274 crores in March which is being reduced by 6 crores during this quarter. Net debt has shown a reducing trend after almost 10 quarters and we hope that it would further ease out in the coming quarters.

Coming to the gross debtors, which in the book stands at around 99 crores, reduction over March 19 figures of 102 crores and the debtors above 180 days stands at around 3 crores only. Current ratio has slightly improved to 1.05 levels. As far as CAPEX is concerned, as we have told earlier that in the current quarter actually, we have spent around 8 crores on the CAPEX, but this is basically largely related to the earlier committed CAPEX payments. Project 6, we have almost spent now 108 crores out of 119 crores, and we have done with our CAPEX cycle with no further major CAPEX in the coming quarters.

With this information note, I am handing over to my colleague Abhishek for the business updates. Over to you, sir.

Abhishek Mandawewala: Good afternoon everybody. I will start with the business updates starting with nylon and polyester division i.e. textile division. The turnaround of the Rakholi business is proceeding as per plan. I had mentioned in last quarter that we had broken several production records. Now, I am pleased to announce that some of the previous records were broken once again without any CAPEX. Almost all records created in the last quarter, in the texturizing department, including splitting and texturizing and multi-folding were broken by a fair distance once again. Strategic areas such as production of industrial yarns as well as Wonderfeel once again touched record highs. It is due to the reason that despite the impact of higher raw material purchased in last quarter being consumed in this quarter, we were still able to maintain profitability.

Once again, I would like to mention that we have a long way to go on our throughput improvement initiatives that I had outlined last quarter. We hope to continue to hit new records this time in the spinning section. Needless to say, all these are plant level debottlenecking activities, a few tens of lakhs or couple of crores and does not entail any major CAPEX.

We have also added a few strategic customers particularly on the Wonderfeel as well as the automotive side. The hard work that we have put in creating an organizational structure, systems and processes for the last four years had started to show first sign of success.

Starting with BCF updates, in the last quarter I had expressed challenges with respect to filling up the expanded capacity. While the challenge persisted in the current quarter or let say the quarter ended, I am happy to announce that for the first time we are sitting on a healthy order book which should allow us to run all out in a month of August for the first time since pre-expansion days. The good news is that the operational improvement journey has not even begun and I am confident that once we reach at full capacity, we will be able to find ways to boost production just like we have been able to do in POY tex. I would also like to mention that our focus area of solution dyed nylon (SDN) continues to do well. In fact as we speak currently, we are sitting on an all-time high in terms of order book and hope to further increase this business in the coming quarter. This quarter saw the highest amount of sampling activity that the BCF business has ever seen by miles. While this means higher upfront cost, it also means better prospects for business in the future.

On the tricolor space, sampling is continuous, but we have not had any major breakthroughs with strategic customers. Obviously, in the meanwhile, we continue to use those lines in on mono-color business. On Comfeel, it is great that there is a buzz in the market about this product and lot of people are speaking about it. We hope that, going forward, it will pay us dividends.

Now, coming to the Palghar business, it actually performed badly in this quarter and dragged our profitability. As I have outlined before also, the business has been struggling on the sales front. Sales were down because of certain upgradation and maintenance activities going on that also affected production. These have now been resolved and we are back to normal levels in the month of July. While, sales and profitability is expected to improve in the current quarter itself, there is some work to be done to get Palghar to realize its true potential. During last quarter, I had mentioned that we were relooking at the organizational structure and that we need to infuse new talent to energize the division and overcome the inertia. I am pleased to announce that we have recruited a new business head to lead this business from the front. We believe that this is the first step to overcome this inertia that I was talking about. New recruitments are also being planned to energize the sales function which is where I believe we are falling short. While we have received some approvals on our carpet products, apart from that there is no significant business. I, however, remained confident about the prospect of these products. Palghar is one business which can give us the highest ROCE amongst all businesses if we manage the business to potential. While we have struggled and still continue to struggle, I am very confident that we will able to deliver just like we have done in Rakholi. Overall, I am very pleased with the progress that we are making. In fact, the Rakholi plant delivered the highest EBITDA in the last 10 quarters which is so heartening given the sheer number of outside setbacks that we have faced in the last 3 years. We are in a far more commanding position this time than the last upcycle with far better people, far better processes, a much higher quality conscious and more efficient operation. While we have regained the EBITDA that we had in Rakholi 10 quarters back, the quality of this EBITDA is far higher than 3 years back with no antidumping duty, incentives or any kind of tailwind built into the results. As the throughput improvement plan progresses, BCF volumes increase and share of strategic business improves, this will increase our profitability further. Not to forget that, we have a large low-hanging fruit in the Palghar business, which has unutilized capacity. As both stories play out, we will continue to repay debt and reduce interest cost as there is no need of any further CAPEX in the immediate near or medium term.

Thank you. I will now like to invite any questions that anybody has.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of **Yogesh Jeswani** from Mittal Analytics Private Limited. Please go ahead.

Yogesh Jeswani: Sir, firstly I would like to know a bit more about the BCF division wherein you had mentioned about the mono-color and tri-color. So, can you speak a little bit more about the ramp up that we are doing on it in terms of the mono-color and as you mentioned in your opening comments that there were some challenges in the conversion on the tricolor clients? So, any light that you can shed on the mono-color client tie-up that we have achieved and what is the outlook for tricolor going forward 2-3 quarters down the line?

Abhishek Mandawewala: I have mentioned also in the last quarter that our lines are completely interchangeable, so we do not lose any production or we do not have any compromises that we have to make when we run mono-color as opposed to tricolor. So, currently as I mentioned, our order book is full and we will be running at full capacity in the month of August. So, whether we run tricolor or mono-color, we are going to be running at full capacity. While, we are building the tricolor business, we are using the same lines in order to run the mono-color product. Does that answers your question?

Yogesh Jeswani: Yes sir. And secondly, like you mentioned on the Palghar issue, that you are facing some problems, so what exactly was the issue there? Could you just give some more specific details about this?

Abhishek Mandawewala: So, at this point, this is all I can say that it is a combination of various factors. Obviously out of the three months, one odd month we had a challenge of the sales, in one month we had actually a problem of continuous supply of power and fortunately, the MSEB has done some upgradation work for us and that resulted in tremendous amount of frequent breakages and stoppages and because of which we lost some production and we had some other maintenance and upgradation activity also. So, overall our production level was not normal and in one of the months we had lower sales also. But, as I said in my opening comments, in the month of July, while we will not be running at the full capacity, we will go back to the level that we were there in the Q4 or Q3 of last year, but Q1 was an aberration in Palghar. So, it was much lower than the normal numbers.

Yogesh Jeswani: So, sir is it safe to assume that this Q-on-Q de-growth that we saw in sales is mainly because of the Palghar and not because of the BCF mono and tricolor?

Himanshu Dhaddha: Are you talking about overall sales number?

Yogesh Jeswani: Yes, the overall sales number.

Himanshu Dhaddha: Palghar has one of the effect on this plus another effect is about the prices. So, since the raw material prices have actually dropped, even the overall sales prices. In terms of volume, if you will see, the overall tonnage what we have shown is around 13,500 tonnes which is more or less similar to 13,700 tonnes in Q4.

Abhishek Mandawewala: Let me clarify again. We have not lost any business on tricolor. So, the tricolor line is obviously, as I mentioned in my opening comment, the BCF division was not fully utilized in Q1, which will happen in Q2, but when we do not have orders on tricolor, we are free to run mono-color on those lines. We do not requireto shut the line because of that.

Yogesh Jeswani: Understood. And sir, what kind of improvement in margins can we see with this switch from mono color to tricolor. Will you be able to share those specifics?

Abhishek Mandawewala: I do not think I am in a position to comment on individual products, the margins, but for now you can just assume that the products are in the same margins. So, no one is better than the other. But, we are currently utilizing the full capacity. The reason for investing in tricolor was actually to have a differentiated product. Everybody in the market does not have a tricolor line. So, the competition is much lesser also, it is not an easy product. In a mono-color, you have to match one color but in tricolor, in one product you have to match 3 colors and even slight difference in one color, it creates a difference. So, the approval time has just extended because we have done lot of frequent sampling in order to get the right product. It is a much more complicated than the mono-color, but in the meanwhile, we will make the mono-color product on that line.

Yogesh Jeswani: And sir, last question, and then I will join back the queue. So, over the years, we have been talking about how AYM as a company is trying to switch from low quality to high quality business and in your commentary, as I can make out, there are few positivity's that you are sharing in terms of record setting, record breaking and all. So, in the overall scheme of things, where do you see we are in this journey of converting from low quality to high quality and what could be the path 2 quarters, 3 quarters down the line or by say FY20 end?

Abhishek Mandawewala: I will take one minute to answer the question. When we started 3 or 4 years back, we had started with the aim that we are going to switch over all the products to high quality and that was the ultimate goal. Over the last year, if you see my commentary, while we have maintained the focus on high quality, but we have also realized as a team that it is equally important to make sure that we are fully utilizing our capacities because our fixed cost as a percentage of total cost is very high as compared to our competitors. You see, if our gross margins are higher than our competitors, then our fixed cost is also higher than the competitors. So, if you leave idle capacity, then it is like a double edge sword. The operating leverage also brings the EBITDA margin down because you are not able to fill the capacity. Hence, it is a 2-pronged approach. Number one, to fill up the capacities, we have to make sure that if a machine is capable of producing 100, then we have to produce 105 or 100. We cannot produce 90 on that machine. But, at the same time, we have to upgrade the product mix, the greatest benefit in the short term will be given to you by increasing the volume, but in the long run, the improvement will come from making the business stronger and stronger which is by going into strategic businesses. So, it is a two-pronged approach. It is not one or the other. And as I said in my opening comments, we are making progress in both the side. So, not only on the improvement of throughput, but also in many strategic areas we have been able to break new records. Wonderfeel, which is a strategic area for us, last quarter was the highest sales that we have achieved. Industrial yarn, which is a strategic area for us, again last quarter was the highest sale that we have achieved. Also, in other areas like automotive, we are continuing to add customers. So, over a period of time even these will start to become significant and these will in the long run make a big difference to our company because these are defensible business, and not easily switchable business. Hence, we have to look at it from both angles.

Yogesh Jeswani: So, it is safe to say that 20%-30% is the high quality as on date and remaining are low quality and then slowly we are switching it to high quality?

Abhishek Mandawewala: I can't give you a figure of that 20 or 30, I do not know what it is, but yes, we are making progress that is all I can say.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Total Capital. Please go ahead.

Dhwanil Desai: Abhishek and Himanshu, I have a question. So, first one is on Palghar, I think on Palghar we have been facing one or the other challenges since last one year or more and I think as you mentioned in your call, you also had faced some challenges, but eventually we are able to do the turnaround and reach whatever objective we set for ourselves. So, how do you see in terms of timeline, with the steps that you have taken and you are taking where Palghar business can realize its full potential. Are we looking at maybe 2-3 quarters or are we looking at maybe 7-8 quarters?

Abhishek Mandawewala: It is very difficult for me to give you a timeline, but let me say one thing, So whether I could have predicted 6 months back, if you ask me the question, the result that we got in Rakholi in this quarter? I would have said that there is no way for me to predict by when we will make progress, how much progress will we make each quarter is very difficult to tell. But, if you put in hard work over a period of time, eventually it happens. I think with Palghar, the good thing is that we have a very strong base there. It is a 35-year-old business and there is a bare minimum level of profitability that the business has been able to achieve over the last 5-7 years. Last quarter was actually a one-off aberration. I do not think it is going to happen in every quarter. In fact, already in the month of July, our sales figures are significantly higher than June. But, overall the potential in that business, number one is, in the last quarter, forget the potential, it was a one-off quarter for Palghar, but even in current quarter, let say July, August, September, we will not reach the full potential. The full potential is when, we are running all the machines at 100% capacity. So, I think, the challenge was, we have been struggling from all angles, but the first step that we have taken is, we have got a very new experienced business head and he has a very rich experience. He has worked in some of the top yarn dyeing companies in the country before. He spent almost 15 years in North based company which has almost a billion dollar market cap. He spent good 8-10 years in that company and then he was an entrepreneur himself for a good 4-5 years and we are very confident we spent almost 6-8 months looking for the right person. We have been patient and we really believe that we have got the right gentleman on board to help us to lead this journey to completely utilize the potential. We are able to command a premium in the market in the products that we are selling and all we need to do is leverage that and also we need to open up some new markets. For that also, already recruited some people whom we are waiting for them to join and we are also searching for some more people. So, in a couple of quarters, these people will join us, but how long it will take is very difficult for me to say. It might take 3 quarters or 8 quarters or more than that, but I know one thing for sure that even in Palghar, despite what we are struggling, each day we are making some progress, we are improving a business just like Rakholi. Though the result was not there as in Rakholi in the last few quarters, but there was no doubt that the progress was there in every single quarter. Even in the concall I used to come and say that this quarter we have done something, so same thing I feel for Palghar. When it happens, it will happen all of a sudden and you will see just like we have seen in Rakholi. I have a feeling because the good work is continuing. So, it is a matter of time. It is not like something that is giving me sleepless nights or I am concerned. I think we are moving in the right direction and we will get there very soon.

Dhwanil Desai: Second question is on BCF business front, as you said that in August, we will be running at full capacity, one on the expanded ones. Beyond August, how much visibility do we have in terms of running kind of continue to run at higher capacity utilization for the newer lines?

Abhishek Mandawewala: That is a very good question. So, the difference between let say 3 or 4 months back and today is, partially filled with spot business, but is also filled with strategic business to a large extent.

This is not a business that we will take once and that order will not come back. So, I feel that lot of this business will continue and as I said the sampling that has happened in the last quarter has been phenomenal. We might have some ups and downs, but what situation we were in last quarter where we had to shut almost 2 lines. I feel that we have progressed on that situation and we have added one or two very big accounts, strategic accounts in strategic products and hopefully, we will be able to service them well and maintain that business, maintain the quality like we have in the last 4 or 5 years. If we can do that, then I feel we can continue to run this business at full capacity and whatever little non-strategic business we have, we can replace even that. But in the near term, I can see that hopefully we should continue to run fully.

Dhwanil Desai: That is very encouraging and kind of tying these things up and correct me if my understanding is wrong, but for this quarter was the one-off for Palghar and even the BCF was not fully utilized and in spite of that, we can update whatever margins that we did in Q4. So, with both these levers kind of how Palghar normalizing and then BCF running at higher capacity having operating leverage, our first goal of reaching 10% EBITDA margin, do you see that visible happening in couple of quarters? Looking for a guidance, but more of a trajectory.

Abhishek Mandawewala: Dhwanil, you have come for, I do not know, how many concalls. I appreciate your question, all I can say is that despite whatever negative environment we are operating in today, I am happy with the progress. Let say between where we were 3 years back to where we are today, there is a big jump. And, even if you see the margins, so we have gone from 7.1, 7.3, 8.1, and 8.7 and in this quarter I think, we were close to 9% EBITDA if I am not mistaken. So, the progress is there. It is just a matter of time.

Dhwanil Desai: I am not looking for a number, I am saying logically am I making the right conclusion that like last quarter, coming two quarters has two kickers and of course I can understand that you have lot of variable kind of business. We are operating core business with different variables. So, I understand that complexity part. What I am saying, do you see any kind of a risk as of now is the question? I am not looking for whether 10% or 11% number?

Abhishek Mandawewala: All I can say is that, the destination is not very far. Hopefully, we should get that and I have been saying this for the last. So, I had expected this quarter to be much better. Unfortunately, Palghar let us down. Going forward, I do not know what will let me down. Palghar was a one-off unfortunately, but I can smell it, it has to happen. Before it happens, I do not want to say whether it will happen in one quarter or two or 5 quarters whatever.

Dhwanil Desai: And last question is again slightly related to what we discussed in Palghar. I think we have created a cost structure which is largely below gross margin is for more like specialty oriented company wherein a significant part of our revenue comes from commodity kind of a business and hence our margins have taken a hit. Now, in Palghar we are talking about again I thought that for employee addition part was over, but looks like you are still adding in bits and pieces, so, is it going to have a significant impact on the cost reduction that we have done in the past and it again going to ramp up because of whatever additions that we have done?

Abhishek Mandawewala: I want to say 2 comments here. Number one, that Palghar is not just question of improving the realizations, this is not our only lever. I must say that there is a lot of surplus capacity which is available which is unutilized. So, that is the biggest lever. Even if, I sell more of the same product, I will make much more than what I am making today. The addition of new products and strategic products that is a kicker, but, even if I sell more of my current product, I will make disproportionately higher EBITDA margins, number one. Number two is, I think in the last 1 or 2 years, we have added lot of people, but with adding people, it is not a one-to-one exercise. So, when you add 10 people, you end up getting good 6-7 people, 2 of them maybe the average, maybe one guy you will get who is not so good. So, that churn is a continuous process. In Rakholi, we are towards the end of that process, but in Palghar, it seems that we have to still do it little bit more. But, again as I said, that direction is positive, these are just some tweaking's that we need to do, but the business head was a very important position which we have been closed and he has been working with us for a month or two now and we are happy. I think we are hitting in the right direction.

Moderator: Thank you very much. The next question is from the line of Ayush Mittal from Mittal Analytics Private Limited. Please go ahead.

Ayush Mittal: I want a bit more clarity as to why we had de-growth on quarter-on-quarter in terms of turnover because I think, in last quarter, we had just started our BCF expansion. So, if that is scaling up despite the other problems, we should have grown.

Abhishek Mandawewala: Are you talking about realization or tonnage?

Ayush Mittal: Overall turnover.

Abhishek Mandawewala: So, you have to talk about two factors. Number one in BCF, the increase in sales was to the account of maybe half a line or one line. As I said in my opening remarks, the BCF was not fully utilized in the last quarter.

Ayush Mittal: We have added 3 new lines at BCF?

Abhishek Mandawewala: Yes, we have added 4 new lines total.

Ayush Mittal: So we got utilized only half a one?

Abhishek Mandawewala: In the fourth quarter last year, I had announced that there were 2 lines which were unutilized out of the 4 lines and in the last quarter out of those 2 lines which were unutilized, maybe another half or one on an average would have been further utilized, so there is no significant jump in BCF volumes. In the overall context of 13,000 tonnes, that additional one line has not contributed as much as you would imagine or let us say that additional half a line would not impacted much. Point number two, you would have remember that in the last quarter I had said that nylon prices were on the way down. So, the prices of nylon have corrected in this quarter as compared to last. The prices have gone down in nylon. In my opening remarks also, I had mentioned that some of the higher priced raw material, which we have purchased last quarter has come in this quarter, but the pricing of the finished product has already come down. So, that has led to maybe the reduction of the realization. Number three is Palghar. In Palghar, the sales was below the previous quarter. So, if you combine these three factors, we are not above the last quarter let say. But in terms of tonnage, we are close, we are right there.

Ayush Mittal: And one thing, like the other participant, I think Dhwanil was asking about this some kind of visibility if we can get on how do you see the future maybe one year down the line or 2 year down the line in terms of turnover and margins because currently the kind of numbers we are having, on these numbers, ROCE is so low actually the debt would be hurting the internal metrics and everything and as investors also, it is a challenge because it has been quite some time since we have been trying to improve the business. We have done the CAPEX, but still those things have not been working out. So, some kind of visibility it can be given in terms of milestone or yearly base that okay this is what we want to do and this is the kind of improvement in terms of tangible things we aim for, that will be very helpful.

Abhishek Mandawewala: Ayush, as I said specific numbers, I cannot unfortunately give, but in terms of progress where we aim to go in the next one year, all I can outline is the levers for you which we are trying to target and you can see in the last 2 quarters the progress that we are making against those levers. Number one is the increased throughput in the Rakholi plant. So, you can see that in the last quarter also we were able to break records, in this quarter also we are able to further break the records that we had set in the previous quarter in the Rakholi plant. Obviously, we are making progress and in my opening remarks also, I had mentioned that there is still some way to go for us to increase further sales in the Rakholi plant over the next few quarters. So, there are still some initiatives which are in the pipeline which would hopefully result in further increase in sales in the POY- Tex business. In BCF, I had already outlined that the unutilized BCF lines, starts getting utilized, which is another lever that we will have on the profitability. The third lever is, as I mentioned, the Palghar plant capacity utilization is also a very big lever. If we are able to fully utilize the capacity, as stated in my opening remarks, that we are struggled with sales and we have started by hiring a new business head and over a period of time, we are going to be revamping the sales team and definitely, despite the profitability is not there, I have no doubt that we have made progress even in Palghar as even though we continue to struggle, we have still made progress in the business.

Himanshu Dhaddha: With respect to your question regarding debt, I think the business is in a comfortable situation. The fact that we do not have any CAPEX going forward, all of the free cash flow is being used to actually pay down the debt. You will notice that almost 6 years we have incurred massive amount of CAPEX, a lot of this has gone towards the BCF business and lot of that leverage is still to be gained. We are not running that division full as yet. Once we run at full, then we will start working on throughput improvement initiatives that will be a further kicker. So, we have all these levers and we do not need to do any CAPEX. Everything that we are generating today is going towards reduction of debt. Despite having payments of CAPEX of around 8 odd crores in the last quarter, we have still been able to reduce the debt by almost 6 crores. So, we are in a very comfortable situation and the fact that we do not have any CAPEX, I think the situation is only going to get more comfortable going forward.

Ayush Mittal: So, the other part of the numbers when we analyze like if we see the operating margin that is around 8% operating margin. The operating profit just sufficiently covers the interest and depreciation that we incur. So, unless and until there is an aim or a timeline to say to reach nearly double digit margins, there would not be substantial addition to the bottomline.

Abhishek Mandawewala: Absolutely, I agree and that will happen as a result of all these levers that I outlined to you, but you must also remember that depreciation is a non cash item. So, for example we have a lot of lines which are running, the highest quality product which are fully depreciated and I am incurring the depreciation cost, but that does not mean that there is no cash flow in the business, there is a very healthy cash flow which is being used in order to pay out debt. Needless to say, all the initiatives that I have outlined will result into further improvement of EBITDA and that will result into further improvement of profit after tax. So as I have been repeatedly saying in the last few quarters that ours is a high operating leverage business. The gross margin is high as compared to let say others and as we increase the volumes, the profitability improves disproportionately.

Ayush Mittal: What would be approximate plant utilization in this quarter?

Abhishek Mandawewala: I will divide it by segment. So our overall output let say in spinning was around 92%, in texturizing it was around 78% and in BCF, it was around 71%.

Ayush Mittal: Palghar was?

Abhishek Mandawewala: Lower. Palghar, the numbers were closer to the 60% mark.

Ayush Mittal: And, the other thing that I notices that export share has gradually come down like we were doing 35%-36% and is it right to say that as we scale up the export business, will get better profitability as those who might be MNC customers and all those things and better product.

Abhishek Mandawewala: Absolutely. So generally the export business that we focus on generally is of a higher margin. We have some low margin business also, but certainly the quality consciousness of the customers is much higher and as a result of which, there are fewer suppliers who can supply those products and therefore technically the margins are supposed to be higher, but you must remember to compare apples to apples whether we are considering that trading volume also or without the trading volume. The small near term ups and downs might happen, but more or less the export is ranging between 30% and 35%. Now, it might go up in one quarter and come down in the other quarter, but if you see in the last 4-5 quarters, I think we have remained between 30-35% mark.

Ayush Mittal: And there can be a major improvement in this or you expect this to remain at this rate?

Abhishek Mandawewala: Certainly, in all areas. We are working in Palghar, in BCF as well as in textiles. The endeavor is to increase these volumes and as I mentioned earlier in my opening remarks in BCF, in fact we had the highest order book and export is forming a big part of that order book. Any new extra volumes that we will be adding in the next quarter, it will mainly come from export.

Ayush Mittal: So, the export overall percentage can increase in our business going forward?

Abhishek Mandawewala: Certainly, over a period on. As you see quarter by quarter, I think if you look at 2-3 years back, we were less than 20% or maybe we were close to 20% mark, we were at 18, 19, 20, 21 and that has gradually gone up. But quarter by quarter, I think it is very difficult to predict this because in some quarter there might be some extra order and in some quarter there might be less, but you have to look at an overall yearly trend. If you see in the last 3 years, every year it has gone up.

Moderator: Thank you. The next question is from the line of Rohit Balakrishnan from Vrddhi Capital Investment Advisors. Please go ahead.

Rohit Balakrishnan: So Abhishek, just wanted to understand, couple of my questions have already been answered. On the strategic customers, you sounded quite upbeat in your opening remarks, can you spend some more time to sort of share some more details in terms of what were the products, what were the segments and also if you can share some more outlook in terms of what could be the 3-4 quarters out in terms of volume?

Abhishek Mandawewala: So, the volume guidance, unfortunately, I cannot give. But overall, qualitatively I can say in 3-4 areas, we have made good progress. Number one is the industrial yarns. So, we had started one very specialized industrial yarn product which goes into some specialized segment and we have started this about 3 years back and every quarter in fact we have increased this business and this quarter again we will have, we had the highest ever sales. We are making good progress in that segment we will continue to add business. We have added a few new customers there in the local market as well as in the export market. We have a sewing thread segment where we have added very specialized product, we have a patented product there and there are some very specialized, very niche products, very few people maybe one or two manufactures in the world make that product. So, again over there also, we have added the volumes in fact the capacity that we have is now fully utilized. So, we are finding a way that in a low cost way how can we made more of this product, without spending any money on CAPEX. Then, 4-5 years back, we had started this Wonderfeel yarns which is a carpet application yarns from the textile route. There, we really struggle for the first 2 years, in the third year we started getting sampling and then this year, in this quarter particularly, We have a full order book and we have already achieved the best numbers and we currently also have a full order book. Again, it is same way without incurring any major CAPEX. We are trying to find ways that how we can increase the volume of this product. So, small things, few Tens of lakh Rupees to spend and do some basic debottlenecking significantly improve the volumes. So, that is the goal in these strategic areas. Then, in BCF, the solution dyed nylon (SDN) was a strategic area for us. There, in last quarter, I had mentioned that we are expecting a big customer to come through. That positive development did end up happening and we have got some major volumes. We were already working with a couple of customers. We have added one bigger customer to the kitty and there are couple of other customers that I am hoping that in the next couple of quarters hopefully at least we should be able to add further. So, these areas we are making good progress and now slowly, steadily these volumes are starting to make some meaningful difference to the business. In Automotive also, see, automotive is actually the longest lead time segment. Almost 3-4 years cycle times. So, by the time you meet the person and by the time you get the bulk orders it is almost a 3 -4 year lead time. So, there also, our sampling activities actually at an all-time high right now. In fact, we got two customers, for our first bulk orders. Hopefully, they will convert into bulk orders. Now, these customers they talk, 2022-2023 programs. So, we are doing sampling for something which is going to be launched 3-4 years down the line. But, when it comes, it will suddenly come and it will be big volumes because they do not approve 5 suppliers. They have maybe 1-2 suppliers and their volumes are very good. So, it takes a long time to get the entry. But once you are in, then just like some of the other areas I outlined, suddenly the volume comes. So, I hope I was able to answer your question.

Rohit Balakrishnan: You are seeing, I mean month-on-month volume increase in all these products. Is that a right way to sort of put it?

Abhishek Mandawewala: No, I will not say month-on-month. So, we have periods where we have month-on-month increase and then we have lull periods. So, we have to take it with a pinch of salt. Unfortunately, business is not linear. So, you cannot expect every month that there will be more and then, and you will have some month where you will add two customers. You will have one month where some customer loses his business from his customers, so he does not place order on you. But, if you look at the long-term trend, if I look at annual basis, every year there is increase, there is no doubt that. If I take the annual basis, then every strategic product and every year there has been an increase in the last 3 years.

Rohit Balakrishnan: So, in terms of the other thing that I wanted to understand, you have also mentioned about the overall nylon cycle that was not in our favor in the last couple of years. So, how do you see that, you had mentioned about the profits that we have right now, they are much better in terms of more quality and also in terms of company's capability. So, I mean that also can, at least help us in the next few years for boosting our cash flow. So, just wanted to understand in terms of that cycle where are we and what is your thought process on that side?

Abhishek Mandawewala: So, let me add a comment. When I said that the quality of our earnings is higher, it is not because the nylon is contributing more or less or, it is in the overall scheme of things that we are, in terms of what we are doing, how efficiently we are doing, the cost at which we are producing, compare to where we were 3 years back, how we are utilizing our machines, we are much better today as compared to before. Let me tell you that nylon business is still extremely challenging. In fact, last quarter was very difficult quarter for nylon business. Despite that we have enable to achieve the EBITDA which is highest in 10 quarters. So, that itself speaks volumes about the quantity of the earnings that we are able to generate as compared to 3 years back. So we might not be there, we are still not at the margins that we want to go to. We are still nowhere close to that. But, it is improving and one day it will get there. So, despite a very difficult quarter in nylon, we were still able to maintain or in fact grow the margins in the Rakholi plant.

Rohit Balakrishnan: And on the debt repayment, so these 6 crores in this quarter that we have repaid should be take this as like, I mean this is the run rate that you would expect or it could accelerate?

Abhishek Mandawewala: No, see in this last quarter we did almost 8 crores of CAPEX payments which we did not incur in this quarter. So, most of these payments were falling due in this quarter. We have terms with many of our vendors, someone opens LC which will fall due in 60 days. So, we did 8 crores of payments and after that the 6 crores was reduced otherwise you would have probably reduced the debt even more. I would expect that, hopefully the cash flow should be much better than 6 crores and further we do not have any CAPEX going forward. So, whatever cash flow you see, whatever operational cash flow you see on an annual basis,10 crores plus or minus 2 -3 crores, maybe 5 crores, apart from that CAPEX, maintenance CAPEX let say, maintenance or some small debottlenecking. Apart from that everything will go towards dipping of debt and I hope that we will be able to do much better than the last quarter. Certainly, we will be able to do much better.

Rohit Balakrishnan: So, do you have any like number in mind that this year, this is the kind of debt reduction that we want to get to?

Abhishek Mandawewala: So again, it will be like a one form of a guidance which I do not want to give. But certainly, we will be repaying more than 6 cores every quarter. Because whatever cash flow we have, we do not have any other CAPEX outlined.

Rohit Balakrishnan: So, last year, for example we did about 70 crores of EBIDTA. So, assuming that, we do better than the last year because that has been the trajectory at least for the last 2-3 quarters. So, a significant portion of that should be used for debt reduction, right?

Abhishek Mandawewala: If I look at my FY18-19 cash flows, if I remember correctly our operating cash flow was close to 52 crores or 54 crores, I think. So, I think it will be, I mean hopefully the business will get better than that.

Rohit Balakrishnan: Just one last question. You mention the utilization numbers, so spinning was 92%, texturizing was 72%, right?

Abhishek Mandawewala: 78%.

Rohit Balakrishnan: And BCF was?

Abhishek Mandawewala: 71%. Now, you must remember, in spinning, we are doing lot of throughput in improvement initiative. So, one line might be showing as 95% utilized but probably we can go to 120% utilization if we are able to succeed in that throughput improvement initiative.

Rohit Balakrishnan: And just on this, so on the other 3, BCF, Palghar or even texturizing**,** Can we go to similar kind of levels in terms of more than 100% kind of utilization, I mean is that possible?

Abhishek Mandawewala: Not today, so this is the initiative that we have throughput improvement taken in textiles but only once we fill up the capacity in BCF, once we filled it up then the plant will start working. Once you have a continuous order backlog and you do not have any further lines which are coming as a part of capital expenditure, then all the time of the operational people is spent that now today we are producing let say 1,000 tonnes per month in this section. And, how can we produce 1,200? Until now, because the order book is only not full, nobody is concerned about fully utilizing the machine because anyways the machine is not fully utilized.

Moderator: Thank you very much. The next question is from the line of Riddhesh Gandhi from Discovery Capital Management. Please go ahead.

Riddhesh Gandhi: Couple of quick questions, given the backdrop of the economic slowdown, do you see any potential headwinds in the quarters going ahead or this quarter is already baking in the potential headwinds of the slowdown that we are experiencing in the economy?

Abhishek Mandawewala: I wish I could predict something like that but I have no idea. But, I can tell you that in the local market, even in the last quarter our payments were not as per what the previous quarters were so. So, certainly, there has already been some slowdown which we saw in the first quarter. No, I do not know what will happen going forward, but if that happens then we will have to see how much we can move in exports and how much we can move out to some other segments. But right now, somehow, we have been able to keep the machine fully utilized. I must tell you that, I know for a fact, that particularly in nylon, many of our customers are not running their plants at full capacity. Whereas, on the other hand we have been able to very aggressively market our products and keep the line sold out.

Riddhesh Gandhi: The other question was in terms of the deprecation and debt levels but this would be the peak that we would see given the CAPEX effect cycle is now over?

Himanshu Dhaddha: Yes, since we do not have any further project CAPEX as of now. So, I think depreciation you can say that it is more or less at the peak level, 10 lakhs-20 lakhs here and there but almost we are at 11 crores. In terms of debt, I think, March level was the peak and we have already reduced from that levels and in going future we do not foresee that level.

Riddhesh Gandhi: And, in terms of the operational free cash flow that we did in Q1, can you share that number?

Himanshu Dhaddha: Yes, so operational free cash flow after the working capital and payment of Interest was around 3.5 crores.

Riddhesh Gandhi: But, that would bake in into account interest and also?

Himanshu Dhaddha: Yes.

Riddhesh Gandhi: No, but operational free cash flow is typically excluding interest and depreciation. We talk about operating free cash.

Abhishek Mandawewala: I will just work that number out but even that 54 crores number that I gave was after the interest. Now every quarter, one quarter you will have plus or minus, one quarter you will have some increase in inventory, other quarter you will have reduction in creditors. So, it is better you see our annual number, you will be misguided by seeing our quarterly number.

Himanshu Dhaddha: Yes, 9 crores is the interest.

Riddhesh Gandhi: So, if we were to look at it in terms of your operation actual free cash flow conversion from EBITDA that would be in line with effectively at last year approximately.

Abhishek Mandawewala: Already in the first 2 quarters, we have done better EBITDA than the last year.

Riddhesh Gandhi: No, I am saying in terms of the percentage conversion from EBITDA into operational free cash flow if we have to extrapolated, we should use roughly FY19 numbers as the basis for that.

Himanshu Dhaddha: Yes, more or less same. So, I mean the difference between the operational free cash flow of last year and this year will be to the extent of how much working capital either increases or decreases. The EBITDA minus the interest and minus the tax because depreciation is non-cash. The only difference is then the working capital changes and then after that is the CAPEX.

Riddhesh Gandhi: And, then effectively speaking in the event that you guys decided to convert the promoters of warrants proceed of that will also be used to effectively pay down debt?

Abhishek Mandawewala: Correct, Around 24 crores will be used to pay down the debt.

Riddhesh Gandhi: And the conversion is due in this September or …?

Abhishek Mandawewala: So, in this quarter we will do it.

Riddhesh Gandhi: And you guys are going ahead with that?

Abhishek Mandawewala: Yes, I mean, technically I am not supposed to say anything, but yes, you can assume that this quarter we will do it.

Moderator: Thank you. The next question is from the line of Rohit Poti from Marshmallow Capital. Please go ahead.

Rohit Poti: My first question is sort of a follow up of your response to previous participant. So, you mentioned that, I mean at least Palghar right now is not giving you any sleepless night the problems are not that dire. So just curious, I mean I think last 1-1.5 years you had a lot of issues coming into the business. So, is there anything right now or in the next few months that you foresee giving you sleepless nights or that phase at least for now seems to be done?

Abhishek Mandawewala: Hopefully, the slowdown that Mr. Riddhesh spoke about earlier does not become some major recession and start impacting everybody. So far, we have been able to keep our lines fully utilized, in fact even in the month of August, we have just finished our production planning. We are fully utilized despite the slowdown, despite many of our competitors not able to fully run their lines. But hopefully, it will not reach totally pathetic situation and I mean, something like 2008 or 2009 hopefully will not happen.

Rohit Poti: And the next question I have is, so I was trying to understand the flavor of your strategic products a little better. From what you say, it seems like a good part of the program is customized products which are supplied to a particular customer. So, does this mean that these products cannot be taken to the market to other customers as well? How does increased adoption of your strategic products happen? Is it that they are predominantly customized to one customer or, do they have eventually hopefully getting a branding sort of a benefit where for example Wonderfeel or a Comfeel because of its acceptance by let say couple of early large customers it will lead to further adoption in the market and it will spread because it is a product which can be used in multiple company. I do not know if I am able to convey my questions to you.

Abhishek Mandawewala: Yes, so let me put it this way. First part of your question is with respect to make to stock or make to orders, so almost most of our strategic business is actually make to orders. So, we do not do it. I mean it is not, it is something very specific for a specific customer. Most of the make to stock that we have is the low and nylon kind of thing. So, we just produce one grade of material and then several customers buy that same grade of material. But, the strategic business is not like that. That is point number one. Point number two, is with respect to the brands and adoption, I think we are little far away from having a significant share of business coming from that segment. But I can already see in Comfeel while the name Comfeel is not being used in the end market, but the product because it is so unique is already started to create a buzz. So, people are talking about what is this product, our customer has named it as one special, he has given a separate name. So, people have already started asking what is this product? What can it do? People have already started talking about that product. And, hopefully over a period of time those people will start ending up coming to us. I mean, people have already come to us but we are trying to give one customer a head start and over a period of time that business will increase as a result of word of mouth marketing. But, that will be a very small part that branded business that you talk about where because of our brand we are able to come under premium in the same product as compared to some other competitors. It will still be a while before that forms a significant part of our business. But in Palghar, we have some of that business mind you. But our focus is to stick to make to order business where we develop something specific for a specific customer and we serve that customer with the right quality, right delivery and right consistency which is not readily available in the market place.

Rohit Poti: So, broadly in the strategic part, predominantly we have been made to order for specific customers. We are not making any specific product which has probably a wide adoption probability or possibility and which can give us a sustainably higher margin. So, right now the focus is more on the made-to-order a bit, I am right to think?

Abhishek Mandawewala: Yes, but again, if you take for example of solution dyed nylon (SDN), I mean there are very few players in the world who can make that product in a quality fashion. And, we work very closely with our customers in order to service that demand and we have taken almost 4-5 years to get entry. So, it is not an easy process and there are multiple barriers which someone has to cross in order to be able to service. So, it is not that kind of product and it does not mean that it is not a defensible business.

Rohit Poti: And, the last question is more of a confirmation. So, this year we will see aggressive debt reduction through usage of any and all operation free cash flow that we generates coupled with the entire funds that you intend to infuse into the company as part of the conversion of warrants also will be used to reduce the debt, am I right?

Abhishek Mandawewala: Correct.

Moderator: Thank you very much. The next question is from the line of Manan Patel from Equirus Securities Private Limited. Please go ahead.

Manan Patel: Sir, just a couple of questions. So, first one is you had mentioned that leases made an impact on depreciation as well as finance cost. So, I assume that is moving from other expenses to depreciation and finance. So, can you give me the quantum amount towards that?

Himanshu Dhaddha: You are talking about the lease expenses?

Manan Patel: Yes, the Ind AS- 116 change that has been made.

Himanshu Dhaddha: Yes, so I think, that was earlier in the other expenses it has moved to depreciation and interest. The overall amount is around 75 lakhs.

Manan Patel: And, my second question is, in this liquidity environment have we face any increase in interest cost in last couple of quarters?

Himanshu Dhaddha: I think, our interest cost overall it is more or less stable.

Abhishek Mandawewala: It is more or less stable. I do not think there is any change. We do not depend on any NBFC or anything, our full borrowing is from banks. So, the banks' lending is based on the MCLR rate. Actually, we are expecting that the lending rates will come down now.

Moderator: Thank you. The next question is from the line of Pujit Aggarwal, an Individual Investor. Please go ahead.

Pujit Aggarwal: Basically I just wanted to understand for BCF line. So, approximately if you take like 1,000 denier you get a production of 1,000 tonnes per year. So, considering 1,000 tonnes per year and if we can even expand 4 BCF lines that actually is if you consider it for quarter, that is like 1,000 metric tonnes per quarter and if you actually put things into perspective that like 6% of your total quarterly volumes, which is around 16,500 odd tonnes. So, I actually wanted to understand when would you start sharing numbers? For example, your nylon in terms of metric tonnes, so we as investors could actually get a good sense of what exactly is going on in the company.

Abhishek Mandawewala: Yes, so I mean I do not know what is the basis for your calculation and what is the basis for assuming the 1,000 denier and I do not know what is the basis for assuming that 1,000 tonnes production is? I am not sure how you came up with those figures. I cannot comment on those figures. And, I did not understand the question exactly, so what is it that you are trying to find out? I cannot confirm or deny any specific number on how much my production will increase?

Pujit Aggarwal: So, Abhishek, I just wanted to understand, for example, I am assuming that your position comprises of pre-winders, right.

Abhishek Mandawewala: No, I am sorry, I cannot talk about my production lines, that is proprietary information and I cannot discuss that on this call.

Pujit Aggarwal: So, I just wanted to understand by when could we as investors see the production mix in terms of metric tonnes? For example, you have different verticals right. So, you talked about sewing thread, multifold yarns, Comfeel, Wonderfeel, so I just wanted to understand by when would you be reasonably comfortable in sharing segregation of volumes in terms of metric tonne?

Abhishek Mandawewala: It is very difficult for me to answer that question. Again, it is competitive information which, as of today, I do not feel comfortable in sharing. Unfortunately, I do not have a timeline. I cannot give you a timeline by when I can share.

Pujit Aggarwal: So, my second question was related to the Palghar plant. I believe the Maharashtra state government policy is applicable to the Palghar plant, is that true?

Abhishek Mandawewala: Absolutely.

Pujit Aggarwal: So, my second sub- part of the question was I believe you share the utilization of 60% for the Palghar plant for the quarter 1, is that correct?

Abhishek Mandawewala: Yes, those are rough numbers that I am giving.

Pujit Aggarwal: So, I just wanted to understand how exactly do you mean, are you able to meet your load factor incentives, when your volume figures are so volatile?

Abhishek Mandawewala: I do not understand that question. I mean, if you are asking whether I am getting the incentives, then yes. We are getting, well it is not an incentive, and it is a Maharashtra has change the tariff for all textile companies. So, to that extent it has changed even for us.

Pujit Aggarwal: So, for example, if we actually get into the final nitty-gritties of the incentive structure, they have actually done a lot of reworking on the load factor benefit as well.

Abhishek Mandawewala: So, what is your question exactly?

Pujit Aggarwal: So, basically I just wanted to understand what kind because of the different slab and those factor as an incentive were actually makes a big difference? For example, it makes the difference of around Rs. 1 to Rs. 2 odd per unit which is the very big difference for a textile company.

Abhishek Mandawewala: So, our load is always full and we always try to maintain our PLF above 0.95 which is what is mandated by the Maharashtra government.

Pujit Aggarwal: And with Palghar, I just want to understand your utilization has been varying quite a bit. So, how exactly are you able to achieve that kind of load factor numbers?

Abhishek Mandawewala: As I said, our load factor has always consistently remained above 0.95 which is what is mandated by the state government.

Pujit Aggarwal: And like Q3 FY19, we talked about narrow weaving, carpet segments, industrial segments. So back then, you gave us the rough idea that the volumes in these segments were for example in industrial segments, we are on 70 tonnes to 80 tonnes per month and automotive segment was around 100 tonnes per month. Carpet segment was around at the same figure. So, I just wanted to understand from your perspective if you can just let us know what exactly is the kind of improvement we are visibly seeing?

Abhishek Mandawewala: I cannot give those figures out every quarter for obvious competitive reasons. But, I can say that we have moved forward in almost every one of those areas particularly in industrial and the carpet yarns.

Moderator: Thank you very much. The next question is from the line of Ayush Mittal from Mittal Analytics Private Limited. Please go ahead.

Ayush Mittal: Just to follow up on my previous question on the dip in turnover as you mentioned that there was some fall in realization. So, was this due to some particular segments in which the prices of the products have fallen?

Abhishek Mandawewala: No, it is across the board, right. So, when the raw material prices will drop, it is needless to say the finished goods prices will also go down. For example, if you take last quarter, and if I just talk about nylon at the peak we were purchasing chips at, I mean upwards of $2,000 or even more, whereas the prices have come down significantly since then. So, I mean that impact particularly in the local market visible immediately. Export market is quite a formula based and on a monthly basis or on a quarterly basis depending on the customers, we use an index and the prices get adjusted.

Ayush Mittal: By Q3 peak mean, a year back or something or recent times?

Himanshu Dhaddha: No recent time, Q4 peak.

Ayush Mittal: In general, nylon is the area where lot of price fall has happened?

Abhishek Mandawewala: Correct.

Ayush Mittal: And that has led to overall fall in realizations for us.

Abhishek Mandawewala: Correct.

Ayush Mittal: But, these realizations in your polyester and BCF are they stable?

Abhishek Mandawewala: In the last 2 quarters, I mean the nylon part of BCF even there will be an impact. But again, see we have to understand that nylon and BCF will be overall pie at the company level when we look at 13,000 tonnes what is the entire share of that, I mean if not 5,000 tonnes or something like that where it is going to make a material significance. But, if you look at the local nylon, Rakholi nylon business is the significance part of the business. So, that has a big impact and in BCF again it is, I am not sure of the exact numbers, but I am sure that there must be some impact for the other. But, polyester in general, I do not think it has change much in the last. Once the price fall happen in the last year in October, of course there is Rs. 5-Rs. 6 which has reduced but then there is some prices which has come back also. Overall, it is not a materially significant number. But, in nylon it is a materially significant number.

Ayush Mittal: So, one thing that I keep wondering is like, if you have to drive the growth many often as we improve our business ideally we should also get better realizations and perhaps that is one thing that we have not seen for quite some time. Any thoughts or comments on this?

Abhishek Mandawewala: No, I do not know if that is a right conclusion because, number one, we cannot look at this linearly. Number two, our business is quite complex with a lot of moving parts and the best way to actually look at it would be, look at the EBITDA number and at the tonnage. I think that would be the best way to actually make sense. Because otherwise if we keep looking the realization every quarter, the oil price moves and every quarter the nylon price and polyester price moves. I mean, if you look at quarter-to-quarter realization numbers. I do not think that anybody can come to any meaningful conclusion by doing that.

Ayush Mittal: But over a larger period, this variation should improve kind of because if we are able to do value addition on certain product and we should get more money for that.

Abhishek Mandawewala: How significant is that? For example let me give you a sense that in the peak let say there was a time about 10 years back when the nylon price was $3,600 per chips and today same chips are may be closer to half the number. So, in 10 years the realization would have also, I mean it would not half but it would have come down by that same figure of let say $1,700-$1,800. So, does that mean that we have gone behind in our business as a result of the realization coming down? I do not think so. I think it is, quite a meaningless figure, the more important figure is the EBITDA margin, total absolute EBITDA, the EBITDA per tonne as well as the total tonnage will give you a great idea of where volume growth and then we have to look at the quantity of special product that we are doing. But again, so let me give you an example, Nylon commodity yarn might be priced at let say, may be Rs. 200. Whereas, the polyester Speciality yarn will be priced at let say Rs. 150 or Rs. 170. So, moving from nylon commodity to polyester Specialty, I am actually having a lower reduction in realization. Does that mean that again we are going behind as a company? Again, I do not think so. That is why, I am saying that our business is too complex with too many moving parts and looking at the realization is not the most accurate way of determining. The best way to look at it is EBITDA margin which will give you a good idea of the overall efficiency of the business as well as the strategic products and the total tonnage. And also, of course, needless to say the absolute number of the EBITDA.

Ayush Mittal: Any other negative factors developing at the same which is like a problem or something in terms of pricing or some other factor?

Abhishek Mandawewala: So up and downs keeps happening. As of now, at least in the immediate term, we have been able to keep the capacity full. The most sensitive part of the business is nylon. So, that is where the changes in the external environment impact the business. Right now, certainly that the nylon business is under pressure. There is lot of dumping from China, the margins are at low. If you look at the margin, in the last quarter, in the nylon business as compared to the previous quarters, we are much lower and also I mention that the competitors there, many of them, they are not able to run the full capacity but we are somehow manage to maintain the volumes and hopefully we will, hopefully I am hoping that we will be able to continue to do that. So other than that, it is very difficult for me to comment because externally, of course, in the newspaper every day we read about some new story and some new banking problem and NBFC problem. So, hopefully, it has been 8 or 9 months since that happen so far, we have been able to maintain our business. I hope that it does not get worse. Otherwise, not only us but everybody will be affected.

Ayush Mittal: And, as we have talking about nylon being a sensitive part any ballpark number that you can share, how much is it, 30% of our overall business, 40%?

Abhishek Mandawewala: Right now not in a position to do so, I will share as and when I feel comfortable.

Moderator: Thank you very much. As there are no further questions, I will now hand the conference over to the management for closing comments.

Himanshu Dhaddha: Thank you very much for attending the call. As discussed in last few quarter, focus continues on filling up the capacities, innovation, specialty, as well as developing new and innovative products having high entry barriers. Thanks a lot.

Abhishek Mandawewala: Thank you for attending the AYM call, everybody. See you next time.

Moderator: Thank you very much. On behalf of AYM Syntex Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines, thank you.

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