



AYM Syntex Limited
Q2 FY19 Results and other Business Update Conference Call
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Management: Mr. Abhishek Mandawewala – Managing Director & CEO
Mr. Himanshu Dhadha – Chief Financial Officer

Moderator: Ladies and gentlemen good day and welcome to the AYM Syntex Limited conference call to discuss the Q2 FY2019 results and other business updates. On behalf of AYM Syntex limited we have with us the key senior management including Mr. Abhishek Mandawewala – MD and CEO, and Mr. Himanshu Dhadha – CFO. As a reminder, all participant lines will be in the listen only mode. 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 touch tone 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 now hand the flow over to Mr. Himanshu Dhadha for the opening comments. Thank you and over to you sir.

Himanshu Dhadha Thank you. Good afternoon everybody. Welcome to the conference call of AYM Syntex. Let me begin this call with a short update on Q2 results which is already in the public domain and updated on our website too. AYM Syntex posted revenue for operations of around 252 crores for the Quarter ended September 2018, which grew by 32% as compared to last year same Quarter. And grew by 9% as compared to the last quarter. On half year basis it has grown by 19% as compared to FY18. In terms of tonnage, we did about 12,784 tons, which was about a 6% increase as compared to Q1 FY19. However, while comparing to last year same quarter, it grew by 8%.

EBITDA for the quarter has improved and it is at around Rs.18.5 crores which is 7% of NR as compared to Rs. 16.4 crores in Q2 FY18 as well as similar number in Q1 FY19. For a half year basis, we are at around Rs. 34.7 crores as compared to Rs. 31.4 crores in FY18. EBITDA per ton was on a higher side this quarter. It was about Rs.14,500 per ton, as compared to 13,500 in the previous quarter and 13,866 in Q2 FY18. Margins in this quarter are impacted by higher RM cost. Especially the polyester prices which has gone up un-precedingly high in the last 2 quarters. However, the same has started easing out from the October end. Increase in the material cost like dyes chemicals packing materials etc., which went high in last 2 to 3 quarters

are expected to come down in coming quarters. Key operating matrix at the plant level showed signs of improvement especially in the front of efficiency a utilization.

PAT in Q2 FY18 is at Rs. 1.4 crores as compared to Rs. 1.3 crores in the previous year in the same quarter. And Rs. 0.3 in Q1 FY19, on account of higher depreciation as well as the interest expense has actually reduced to some extent in spite of higher EBITDA as compared to last quarter.

The net debt figure stands at around Rs. 262 crores as on 30th September. This has increased by Rs. 26 crores in current quarter on account of project VI loan withdrawal. Net debt to EBITDA ratio is at around 3.7 and we hope this to ease out over the coming few quarters.

Total debtors in the books stands at Rs. 104.5 crores. This has increased over March 18 figure of Rs. 87 crores on account of increase in sales as well as especially increase in exports. Out of debtor above 180 days stands at only Rs. 0.5 crores.

Current ratio is maintained at 1.02.

As far as update on CAPEX in concerned in the current quarter we have spent around Rs. 19 crores on CAPEX. Our capitalization was on higher side. That was around Rs. 81 crores because we have also commissioned BCF lines which was a part of project VI. Project V is also almost over in Q2 FY19. And for Project VI over all we have spent around Rs. 80 crores out of a total Rs. 119 crores of project. BCF Line expansions which was part of project VI has been installed in last week of September. The benefit of it will start accruing partly in Q3 and Larger Q4 of FY19.

Company has also issued 9.8 lakh shares as ESOP to its key employees at face value in the current quarter which will vest over a period of 5 years.

With this information no time handing over to my college Mr. Abhishek who will also provide some business updates on Q2 & H1 FY 19. Over to you Abhishek.

Abhishek Mandawewala

Good afternoon everybody. I will provide the business update starting with Nylon and Polyester. We made good progress on some of the initiatives that we had taken up. Plant operating matric such as efficiency down grade and waste are on an improvement trend since the last couple of months.

We have taken up several cost reduction measures on all fronts of the business some of which will start bearing fruit as early as next quarter and also in the quarters to come. After 2 hard years of one way treat on rising input cost, we are finally seeing some easement. As all of you know, oil prices have started easing. But most importantly input raw material has finally started to reduce. In September we saw an unprecedented increase of prices in polyester. But since

the beginning of October, RM has turned very weak. Upstream EX prices have started to fall and we expect it to fall further with upcoming large capacity expansions in china and Q1 calendar year 2019. The story is similar in nylon where we have started to witness reductions in price. We have also been working on price reductions by expanding our vendor base and I am happy to say that there is good progress on this front. With the sharp increase in September in RM cost followed by sharp decrease in September, the market has really slowed down particularly in polyester as people are postponing purchases waiting for prices to correct further.

While our October sales have been at par but we are expecting a sharp decrease in sales in the first half of November. But I hope that it should pick back up after Diwali holidays. Nylon has however remained un-effected and we continue to sell well. In Palghar the supply issues that we faced in the last couple of quarters have more or less been resolved as a result of development of new and more robust supply base as many of you would know, the financial condition of many of the large POY players which are relatively big in size has only weakened and some of them have even approached NCLT. While we had recorded highest sales in August, since then the volatility of polyester prices in RM has really taken a toll on Palghar business. Utilizations are down in October but however the situation is expected to improve post Diwali. The Thilwa lining is that new product development is on and fall flow and we have opened up some new segments which we were previously absent from. Namely the carpet segment. Bulk orders are started to flow and we expect this new business to grow over the next 3 to 6 months which should help in improving utilizations in Palghar.

On the BCF front, new lines have now been commissioned. We have 2 parts to the expansion. Tri color which is 50% and mono-color which is 50%. Mono-color is our existing product and tri color is our new product that we are in the process of launching. While mono color lines have started up as per expected, the tri color lines will require some fine tuning. Further while we have good enquiries on tri color it will take at least couple of quarters to ramp up. We expect mono color lines to be fully utilized by may be Q4 and tri color lines to be utilized more by Q1 of next year. Tri color lines can however be run on mono-color if our mono color orders improve. On the business front we have added a new bulk customer this quarter in polyester and started advance stage trials with 2 more large customers. Solution dyed nylon volumes in BCF for the highest we have ever done. This is a great sign as we are amongst a very small set of players globally offering this product. We are typically replacing high cost economy players I this business. This quarter solution dyed nylon was more than 15% of total BCF business and we are expecting this to increase hopefully. Comfeels' first bulk supply has reached one of our partners and initial feedback is encouraging. We are in the progress of sampling with other customers in other different geographies. We have executed our first order in this quarter and are expecting another trial order from a different customer in a different geography shortly which is also very encouraging. Overall with the exception of this dip in Palghar and Polyester site business in textiles, which we hope should recover post Diwali. Finally, after 2 bad years

we are seeing some positive light at the end of the tunnel. If the external environment is positive or even remains neutral with no further shocks, I hope to start seeing better results very soon. Capex cycle is also towards the end. Which means that we should hopefully start seeing positive free cash flows towards the balance sheet. Target for the new year would be to payback some of the debt as opposed to further CAPEX. The reducing RM prices should also further bring down working capital adding to the free cash flows of the company. With this I hand over the floor for any questions.

Moderator

Thank you. Ladies and Gentlemen, we will now begin the Q & A session anyone who wishes to ask a question may enter * and 1 on their touch tone telephone. If your questions have been answered and you wish to withdraw yourself from the que you may enter * and 2. Participants are requested to use handsets while asking your questions.

We have the first question from the line of Ridesh Kanthi from Discovery Capital. Please go ahead

Riddhesh Gandhi

Hi Abhishek, A couple of questions. One is on this anti-dumping duty that they put on the Nylon. Is there any impact in benefit to us on that?

Abhishek Mandawewala

So the anti-dumping duty has come on Vietnam players. Some players from Vietnam. Now Vietnam has historically been a major supplier of FDY Nylon. And in that segment, we don't have much of a presence. But it has a rub off effect on the other products also. For example, because FDY was so depressed, many people in the FDY space had converted their lines to POY. And that was having an impact on even POY. SO indirectly there is an impact but directly there is no impact. Plus let me also tell you that as the Anti-dumping duty has come on Vietnam, now some of the player have started to approach Chinese RM suppliers and Chinese Yarn suppliers. So, that might have a negative impact.

Riddhesh Gandhi

The other question is in terms of how long you expect stabilization of your new PCO capacity and to be running at 100%. Do you expect that to happen in this quarter or?

Abhishek Mandawewala

The mono-color, hopefully we should start running from Q4. May be some time in Q4 beginning idle end, I can't be precise, but some time in Q4 the mono-color line should be operational fully. We are still running the lines, but it will take some time to ramp up to full capacity. And tri-color may be conservatively speaking hopefully calendar year 19-20. First quarter, I mean financial year 2019-20 first quarter. So, April may June 2019 we should be able to run that. In the meanwhile if we have some more mono-color orders then the tri color lines can be converted to mono-color also.

Riddhesh Gandhi

Over all the impacts of the, I mean the way you assumed that even if things remain stable, you expect to see an uptake in EBITDA and earnings. Obviously the Q2 strategy is a bit challenging, but I mean if things remain stable how will that help in terms of an improvement.

- Abhishek Mandawewala** Utilizations efficiencies of the existing line as well as I said lot of cost reduction initiatives that we have taken up which are starting to come on stream. Plus, the BCF expansion should also start adding to bottom lines. So, and finally the RM price reduction should also start to help in some way or the other. So, confluence of factors. Hope fully in the middle we are just seeing this slow period right now; the next 15 days will be very challenging until Diwali and hopefully after Diwali everything should pick back up. Because you know in September the prices went up by 20 rupees in polyester and you know and that is in last 15 to 20 years, I don't think anybody has witnessed something like that in one-month price is going up by Rs. 20. And then obviously it could not sustain and it started dropping off a cliff and people are expecting prices to fall further and even the RM since it is weak, that is further accentuating it. So, people are just waiting and watching and the word is basically that hopefully by Diwali the inventory should allow some ordering back to take place after Diwali and things should go back to normal.
- Riddhesh Gandhi** Just the last question. In terms of how much the operating free cash flow have been generated in H1 of the year?
- Himanshu Dhaddha** No Ritesh, we don't provide any guidance on profitability.
- Riddhesh Gandhi** No, I am asking he H1, are we already behind us?
- Himanshu Dhaddha** Oh okay. Net cash flows from operations was almost 11 crores.
- Riddhesh Gandhi** These is for the quarter or for the half year?
- Himanshu Dhaddha** For the H1 I am saying.
- Moderator** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta** Good afternoon Abhishek, my question was regarding the other expenses. This quarter we have seen a top line growing by almost 32% and other expenses have also grown in line from around 32.3%. So, one thing that we were expecting is that with the increasing volume and because of increase in realization, the other expenses as a percentage of revenue should come down. Which hasn't happened I this quarter. Any specific reason for that?
- Himanshu Dhaddha** Yes sure. Himanshu here. You are absolutely right. But these other expenses as we see in the P&L, part of it actually includes variable expenses like freight commission, packing material, dye chemicals, etc. So, those costs actually are variable to the extent of sales increase and plus since these dyes, chemicals cost and packing material cost have increased much higher than what actually would have increased, so that also an effect on the overall increase in the other expenses. Apart from that hedge portion more or less other than some RM cost increase which

is cyclical in nature as well as some legal and professional which could be say once in a quarter it comes. So apart from that I don't think that there is much of increase.

Ankit Gupta The other question was regarding the gross margins. The gross margins have also seen a decline of almost 350 basis points compared to last year. Although there has been some improvement on QOQ basis. So, this is primarily because of increase in volatility that we saw in prices of RM like polyester and Dye.

Himanshu Dhadha Actually the gross margin is after the RM prices. And so, currently it should be compared to Q1 rather than the last year Q2. There is one more factor here. You have to remember that the RM prices have shot up like anything. And you know in rupee terms as a result of that percentage comes down. So, the absolute margin might remain similar as compared to last quarter but in the percentage terms it has an impact because the sale price is also higher but the RM is also higher. So, percentage margin on the overall full some becomes less. If you know what I mean.

Ankit Gupta Okay sir I got it. The second question was on the BCF lines. So, the expansion, we are almost on the verge of completed. So, post this expansion, how much will be the increase in capacity of BCF line?

Abhishek Mandawewala Roughly 50% increase in capacity.

Ankit Gupta Any expectations on when we should expect the ramp up to start? Let's say reaching a 60% to 70%. Can we expect that in FY20 itself or will it take time?

Abhishek Mandawewala Yes. Even some small increase should start immediately as the line starts, and you know over a period of time the utilization should continue to increase and hopefully by Q1 next year everything should be on stream fully.

Ankit Gupta Another thing I wanted to understand was, some of the initiatives that we had taken on the Nylon and Polyester line to get into strategic customer? So where are we on that front and you know, that all that we have started a year back, or a long time back and we had started supplying samples to them, where are we on that front apparently.

Abhishek Mandawewala We have added quite a few customers in the last year and the volumes with them have remained consistent. We are hoping to add few more customers ad right now we don't have any new news, but overall, I think I am happy with the progress that we are making even I that division.

Ankit Gupta Are you seeing ramp up in volumes on them?

Abhishek Mandawewala Overall with the strategic customers, the volume has remained constant at least in the last quarter. I think, with time the volume should start increasing again. There has been no addition

of any new customer in this last quarter, but there are lot of samplings which are continuing to happen. And we hope some of that will converted into business. As and when it happens, I will keep everybody updated.

Ankit Gupta On this Nylon and Polyester, sales from these strategic customers, will that be around 5% to 10% of our sales or it has increased to a much higher level now?

Abhishek Mandawewala It is still a small portion, but it continues to increase. So, for example we also supply to our sister company and we definitely consider that as part of our strategic business. Apart from that in the last 3 to 4 quarters we have added lot of customers. I would say it is somewhere in that ball park, but it is still not a significant portion. You must remember that in Nylon, which is a good part of the Nylon and polyester part, that is basically majorly to non-strategic customers. So that takes the percentage of overall strategic sales down. But in polyester you know we have a good chunk of strategic customer sale.

Ankit Gupta Coming back to the BCF expansion that we have done, we have this planned expansion, that will be around 100 or 110 crores of CAPEX that you are doing. What kind of asset turns can we expect ton that, on full utilization level?

Himanshu Dhaddha So the overall project VI it is around 110 or 120 crores. But the entire project VI is not of BCF. So BCF would be around 60% of the overall project VI. As far as asset ton is concerned, I think overall at a company level it is around 1.8 and it will continue to eat the same levels for the BCF also.

Moderator Thank you. The next question is from the line of Rohith Potti from Marshmallow Capital. Please go ahead.

Rohith Potti Thank you for the opportunity. Just wanted to clarify that the increasing BCF capacity of 50% is including all the lines that are coming on stream from Project V a Project VI as, well right?

Abhishek Mandawewala Correct. Absolutely.

Rohith Potti the next question I have is, in the annual report f this year you mentioned that there are 6 new verticals that you have created. And you have mentioned that the sales and business development team is now complete and you have created 6 new verticals during the last year. Could you speak a little more about this?

Abhishek Mandawewala Right! So, I won't go too much into the specifics but basically, we started this exercise almost 2 to 2.5 year back. We had identified 6 verticals in the Polyester segment and Nylon segment. By application. And you know we recruited a business head for each of this segment and you know for example automotive was one segment where you know we made fantastic progress in the last year. Industrial Yarns was another segment where we made good progress. Denim

was a 3rd segment where we made progress. So, in this way we have formed 6 verticals and you know, each of these verticals the object and idea are to build relationships with strategic customers and bring more business. So, this activity was completed in the last year. And As a result of that we are getting these extra strategic customer sales.

Rohith Potti Understood, so this primarily in the Nylon business.

Abhishek Mandawewala Correct.

Rohith Potti Okay understood. And so, broadly I believe you have 17 brands within the business right now. I basically counted from the annual report itself. Just wanted to get a sense of how comfortable you are with the position of each of the brands in the sense that how many have scaled up to the level that you are happy with and how many are yet to scale up to the level that you would like to see them?

Abhishek Mandawewala You know, there are couple of brands that have really showed lot of promise. The one that comes to my mind is certainly Sorenyl which I spoke about earlier in my introduction note I cis basically the brand that we have created for solution dyed nylon. There we have ramped up like anything. Similarly, with Comfeels, I think we made fantastic progress on BCF on Palghar as well as in textiles. And you know, you start off small but you know, as the product goes out in the market the other people see it and you know and then they also want that product. In BCF you know we have mentioned that in last quarter we have got our first bulk supplies and I mentioned that this time that we had our sales reaching our customers and they are giving us a positive response and even in other geographies we are getting enquiries for Comfeels. Couple of places we have started advance sampling With Comfeels we are replacing some existing products in the market. So I am happy with the progress that we are making with Comfeels also. Another brand called Silque that were launched about a year back, primarily for the domestic business, it is a very unique product. I think there is only one other manufacturer in the market currently today making that product and the sales have been up and down but if you look at the 12-month trend, it's on the improvement path and we hope that the brands like these will start to form more and more an important part of our overall sales, which will lend more stability.

Rohith Potti Okay understood! If I am not wrong some three brands that you mentioned, Comfeels, Sorenyl and Silque, all of them have been developed over the last couple of years, right?

Abhishek Mandawewala Yes.

Rohith Potti Even the other brands which are in the list, all of them has been developed only in the last couple of years.

Abhishek Mandawewala There are some existing ones which has been named and branded but I would say that majority of the bands have been developed in the last couple of years.

Rohith Potti Understood. And answer to the previous part of the question was that the orders has been consistent from the new strategic customers, but could you explain a little more on the sampling activity. How has that moved over the last year, if you could explain that would be helpful.

Abhishek Mandawewala Right! You know when we started this process may be 2 years back, maybe we were all over the place, we had little bit too much of sampling which was going on and big part of that sampling was not asked by the customers, but it was us doing trial and error. You know over a period of time we realized that we must minimize the activity where we are doing something without market feedback and we should try and focus more attention towards activity where the customer is asking us to do certain products. So, we started focusing on the second part and lot of the 6 segments, the sampling activity has increased tremendously let's say over the last 12 months as compared to before. Unfortunately, what happens is for every 10 to 20 samples you make you end up converts one business. But largely the business that we have been converting we have been able to hold on to that business and its lending an increasing amount of stability. Of course, you have ups and downs like the one you have right now. But overall, I would expect that there will be an improving trend in most of the segments. Particularly let's say automotive we are doing very well. Even on the textile side, on the carpet side of business, there is a tremendous spurt in sampling. There are several extremely large customers who are with whom we are doing some good amount of sampling, hopefully some of that should convert into business. Even on denim, we were successful earlier with one large customer, we are almost on the binge with another customer. So, it's a time taking exercise. So, it's a time taking exercise but you know some times you might see that the sales from this segment is going up, but sometimes you see that its flat, but you know over the long, if you ask me about progress over the last 2 years, I am certainly happy with the way we are progressing.

Rohith Potti These is something which is not very common to see. The willingness to take so much short term pay in for the long-term gain and that is very nice to see as well. I was wondering, on this front if you could explain a little more on the product development activity. Because I understand that you cannot give a lot of details because of confidentiality. But it might help us as investors to understand how you go about, I mean how many products for example you have under development in the pipeline at what point do you kill a product, how many become success, what is the hit rate when you are developing a product along those lines if you could explain.

Abhishek Mandawewala Unfortunately I don't have a measurement criterion with me right now. But I can say that the it rate is very low. So, we have to do a lot of samples before we actually convert one business. Partly to do with many times the customer themselves are trying something new with us. So even when they give us a specification, they are also not sure whether that is the right

specification for the end product. So, it is an iterative process. Its very hard to say, you know in the 6 segments we have different rates of Success. There are some segments where sampling rate of success is over 20% to 25%. But there are other segments where the sampling rate of success is less than 5 percent. And that also changes with time. So, it depends on how much progress we have made in a particular product. You know, sometimes it takes 4,5,6 attempts a then suddenly you start seeing inflow of lot of orders. Sometimes it happens in the first shot, so you know it's a very unpredictable activity if I can tell you. Its not an exact science and to be honest even we has learning. So, if you ask me 2 years back, we really went over board and there are was almost an excessive amount of sampling which was happening and we tried to curtain a lot of that and we found some successes but also some failures. But overall, I think we are moving in the right direction.

Rohith Potti Are there any products where you are developing or development is happening in conjunction with the customers. Or where you developing a product together?

Abhishek Mandawewala Yes. So, most of it is generally, well I should not say most of it, but a good part of the new product development as I said earlier is in conjunction with the customers. Earlier we had a lot of sapling which was done from our end which we were trying to push to the customers, but now we have changes slightly and majority of the developments that were doing now is, the customer gives us a requirement, and then we work together to develop a product together with them. Comfeels for example is one example where we worked with the customer. First, we gave them the product. It took some time to get a reaction, and then from there they gave us a different specification and 4 or 5 iterations happened until we finally decided that what product we are going to make and what specification of finished products we are going to make. So, we are making yarn and then what finished application product they're going to make and what is going to be the specification of that. So, it's an iterative process.

Rohith Potti On a different topic, in the last conference call you mentioned and in the annual report also you have mentioned that there were a lot of low-lying suits which you wanted to work on at the factory level. Which would be done over the next couple of quarters. If you could detail on the progress of that, that would be helpful. One I think for example was the Palghar where you had enough orders but you had to do some efficiency improvement to execute them etc.

Abhishek Mandawewala By the time we did the efficiency improvement, unfortunately the market went for a toss. Hopefully but some of that should come back towards the end of November. But certainly, we made, you know on planned matrix you know I said even in the introduction call, that we made good progress in both the plants. We have got very capable leaders, who are present in both the plants. Both the leaders have come in within the last year or so and they are extremely capable leaders and you know the matrix have itself improved. The efficiency downgrade matrix has improved. There are other initiatives that we have taken on cost. For example, we were running 2 wear houses in Rakoli and from that 2 wear houses we have shut one and we were paying rent and we are paying for equipment like forklifts and all that and we have shut

all that, and we have concentrated and tried to reduce our inventory and manage the inventory in one wear house. So, you know some small initiatives we have taken which might not be reflecting in the current quarter but I am sure that within the next 2 to 3 quarters we should start seeing some impact of those initiatives.

Rohith Potti Last question from my end, could you give us the capacity utilization numbers across the segment?

Himanshu Dhaddha Yes sure. Overall, at the AYM level it is at around 77%. At Palghar it is slightly higher at around 80% and the Rakoli it is at around 76%.

Moderator Thank you. The next question is from the line of Rohith Balakrishnan from Vriddhi Capital. Please go ahead.

Rohith Balakrishnan Hello. Thank you for the opportunity. My first question is that in the last conference call you mentioned that the debt should speak out in this quarter. So, the current debt which is around 200 to 230 crores. Is that the right way?

Himanshu Dhaddha Yes so, the net debt in the current quarter is at around 262 crores. Overall, if you see next few quarters, this should be the peak out debt. But in the interims next 3 to 4 months it might increase to some level.

Abhishek Mandawewala So the CAPEX cycle has completed Rohit. We are not committing any further investments from here on. But there are some pending payments which are left of already committed capital so for example, the BCF lines that we commissioned, 90% of the payment has been done, but 10% of the payment, you know the guarantee payment, that will come after quarter or 2, So to that extend those turbans are still left but more or less committed CAPEX is now completely over. There is not further new committed CAPEX that we will do. Only the further expenditure that will happen will only be to the extent of the CAPEX that has already been committed. Even for that we are towards the end of it. May be a quarter or 2 we should be completely ended with CAPEX.

Rohith Balakrishnan That's helpful. So, by the end of this financial year, or by the start of the next FY, we should start seeing some leveraging happening right?

Abhishek Mandawewala Certainly. So, our plan is very clear for 2019-20. The year 2019-20 we have no plans to do any CAPEX. We want to completely limit all expenditures and we want to start reduction of debt and improving the quality of balance sheet. I think we have enough apples in the basket. We have enough leavers to improve the profitability. We don't need to commit anymore CAPEX from here.

Rohith Balakrishnan Secondly, I am not sure if this was covered, I joined a bit late in the que. There has been an antidumping duty on nylon. So how does that change the equation for us in terms of the overall Nylon cycle, that segment.

Abhishek Mandawewala I have answered that question already Rohit. If you look at the transcript as the call ends you will see the answer.

Rohith Balakrishnan Sure. And the last question was that, in the answer to the previous question, you mentioned about 6 verticals that has been mentioned in the annual report. So, if I can may be ask which vertical are you very optimistic on, where you think that your seeding has been done and you have got the product market fit in now this question of scaling up. Why do you think what are those 2 or 3 verticals that you are very bullish on?

Abhishek Mandawewala One of them would certainly be the industrial segment. We started this segment in Jan 2017. And we had an old Chinese line that was making low-end low-quality product and we converted that line into a much better-quality line and we created a product which was not being manufactured in India. It was an industrial yarn. We started with that line, we converted another line. Now we are in the process of converting a 3rd line so I think we are getting good volumes almost let's say 60 to 70 tons of volumes in this segment and we are expected to further increase as we go along. And it is that one segment that I am very positive and hopeful about.

Rohith Balakrishnan Any other apart from this?

Abhishek Mandawewala I mean every segment we have had some progress or the other. So even Automotive we have had. If you look at our automotive volumes, again we have touched almost 100 tons. The last quarter was the first time we did 100 tons in automotive segment. Some of that was from previous quarter's orders. Some of that was from this quarter's orders also. But automotive is another segment where we have gotten our good footing. Denim also is a segment that we have touched. In the past we have touched 100 I am giving you is per month. We have touched in past 100 tons. Now it's slightly slow, but we are expecting it to pick back up. We are also expecting some customers to be added so over all these segments are starting to contribute to well if you ask me to the overall sales.

Rohith Balakrishnan In terms of these segments' margins, so. I mean how do you internally track? Do you have a segmental kind of segregation that you have, to track a return matrix? Because you have always said that the internal benchmark is 20% ROCE at least. So, how do you? If you could just explain. And when can you start sharing some of these numbers with the investors?

Abhishek Mandawewala So, unfortunately, it's not possible to track the segmental numbers because many of these products are made on the same lines. I am not sure whether he will be able to provide segmental number. What I can say is that we do some back of the hand calculations where we

see that what are the assets that are utilized to make that particular product. What is the production that we get on those assets as a result of which and what is the EBITDA we get per kilo and as a result of which over the year, for that investment what is the EBITDA that we can generate? Total EBITDA I mean. And as a result, what is the returns that we can make? So that is back of the hand, back of the envelope kind of calculation that we do. But in general, most of the new customers that are getting added are healthier than the average.

Moderator

Thank you. Ladies and gentlemen due to time constraints that was the last question. I would like to hand the flow back to the management for closing comments. Please go-ahead sir.

Himanshu Dhadha

Yes. Thank you everybody for attending the conference call and happy Diwali in advance.

Moderator

Thank you Gentlemen. Ladies and Gentlemen, on behalf of AYM Syntex Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines. Thankyou.