



## "JBF Industries Limited Conference Call"

May 31, 2011





MODERATORS: MR. RAKESH GOTHI

Mr. Purshottam Thakore, CFO

MR. VIJAY NARA





**Moderator:** 

Ladies and gentlemen good day and welcome to the JBF Industries Limited Q4 FY'11 post results conference hosted by Fortune Equity Broker India Limited. As a remainder for the duration of this conference, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "\*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Vijay Nara. Thank you and over to you sir.

Vijay Nara:

Thanks for joining us for Q4 FY'11 results con call for JBF Industries. On behalf of Fortune, I welcome Senior Management of JBF Industries, Mr. Rakesh Gothi, CEO and Mr. Purshottam Thakore, CFO. I welcome them for this conference call and I would like to hand over the call to Mr. Thakore for brief overview on the results and post that we could go for a Q&A session. Over to you sir.

**Purshottam Thakore:** 

We have Mr. Gothi, our Managing director and CEO and I will request him to just brief about operating business as well as throw some light on the industrial scenario and after that I think we will open it for question and answers.

Rakesh Gothi:

I will just give a brief gist of the salient features of our financial results for the year today that is FY'2011. These are some consolidated numbers. As you would have seen, the consolidated turnover has gone up to 6, 471 Crores from 4944 Crores, which is reflecting an increase of 31%. Our EBITDA is up to 958 Crores from 470 Crores, which is increase of 104% and the profit after tax is up to 546 Crores from 190 Crores, which is an increase of 187%. You must have already observed that the board has already declared a dividend of 80% on every equity share Rs.10 each. As a percentage of sales, the EBITDA number has gone up to 15% from 9.5% and the PAT is up to 8.44% up from 3.85% in the corresponding period last year. In terms of the salient ratios currently we are having a return on net worth, which is up to 45.62%, and the return on capital employed stands at around 24.36%. The debt equity remains below 1 at 0.65. It is a long-term debt-equity and earnings per share are in the ratio of 81.20 on a consolidated basis. The salient feature of the last year result was basically good performance from our film division where the realizations were substantially higher as compared to corresponding period last year. At the same time, we could also take the full advantage of our POY expansion from our Silvassa Plant and at the same time, the product mix in POY had also moved up to higher value added yarns, Consequently the margins have been higher in the current year.

In terms of production, the production of film was up to 75,000 tonnes as compared to 55,000 tonnes. The PET chips were up to 342,000 tonnes as compared to 362,000 tonnes. Chips in India were at 484,000 tons and POY in India was 219,000 tons, so these are also higher numbers as compared to the corresponding period last year. The production increases in India were in all the divisions as following the debottlenecking exercises. For the current financial year, we will be



increasing our film capacity by another 30,000 tonnes and the chips capacity increase will be completed by June of current year and we expect that with these capacity increases, the total turnover for the current financial year should be in excess of 7,000 Crores. I believe I have covered by and large the salient features of the last financial year's performance. Mr. Thakore, you have to add anything apart from these or can we go into the questions and answers.

Moderator: Thank you very much sir. The first question is from the line of Jignesh Kamani from Nirmal

Bang Securities. Please go ahead.

**Jignesh Kamani:** I wanted to know about film price and (indiscernible) 6.54 price which shot up to almost 182

rupees per kilogram in RAK is expected to drop down, it is already visible in India, so what is the

current price and what is your outlook in near term and long-term on that?

**Rakesh Gothi:** Well it is like that we as JBF Industries sell our film only from our UAE plant at RAK. We are

marketing on international basis and we have no sales in India as far as that part is concerned. However, as has happened in India, the prices in the world market have also fallen down. For example, if you take the last quarter's average, it could have been around \$3800 to \$4000, 4020 per metric ton. As of today, they would be ranging around \$3000 to \$3200 per metric ton. So the prices have definitely come down. That was expected. I think if you would remember our last meeting we did not make a statement that if these prices are abnormally high we do not expect

these prices to continue in this range over a period, so that is the worldwide phenomena and that

is the number with us.

**Jignesh Kamani:** Has this price stabilized more or less or will it further decline from here?

Rakesh Gothi: What we see is that because the international raw material prices have also come down. For

example, the raw material prices of PTA have come down over a period of last one-and-a-half months or two months by around \$300 per metric ton, so also MEG prices are down. We believe there will be slight downward pressure again on the film because of the ability of people to pass

on the cost decreases.

**Jignesh Kamani:** But there would not be any decline in the delta margin from here?

**Rakesh Gothi:** From here, I do not believe that there will be any decline in the delta margin.

**Jignesh Kamani:** Sir out of 76,000 tonnes we produce, what is the mix between the commodity and premium this

vear?

**Rakesh Gothi:** The numbers are approximately 19-20% would be the specialty variety.

**Jignesh Kamani:** Debt will go to almost 33% next year I suppose.



Rakesh Gothi:

The specialty film is being commissioned by end of December, so the full impact of the production will be felt in the next financial year, which is April 2012 to March 2013. At that point of time may be the numbers could be in the range of 30%.

Jignesh Kamani:

In India, we witnessed textile strike on account of budget and everything, so we have witnessed any problem in terms of inventory piling up in the entire channel?

Rakesh Gothi:

That has been the phenomena, not because of the strike, but largely because what happened is that as I said little bit earlier the prices of raw material were on a downward trend over the last one or two months correspondingly the customers expected the prices of the finished goods and other product also to be coming down and these slowed down there purchases, so correspondingly yes there was some stock increases over the last one or two months but as of today we find that the moment has picked up all over again and hopefully these stock increases will get nullified over a period of next month also.

**Moderator:** 

Thank you. The next question is from the line of Monami Manna from Mata securities. Please go ahead.

Monami Manna

I have some questions regarding this new PTA plant that you are going to set up in this Mangalore SEZ, how is it going to reflect in your revenues and then how to go about it and other things in rack also you are setting up a few days back there was a news that you have setting up PTA facility to source it from BP's Belgium plant, going forward how does it reflect into revenues and from when we can see some material impact on your revenue from this?

Rakesh Gothi:

It is a very interesting question and I should have probably briefed on this in my introductory notes to you but anyway since you have taken it up I will give you information on this right away. The Mangalore project is for producing 1.12 million tonnes of PTA. As you would be aware that earlier, that is almost one year back, we had planned that we would set up a similar capacity project in Oman and at that point of time it was 30% equity from the Oman group and 70% from our side. For whatever reason due to certain unrest in Middle East region and due to certain, I would say, restructuring of manpower and higher ups in Oman, there were lot of delays which have accrued on this project, today also there is lot of uncertainty in Oman and especially with reference to this project and we were getting delayed. We have left this Oman issue as it is standing and we decided okay we shift from Oman to Mangalore and this is also going to be SEZ, the technology that we are tying up and the engineering group that we are tying up are all the same and virtually the kind of investments we were thinking at that point of time are also more less or the same. In principle it is same project but shifted from Oman now to Mangalore, we have already acquire the land in Mangalore for taking up this project. We are in the process of environmental clearance, which takes a little bit of time and tying up the engineering aspects as well as the technology aspects, of course, the technology aspects have been tied up before work needs to be completed, so we are going ahead full swing on the Mangalore project



Monami Manna:

One thing, in that you arranged one concall and then when this Mangalore SEZ news came up and if I am not wrong you said that this project will be 5-7% cheaper then if it were to set up in UAE and your logistical cost and transportation cost for paraxylene will also be a little lesser if you have to set up in UAE, how those things pan out?

Rakesh Gothi:

It is cost of construction in a place like India and with reference to SEZ etc., is going to be lesser, so we had said that the cost of construction would be on the lesser side here. At the same time, what we are envisaging is that our paraxylene supplies also are just going to be next door, we are envisaging, of course we are in the process of tying up that aspect, OMPL which is going to be our neighbor is going to be supplying us paraxylene to the maximum requirements that we will be wanting, so from that point of view this location is as convenient as any.

Monami Manna:

But sir, transporting this for domestic consumption as well for your RAK capacity, if you were to set up it in Oman that will be next to RAK and instead of that now you are setting at in Mangalore, how does the cost structure differ?

Rakesh Gothi:

There is not much of a difference, if it was in Oman, Oman 2 JBF was one transportation, Oman 2 partly to India was another transportation cost to the South East Asian market was another transportation cost. The geographical issues once again to UAE is just about two days transportation, South East Asian market is a cheaper cost, our plants will be more or less similar cost or maybe lesser as if we were to incur from Oman to our plants in India, so we have calculated that as of now the transportation cost will not be very different.

Monami Manna:

Sir if you can give me some update on this recent Belgium with that BP thing?

Rakesh Gothi:

As far as the BP thing is concerned I think this aspect we have been pursuing for over the last three years it is setting up of a PET plant, next to the PTA plant in Geel in Belgium. BP has a PTA plant as well as paraxylene plant just within that complex, within the boundary walls they have adequate space from PET project and they have been taking to various contenders or various manufactures of PET who are having exclusive PT that if they can set up a PET plant next door to their PTA plant, it is win situation for them so that they can just sell their PTA to neighboring unit, to a co-located unit and it is good for PET plant as well that we are able to procure PTA just by a pipeline if we are co-located.

Monami Manna:

What is the capacity of this new facility?

Rakesh Gothi:

390, 000 metric tonnes per annum.

Monami Manna:

That will almost be similar of the current capacity of RAK whatever you are having, almost nearly 4 lakhs, so it will be almost doubling.

Rakesh Gothi:

That is right.





**Monami Manna:** And it will come up around FY 2013-2014?

**Rakesh Gothi:** Around mid 2014 and the interesting part of this project is that we expect consumption would

buy and large be within 100 kilometer radius in the European sector. We should be at an

advantage in terms of transportation cost also and by supplying to our vendors.

**Moderator**: The next question is from the line of Naga Deepika from Capital Market. Please go ahead.

Naga Deepika: congratulations on a good set of numbers. It is relating to the previous question on the fall in

input prices and the product prices, what is your outlook on the industry, would the industry be

able to hold on to the per tonne conversion margins or do you see any pressure on that front?

**Rakesh Gothi:** In view of the volatility which has been witnessed in the last two to three months and in terms of

what we are seeing certain new plants of PTA in China, at the same time we are also seeing lot of MEG tightness towards the MEG because there is no new plant in MEG. There seems to be lot of volatility in the raw material prices, to be honest with you we feel that the margins could be under pressure though we will try at our end that by way of some high margin products and speciality products in chips or in POY we would have come to the same numbers as we have had

in the current year, but yes there is a short of I would say we would be a bit conservative when

we would be speaking on the current margins.

Naga Deepika: But will be able to maintain the current quarter's margins on the EBITDA front?

**Rakesh Gothi:** It is a bit difficult to say at this time.

Naga Deepika: Okay, no problem. My second question is polyester has been included in the focus product

scheme for exports so what is the export benefit as a percentage of FOB on both POY and PSF

exports?

Rakesh Gothi: If I am not wrong we get an additional 2% in terms of the BEPV rate if POY is included in the

focus market scheme as far as I remember.

**Naga Deepika:** But after BEPV which will be ending by June?

Rakesh Gothi: We do not know what is new scheme coming up, but we only believe that after June ending will

all our exports will have to be done in the advance license scheme.

Naga Deepika: Going through you presentation, I could see there is decline in chip production in RAK UAE

operations; can you please throw some light on the chips production there?

Rakesh Gothi: That was largely due to the shortage of raw material PTA, even in India we suffered slightly on

that account. The PTA worldwide was under tremendous shortage over the last six months and at



the same time what happened is we were able to procure as much as possible, but it was due to the shortage of PTA supplies from various world sources there were certain turnaround, there were certain shutdown and at the same time the demand was very high over the last six months, so we also faced shortage on the PTA front like any other company and therefore the production has slightly come down for the chips, nevertheless the margins were higher.

Naga Deepika: I got it, on the CapEx fund. What would be the CAPEX for this Mangalore SEZ and the BP,

Belgium?

Rakesh Gothi: Current estimate for the Mangalore (SEZ) would be around \$700 million and the estimated

amount for BP project would be around 100 million Euros roughly.

Naga Deepika: How are you trying to source this CapEx fund?

Rakesh Gothi: There will be equity as well as in term of long term debts we will be taking, we are trying to go

through the financial closure for both the projects we will come back to you with the details

when it is finalized.

**Moderator:** The next question is from the line of Miten Lathia from HDFC. Please go ahead.

Miten Lathia: Sir this PET plant in Belgium that we are talking about what size are we looking at and why is it

that BP does not want to execute it itself wants a third party to set it up?

Rakesh Gothi: Answer to the fist part is the capacity would be 390,000 metric tonnes per annum PET project,

> now why BP does not do it themselves it is I think more or less their corporate philosophy, they tend to stick to the upstream project, which would be like oil exploration, gas exploration, crackers, PTA. They do not have a policy of going down further. You will find worldwide there is hardly any PET plant from BP they are only in PTA they would be in the upstream products like paraxylene etc. So it is their philosophy that they promote their downstream products with

their upstream products, which are more capital intensive and more technically oriented.

Miten Lathia: You said you would not currently be able to give estimate of what the capital outlay on this plant

would be?

Rakesh Gothi: 100 million Euros, approximately \$160 million.

**Moderator:** The next question is from the line of Apurva Doshi from HSBC. Please go ahead.

Apurva Doshi: Congratulations on good set of numbers. First thing this Mangalore SEZ you said environmental

clearance is pending, so what is our estimate of that and construction period, I believe about is

what 24 months or?



**Rakesh Gothi:** From zero date we believe anywhere between 30-33 months is the time when the plants will get

commissioned. The zero date has already started, I would say around May 1 and we have already approached the authorities for environmental clearance. The environmental clearance takes anywhere between four to five months, and in case we will not be able to do anything because it is the monsoon time and the construction cannot be started; however, the leveling of the land is virtually is getting completed now, and once the monsoon starts no construction can be started.

We believe we will be able to start construction somewhere in the month of October.

**Apurva Doshi**: You said same technology, but is the partner also same, Oman has a stake or its 100% JBF.

**Rakesh Gothi:** It will be 100% JBF.

Apurva Doshi: Because there we are talking of key inputs from Oman, so now where we will get those key

inputs?

Rakesh Gothi: In SEZ Mangalore, there is another unit of ONGC, which is called ONGC Mangalore

Petrochemicals Limited. It is an aromatic complex coming up at an investment of almost 6, 000 Crores, we are going to be producing about 900, 000 tonnes of paraxylene and 200,000 tonnes of benzene. We expect to pick up paraxylene from there and at the same time we are also leaving an option of importing paraxylene and the port is very close by to Mangalore about 6 to 7 km a dedicated pipeline will be setup from the port to our plant for bringing in the paraxylene as well

as any other liquid raw material that will be necessary.

**Apurva Doshi**: So, there is no signed agreement with ONGC offtake off paraxylene, right now

**Rakesh Gothi:** Not yet, but it is fairly obvious that it will be in their interest.

Apurva Doshi: Of course because you are next to each other, so it will take basically 30-36 months and this

Belgium 1.

**Rakesh Gothi:** Belgium 1 we are targeting mid 2014 for commissioning of the project.

**Apurva Doshi**: CapEx you said \$160 million.

**Rakesh Gothi:** Approximately yes.

**Apurva Doshi**: What is the debt to equity in this project?

**Rakesh Gothi:** We are process of setting that up, so at this stage it is not finalized, but we will be coming up

with those numbers subsequently.

**Apurva Doshi**: In expansion in India I think chips going up from 565-626? What is the timeline?





**Rakesh Gothi:** That is by June ending we should be finishing that off.

**Apurva Doshi**: Before monsoon and POY there is no expansion.

**Rakesh Gothi:** We have already completed last year.

**Apurva Doshi**: 235 is final.

Rakesh Gothi: Little bit of debottlenecking we might be doing here and there, but apart from that there is no

major expansion plans as of today.

**Apurva Doshi:** So 235 will be available full year at this year. Chips in RAK from 390-430 timeline?

**Rakesh Gothi:** by June, I think it is on, by June end we should able to finish off, so for the nine months we

should have that capacity available.

**Apurva Doshi:** Nine months full 430 and films when is it coming the 66,000 (ph).

**Rakesh Gothi:** The next bigger capacity of 36, 000 tonnes that is slated for the end of this year, we should be

able to complete in the first quarter by end of this year, so the full benefit of this will be available

from the first quarter of next year.

**Apurva Doshi:** So, I think March 2012 this will be ready.

**Rakesh Gothi:** In December 2011 this should be ready, February, March quarter advantage of this section of the

production should be made available to us.

Apurva Doshi: In your presentation in terms of price realization we have mixed chips I think in terms of India

and RAK, can you give the break up over there?

**Rakesh Gothi:** May be I think later on, I will come back to you that separately because we would have to

recalculate those numbers.

Apurva Doshi: Because volume numbers you have given perfect breakup of India RAK, but I think realization

you mixed up.

Rakesh Gothi: One would be in rupees per kilogram and the other would be in dollars, we need to separate it out

and give it.

**Apurva Doshi:** What will be trend in the POY prices, recently, because cotton prices have fallen sharply, so?





**Rakesh Gothi:** Correspondingly cotton prices have come down, knit yarns have come down, PT and MEG has

come down, polyester yarn are also no exception, so there has been decline in prices of yarn.

**Apurva Doshi:** What are the current POY prices?

**Rakesh Gothi:** Currently, the POY price as of yesterday was 95 rupees per kilogram inclusive of excise and the

price of textured yarn is 104 rupees inclusive of excise as of yesterday.

Apurva Doshi: What was the peak in fourth quarter because fourth quarter average is 99, so peak in fourth

quarter?

**Rakesh Gothi:** In the range of 104-105 range.

**Apurva Doshi:** 104 has become 95?

**Rakesh Gothi:** Corresponding the raw materials are also down.

**Apurva Doshi:** The profitability I am not questioning, the question is that can it go down further because I think

cotton has gone down much more than these prices have gone down.

Rakesh Gothi: I do not believe so, because as of today we believe that the raw materials have touched the

bottom of whatever they could and I think some returnees from international conference in Japan which is called APIC, Asian Polyester Industrial Conference, all have come to the conclusion that the bottom has been reached and from here either the stability would come through or minor increases should come through in both the raw material prices and if that is the case which I also believe that should be the case there should be stability over the next one or two month period. I

do not think the prices should come down beyond this.

**Apurva Doshi:** So PTA around 66 and MEG around Rs. 60.

**Rakesh Gothi:** Approximately yes.

**Apurva Doshi:** So I think correspondingly then these prices also could remain there and on the film side?

**Rakesh Gothi:** On the film as I indicated earlier the prices had come down in the range of around \$3000 per

metric tonne as of now.

**Apurva Doshi:** Which were around 4000 earlier?

Rakesh Gothi: Which was 4000 as an average for the last quarter the entire year average may be around 3300 or

3400.



**Apurva Doshi:** In your presentation it was mentioned 150 rupees per kg for the full year FY 2011 films, because

films are only RAK right, we can take the same levels or little lower for next year?

**Rakesh Gothi:** Around 135 should be the right number, more conservative number.

Apurva Doshi: The question on these expansion, how they are going to fund it because you know earlier there

were talks that you might list RAK separately and you will get money over there and that was suppose to fund the PTA project, now I believe both these projects will be under India balance

sheet or RAK balance sheet?

Rakesh Gothi: We are still figuring out as far as Mangalore is concerned whether it will be India or RAC or

combination. As far as BP is concerned it will be under RAK and there the total cost is 150 million, so equity will not be more than 50 million. As far as PTA is concerned bulk of funding will come from RAK because as you know they have good cash accruals and money will be required over the next three years, so now we will be having cash accruals of more than 1500 Crores in the next three years, so gradually we will bring in our equity because even we do not

have to draw the loans in initial period. Initially, we will have to just open LCs and make an

advance.

**Apurva Doshi:** So probably it is two years down the line that is what you are looking.

**Rakesh Gothi:** We expect enough cash accruals in the group, which will take care of equity.

Apurva Doshi: Is Arya Sir around because I wanted to ask question on the dividend policy, we have increased

significantly from I think earlier whatever Rs. 1, Rs.2 to Rs. 5 and now Rs. 8.

**Rakesh Gothi:** Last year we had paid Rs. 6.

**Apurva Doshi:** This year 8, so what is the strategy over there going forward?

Rakesh Gothi: The strategy is very simple that we should declare something which is sustainable and long term,

though the results are extraordinarily good for our RAK unit last year but the board thought that it would be better to be little conservative and have something which is sustainable in the long

run, it should not happen, we increase and again reduce.

**Apurva Doshi:** That was the question whether this 8 rupees is sustainable?

**Rakesh Gothi:** Yes, that is what the board thinks that 8 rupees is something that is sustainable.

**Apurva Doshi:** Last question Thakore ji on this forex loss, just give us guidance?



**P.N. Thakore:** (indiscernible) 33.33 the total loss is 94, out of which the derivative is around 84 Crores which is

for about eight or nine months, see this is a three years trade where the first year is completed in July, then the face value of derivative will go down by 20% and in third year it will be just 20%, so what has happened that we had negotiation with our bankers with whom the derivative deal was there, they have agreed to fund the losses at low rate of interest and for longer periods.

**Apurva Doshi:** But ultimately we will have to bear them right?

**P.N. Thakore:** We will have to bear it and will be paid over a period of seven years and at very effective rate of

2.5% to 3%.

**Apurva Doshi:** I just wanted to understand 84 Crores you are saying is for nine months that is per month around

9 Crores, suppose if the Yen remains at current level do I straight assume 9x12 for this year?

**P.N. Thakore:** 9x4 and then 7x8.

**Apurva Doshi:** 20% reduction that you are saying.

**P.N. Thakore:** That can be more realistic.

**Apurva Doshi:** Next year what will happen?

**P.N. Thakore:** Year after that it will be just 20% so may be about 1.8x12 Crores.

**Apurva Doshi:** Okay, this is assuming it remains at current level. This is how you will book the result.

Rakesh Gothi: It does not look like because Yen has appreciated so much; when it tried to strengthen even Bank

of Japan has intervened, so it looks like that it should not strengthen further but then the

prediction of all the banks have gone wrong.

**Apurva Doshi:** That is correct I agree. I think it is a futile exercise doing that predicting Yen. One more thing is

we were talking of suing the banker or something or maybe you know?

Rakesh Gothi: We could talk and we could have a very friendly discussion and we could come to a conclusion

were they have agreed to fund it and if you take the net present value about all this case of

supervising (ph) indirectly the loss has been shared by them.

**Apurva Doshi:** Fund at lower cost means what?

P.N. Thakore: In normal circumstances we have to pay them 100% losses every month, now what is going to

happen, we have to pay only 10% of that and the remaining 90% is getting distributed in three

different line of credit; 35% is getting converted into seven year term loan, at 3.5% interest. The



remaining 35% is getting converted into preference shares where the coupon is 2.5% and the remaining 20% company has an option to repay it after three years or at that time whatever is the market price company can choose to issue shares.

Apurva Doshi: Sir on the question on the balance sheet, are there any outstanding warrants are anything right

now, I believe FCCB is fully converted?

**Rakesh Gothi:** In small quantity ESOP (ph) is outstanding; otherwise there is nothing outstanding.

**Apurva Doshi:** Otherwise there are no warrants to promoters or anything?

**Rakesh Gothi:** Nothing.

Moderator: Thank you, the next question is from the line of Jigar Shah from Kim Eng Securities. Please go

ahead.

**Jigar Shah:** Congratulations on excellent FY 2011 numbers. I actually joined the call about 5 to 7 minutes

later, so I do not know if you have given any specific guidance or outlook for FY 2012, but I would certainly like to know your views on volume growth in the current year in each of the

product lines and your views on delta in each of the product lines?

Rakesh Gothi: Well it is like that giving an overall summary we expect our internal target is to exceed a

turnover of almost around 7000 Crores for the current financial year, now if we look at, I do not have the numbers in terms of percentages, but we expect in terms of expansions, if you talk of volume growth the film production is going to go up by 30,000 tonnes as capacity increase by the end of this year, so you translate into additional capacity, additional production by the end of first quarter of the next year. In terms of the capacity of PET chips at RAK it is going to go up from around 390,000 tonnes to around 430,000 tonnes in the current quarter so that increase will be coming through in the first nine months. In terms of PET chips, polyester chips in India the expansion is also going to be completed by June so, that is also an expansion by around 30,000

tonnes and that full impact will be faced in the remaining nine months of the current year. In terms of the POY there is no further expansion, only minor debottlenecking will continue to do

so these would result in a total turnover exceeding by around 7000 Crores in totality.

**Jigar Shah:** In case of film you need 75,000 tonnes, so you think you will reach like 90,000 or 100,000

tonnes.

**Rakesh Gothi:** You add another 7000 tonnes, which will be available in the last quarter of this year.

**Jigar Shah:** So about 82,000 tonnes, so only about 10% growth.

**Rakesh Gothi:** That is right.

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Jigar Shah: On financial closure I think I heard you saying about going for the financial closure for the two

major projects, one in India and one in Belgium. Would you be taking foreign borrowings?

**P.N. Thakore:** The project is coming in SEZ and bulk of it will be for exports and the borrowings will be in

foreign currency.

**Jigar Shah:** What will be the debt equity ratio just roughly?

Rakesh Gothi: It will be 2:1 roughly, we have to sit with financial institution, and we are in the process of

finalizing all that.

**Jigar Shah:** But this will be spread over what three years can we take three years?

Rakesh Gothi: Yes.

**Jigar Shah:** So, you can easily fund your own equity right, you do not have to go out to take equity?

**Rakesh Gothi:** That is right.

Jigar Shah: Okay and my last point, I am generally very happy with the way you have performed and very

regularly provided information transparency. I feel that you could have easily given more dividend but unfortunately you have chosen not to and probably that could be the cause of such a low price-earning ratio despite such a very good performance and reasonably good outlook. You could have easily given, at least have a stated dividend policy or a range which will help investors in probably staying with the stock. I think that is a very critical feedback I want to give

you.

**Rakesh Gothi:** See as we just mentioned that what we are looking for is something, which is sustainable. This

year was exceptionally good, God was kind and we could make good money, but we wanted to declare something which is sustainable over a period of time considering the volatility in the market as well as considering the fact that the company is going for two big projects and it will need its own accruals from the project also, but nonetheless I think the company has increased dividend almost by 30-33% and improved from Rs.6-8 which we feel is sustainable in spite of

volatility, in spite of our new projects coming up.

**Jigar Shah:** But Rs. 8 dividend and almost Rs.80 earnings, it is actually a drop in your pay out ratio and not

for an argument, with due respect to all of you, the point is that I can tell you there are companies in Southeast Asia, which are much bigger than your size in the similar business, are quoting at higher dividend yield and your company is very strong, you have done very well, you have shown very strong performance, outlook is not at all bad, t is a humble feedback that you should rethink on dividend policy or at least give out a percentage that we will distribute between 10 to

15% or something like that?

13/0 of something like that:





Rakesh Gothi: We will definitely communicate your feelings to the board, but nonetheless I think the company

would like to become even stronger and it has to be little conservative for that purpose.

**Moderator:** The next question is from the line of Saurabh Ginodia from Smifs Securities. Please go ahead.

Saurabh Ginodia: We have around 1800 Crores of debt on our consolidated balance sheet as on March 31. Can you

give your view on debt level going forward?

**Rakesh Gothi:** The debt of about 1800 Crores is a gross level, the company has cash and short term investments

of almost 400 Crores, but net level debt is around 1400 Crores.

**Saurabh Ginodia:** Can you throw some light on debt levels going forward in FY'12?

**Rakesh Gothi:** I think it may remain more or less similar level.

**Saurabh Ginodia:** Sir, can you share some delta numbers product wise?

Rakesh Gothi: Maybe you can get in touch with Mukul and he will be able to help you. Those are detailed

numbers for various timeframes and various products, so I propose that Mukul would send this

across to you via email. I will get back to you on this.

Saurabh Ginodia: What kind of delta can be sustainable in the chip division going forward?

Rakesh Gothi: In India we had a delta in the range of around Rs. 9 or so and I think we should be able to

maintain those kind of numbers this year also. In case of bottle grade chips the deltas could be

another Rs. 1 or 2 higher. So I think we should be able to sustain with those kind of numbers.

Moderator: Thank you. The next question is from the line of Bharti Gupta from Asset Alliance Securities.

Please go ahead.

**Bharti Gupta:** I would like to get some details on your new projects. What would be the debt equity ratio for the

Mangalore project that you are targeting?

**P.N. Thakore:** We are still working out, but it will be roughly 2:1.

**Bharti Gupta:** And for your BP project?

**Rakesh Gothi:** Similar debt equity.

**Bharti Gupta:** Okay, but in the BP project more of it will be funded through JBF RAK, right?

**Rakesh Gothi:** That is right, even Mangalore substantial portion is funded by JBF RAK.





**Bharti Gupta:** When are these project likely to be scheduled for completion?

**Rakesh Gothi:** Both the projects are expected to get commissioned around middle of 2014.

**Bharti Gupta:** Okay and in the immediate we have both the chip capacity at RAK as well as India to come on

stream by June 2011?

**Rakesh Gothi:** That is right.

Bharti Gupta: Apart from these capacities, which are coming on stream we do not have any other domestic

expansions right.

Rakesh Gothi: Only the film plant in UAE, which would be commissioned by end of this year and we will be

doing minor debottlenecking activities as time goes by.

Bharti Gupta: Okay, so domestically for the sustenance CapEx, what would be the sustenance CapEx for the

domestic expansion?

**Rakesh Gothi:** It is not more than 30 Crores. It is a small debottlenecking exercise may be around 25-30 Crores.

Moderator: Thank you. The next question is from the line of Mitul Kalawadia from ICICI Prudential. Please

go ahead.

Mitul Kalawadia: Can you give me CapEx breakdown between 2012, 2013 and 2014?

Rakesh Gothi: In 2013 and 2014, we are still in process of working out, but roughly we can say about 100-150

million will be next year and around 200 million year after that.

**Mitul Kalawadia:** When you say the next year it is 2012 right?

**Rakesh Gothi:** Yes. These are project related, so first there is project implementation, you can take roughly 150

million and second year of project implementation, you can take about 300 million, and the rest

will be in last year.

Moderator: Thank you. The next question is from the line of Rahul Soni from SKS Capital. Please go ahead.

Rahul Soni: Your net sales for the quarter were up by 49% YOY, so can you please give the price and volume

(indiscernible) 47.12?

**Rakesh Gothi:** It is both the thing; both in terms of pricing and the quantity the numbers are on the higher side.

So I think Mukul will get back to you, exact numbers will come back to you.



Moderator: Thank you. I would now like to hand the floor over to Mr. Vijay Nara for closing comments.

Vijay Nara: Once again I would like to thank all the participants. A special thanks to Mr. Gothi and Mr.

Thakore for giving the good insight over the company and wish them all the best for future

endeavors. Mr. Gothi would you like to add anything?

Rakesh Gothi: Well thanks to all of you for your patient listening and we will strive to do as best as we can in

the current financial year as well. So, just be with us. Thank you very much.

Moderator: Thank you. On behalf of Fortune Equity Broker India Ltd that concludes this conference. Thank

you for joining us.