



“Vardhman Textiles Q2 FY17 Results Conference Call”
November 16, 2016



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Moderator: Ladies and gentlemen, good day and welcome to the Vardhman Textiles Q2 FY'17 results conference call, hosted by IIFL Capital Limited. 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 the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Avi Mehta from IIFL Capital Limited. Thank you and over to you Sir!

Avi Mehta: Good evening everyone. On behalf of IIFL, I would like to welcome all of you to the Q2 FY'17 Conference Call for Vardhman Textiles. From the company, we have with us the key senior management including Mr. Sachit Jain - Joint MD, Mr. Rajiv Thapar - CFO, Mr. I J Dhuria - Head Raw Material Procurement, and Mr. Akshay Jain - Head Treasury & IR. I would now like to hand over the call to the Sachit Ji for his comments. Over to you Sir!

Sachit Jain: Thank you Avi. Ladies and gentlemen, thank you once again for being with us on our call. Very quickly about the results. As you can see the profit has been better in the second quarter than the first quarter and the previous quarter of last year. They look the same as last year same quarter, but for the fact there was 44 Crores dividend income which came in last year same quarter and the reason for this profit being good and performance being good is primarily because of what we said in the last quarter con-call that because cotton prices were high and yarn prices did rise up and we got some gains because Vardhman as a company already had the old stocks of cotton and so therefore we were expecting second quarter to be better than first quarter, we got some benefits on that. Now third quarter onwards as the new cartridge coming in, the prices of Shankar-6 data is Rs.47,000 to Rs.48,000 Rupees a candy, had gone down to 37,000. Currently of course they are rolling in about Rs.39,000 a candy. As far as our production, our yarn productions are similar, gray fabric was a little lower, those are normal fluctuations which happen with a little bit of trend changes. Also there is no fundamental change in production figures. Our project work as announced earlier which is the committed project of about 1100 Crores over a four-year period that is going on track. We had announced last quarter that there would be another expansion plan that we will be announcing that we are still not ready to announce that, so that is still postponed for a little while longer. Let me move very quickly to a few more comments about how are we expecting the next couple of quarters. With the new announcement of the demonetization and remonetization with the new notes there is currently a cash shortage in the economy as all of you are aware. This does seem to have affected temporarily, though we believe in long term it is good for the country and good for companies like Vardhman because more people that come on to the formal tax net the better it is for organized companies like Vardhman, so we will be better off eventually, but in the short run for the next three to six months at least the domestic part of our sales could get affected or likely to get affected also because today there is a lack of consumer buying in the markets, also large part of the trade in some of the products is in cash, so there are cash settlements going on between



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various parties. It will take some time before regular business trade and commerce picks up again. Another temporary factor which is affecting us very temporarily just now is farmers just now because of cash shortage in the rural economies in the farms in the trade mandies are having problem in bringing enough cotton to the markets, so there is a temporary shortage of cottons and therefore the prices of cotton have gone up a bit, which should get corrected as people get used to the payment in cheques as well as more cash and currency becomes available in the markets, this should get corrected over the next few weeks, but currently there is some uncertainty. The export part, we do not see much problem, both the direct export as well as sales in India to garment exporters that should go on okay, but the domestic part of the sales which is for domestic consumption is likely to get affected. We will not be as bullish on our third and fourth quarters as perhaps we were earlier. After that, we do believe that the overall trend should be better and better for the country and better for our company than perhaps which was there earlier. Also in a sense it will become the preparation for GST because people will be forced to get onto the white economy and legal economy, which means that any disruption that comes up when GST comes in would be lesser. These are all I have to say at this point. We would like to open the house for questions and then Mr. Dhuria is joining shortly on the call and then he will be able to take some more direct specific questions on raw materials. He is somewhere in Rajasthan and Jaipur I think so. Anyway we can open up for question and any direct question on raw material then we will ask Dhuria to answer.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may please press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Two questions from my side. First on the Capex. What is the reason for our delay in announcing the Capex plan, where is the planning getting stuck?

Sachit Jain: Because of the current uncertainty in the markets we thought it is best to hold on a little while longer and then take a call at the right time.

Dhaval Shah: So the Capex still are we thinking of being brownfield or some sort of acquisition also remains open or are we already in talks with someone, but because of some operational problems the thing is not going ahead, anything on that front?

Sachit Jain: The Capex that we were thinking of was going to be brownfield within our existing operations and acquisition, we will always be open to an acquisition when a good opportunity comes. We are not yet present in talks with any serious seller.



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Dhaval Shah: Over the next two quarters what sort of growth do you see, you said you are not very bullish for the next two quarters, so any rough number you have in mind which you think there could be some drop in sales or something?

Sachit Jain: First of all there is no growth because there is no new capacity which is coming up in the next two quarters. There is likely to be compression in margins for our domestic side of the market because of this current demand problem, so the extent of that is very difficult for us to predict. Acrylic is the area which gets affected the most because most of the trade in acrylic is totally domestic and goes into the hosiery market and we have recently launched acrylic yarn, so this market is likely to get affected more so. Then there are also some printed yarns which are going into the domestic market, which is also likely to get affected and there is some cotton yarn, which goes into domestic market. So the domestic market is really for domestic consumption, which will get affected and some segments will get affected more. As a company, there is only very limited capacity which is very specific to acrylic, there is real solid downturn, we might have to shut some capacity, which is a very minor part which will not have much impact on the company. Other products we have, we wherewithal to shift more of our products to exports and cotton yarn for exports, etcetera. As I have always maintained that we have a lot of flexibility because of our diversified product mix and diversified customer mix, which gives us an advantage in times like this. When there is a particular problem in one segment we can shift capacity to other segments.

Dhaval Shah: So approximately what percentage of sales would be purely for domestic?

Sachit Jain: In yarn we do not lay out that figure, but in fabrics it is between 35% and 40% of our fabric sales. Fabric is less than half of our total sales, but again there will be some impact, it is very difficult to give those predictions now. Maybe when we finish our third quarter by the time we give our third quarter con-call and by the time we do our physical analyst meet in Mumbai we will have a better idea then.

Dhaval Shah: Currently the impact you said cotton is not coming to the market, so this is mainly because of the logistic issues also where the transportation is not happening at all?

Sachit Jain: Mr. Dhuria if you can step in now and explain the situation in the cotton mandies today.

I. J. Dhuria: It is not because of a logistic issue. It is mainly because the farmers are not bringing their produce into the market because they sell their produce against cash only not through banking channel, so that is creating a problem. Then another thing is that logistic issue is also coming when the mills are ready, the transporters are also finding difficult in organizing the trucks because truck owners always try to have cash with them, so that is the issue but that issue is very small as compared to the farmers' issue.



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- Moderator:** Thank you. The next question is from the line Amit Doshi from Care PMS. Please go ahead.
- Amit Doshi:** Good afternoon Sir! Just two points. One, you said the cotton prices are of course slightly currently high because cotton is not coming in and is Rs.39,000 a candy, but international prices and domestic prices are in sync or is there a gap?
- Sachit Jain:** We are still lower than international prices and it is not that cotton is not coming, it is coming less than what it was coming, and of course this problem may get sorted out in the next few weeks I guess because eventually the farmers will have to bring in the cotton to the market, they cannot hold on indefinitely. Also because some of the traders who used to support the market they also have a cash crunch everywhere. So eventually it is going to come into the market and we do not see that the prices will remain at this level for too long. Mr. Dhuria would you like to add?
- I. J. Dhuria:** Yes. Actually the prices are going towards Rs.37,000 a piece that means around 70-72 cents a pound, but again the moving up market between 39,000 and 40,000 that means around 73.50 to 74 cents a pound. The gap between the international price and the Indian prices have reduced, which was increasing. So because of this increase in price. Cost is being set by the mills now in spite of having the complete cotton which is yet to be marketed because of this government action, although there is no improvement in yarn prices, raw material prices have gone up.
- Sachit Jain:** How is the cotton growth this year as compared to last year?
- I. J. Dhuria:** Last year at this time the gap between the international price and our price was around 7-8 cents a pound, but now this gap is around less than 4 cents a pound.
- Amit Doshi:** No not on the price front, on the production front of the cotton domestic production in particular.
- I. J. Dhuria:** Production last year was 33.8 million bales, this year in spite of reduction in area to the extent of 10% to 11% in the country the yield is going to be almost 20% higher. The country is going to produce more than 35 million or 36 million bales or it can be even higher, but the flow to the market is comparatively slow as compared to the last year.
- Sachit Jain:** What is the projection for the cotton prices going forward?
- I. J. Dhuria:** It all depends on with what speed the farmers are able to assess the government request of taking its channel or making the payment to them by cheque. If country starts receiving the normal arrivals at this moment, in a span of another one week, we can expect the gap between the international cotton key index and our prices will be around 5-6 cents a pound as long as the cotton is getting marketed between December, January and even up to February. Because at that



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time with that price around 70-72 cents our star cotton will also get exported also, so there will be a bigger gap.

Amit Doshi: Sir! This hand-knit yarn where we are a very strong player, what do you see the impact of this because I think it is a highly organized market, 30% is around unorganized market, so what impact do you see in terms of because of the demonetization?

Sachit Jain: Because this is a B2C customer product, so here the impact that we will see will be faster than in other products. Other products we are still seeing derived demand. So here clearly as I said acrylic is going to get hit most. The hand-knitting yarn is primarily athletic-based product, so here definitely there will be hit in the sales.

Amit Doshi: On the other operating income can you just explain the difference? This is roughly 50 Crores this year on this quarter, vis-à-vis in the previous 22-25.

Sachit Jain: Mr. Thapar is ready, go ahead.

Rajiv Thapar: The differential is because of Forex gains and the share value of investments to some extent, these are two factors.

Sachit Jain: As you know because of change in the accounting practice now all FMPs we are taking gains even if the gains have not yet come, earlier we used to take the capital gains in the third year, now we have to take proportionate gain every year.

Moderator: Thank you. We will take the next question from the line of Vipul Dalal from Vipul Dalal & Company. Please go ahead.

Vipul Dalal: Good evening. Congratulations on good set of numbers. Just going through what has been shared with the exchanges on your page 5 balance sheet, I see long-term investments in the standalone has 878.89 Crores and then short-term investment on the current assets is 1660.53 Crores, am I reading the figures correctly and can you kindly show some colour?

Sachit Jain: As far as long-term investments, any investment that is going to be more than a year, so all FMPs would be part of long-term investments, which are not maturing within a year, plus all investments in-group companies. The group company investments are only in VPL investments, which are a subsidiary, VMT, which is a subsidiary, Vardhman Acrylics, which is a subsidiary, and Vardhman Yarns & Threads Limited we still retain 11% in that company. Like I said, there are no other major long-term investments. Long-term investments are all primarily group investments a little bit and mostly the FMPs, which will mature over a year.

Vipul Dalal: The short-term investments of 1660?



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- Sachit Jain:** Short-term will be all FMPs maturing within a year as well as investments and liquid funds because as you know when we reached 30th September we are actually sitting on net debt-equity of 0 if you look at the market value of our investments.
- Vipul Dalal:** Basically it is the amount on the sale of your share?
- Sachit Jain:** That is also liquid funds and this is also money, which is set aside for the buyback when we do that in December and January when it matures.
- Moderator:** Thank you. We will take the next question from the line of Bharat Seth from Quest Investments. Please go ahead.
- Bharat Seth:** Good evening, Mr. Jain. Just can you give a ballpark how is the yarn demand and pricing scenario Q-o-Q is panning out, Q1 versus Q2 and now Q3 and how do we see going ahead?
- Sachit Jain:** The spurt in cotton yarn prices, which happened in the second quarter where prices were around, I am talking about market price, I am not talking about Vardhman prices, which were ranging between \$2.9 and \$3.06. Because those prices were high because of the cotton prices which had gone very high. Those prices have partly corrected again and currently they are in the range of \$2.90 to \$3, which was expected. A year ago prices were around 2.75-2.90, so the prices in second quarter were higher than last year same quarter. Going ahead, as I said just now the factor of domestic market is an unknown commodity and what the impact is going to be because for Vardhman the domestic market is a very small part of our total production and total sales, but for many other companies the domestic market can be a very large part of their production, so in what way will people try to shift to exports, in what way people will cut down production, so those are the things which are still unknown and there is this uncertainty. Over the next month or two at least some clarity will start coming in. I am sorry I am giving very abstract kind of answers, but today we do not have exact answers.
- Bharat Seth:** Second thing, on this trans-pacific agreement which was to happen and there is a strong message going on that which may unlikely to happen, how can it benefit to overall textile industry, yarn, fabric as well as garment segments?
- Sachit Jain:** The understanding that we have is Trump is clearly anti-TPP, so the probability of trans-pacific partnership program treaty getting signed is very close to zero, very difficult to say at these times really will be zero or not, but is very low now. In any case, the impact of this would have happened over the next three to five years, so this is really positive for India because the advantage that Vietnam would have got over India they will not have that advantage.
- Bharat Seth:** Will this largely benefit to garment sector?



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- Sachit Jain:** Direct impact will always be on garments, but the indirect impact will be because fabrics trade is a trade, which is largely local trade, so if the garments from India get benefited then obviously fabric would get benefited and yarn would get benefited. Yarn can still move across borders easily, but finished fabric is the full-fashion element then that has to be very close to the sewing markets, so from India also you will see the fabric exports that happen are from Mali to Bangladesh and Sri Lanka. It is not that we are not competitive in Vietnam or Indonesia, though we are able to export some fabrics there, but it is just because a lean time becomes too large, which is why if the garment exports from Vietnam lose their advantage that was coming their way, which means relatively India's disadvantage goes away. We are the same level playing field; it will be beneficial for the Indian Textile Industry.
- Bharat Seth:** With a lot of new benefits, which Government announced for garment manufacturers?
- Sachit Jain:** Correct, so with that happening garment exports from India should definitely do better and we feel also have a positive impact on textile mills moving ahead.
- Bharat Seth:** Are we looking for expanding our garment capacity going aggressively?
- Sachit Jain:** We have no such plan at this point in time.
- Bharat Seth:** Sir I just needs one figure. How much was the FMP income that is reported in this quarter?
- Sachit Jain:** We do not report that separately.
- Bharat Seth:** Total 68 Crores in other operative incomes we have?
- Sachit Jain:** There is an element of foreign exchange on what we covered and what the gain that we get on that. There is a part of that which comes into this. Both these factors, which come in there.
- Bharat Seth:** Okay, thank you. That is all from me.
- Moderator:** Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.
- Dhaval Shah:** Just one followup question. You said the situation in the market is not very lucrative for you to go for an expansion, is there some sort of glut or overcapacity in the industry which is not letting you go for an expansion and secondly government has announced so many tenders for the garment exporters which are your eventual customers, so in spite of that you are not seeing any signs, because even if you go for an expansion right now it will take at least 15-18 months for the products to come out of the factory by when even your end customers would have expanded the



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capacity and would there be a demand for the products? So I just wanted to understand on the market side.

Sachit Jain: One, there clearly is overcapacity and there has always been overcapacity in this industry since the last 26 years I have been in this industry, so let us get that clear. There always have been overcapacity and today also there is overcapacity. However, Vardhman always has enough markets and therefore we have no problems in selling our product that is one part. The reason that we have postponed this thing is not that we believe the future's industry is affected etcetera, it is just that because the current uncertainty, which is there, and it will take some time for this uncertainty to settle down. Whether it settles down in three months' time or six months' time that is anybody's guess at this point in time. So we thought again as a conservative management, we are always conservative management, we have two views, one should we when earmark and go ahead with new Capex for greenfield or we believe in this turmoil there could also be some company that may not have the staying power to last out the six months.

Dhaval Shah: This uncertainty you would mean the demonetization, which is announced?

Sachit Jain: Yes.

Dhaval Shah: In the last one-week you have postponed the plans to go ahead.

Sachit Jain: It is very difficult to say what element leads to a postponement because our company is a company, which always had evolving strategy, and continuous feedback effects our thinking. It is very difficult to say that one particular event has changed it, but that one event can cement a particular thinking.

Dhaval Shah: Okay, so at least for the next analyst meet should we assume there should be some announcement?

Sachit Jain: I do not know. I cannot say anything at this point in time. All depends on how do you see the scenario playing out. Government is serious about the bad debt problem. They have to force some companies onto the market.

Dhaval Shah: Okay, fair enough Sir, thank you.

Moderator: Thank you. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Good afternoon Sir. First question from me. Could you elaborate on the GST impact, what would be the kind of slab rate or what is the current indirect tax that we are paying and benefit that could incur because of the GST?



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- Sachit Jain:** One, we do not know what GST rates are going to be. We would like to believe that textile is an important industry and it is touching the common man for day-to-day usage, so we would like to believe that the GST rates would be on the lower end of the spectrum, but there is no understanding as of now what is the rate. As far as the current indirect taxes are concerned, the yarn and fabrics there is optional excise duty which means you can choose to pay excise duty or you can choose not to pay excise duty.
- Sameer Gupta:** What is the situation with Vardhman? What is the rate with Vardhman?
- Sachit Jain:** We decide order to order, which order we would like to choose to pay excise duty and which one we do not, but mostly it is sold without excise duty.
- Sameer Gupta:** Basically understanding is that currently it is roughly 0%?
- Sachit Jain:** There is also element of cost buildup in our raw material, so it is not that, when you start charging excise duty part of that you will also get mod-vated and cleared.
- Sameer Gupta:** The understanding would be that impact would be limited to the amount of input credits that you would get?
- Sachit Jain:** As of now yes, but when the things change then of course we will be paying the full GST whatever rate is there. Let me to add to this. I think this current move of demonetization, which will force everyone onto the cheque route and the legal route is actually beneficial for our company because now whatever the rate is kept people will find it very difficult to evade duty and go onto the illegal channel, so this is a big positive I would think for us when the GST comes in and gets stabilized.
- Sameer Gupta:** Second thing, our working capital position I would understand would be better than our peers, so we still have some low-cost inventory to gain from the current yarn prices?
- Sachit Jain:** We do not comment on that because as we say as on 31st March we have between 6 and 8 months' stock of cotton, so there was some cotton extending into the third quarter, but we do not comment on how much old cotton still lying with us.
- Sameer Gupta:** Last question. You mentioned that other operating income is because of the mark-to-market gains and asset gains, so I was just thinking would it be appropriate to look at other operating income and other income that is reported separately together in this sense?
- Rajiv Thapar:** Other income we are reporting the dividend income, which is being received from the subsidiary companies. Other than that, we are categorizing as other operating income. Of course you can say



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there is a kind of income arising out of investment income, but Forex part is also there which is related to business income.

Sameer Gupta: Okay Sir got it, thank you. That is all from me.

Moderator: Thank you. The next question is from the line of Bharat Choddha from ICICI Direct. Please go ahead.

Bharat Choddha: Congrats on a good set of numbers. Just wanted to know probably what has led to the EBITDA margin improvement so significantly and probably what would be a sustainable level that we can look going ahead for the next half?

Sachit Jain: The normal sustainable EBITDA numbers we believe is between 18% and 22%. For the next second half because of this sudden change that has happened we are not in a position to make a comment on what it is likely to be. As I said, this is not normal situation. Normalcy should come back, whether it will come back in three months' time or six months' time it is difficult for us to predict at this point in time.

Bharat Choddha: One more thing, if I look at the power and fuel cost that has gone down significantly?

Sachit Jain: This 23% or 24% EBITDA margin, which came in the second quarter, is clearly not sustainable level and we had said that and this is a benefit we are getting because we had old cotton stock. If our stocks were well below Rs.35,000 a candy and the market price is at Rs.48,000 a candy, so obviously we got some benefit because of that. For that reason, the second quarter results were so much better, which is clearly not sustainable even in normal terms.

Bharat Choddha: The power and fuel cost was significantly down if I look at on percentage to sales which is from 11.6% to 9.7%, anything specific over there?

Rajiv Thapar: the coal prices are come down and in the states where we are operating electricity charges tariff rates have also come down.

Bharat Choddha: This is on a sustainable basis Sir?

Sachit Jain: It was very difficult to say. Coal prices have been raising after that and also power rates we do not know what the regulators do, but power I think should be sustainable. For the coal part it is difficult to say that it will be sustainable.

Bharat Choddha: Okay, that is it from my side. Thanks a lot.

Moderator: Thank you. The next question is from the line of Avi Mehta from IIFL. Please go ahead.



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Avi Mehta: I just wanted to understand your balance sheet, actually it is quite healthy, and you have significant cash that is coming from the same thread business as well. In this context and given this recent demonetization how does this place us? I am just trying to understand that, does this kind of give us a significant benefit to get the quality cotton on, if you could just share some light on that?

Sachit Jain: I think this year it is all speculation at this point in time, but we believe this year because many spinning mills have a very tough time in the second quarter, so most companies balance sheets would be a little weakened and two because this cash crunch going on because of current demonetization. Ability to get financing from other sources would be lower, so relatively I would think that the relative advantage that we would get compared to other companies should be or could be a bit better, but Mr. Dhuria I would like you to add to this.

Moderator: Mr. Dhuria your line is in the talk mode, please go ahead. He is connected. I will disconnect and reconnect He is married. He does not smoke.

Sachit Jain: Yes. He can answer this question if you can connect to him again. This is all I have to say at this point in time this is just an estimate just now, but when Mr. Dhuria comes back on line we will get him to answer this question again.

Avi Mehta: In that context as well, we are just trying to understand the GST part, you highlighted that we are expecting it to be a lower rate. I have more of a question to understand that as of now cotton yarn has 0 taxations what we understand, do you see the GST kind of changing the movement to more manmade fibers, do you see that happening over the next whatever two or three years, is that something that you envisage as a trend or you think it would not be that way, if you could share?

Sachit Jain: I am repeating that there are three elements of our yarn business, one is export business, second is selling to exporters, and third is sales to domestic market for domestic consumption. So the export business will not change, the sales to exporters will not change, the domestic market anyway blended yarns are growing faster than cotton yarn, so this is the trend, which is going on across the world and will happen in India also. However, if top end still remains cotton and Vardhman being a more high-priced product, normally the domestic market which goes for domestic consumption is also at the higher end, so our cotton will continue and as a spinner anyway we are responsive to market trend and a cotton spinner can easily make blended yarns and we are also gradually increasing the proportion of blended yarns on an ongoing basis.

Avi Mehta: Just kind of dwelling a little deep into this, you said that in domestic blended is growing and in domestic cotton whatever is there it is the higher end, would that also suggest that should we require to move to the export side given the quality of the yarn that we have, given the blending that we have, the spread between the high quality yarn and the base level yarn kind of expanding should move into the export market, I hope I am able to explain myself, I am just trying to



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understand that what we saw in the 30s comb versus high quality yarn when China started coming in, do you see that situation also occurring in the export market?

Sachit Jain: Very difficult to predict just now because many companies will now try to divert from domestic market to export market, because yarn is a fungible product, but most of these guys will be competing at the commodity end of the business. To say that the domestic market margins get affected and our export margins will remain insulated and isolated from that would be incorrect. There is likely to be pressure on the export. Because Vardhman does not operate in a vacuum. We operate in all value-added products, also operate in the relationship to commodity products, so if commodity products prices fall because more people are trying to get into that market, the value-added products would also fall. Vardhman as a quality producer will not suffer any loss in production volume. I hope I have given the answer to your question.

Avi Mehta: You are saying it is more of a realization game that will play out rather than a volume game.

Sachit Jain: Volume, fortunately we are in the unique position that we are unlikely to face any volume losses apart from a very small capacity, which is purely dedicated to acrylic, which cannot be shifted to other products.

Avi Mehta: Third quarter logically most of it is done and you have orders, so it is more in the fourth quarter that we will see the impact coming?

Sachit Jain: We will see impact in third quarter also, the acrylic sales are not long-term contracts and listing today in the domestic market has come to almost a standstill. Whether they will start picking up in a week's time or two weeks' time or a month's time, some part will of course start picking up, but in acrylic clearly there is going to be a bigger hit than in other product segment.

Avi Mehta: Thank you very much. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Bharat Seth from Quest Investments. Please go ahead.

Bharat Seth: I am taking you again back to the GST side, Mr Jain you said that in our fabric business duty is embedded that is input duty on input, so on high-end fabric like shirting and suiting we are manufacturing what would be the approximate input amount of the excise duty will be there?

Sachit Jain: I will not have the exact figure, but I will tell you the components based on which the duty gets embedded in. One is the machinery itself, two is dyes and chemicals, three would be packing materials, these are the main components, and spare parts.

Bharat Seth: What do you think in approximate terms, 3%?



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- Sachit Jain:** I would not have that figure, so offline you can check with us and we will probably be able to answer that question. I do not have that figure with me.
- Bharat Seth:** On the printed fabric, how the things are turning out for you, and how do we see next year that will add to the value of the company?
- Sachit Jain:** Printed fabric business is still very small and still it is primarily domestic market as far as printed fabric is concerned, the exports were just about beginning. So the impact of any downturn or any uncertainty is going to be higher on the printed fabric side of the business.
- Bharat Seth:** Secondly, when we are expanding print job process facilities, which is likely to be commission from Q1 FY'18 correct?
- Sachit Jain:** that is right.
- Bharat Seth:** So how that will help us going ahead in the next year?
- Sachit Jain:** I am sorry; I am giving again very vague answers. We do not know how will things shape up in the next three to six months, so greater clarity will come by the time we are talking on a third quarter con-call.
- Bharat Seth:** Thank you, that is all from my side.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for their closing comments.
- Sachit Jain:** One more thing on the fabric expansion that I just answered a question it will not be ready in the first quarter of 18. It will be a little later than that. Thank you all for being on this call with us and my apologies for being not so clear, but the circumstances are really unprecedented. We think this will be beneficial for the group and for the country clearly, but next three to six months the way the markets shape up in the consumer market will effect how our demand for us shapes up. Thank you all ladies and gentlemen. Good day.
- Moderator:** Thank you. Ladies and gentlemen with that we conclude today's conference. Thank you for joining us and you may now disconnect your lines.