

Transcript

Conference Call of Alkyl Amines Chemicals Limited

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Presentation Session

Moderator: Good evening ladies and gentlemen, I am Moumita, moderator for this conference call. Welcome to Alkyl Amines Chemicals' fourth quarter FY16 results conference call. We have with us today Mr. Satish Mishra from HDFC Securities and the management team from Alkyl Amines. At this moment, all participant lines are in listen-only mode. Later, we will conduct a question and answer session. At that time if you have a question, please press * and 1 on your telephone keypad. Please note that this conference is recorded. I would now like to hand over the floor to Mr. Satish Mishra from HDFC Securities. Thank you and over to you sir.

Satish Mishra: Thank you Moumita; a very good evening to all of you on behalf of HDFC Securities. I would like to welcome all the participants to the earnings call of Alkyl Amines. Today we have with us Mr. Yogesh Kothari, Chairman and Managing Director, Mr. Kirat Patel, Executive Director, and Mr. K. P. Rajagopalan, Company Secretary. We will start with an opening remark from the management and post that, the floor will be open for question and answers. Welcome and over to you sir.

Yogesh Kothari: Thank you Mr. Mishra. First of all let me thank HDFC Securities for giving us this opportunity. I am here with my team and you know about our company. With me is Mr. Kirat Patel who is our Executive Director and I have Mr. Rajagopalan who is our Company Secretary. This is the last quarter of the financial year 2015-16. Lot of information we have already given on the website, but I will just tell you briefly that we did reasonably well this year and we hope that we will continue to do better. Our sales turnover of the year 2015-16 was quite less, but our tonnages were more. However, because the price of one of the raw materials i.e. methanol, which was lower, gave us some advantage in our methyl amine sales and margins. Our other products are doing quite well and we expect to do similar or better performance this year. I may also mention that this year, the ethyl alcohol situation in India, is not at the best, because of its going into the oil blending program of the Government of India. Moreover, there is draught situation in Maharashtra and alcohol availability is a little less in India. We have started importing alcohol and this to some extent is improving the availability situation and the price also is not so much different from what we have been sourcing from India. So, there is not going to be much change as far as the raw material alcohol is concerned, which is a major raw material for us. Methanol, of course, is an advantage. Other raw materials like isopropanol and acetic acid and others also are at lower levels. So, that is an advantage for us. What I would do is, maybe you can ask us questions and my team over here and myself, will try and answer as much as we can do. Thank you.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request you may do so by pressing * and 1 again. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

Sir, we have our first question coming from Veena Patel from Wealth Management, please go ahead.

Veena Patel: Good evening everyone.

Yogesh Kothari: Good evening.

Veena Patel: Sir, can you just provide the quantity of the sales that we did for this quarter Q4 and the quarter before, Q3?

Yogesh Kothari: I did not get your question. Can you repeat it please?

Veena Patel: Sir, I just wanted the sales quantity, how much tonnage we sold in this quarter and the previous quarter?

Kirat Patel: This quarter we have sold about 5% more than the last quarter in terms of tonnage. But in net sales value is, as you can see, it is about 8% up.

Veena Patel: Sir, I just wanted the volume of the sales that we did. How much metric tons we sold in Q4?

Kirat Patel: Yes, it is about 10,300 tons as compared to 9800.

Veena Patel: Okay, so 9800 was for which particular quarter?

Kirat Patel: Q3.

Veena Patel: Okay, Q3 of this financial FY16. And sir, how much has been the ethanol prices?

Yogesh Kothari: Ethanol prices have been, in our case, in the region of about Rs.29 to 31, but approximately Rs.30.

Veena Patel: Okay. And the imported prices are also in the similar range of ethanol?

Yogesh Kothari: Yes, around that Rs.30, 31.

Veena Patel: Okay. And how have been the competitive pressures for both the amines, the methyl amines and the alkyl amines?

Yogesh Kothari: *For the* ethyl amines competitive pressures are slightly lower than last year, because last year we had some Chinese imports, which took away some market share from both the Indian manufacturers. This year they have been a little less

aggressive. Of course, the prices as compared to last year have dropped a little, but otherwise, the market scenario is approximately the same, shared by Alkyl Amines and Balaji Amines. Methyl, yes, we have had marginal growth in volume and so has, I think, our competitors, but more important is, we enjoyed a margin improvement.

Veena Patel: Okay. Sir, like we have the highest EBITDA margins of around 23% in this particular quarter, Q4, so how would be the scenario going ahead, because since the base impact will start kicking in from the next quarter where the crude prices will be at the same level, so what kind of margins are sustainable?

Yogesh Kothari: We expect that they will remain in the same region.

Veena Patel: Okay, around 23%, which you did in the last quarter.

Yogesh Kothari: We hope so. I mean, in the sense that, in this year we started a little bit on the rough side, because of the water situation in Maharashtra and we have had to take a shut down of the plant for a week, but we hope that we will make it up by the time this quarter is over.

Veena Patel: Okay. So at what utilization levels we are running our plants now....because of the water issue?

Yogesh Kothari: Well, the water issue is now to a large extent over, we have taken care of the availability part and we are running the plant practically to the full capacity. And so we will make it up. We have started with stocks in any case, so we will not have any issue on availability of our products.

Veena Patel: Okay. Thank you very much; I will join back in the queue.

Moderator: Thank you. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Sir, we have the next question from Mr. Chetan Thakker from ASK Investments Managers Private Limited, please go ahead.

Chetan Thakker: Thank you. Good evening sir.

Yogesh Kothari: Yes, good evening.

Chetan Thakker: Sir, what has been the volume growth in FY16 over FY15?

Kirat Patel: Volume growth has been a little more than 12%..

Chetan Thakker: And sir what has been driving this volume growth, particular industries in this sector that has been driving this growth?

Yogesh Kothari: Our products are going to a large extent to pharma industry, agrochemical industry, and many other miscellaneous industries. And except for the agrochemicals, all the industries have been doing quite alright. And that is what is really making the growth.

Chetan Thakker: And sir, also I wanted to understand what is the share of value added products this year compared to last year, value added amines?

Kirat Patel: By value added, you mean the derivatives of the amines, is it?

Chetan Thakker: Yes sir, which have better margins compared to the commodities.

Kirat Patel: I would say there are three categories, the amines, the derivatives, and what we call specialties, which means products which don't use the amines. The derivatives are typically about 50% tonnage of the Aliphatic Amines. The Aliphatic Amines are the major volume drivers in the production.. Of course, their self-usage is to make the derivatives. And specialties are the third category, which is growing faster than the others. But I think since the derivatives also largely go into the same end industry, the pharma and the agro and the foundry and all, so the growth rates are similar. And as it happens, typically the weighted average margins also remain in that same rate. Of course, there is a variation between product-to-product, but on an average it comes to the same.

Chetan Thakker: And sir the margin improvements that we have seen, particularly in methyl amines, I believe, it is because of methanol prices, how much is that sustainable? And what is the reason that there is less competition despite correction in methanol prices?

Yogesh Kothari: See, it is like this that methyl amines are not easy to import, so it is easy for us to market them. Now, each of the suppliers have, I mean, the customers themselves want us to supply and we have two suppliers only in India. Some imports do come from Saudi Arabia, but that is not much. And the pricing is very realistic because they were higher in the past when there were some sort of shortage situation or whatever it is, but the prices were higher in the past. It has now come to a level, which is comfortable to the suppliers as well as to the consumers.

Chetan Thakker: And in terms of the contract that we have with them, you will not see any further reduction in prices based on the contracts that is linked to drop in input prices?

Yogesh Kothari: We do not operate on contract basis to a large extent, except for a monthly contract type of picture, monthly or at the most quarterly. But it is normally not large duration contracts. And while raw materials are being bought all around from various sources internationally, crude is cheaper in India and so we get the advantage whenever too much material comes into India and we are able to get it at that time.

Chetan Thakker: And sir on the CAPEX side, what was the spend in FY16 and the status on the Dahej CAPEX that is there?

Kirat Patel: FY16 the spend was around Rs.34 crores, of which about Rs. 13 crores approx.. was on the solar plant, which got commissioned by middle of July and the remainder was on acetonitrile expansion, on some safety, SMPV, and other effluent treatment and things like that and small expansions. And in Dahej not much has been spent besides the land. We have about Rs. 15 to 16 crores of investment in the

Dahej project, but that was mostly invested in the previous years. This year we were awaiting the environment clearance and that has come and we have spent some money on design, which is not a significant amount.

Chetan Thakker: And sir, what will be the timeline for this project now that the EC has been received?

Kirat Patel: We will be probably breaking ground after the monsoon, because the monsoons are not a great time to start civil works, and the commissioning would be, probably, end of FY18 that means the last half of that financial year, '17-'18.

Chetan Thakker: So, we would be spending around 40% of our Dahej CAPEX in FY17 and balance in '18?

Kirat Patel: There would be probably 20% in FY17 60% in FY18 and 20% after commissioning. It invariably happens that a lot of payments come in after the plant is mechanically complete.

Chetan Thakker: This will be largely funded through internal accruals and debts?

Kirat Patel: Yes, internal accruals and debts.

Chetan Thakker: And sir this will add approximately how much to the existing capacity? 100 tons per day, right, the plant?

Kirat Patel: Yes, it is a 100 ton per day, expandable later to 150 tons.

Chetan Thakker: And incrementally how much volumes will this do, because there will be some shift from the existing facility to this facility as well, so incrementally how much will it add per day?

Kirat Patel: It will add 50 tons per day, approximately. We already have 50 and it would add another 50.

Chetan Thakker: So this is Rs. 250 crores, is it safe to assume can give a peak turnover of Rs.500 odd crores?

Kirat Patel: No, no. The investment is about 150 crores. And peak capacity we should reach about Rs.250 crores of sales.

Chetan Thakker: Sure sir. And this is the methyl expansion that is there or Alkyl?

Kirat Patel: Methyl, this is the methyl expansion.

Chetan Thakker: Sure sir, thank you so much.

Moderator: Thank you sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Sir, we have the next question from Mr. Pawan Kumar from Unify Capital, please go ahead sir.

Pawan Kumar: I just wanted to understand how are our margins growing, in the sense do we charge something like EBITDA per ton that we keep in mind while pricing the product or how is it? Or is it just based on simple price movement of the product versus raw materials?

Yogesh Kothari: I think to a large extent, it is based on the international prices, local prices, and raw material inputs, combination of all that.

Pawan Kumar: Okay. And sir, you have just told us that there are three major segments that is form of bifurcation, amines, derivatives, and speciality products. So of your product portfolio, how much would be amines, derivatives and speciality separately? Just to get an idea.

Kirat Patel: I would say approximately 50% would be the amines. I am talking about production. Amines is 50% to 60%, about 20% to 30% would be derivatives, and the balance 10% to 15% would be speciality.

Pawan Kumar: Okay. And what would be the EBITDA margin differential sir, between the various segments.

Kirat Patel: I don't think we distinguish too much between this and I would not like to get into product-wise.

Pawan Kumar: No, but I just wanted an idea, is there any kind of margin differential between speciality and amines or there is no price...

Kirat Patel: It does happen on and off, I mean, quarter-to-quarter there will be some differences, but on the whole there is not much of a difference, not significant to make any impact on the bottom-line.

Pawan Kumar: Fine. So FY16 since we are saying we are almost operating at full utilization, so how much extra leverage or capacity do we have for FY17 which is coming on line or is it like our present capacity or we should expect some kind of flat volumes going forward?

Kirat Patel: Well, we are not at full capacity. We are at about 80%, 85% capacity in the amines plant. We are also having some proposals to debottleneck the two main plants to be able to cover at least for another two years in the growth, which we expect. So there is unlikely to be any constraints on sales because of production.

Pawan Kumar: Okay. So, can we expect say some 10 to 15% volume growth and whatever realization comes according to the margin? Would that be fair?

Kirat Patel: Yes, 10% to 15% is a fair estimate of growth in volume over the next two years.

Pawan Kumar: Okay and just if I can just squeeze in one more question sir, what is the realization trend you are seeing in the market?

Yogesh Kothari: I don't understand.

Pawan Kumar: Pricing trend sir, going forward in the next two years? Are you expecting the prices to go up or down?

Yogesh Kothari: They are likely to be steady and go up gradually because if our input cost in say maybe alcohol, that is going up so we will have to increase our prices. The business environment will decide that.

Pawan Kumar: Okay so mostly you are saying that the raw materials are increasing so we will also be increasing right?

Yogesh Kothari: The only raw material to increase will be ethyl alcohol. Others we expect them to remain stable.

Pawan Kumar: Okay. Fine sir I will get back in the queue.

Moderator: Thank you sir. Ladies and gentlemen if you have any questions Please press * and 1 on your telephone keypad. Sir we have the next question from Mr. Karthik Mehta from Sushil Finance. Please go ahead sir.

Karthik Mehta: Good evening gentlemen, thanks for the opportunity. Sir I am relatively new to the sector and the company, so if you give me permission to ask two basic questions then I would like to proceed.

Yogesh Kothari: Yes please.

Karthik Mehta: Sir basically I understand that we have three verticals in the revenue amines, specialty chemicals and derivatives of the amines. So in amine basically we have further two categories like alkyl and methyl?

Yogesh Kothari: We have more than two, ethylamines, methylamines, isopropylamines, 2-ethylexylamines, butylamines, etc. So we have five, six different amines out of which methylamines and ethylamines are large volumes and others are slightly lower volumes.

Karthik Mehta: And the specialty amine is altogether different thing?

Kirat Patel: It is not specialty amine, it is a specialty chemical.

Karthik Mehta: Okay so they would be unrelated to the amine? So they are totally different product as such?

Kirat Patel: Yes. It is only some processes which we are familiar with, that are used to manufacture these chemicals.

Karthik Mehta: Okay and these are basically which chemicals catering to which sectors, the specialty chemicals?

Kirat Patel: They also largely to into the same pharma, agro, these are the main sectors it goes into.

Karthik Mehta: Derivatives are amine derivatives right?

Kirat Patel: Yes they are amine derivatives. We use the amines to make further salts and other complex chemicals out of the amines which we sell to customers.

Karthik Mehta: And sir in your website it is mentioned somewhere the contract manufacturing work we do....starting from R&D to commercial production. So how big is this division and it is forming under which vertical?

Kirat Patel: Actually it does not fall under these two because most of the contract manufacturing we do now is related to hydrogenation so it comes under other operating income in our balance sheet

Karthik Mehta: Okay is this hydrogenation the same, the hydrogenation process which is involved for making MCA?

Kirat Patel: MCA? Monochloro acetic acid? No, no.

Karthik Mehta: You need hydrogen to make that and you need hydrogenation technology for that; it is not that thing right?

Kirat Patel: Hydrogenation is a word that is used whenever hydrogen is to be added to a molecule and we have facilities in Kurkumbh for doing this because we also have a hydrogen plant and we have the high pressure reactors, some of them we have created for our amine derivatives.

Karthik Mehta: Okay you mentioned about the various user industries like Agri, pharma, rubber water treatment....so any further bifurcation you would like to give on the revenue part? How much should be coming from Agri in terms of.....?

Yogesh Kothari: This information we do not give but normally pharma and agro themselves could be taking about 85% of the market.

Karthik Mehta: Okay and in terms of raw materials, which are the major raw materials which could give a lot of worry to you in terms of sourcing, in terms of volatility of their pricing, they impact your margin, other risk factors on the raw material front or they are sourced locally or you want to import them?

Yogesh Kothari: Our main raw materials are various alcohols including ethyl alcohol, ammonia. Ammonia of course we source locally, alcohols some of them are getting imported but we buy also locally but it will all depend on the price availability.

Karthik Mehta: Alright. I was seeing your margin profile over the years, it has been continuously inching up, EBITDA margin year after year starting from FY11 and I think right now you are almost standing at the peak of the last four, five, six years' margin. That is pretty impressive. So it was just giving me a future question that what is leading to this sustainable margin improvement year after year?

Yogesh Kothari: See there are two things; one is raw material as well as increasing efficiencies. The energy cost also to a large extent comes down in the last two years because coal prices, oil prices everything, so that has also helped us.

- Karthik Mehta:** Yours is an energy intensive business?
- Yogesh Kothari:** Yes, yes because a lot of distillation takes place so a lot of energy has to be spent.
- Karthik Mehta:** Okay, so that is reversible right that energy cost which is giving you margin may not sustain if it is other way around?
- Yogesh Kothari:** It is true for everything no?
- Karthik Mehta:** The key component would have been more of productivity improvement or....something which is not irreversible would be sustainable in a nature. So what percentage would you subscribe to as a sustainable margin from here on?
- Kirat Patel:** 10% of our sales value would be power and fuel and energy. It used to be in the region of about 14% of which I think due to just sheer efficiencies we have shaved off 2%. The other 2% is a benefit probably of prices. Now the prices can change up or down....there is no reason why it can't go down....
- Karthik Mehta:** 20% EBITDA margin is sustainable you mean?
- Kirat Patel:** Yes, I suppose so...we have been in the region of 18-1/2% to 21% for a long time. This quarter of course it has jumped to about 23%. That's the combination of volume, efficiencies and some benefits of the methanol prices which have played a bit.
- Karthik Mehta:** That's all from my side. Thank you so very much.
- Moderator:** Thank you sir. Our next question comes from Ms. Veena Patel from Wealth Management. Please go ahead.
- Veena Patel:** I actually missed out on the previous participant's question which you had answered on the acetonitrile expansion. So when are we expecting this?
- Yogesh Kothari:** We have just received our environment clearance now, so we should be doing whatever needs to be done in a very short time....perhaps in the next quarter or so.
- Veena Patel:** So how much should be our capacity now, post this expansion?
- Yogesh Kothari:** I think this is a difficult question to answer.
- Veena Patel:** Okay. Sir on the Dahej you mentioned around Rs.150 crores to be the CAPEX....
- Kirat Patel:** Yes, it is budgeted; I think we will get a firm number in the next two, three months.
- Veena Patel:** Okay 20% of that would be spent in this financial year?

Kirat Patel: Yeah we have already spent about Rs.15-Rs. 16 crores on the land and the engineering. We expect to spend a little more on the civil work and perhaps facing the advances on some of the critical long-delivery items.

Veena Patel: Okay got it, thank you sir.

Moderator: Thank you. Our next question comes from Mr. Pawan Kumar from Unify Capital. Please go ahead sir.

Pawan Kumar: I just wanted your qualitative assessment of the present capacity within India and also abroad for your specific sort of category; so what is the competitive scenario in terms of volume?

Yogesh Kothari: There is no under capacity, there is excess capacity in most of the products but it is where you are located that is more important and your customers what you to be near them so we have an advantage, the customers who are in India, a lot of pharma companies and agro-chemicals they prefer to purchase from local suppliers so that has helped us a lot to some extent because the products are rather hazardous, they don't like to store large quantities or import large quantities.

Pawan Kumar: So logistics is a major component which the customer would like to take into consideration while ordering?

Yogesh Kothari: Oh yes, logistics is very important because now they have got used to just-in-time kind of delivery.

Pawan Kumar: Okay can you just give a broad realization of your products? How many rupees per kg?

Yogesh Kothari: We have too many products ranging from Rs.70 to Rs.150 to Rs.250 per kg. We would not like to go into details for this.

Pawan Kumar: No problems I would not ask you for it. Thank you.

Moderator: Thank you sir. Ladies and gentlemen if you have any questions please press * and 1 on your telephone keypads. Our next question comes from Mr. Dhaval Seth from ISHA Securities. Please go ahead sir.

Dhaval Seth: Sir I just want to know about the sales quantity of acetonitrile in the FY16?

Kirat Patel: Sorry individual product quantity we would not like to comment on because that's about competitive information.

Dhaval Seth: Okay no problem sir.

Moderator: Thank you sir. The next question comes from Mr. C. Srihari from TCS Securities. Please go ahead sir.

C. Srihari: Sir in the specialty chemicals space I would like to know what is the current portfolio and what products are currently under development? Thank you.

Yogesh Kothari: We can't tell you about what are the products under development but Kirat Patel will tell you what the products in the specialty range are.

Kirat Patel: There are four products, two or three very special products, like DLW, but the most common one people have been commenting on is the acetonitrile which we put under the specialty chemicals range because it is not an amine or it is not a derivative of an amine. So acetonitrile comprises the bulk of the specialty chemicals portfolio but the others are small volume, three or four products which have small volumes, much higher prices of course and much more complex molecule with a different margin.

C. Srihari: If not the price line can you at least give an idea about the salability? What is the kind of growth you are foreseeing from this vertical?

Kirat Patel: It is speculative, but I would say it is probably be the faster growing section of our three portfolios probably.

C. Srihari: So that would be about 20%, 25%?

Kirat Patel: Yes I think 20%, 25% would be the right range.

C. Srihari: Can you at least tell how many products you are currently working on, if not the names at least in research or whatever, how many products are currently under development?

Yogesh Kothari: It is a range of 5 to 10 products.

Kirat Patel: We regularly sell about 30 to 40 products. We have a palette of about 90 products. In research there are normally 8 to 10 products under development.

C. Srihari: I was talking about specialty chemicals...?

Kirat Patel: I don't know how to classify it, that I would have to go back and look at the data because when we do the R&D we don't really classify them into these segments.

C. Srihari: Okay in terms of application would it be sold to the pharma?

Kirat Patel: Yes I think more or less a lot of the end users of the products are all also pharma; in all three categories, amines, derivatives and specialty. There are some products which only go into, say for example, water treatment....that's a smaller portion.

C. Srihari: But predominantly it won't be classified as intermediates? All the products will be classified as intermediates.

Yogesh Kothari: Yes, a large number of our products go under intermediates. Yes correct, you are right there.

C. Srihari: Any plan of forward integration in any of the products?

Kirat Patel: Well, derivatives is actually a forward integration but beyond that no plans over there to step further into the customer area.

C. Srihari: Okay fine, thank you sir.

Moderator: Thank you sir. The next question comes from Mr. Satish Mishra from HDFC Securities. Please go ahead sir

Satish Mishra: Hi sir, I have a couple of questions. The first question is related to working capital cycle. There has been significant improvement. Earlier it used to be 100 plus days. So is there any one off or why is there so sharp improvement there?

Kirat Patel: There is an impact of a one off this time because of ethyl alcohol as on 31st March. I am sure you are looking at the 31st March numbers.

Satish Mishra: Right.

Kirat Patel: First reason is : 31st March. We store up a lot of ethyl alcohol because it is towards the middle of the season. This year there has not been that much stock. The second is more sustainable which is reduction in receivables and increase in payables in the number of days. Maybe by four or five days in each sector so that adds to 10 days.I think from somewhere like 100 days it has come down to about 85 days, the product cycle.

Satish Mishra: Yes. Okay basically this is receivables and payable part are sustainable?

Kirat Patel: Yes, those are sustainable which is half the benefit; the other half may go up and down depending on the situation in the alcohol; because next year is likely to be an inherent season for ethyl alcohol.

Satish Mishra: Correct and second question sir, I missed on the CAPEX part, so basically 20% of our arranged CAPEX which is Rs.150 crores. So roughly 30 crores from Dahej will be used in FY17 and for acetonitrile expansion how much into planned CAPEX?

Kirat Patel: For the Acetonitrile expansion there is not much planned CAPEX left to do, Dahej also the Rs.30 crores you are talking about is my guess because we haven't yet come down to concrete numbers and putting down quarter to quarter cash flow.

Satish Mishra: So sir for acetonitrile when you say it is very less, so I believe less than Rs. 10 crores type of CAPEX or?

Kirat Patel: Yes, most of it is already capital works in progress.

Satish Mishra: Can we get CWIP number, capital work in progress for FY16 net?

Kirat Patel: Yes, it is about Rs.16 crores.

Satish Mishra: It has reduced year-on-year so I believe because of solar thing right?

Kirat Patel: Yes, I think last year it was Rs.30 crores and this year it is about Rs. 15, 16 crores. It is there in the balance sheet but I don't have the numbers readily available here.....

Satish Mishra: It was Rs.30 crores so I think so because of solar.....

Kirat Patel: Yes, the solar would be a big contributor for capitalization.

Satish Mishra: And sir on a year on year basis, our interest cost is looking lower. Is it because of some FOREX benefit? Why is it lower? Earlier it used to be 10-1/2% to 11%, this time it is 9-1/2 odd percent.

Kirat Patel: The absolute figure of interest is lower, because strong cash flows lead to less debt. If you see our cash flows have been in the region of Rs.50, 60 crores every year and CAPEX has been funded by long-term debt so we have been able to reduce our working capital debt, short-term debt. Total debt has come down; so most of interest saving is achieved by reduction in debt. Some of it is because rates have come down. Our credit rating has gone up so our borrowing rates have come down. It is a combination of both.

Satish Mishra: Okay fine and sir what are the plans for further reducing debt? How is it for FY17?

Kirat Patel: You can see, pure cash flow without Dahej we will be reducing debt but Dahej will increase debt. So I suspect FY17 we will probably be in the same numbers as we finish FY16. Going further down, yes FY18 and further perhaps the debt will be a little more because of the Dahej project.

Satish Mishra: Fine sir, thank you so much. I think Moumita we can close the call. Sir would you like to make any closing comments?

Kirat Patel: I just would like to thank you all for arranging this and thank you to all the participants who are on the line wanting to know more about our company. Hopefully they will be satisfied and in future we hope to do better.

Satish Mishra: Thank you sir.

Moderator: Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good evening everyone.

Note:

- 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.