



Ester Industries Limited

Q1 FY17 Earnings Conference Call Transcript August 11, 2016

Moderator Good day, ladies and gentlemen and welcome to the Ester Industries Limited Q1 FY17 Earnings Conference Call. As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. I now hand the conference over to Mr. Gavin Desa from CDR India. Thank you and over to you, sir.

Gavin Desa Good day everyone and welcome to Ester Industries Limited Q1 & FY17 Analyst and Investor Conference Call. We have with us today Mr. Arvind Singhania, The Chairman, and Mr. Pradeep Kumar Rustagi, the Chief Financial Officer. We will begin this conference call with opening remarks from the management following which we will have the floor open for an interactive Q&A session. Before we begin, I would like to point out that certain statements made in today's discussions may be forward-looking in nature and a note to this effect was stated in the con-call invite sent to you earlier. We trust you have had a chance to receive and go through the documents on financial performance. I would now like to hand over to Mr. Singhania to make his opening remarks.

Arvind Singhania Good afternoon and welcome to Ester Industries Q1 FY17 Earnings Conference Call. Let me take you through the key operational developments following which Pradeep will briefly describe the financial highlights for the quarter. As we have discussed in our earlier calls we are working towards transforming the existing business profile of the company. Our efforts are primarily directed towards making Ester an innovative and technology driven company with specialty polymers business being the key catalyst for this transformation. In this regard our specialty polymer business is shaping up very well. We have a strong product pipeline with 18 new products at various stages of development in addition to the product which we have already started commercializing.

Some of our key marquee products in the business being Stain Resistant Master Batch for Carpets and PET resin for Hot-fill rigid packaging application. Thriving on innovation these products reinforces our technology and execution capabilities. As majority of you must be aware we were also felicitated at the sixth national award for technology, innovation in petrochemicals under the category of innovation in polymeric materials for these products. While I am excited about the potential of this business our experience is showing that for such vast making innovations while the merits of the products are well recognized the ramp up in volume does take some time.

The reasons for this are not entirely in our hand. It can be a function of several external factors including availability of supportive infrastructure and collateral, status of present inventories and processes being followed to name a few. You would appreciate that most of companies we work with that global leaders in that space. What gives me confidence however is the strength of our team and



capabilities and that these large entities have in almost all instances recognized the merits of our products in terms of a superior results. Once the buy in is complete and the transition is made we are very confident of significant potential our products offer.

Specialty polymers business delivered strong performance during the quarter with revenue growth of approximately 30% and the EBIT margins almost doubling to 31% as against 17% generated during Q1 of last year.

Moving on to our polyester films and engineering plastics business. The strategy for these remains the same with efforts directed towards helping them attain the necessary scale to support the specialty polymer business. We are also working towards improving the product profile of the two businesses by adding greater proportion of value added products.

Operations of our polyester film business were constrained primarily by shut down for maintenance and some other events which Pradeep will elaborate upon. We are taking all necessary measures towards strengthening our product mix which would help us to negate the impacts of vulnerabilities like volatility in crude prices and the deteriorating pricing environment.

To conclude I would like to reiterate that we are very pleased with the way the business is shaping up in the long term. Specialty polymer business continues to progress well and we are confident in its potential and its ability in transforming our business. Efforts towards improving the product profile of other two businesses will also help us to iron out the impact of cyclicity in this business.

With that I handover the floor to Pradeep who will running through the financial performance. Thank you.

Pradeep Rustagi

Good afternoon everyone and thank you for taking the time out for our calls. I trust that all of you have received the investor documents circulated by us earlier. Let me quickly summarize the key financial highlights for the quarter and full year following which we can begin the Q&A session.

Before I comment I would just like to reiterate that performance of the quarter was to a large extent impacted by temporary shutdown of continuous polymerization and film plant for approximately three weeks. For the purpose of maintenance and introduction of new infrastructure. I urge you all to view that figures in the appropriate context.

Our revenue for the quarter stood at Rs. 166 crore as against Rs. 211 crore generated during Q1 FY16. Revenues during the year were in part affected by lower realization, plant shutdown and discontinuation of the sale of polyester **chips**. EBITDA for the quarter stood at Rs. 13 crore as against Rs. 25 crore reported during the corresponding quarter last year. Depreciation and finance outgo for the quarter stood at Rs. 7 crore and Rs. 8 crore as against Rs. 10 crore and Rs. 9 crore during Q1 FY16. Loss after tax for the quarter stood at Rs. 2 crore as against that of Rs. 4 crore reported during Q1 FY16.

On a segment wise basis the specialty polymer business performed well with revenue for the quarter growing 29% and amounting to Rs. 22 crore as against Rs. 17 crore of Q1 last year.

The revenue expansion was accompanied by margin expansion with margins almost doubling to 31% as against 17% generated during the corresponding period last year. Polyester film business performance was largely impacted by weak realization in high-tech competition. Revenue from the business stood at Rs. 111 crore as against Rs. 156 crore generated during Q1 FY16. EBIT for the business stood at Rs. 9 crore as against Rs. 20 crore during the previous year.

Engineering plastic business also contracted marginally during the quarter with revenues of Rs. 34 crore as against Rs. 37 crore generated during Q1 FY17. EBIT for this segment remain steady at Rs. 2 crore.

To conclude I would just like to reiterate that we are working towards transforming the business by focusing on innovations and specialization and are confident of attaining our goals. That concludes my opening remarks we would be happy to answer your questions now.

Moderator

Thank you very much. We will now begin with the question-and-answer session.

The first question is from the line of Sachin Kasera from Lucky Investment Managers.

Sachin Kasera

Good afternoon sir, I have a question regarding the specialty polymer business. At the end of last financial year we were looking at something in the range of Rs. 120 crore plus for FY17. Your press release mentions that you are seeing some slowdown in terms of off take. So can you give us some more color on exactly what is happening there and why suddenly there is some slowdown in the off take?

Arvind Singhania

Like I had mentioned in my opening remarks we are extremely confident about the specialty polymer business going forward. All our products including our marquee products which are the stain resistant and hot-fill products are very well accepted by the customers who we have introduced it to. In fact now as far as the stain resistant master batch is concerned, it has gone ahead to more than five or six customers in the US and it is being tested by four, five customers in Europe and in China by two customers and one in Korea. So acceptance level of our products is very, very high. As far as the hot-fill is concerned, we have introduced it to another second largest converter in the world in America and it is currently starting the testing process as of now.

Apart from that, there are many other projects that we have started and we remain extremely bullish. We expect that the medium and long term potential of this business is going to be extremely strong. As far as the revenues are concerned, it is very difficult for us to predict on a quarter-to-quarter, we are not a quarter-to-quarter company right now and it is not a slowdown I would say it is just that people are taking, customers these are very, very large customers, multi-billion dollar companies and they have certain processes by which they go and introduce the products in the market. So it is very difficult for us to be able to predict exactly what the ramp up in volume is going to be. But it is going to happen, there is no doubt about that.

Sachin Kasera

No, but I am not talking from a quarter-to-quarter perspective my question was on full year perspective. So that at the end of last financial year we had indicated that the revenues from specialty polymer this year could be in the range of Rs. 120 crore to Rs. 130 crore. So after the Q1 you think that number is achievable because you have done some Rs. 22 crore in Q1 or you think for the full year you may have to look at a little lower number?

- Arvind Singhanian** See we have done very well in Q1 of FY17 as you have seen. We have increased our revenue by 30% and our EBIT margin has gone up from 17% to 31%. As far as the revenues for the whole year goes, we might be looking at little lower numbers but overall the business is going to be extremely good.
- Sachin Kasera** This Rs. 22 crore is something that we improve or we are looking at even lower than Rs. 100 crore compared to the Rs.121 crore that we are looking earlier?
- Arvind Singhanian** Well, like I said it is very difficult. This is something that we have learnt while going ahead and introducing these products in the market and while we get indications from the customers in terms of the volumes that they intend to buy based on which we have also passed on this message to you earlier, it is very, very difficult to exactly pinpoint but I am hoping that we will still be able to reach the Rs. 100 crore mark.
- Sachin Kasera** Secondly sir on polyester film you have mentioned that you have 20% share of value add. Can you exactly classify for us how do you classify value added by per kg value addition by EBITDA margin percentage and how do you see this ratio improving?
- Arvind Singhanian** So the way we identify a value added product over a normal product is when the value additions in that product are at least Rs. 25, Rs. 30 per kilo more than the commodity products. So that is the differentiation that we do. Right now, last year we have grown our value added portfolio by about 18% over the corresponding last year . So we are intending to take this up to 30%, 35%. In fact the shut down that we have taken in this quarter was to improve the infrastructure to be able to come out with one very special product which is the Shrink film which we had to install a new extruder in our core line without which we cannot do it.
- So this is going to help us to introduce this new product which has a much better value addition. Apart from that, the other products in the pipeline which are coming out in the near future which is going to help mitigate this problem of cyclicity and volatility in the polyester film business.
- Sachin Kasera** When do we see this 35% being achieved sir and what does that mean in terms of the EBITDA margin for your film business over the next two quarters?
- Arvind Singhanian** Well, I am expecting that over the next two years we should be able to take our value added portfolio from the current 15%, 16% of overall to about 30%, 35%. And if you see in an overall view which would help us to reach a situation that even in the worst market situation we should be able to make a decent EBITDA where we do not have any drain on our bottom line from this business, that means we do not have any losses. The whole idea is to be able to make money even despite worst market conditions.
- Sachin Kasera** Any update on some new customers that we are looking to penetrate in specialty polymers especially on the carpet polymer?
- Arvind Singhanian** Yes, I certainly do have an update on that. Like I said earlier up to now we have been working up to the earlier part of this year we had been largely working with two of the largest carpet mills as far as the stain resistant master batch was concerned. And now we have gone and introduced this to four others in the US, we are now introduced it to four parties in Europe which is a new development. We have introduced it to one very large customer in Turkey, one of the largest BCF, which is the bulk continuous filament manufacturer in Turkey. We have introduced it in China, it has been tested by two companies in China. We have introduced it to

one customer in Korea it is now at an advanced stages with an Australian carpet manufacturer. So we have gone and introduced it to a variety of customers in the last few months.

And from everywhere we are getting very good acceptance of the product. As far as the hot fill resin is concerned we have introduced it now to the second largest rigid packaging converter in the world. And I just had a meeting two weeks ago with them and their trial process is going to begin - the material has already reached them in fact any day. Apart from that, there are other products that we have been working on. I am not at liberty to disclose because we are under confidentiality agreement. There are two other very large opportunities that we are working on which can start showing results in the next few months as well.

Sachin Kasera So do you remain confident on the revenue potential of this business over the next three to four years?

Arvind Singhania I am extremely bullish about this business overall, because the response that I am getting in terms of the product itself whether it is acceptable **product** in terms of technology, or quality or the product per se itself is not an issue. The pricing is not an issue. These are all multimillion dollar companies that we deal with largely so when I am getting such a positive feedback on both these issues it is just a question of them getting their processes into place to start introducing the product into their various product portfolios.

Moderator Thank you. The next question is from the line of Tushar Sarda from Athena Investment.

Tushar Sarda You sound very bullish on the specialty polymer business and you have introduced it to a lot of customers. So when do you think we will reach an inflection point where the sales really take off?

Arvind Singhania Like I mentioned in my opening remarks and also answering the previous question, it is not something that I can answer very accurately whether it will happen in the next two months, or three months.

Tushar Sarda So can you take us through how the customer decides what is their decision making process cycle how long does it take, because if the product is really good there should and it is already being commercialized by a couple of large people in US, so the acceptance and the trial at other customers should be much faster, right?

Arvind Singhania Not necessarily as everybody has their own process for approval.

Tushar Sarda Yes, they will have their own process but if they have.

Arvind Singhania Because somebody else has approved it, it does not mean an automatic acceptance of the product by everybody else. See again this is we are not talking about a commodity product we are talking about specialty. This product has not been seen, so they have to go through their process for trial and acceptance. Now if you take the case of carpet for example.

Tushar Sarda Let me ask you in a different way. The customers who have introduced this product already in their product line and introduced the product in the market, do they find higher traction in sales, do they find it easy to sell their product?

Arvind Singhania There is no problem in their selling the product with our master batch, there is no issue neither in production.

Tushar Sarda Do they think it is easier because for example master batch is stain resistant so do they find it easier to sell because?

Arvind Singhania No, it is not a question of getting a higher pricing in the market like I had mentioned in my previous one there was a sulphonated nylon already available in the market for many years today. That is a 2% direct spend sulphonated nylon which was being used by the industry. But the problem was when it had limited availability and it is very expensive. Our product gives complete flexibility to users to be able to adjust the final content of the sulphonation in the final yarn because we are a master batch. So the overall value proposition is very attractive. And it is much cheaper than sulphonated nylon.

So now it is a question of how soon they can start introducing it into their various carpet portfolios. It is not just a carpet when you talk about a carpet mill they have residential, they have commercial and within each of these, they have various product lines. So it is a question of how they can manage to scale up and introduce this product into their various product lines. That is the only issue.

Moderator Thank you. The next question is from the line of Aveek Mitra from Avecsat Equity.

Aveek Mitra My first question is that you have this plant closed down for three weeks so what kind of total revenue we expect in the coming quarters or what is the kind of revenue projection you can have for this year end?

Pradeep Rustagi Because of the shutdown we lost sales of about Rs. 15 crore in the polyester film business. While most of it will be made good in the following quarters but there is a shutdown for the smaller lines. We have three lines, the smallest line is also under shutdown during this month. So there would be improvement in the film turnover during September quarter and there should be improvement of about Rs. 10 crore to Rs. 15 crore in the turnover of film business during this quarter over the previous quarter.

Aveek Mitra Okay so we can expect at least additional revenue of about Rs. 70 crore during this?

Pradeep Rustagi Yes Rs. 10 crore to Rs. 15 crore could be the additional revenue during this September quarter.

Aveek Mitra Okay and second question is I have just a book keeping question basically because I find the total EBIT basically coming to be about Rs. 16 crore, because you said that your specialty polymer generated at 7 polyester film 9 and engineering plastic 2, so but your total EBIT as per the record is Rs. 5 crore about Rs. 6 crore. So I do not know if you have covered this question, so if you can just give a light on this?

Pradeep Rustagi Our EBITDA is Rs. 13 crore.

Aveek Mitra No, in the presentation you have given EBIT, right?

Pradeep Rustagi Yes, because what happens that in the product they are as per the segmental results. So what happens if there is an other income and revenues which are of corporate nature which are not directly attributable to our business. So the sum

total of all the EBIT from all businesses would not match with the EBIT of the company because there is an unallocable income and finance cost. Finance cost is always unallocable. So is the many corporate expenses and administrative expenses, common challenging business like IT department salary.

- Aveek Mitra** That is included in your Rs. 35 crore of other expense you mean to say?
- Pradeep Rustagi** It will never match if you look at the segmental results the sum total of EBIT of segment would never match with the EBIT of the company because there are common nature expenses.
- Aveek Mitra** So what kind of EBIT you are looking at for by the year end 2017? EBITDA or EBIT or whatever is comfortable what is the percentage you are looking for?
- Pradeep Rustagi** In the first quarter we had made EBITDA of about 8% and last year our EBITDA margin was about 9%- 9.5%. So we are targeting to achieve double digit EBITDA margin during this year.
- Aveek Mitra** Okay and my last question is actually in continuation to the previous person's question that suppose you take the example of the earlier customers whom you have already on boarded, what is the cycle time that took to convert from say initial idea generation and to implementation of the thing, from that I think we can get some light about what your future customers can take, what kind of time cycle the future customers can take in on boarding?
- Arvind Singhania** I think now that is a very good question. Of course the time cycle taken from the idea generation to the time when we were able to commercialize the product with the first customers was much longer. We started work in let us say in 2013 and we were able to start commercialization in 2015. The other introductions we have made are largely in this year in the last few months. And we expect that the turnaround time and starting of commercialization with these customers will be much shorter than we have taken with the first ones. Because in the first ones their product was actually in the development stage itself. Now that development stage is not, we are not going to go through the development phase with the new customers because the product is already developed. The product was introduced for the first time it was undergoing development while it was being tried. So that development plays a part and gone, so the turnaround time is going to be much shortened with the other customers.
- Aveek Mitra** And sir how many customers you have for these products right now in numbers?
- Arvind Singhania** Well, overall we would have about if you take the entire specialty polymers portfolio we would have about 10 to 15 customers existing.
- Aveek Mitra** Okay so what is the kind of penetration you can have in this kind of accounts that means if 10 customers is buying about I think Rs. 20 crore I think it is maximum Rs. 2 crore per customer on an average. I am just taking on an average so what kind of penetration is possible into these accounts? Can these accounts grow larger as we go forward or you need more customers?
- Arvind Singhania** No, some of these accounts themselves can grow very large. So it is just a question of increasing their volumes and ramping up volumes with them. And apart from that even we are penetrating with new customers all the time. We are introducing these products to new customers all the time and more so we are going to start doing that for the hot fill resin as well where it is actually just gone to now the second or

the third customer. Overall if you see in hot fill resin there are about ten to twelve large converters in Europe and America itself, where there is a huge potential for this product.

- Aveek Mitra** And sir my last question is do you have any customer in India like there are companies who are making Dyed Polyester Yarn like say Welspun Syntex and Filatex and companies like that? Do you have any customers there?
- Arvind Singhania** Filatex is not a big scale producer, Welspun is the biggest producer there are very, very small Dyed Polyester Yarn producers and we have just recently got a note of interest from them as well.
- Moderator** Thank you. The next question is from the line of Jaspreet Singh Arora from Systematix Shares. Please go ahead.
- Jaspreet Singh Arora** My question was on engineering plastics business. The revenue and the profitability seems to have been static year-over-year for the quarter. So if you can just highlight the reason for the same and what is the broad outlook on this because if I compare it with the other two divisions, the polyester and the specialty polymer this seems to be a very low margin business. So what is the big plan here and what is the outlook on this end?
- Arvind Singhania** One of the reasons for this remaining static one part of the engineering plastics business is in our optical fiber cable business. And this is largely tender based business which comes from the BSNL, Bharat Net Program. So the Bharat Net project has got delayed by almost one year and it is purely a tender based business. So our orders come from the optical fiber cable manufacturer and they depend on the tenders opening up. Now we are given to understand that the Bharat Net Program is going ahead very strongly and from September, October onwards the optical fiber cable business will pick up. So that was one of the main reasons why there was no increase in the revenues from the engineering plastics business.
- Jaspreet Singh Arora** Ok and what is the potential growth or revenues that you could see from this division going forward?
- Arvind Singhania** I think if the OFC business start back up again we should be looking at about Rs. 175 crore to Rs. 190 crore for the year.
- Pradeep Rustagi** As against 155 in FY15-16
- Jaspreet Singh Arora** So based on these orders from the optical fiber cable that you mentioned earlier, that and bit of uptake in overall. So what is the kind of margins that you envisage here because as I was stating earlier seems to be a low margin. So unless it is high on capital employed, ROCE that would be a different think which I am not sure right now. So how does it fit into our overall margin and the other high margin businesses?
- Pradeep Rustagi** We are targeting to achieve EBIT margins of 7% to 8% in engineering plastics business during the year. It is very stable volume because the expenses will remain constant. And any addition to the contribution will be in addition to the EBIT margin. So as we build up the volumes and achieve Rs. 180 crore of sales during this year we are targeting to achieve 7% to 8% of EBIT margin.

Jaspreet Singh Arora And what does it mean sir in terms of return on capital employed for the business for this division?

Arvind Singhania Return on capital employed would be in single digit and 9.5% to 10%.

Jaspreet Singh Arora What is the target return on capital employed on this side of engineering plastics business in let us say a five-year time frame what is the broad view that you have for this division?

Arvind Singhania Over a five-year time frame we are expecting to grow this business to about Rs. Rs. 350 crore to Rs. 400 crore and start achieving about a 11% to 12% EBITDA margins.

Jaspreet Singh Arora And sir just on polyester the shutdown that was there for three weeks what does it mean in terms of loss of revenue?

Arvind Singhania About Rs. 15 crore as we told in the previous question in response to the previous question

Jaspreet Singh Arora Okay so I will not be able to understand. So if I had Rs. 15 crore so it means Rs. Rs. 111 crore would become Rs.126 crore. So it is still a dip from the Rs. 156 crore of revenue in the same quarter last year. So what exactly is the reason behind the same sir?

Arvind Singhania There are two reasons for that. Number one is the reduction in raw material on account reduction in the crude prices. So overall pricing has come down. As the raw materials have come down so the finished good prices have also come down. And there is also being a margin contraction because of heightened competition in this business.

Jaspreet Singh Arora So what would have been the volume growth for this quarter on a Y-o-Y basis?

Pradeep Rustagi So during this quarter the volume is down only by 4% as compared to June 2015 quarter. And the revenue is down by about 22% as compared to June 2015. So that shows the reduction in the trailing prices.

Moderator Thank you. The next question is from the line of Suraj Chokhani from Capstone Capital.

Suraj Chokhani I would like to ask the promoters like the current stake that they have in the company is around 50% to 54% approximately, 54.22%. So are there any plans to increase this promoter holding in near future?

Arvind Singhania Well, I would at an appropriate time like to increase my promoter holding.

Moderator Thank you. The next question is from the line of Sudhir Mahajan from Sparton Investments..

Sudhir Mahajan You know with this 3D printers coming in how good will your engineering plastics be useful for this?

Arvind Singhania The 3D printing technology is extremely new and we are still evaluating that technology how it can affect us. So I am afraid it is very difficult for me to answer that question because it is something that we need to evaluate in great detail.

Sudhir Mahajan But are you working at something like this on this?

Arvind Singhanian No, because the 3D printing technology is completely unrelated, that is a technology to create products using a 3D model on CAD. Now that is very different to our business. We are a manufacturer of materials. So a 3D printing is going to be used by a consumer of our products not by us per se.

Sudhir Mahajan Yes, that is what I am saying because product see usable in 3D printing that is what my think?

Arvind Singhanian That is something that we need to evaluate. I cannot answer that question it is too newer technology for us right now to be able to give you a direct answer on that.

Moderator Thank you. The next question is from the line of Nidhi Agarwal from Sharekhan.

Nidhi Agarwal Sir, my question is what is the long term plan for polyester business? It is a low margin business and it is actually taking up by all the growth you are seeing in other two segments. So are you going to sell if off or you convert it to other lines?

Arvind Singhanian No, our plan is very clear that we want to use technology for our growth and we want to convert more and more of our commodity business in the polyester film segment from commodity to value added products. So we do not want to grow in the commodity sector at all. That is not our strategy. Our strategy going forward is always going to be technology oriented. So as far as the polyester film business is concerned we will grow if there is a technological reason for us to grow. If we are able to reach those volumes and we are pretty sure we will and if that demands the growth and condition of the capacity we will do that. But we will not like to grow on the commodity part of the business.

Nidhi Agarwal We saw a huge fall in polyester business this quarter. Even if I account that Rs. 15 crore sale that is lost due to plant shutdown still it is a huge decline. So are we going to see such decline in coming quarters also or how is it?

Arvind Singhanian No, this was primarily first of all as I explained and Pradeep explained we had a shutdown we had maintenance shutdown in this quarter. So we lost some volume there because of that. And the second concern for us are falling revenue versus falling raw material pricing which was in quarter two. As the raw material prices came down the finished goods prices also came down.

Nidhi Agarwal But margins have almost half from Q1 of last year?

Arvind Singhanian See margins are under pressure. One of the reasons also is for the pressure on margins in the polyester film business.

Nidhi Agarwal Okay so if this trend continues we are not going to see any growth in the overall results for the next two, three years, right?

Nidhi Agarwal Because your specialty polymers even if it grows by 50% it is a very right now it is a 15%. So it will hardly grow to what I mean like where is the growth you see are you planning to grow in this business by 50% to 100% over the next few years' year-on-year?

Arvind Singhanian Well, overall the main growth is going to be come from the specialty polymer business that is absolutely clear. The main growth is going to in terms of revenue,

in terms of bottomline and I would say it would be not reasonable to make an assumption that will grow only by 50% or 100% over in the next year or so.

- Surbhi Agarwal** But that kind of growth we are not seeing in the recent few quarters we have not seen any major growth in the specialty polymer business also.
- Arvind Singhania** See as I already said that this is the specialty polymer business is a technology business. It takes a little bit of time for volumes to ramp up because the customers these are new products to introduce and while the customers have almost across the board the customers have accepted our product per se in terms of quality or technology or even commercials or in terms of pricing. It is just a question on little bit of time that it takes so then to start introducing it been through various portfolios. So I do not think you can take a quarter-on-quarter view on this business at all.
- Pradeep Rustagi** In 2014-15 we did a turnover of Rs. 20 crore on special polymer which includes the Rs. 67 crore in 2015-16.
- Arvind Singhania** So there was growth in 2015-16. There will be growth in 2016-17 and you might just see after one big order from one big customer might just be a very big jump in the revenues and the bottom line from this business.
- Nidhi Agarwal** So that kind of big order visibility right now in the near one, two quarters?
- Arvind Singhania** We are working with many, many customers and I think it is some; it could happen and it will happen very soon.
- Nidhi Agarwal** And you know one of the leading players in polymer industry they tell that getting approval from new polymers it is not so easy, it takes a lot of time. So that I agree it is taking time. But till what time and that has become a question.
- Moderator** Thank you. The next question is a follow from the line of Aveek Mitra from Aveksat Equity.
- Aveek Mitra** I just wanted to understand about your loan book right now because I think last March you had about Rs. 280 crore of total outstanding loans. So what is the kind of loan book and is there any chance of it is increasing during this year?
- Pradeep Rustagi** Our working capital borrowings are range bound and there is reduction in the term loan. So we are scheduled to pay about Rs. 35 crore term loan during this year. We may raise small amounts so by and large by end of March 2017 there could be reduction in the total debt by about Rs. 25 crore to Rs. 30 crore. So 31 March we had an interest bearing debt of about Rs. 304 crore which should be reducing to Rs. 280 crore or Rs. 285 crore by end of this financial year.
- Aveek Mitra** Okay and you expect to generate this Rs. 25 crore to Rs. 30 crore out of your internal accruals only or you need to take fresh borrowing for this?
- Pradeep Rustagi** Yes.
- Aveek Mitra** And just another question on the production side that you said that you have three lines. I just wanted to understand are these lines fungible that means can you use these for specialty polymers if the order comes like that?

Arvind Singhania No, not at all. Its chalk and cheese. Polyester film lines cannot be used to make specialty polymers. Specialty polymers is a chemical synthesis process. So it is made in reactors.

Aveek Mitra So for increasing the capacity of reaching say Rs. 100 crore of turnover so we assume for specialty polymer. Do you need any further CAPEX on this?

Arvind Singhania No, we do not need to have any CAPEX I mean nothing substantial may be negligible.

Aveek Mitra And what could be the maintenance CAPEX for the year?

Pradeep Rustagi Yes, it will be charged to the profit and loss account that is it. Every plant needs maintenance so does ours. But that is charged to the profit and loss account.

Moderator Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor over to the management for closing comments.

Arvind Singhania Ladies and gentlemen, thank you for coming to the Q1 Earnings Call for FY17 for our company. Thank you all very much for attending the call and I look forward to speaking with you again next time. Thank you.