August 20, 2014

Moderator:

Ladies and gentlemen, good day and welcome to the Q1 FY 2015 Results Call of SRF Limited hosted by Emkay Global Financial Services. We have with us today Mr. Rajendra Prasad, President and CFO of SRF Limited and Mr. Mukund Trivedy, Head of Corporate Communications of SRF Limited. As a reminder all participants' line will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tejas Sheth of Emkay Global. Thank you and over to you Mr. Sheth.

Tejas Sheth:

Good afternoon everyone. Thank you for joining us today. We would like to welcome the management of SRF Limited and thank them for giving us the opportunity to host this call. I would like to hand over the call to Mr. Mukund. Over to you Sir!

Mukund Trivedy:

Good afternoon everyone and thank you for joining us on SRF Ltd's Q1 FY'2014-2015 Results Conference Call. We have with us Mr. Rajendra Prasad, President and CFO of the Company. We will begin the call with brief opening remarks from Mr. Prasad, following which we will have the forum open for an interactive question and answer session.

Before we begin this call I would like to point out that some statements made in this call may be forward-looking and disclaimer to this affect has been included in the conference call invite sent out earlier. I would now like to invite Mr. Prasad to make his opening remarks. Over to you Sir!

Rajendra Prasad:

Good afternoon everyone and I welcome you all to SRF's Q1 FY 2015 results conference call. I had given you a comprehensive overview on all our businesses in the previous call. So I will take you through the key operating and financial highlights for the quarter under review, which will give us more time for a Q&A session later in the call.

Our performance for the quarter has been extremely encouraging as we would continue to report healthy growth in all our segments. Net sales for the quarter increased by 14% to Rs. 936 crore from Rs. 819 crore in the corresponding quarter last year. Exports contributed 31.4% of revenues in Q1 2015 as compared to 30.92% that is around 31% in Q1 FY 2014. EBITDA for the quarter was Rs. 201 crore, a growth of 47% year-on-year translating into a margin of 21%.

During the quarter, we had one time other income of Rs 30 crore. This was largely on account of sale of entire equity capital held by the Company in its wholly owned subsidiary SRF Transnational Holdings Limited and SRF Properties Limited, which were sold for a consideration of Rs.11 crore and Rs. 21 crore respectively. PBT enhanced by 150% to Rs. 128 crore from Rs.51 crore in Q1 FY2014. PAT for the quarter grew by 127% at Rs.99 crore as compared to Rs.44 crore in Q1 FY2014. I am happy to report that the board has approved an interim dividend of Rs.5 per share, which translates to a healthy payout of 34% inclusive of taxes.

Let me now take you through our segmental performance. In Q1 FY2015 revenues from technical textiles business increased by 4% to Rs 454 crore from Rs 436 crore in Q1 FY2014. The operating profit in this segment grew 16% to Rs. 45 crore in the quarter under review from Rs.38 crore in Q1 FY2014.

Nylon tyre cord fabric, which is the largest contributor to this segment, reported steady growth as it witnessed marginal increase in demand with no investments or capacities expected in this space we will continue to maintain our dominant position in this industry. While Nylon tyre cord fabric will be gradually substituted by steel and polyester due to radialization, we do not expect any drop in demand in the foreseeable future. Though India is the second largest consumer and has a demand of over 100,000 tonnes per annum of Nylon tyre cord fabric we witnessed around 40,000 tonnes import every year.

In addition given the expected turnaround in mining and infrastructure industry, we anticipate healthy traction for NTCF from off-road heavy commercial vehicles along with good demands from two wheeler segment. Going forward we anticipate demand to mirror GDP growth as it's performance is closely linked to the transportation sector.

We also manufacture polyester tyre cord fabric in the segment. Global surplus has caused depression in polyester tyre cord fabric realization. Accordingly we converted some of the tyre yarn machines into regular yarn to minimize the impact.

In belting fabrics, we are number two in the world and our overall capacity stands at 11,500 metric tonnes per annum. Our performance in the segment has been positive. An improvement in economic activity and a pickup in the infrastructure and mining segment will be favorable for us.

Moving onto coated and laminated fabrics, we produce industry leading quality products in both segments. However economic slowdown had impacted the performance of these products. With improving economic activity, we expect higher utilization levels leading to better performance going forward.

Moving onto chemicals and polymer business, which comprises three business segments namely fluorochemicals, specialty chemicals and engineering plastics. Revenues from chemicals and polymers business witnessed a 40% increase to Rs.321 crore in Q1 FY2015 from Rs.230 crore in Q1 FY2014.Operating profit for the quarter grew by 46% to Rs 77 crore from 53 crore in Q1 FY2014. The improved performance was primarily on account of commissioning of new plants for specialty chemicals and SRF’s second plant for HFC 134a of 12,500 tonne per annum at Dahej. We are still in the process of gradually ramping up utilization levels at the new R134A facility. In addition we are also closely monitoring the international demand situations to evaluate the next course of action for our existing unit in Bhiwadi.

With US imposing anti-dumping duty on imports from China, we anticipate demand to remain robust from US, which should also have a positive impact on overall realizations for our fluorochemical segment. We believe apart from Chinese players SRF is the only credible supplier which can cater to the US demand at competitive prices. Further the Indian demand continues to grow at a healthy pace.

Coming to the specialties chemicals segment that primarily caters to agro and pharma industry. This business segment has once again registered strong operating margins during the quarter ended June 30, 2014. I am pleased to share here that the board has approved Rs.113 crore capex for setting up a new specialty chemical plant Dahej. As you are aware, we have delivered exponential growth in this segment over the past five years and are looking to further consolidate our performance through this capex. In Dahej, we have in place the entire adjacent infrastructure so the new investment should directly lead to increase in revenues and profitability. So far we have invested around Rs.1,200 crore, which will increasingly have a significant impact on the Company’s topline.

SRF enjoys several inherent strengths, which are assisting us to transform into a leading players in this segment. We have been able to successfully handle fluorine molecules for over 20 years and have a committed team of around 200 employees covering research and development, pilot projects and engineering designs, which is unmatched in India. Our products enjoy various IPRs giving us a unique advantage over low cost manufactures in China. Looking ahead we see great opportunity for us in the segment with the resurgent agro and pharma sector in both the domestic and global markets.

Coming to the packaging films business, revenues increased 6% to Rs. 170 crore versus Rs. 160 crore in Q1 FY2014. During the quarter operating profit grew by 121% to Rs. 11 crore against Rs. 5 crore in Q1 FY2014. This was an account of improved realization and growth in domestic demand. New capacities are not expected in the domestic market in the short to medium term. So we expect the segment to deliver healthy performance going forward.

Globally we have facilities located in South Africa and Thailand. As you may be aware, there is a huge demand supply gap in South Africa locally and we are well positioned to monetize the opportunity through our unit there. In Thailand our products are getting accepted in high quality conscious countries of Japan and South Korea. We expect consistent demand from these countries to stabilize our operations in the coming quarters.

In conclusion, I would like to say that over the years we have successfully diversified into high growth and high value businesses and emerged as a strong multi-business entity. We have increased our focus on high value specialty chemicals and adjacent developing businesses on the back of our robust and established R&D platform. The Company strives to stay ahead of the curve in each of it is business through innovations in operations and product development which should hold us in good stead going forward.

On that note, I conclude my remarks and would like to thank you all for joining us on this conference call. We would now be happy to discuss any questions, comments or suggestions that you may have.

Moderator:

Thank you. The first question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

Question and Answer Session

Chirag Dagli:

I had a question on the technical textiles business margins of around 9.8% for the quarter. So what is the sustainability of these margins in the past we seem them to be very volatile but for the last four to five quarters these margins have been in high single digit? So what is the change there and are you seeing sustainability to these kinds of margins?

Rajendra Prasad:

I would think so. The Company's view is that as the economic activity improves the demand for this particular segment will also increase especially if the mining sector opens up and the infrastructure sector opens up and people are already reporting green shoots and manufacturing sector has shown growth. I think these margins should be sustainable.

Chirag Dagli:

Realizations are not cyclical right Sir. These realizations are they cyclical?

Rajendra Prasad:

They are cyclical to the extent GDP is cyclical. So it is dependent on economic activity because most of the products especially NTCF. In technical textile the entire segment is highly biased towards NTCF- Nylon Tyre Cord Fabric and Nylon Tyre Cord Fabric is dependent on the transport sector and because of its dependence, it is reflective of the GDP and specific focus segments like mining and infrastructure. So the technical textile business gets influenced by mining both in NTCF and for belting fabric. So looking at the prospect of the Indian economy these margins appear to be pretty sustainable.

Chirag Dagli:

Similarly on the packaging margins again we have seen very high margin this quarter. Any thoughts there and also and ancillary to that how has our South African business done?

Rajendra Prasad:

There are various views on how the PFB market will play out. People feel that the bottom of PFB market has been reached and there are actually diverse views. Some people feel that it will extend a little longer before it goes up. Some people feel that we have already seen the bottom of the hockey stick and if that is the case then the margin should improve. This is a cyclical business, which has a longer cycle. So it could be anything between 3, 4 and 5 years you would see them going down reaching a bottom, showing a reversal, reaching a plateau again on the higher side and probably giving us gains during two years of the full cycle. May be 5 to 6 years this is what happens. Over a period we expect the margins should be anything between 14% and 16%. We have taken a longer view of packaging films.

Chirag Dagli:

This is on a consolidated basis or for the standalone basis?

Rajendra Prasad:

Generally the industry is global. So actually there is no reason why the Indian margins should not reflect the global play except if you temper it because of transport cost or some other factors. I must put that upfront in this call that naturally the number, which have been published are standalone numbers.

Chirag Dagli:

Thank you so much.

Moderator:

Thank you. The next question is from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.

Dikshit Mittal:

Good afternoon sir. Congratulations for the good set of numbers. Sir first question is can you breakup the chemical and polymer margins into specialty and commodity Sir?

Rajendra Prasad:

Thank you for asking that question once again. We do not disclose those numbers separately.

Dikshit Mittal:

Can you at least say what is the growth rate in specialty chemical YOY in this quarter?

Rajendra Prasad:

Like I had shared in the previous call and in my individual discussions with many of you, we have been showing robust growth in this segment for the last five years. The growth figures as we have discussed has been in the range of 48% to 50% odd and I think we will be able to sustain this going forward. So my own view on this is that if we have to attain our growth rate of 50% over a period then generally on a YOY basis also it should be around that then only you will reach the full thing. The other thing is that this business should not be viewed on a quarterly business because it is a batch business. It has to be viewed over a year.

Dikshit Mittal:

Sir secondly how much capex you have capitalized till June?

Rajendra Prasad:

June Rs 50 crore.

Dikshit Mittal:

Total capitalized whatever the capex that we are anticipating to spend out of that how much have been spent and how much is expected to be spent?

Rajendra Prasad:

In fluoro specialties we have capitalized Rs. 50 crore.

Dikshit Mittal:

Rs. 50 crore additional?

Rajendra Prasad:

That is right. Last time if you recall we had said that the total assets on the ground in Dahej was Rs. 1,183 crores or around Rs. 1,200 crore. So on that we have added another Rs. 50 crore in fluoro specialties.

Dikshit Mittal:

How much remains to be capitalized during rest of the year?

Rajendra Prasad:

We announced a capex in the last board meeting of Rs. 140 crore. Now we have announced Rs. 113 crore fresh. So that makes it to Rs. 250 odd crore plus there was an overhang of capex either partly executed or CWIP from the last year all this minus Rs. 50 crore, which we have already capitalized. I think we will reach a figure of let us say Rs. 250 crore plus Rs. 150 crore is Rs. 400 crore minus Rs. 50 core. So as the picture stands today it should be around Rs. 350 crore. Now all of it may not get capitalized because some projects may not finish in this financial year, but they have a construction or a gestation period, which is more than nine months from now this is what let us say projects to be completed or as of now. Some will get capitalized and some would not get capitalized.

Dikshit Mittal:

Finally how was the performance in South Africa and Thailand subsidiary? Are they making positive PAT at point in time?

Rajendra Prasad:

South Africa and Thailand both are different story. South Africa there is no issue with the manufacturing. So the ramping up is not a problem. There were two three reasons which I will just tell you. One is that the GDP of South Africa went down by about 6% this quarter. Secondly what happened till now was South Africa was an import market so they had long lead time where orders were already placed by people with manufacturers outside South Africa so till the pipeline and their holding inventory is cleaned they would not place orders on a local manufacturer. So the normal cycle for them for order to receipt of the goods was anything between four to five weeks including shipment time and transshipment time etc. Plus they have their own inventory because there are larger uncertainties when you get goods into South Africa from outside. Now these inventories and the pipeline needs to dry then only they will order because our expected time to deliver to them is anything between three to five days. So they are changing from a 4 to 5 week delivery period to three to five day delivery period. So it is still adjusting. The demand was low also because of the growth being negative. The demand also was not the best but in July we have seen a pickup. So just to assure everybody that the manufacturing is not an issue, issue is getting the orders and what also happens is people look for variants so we are now developing the variants for specific customers and another thing that has happened in South Africa is that one of our big customers has introduced a new standard which the film must comply with, which was not there till now. So till we get that compliance which is expected in by I think mid-August. Once that compliance to that standard which is called FSSC 22000 is obtained by going through the due process of getting ourselves certified and once we are certified hopefully by August mid then we will start seeing a more robust demand.

Dikshit Mittal:

Sir full year we still expect to be PAT positive in South Africa?

Rajendra Prasad:

Till now that is what we think. In Thailand we have actually done a better job and in June we have produced at about 100% of capacity. So while they are able to sell things they are producing, Right now pricing is under pressure because that is the overall global situation of margins.. Otherwise again in Thailand there is no manufacturing issue, and no sales issue. Whatever we make we are able to sell. Quality is increasingly getting approved by various customers. We have sent lots to Japan and South Korea which are highly quality conscious countries. So the traction is right.

Dikshit Mittal:

Sir last question what is the debt on balance sheet as of June?

Rajendra Prasad:

Debt on balance sheet is Rs. 1,274 crore.

Dikshit Mittal:

Sir including working capital also. I think it should be long-term debt?

Rajendra Prasad:

Standalone all inclusive

Dikshit Mittal:

Thank you Sir.

Moderator:

Thank you. The next question is from the line of Neeraj Mansingka from Edelweiss. Please go ahead.

Neeraj Mansingka:

Congratulations on a good numbers. Sir wanted to know on the R134a, how is the ground experience in terms of the pricing after the anti-dumping duty in the Chinese?

Rajendra Prasad:

Ground experience is very positive but it is yet to translate to sale because when a market opens and especially in sensitive products like the HFCs or any of these gases there could be packaging issues. There will be logistics issues. There will be a supply chain issue, which needs to be resolved. There are what you get printed on the cylinders. So right now situation is that what we are receiving are much more than queries we have people who come and visited the plants. We have people who have inspected our product, tested it, passed it so I think in this coming quarter definitely we should be seeing traction of all interest translating into sales. That is one point. The second point is that this is the lean period for the US because now winter would be coming so from now till about November & December is the lean period till they start stocking again for the summer. So it actually gives us time to prepare for the summer months in the lean months, but the ground experience is very positive.

Neeraj Mansingka:

Which means the real numbers will look slow in the March quarter for you?

Rajendra Prasad:

Yes, we should show in March quarter on a significant basis and I think we should see a growing trend between September quarter, December quarter and then March quarter.

Neeraj Mansingka:

Thank you Sir.

Moderator:

Thank you. The next question is from the line of Rohit Nagaraj from Sunidhi Securities. Please go ahead.

Rohit Nagaraj:

Congratulations for very good set of numbers. Sir just wanted to know the gross profit margins have improved by almost 300 bps on a YOY basis. Any specific reason have we seen some kind of moderation in the raw material prices or is it that there were some increased realization on some of our products, which has helped in expanding the gross margin?

Rajendra Prasad:

Our businesses are different in nature. Business like technical textiles and that too NTCF especially is the conversion game. So raw material per se does not have a very direct impact on profitability because it is a pass through. There may be a timing lag but it is not that if raw material goes down we start making too much money because it is a pass through and a conversion game. While in our chemical business that is not the case. So it is a blended lot but to answer your question the gross margin has gone up also because as the plants get better utilized your costs come down. So that is the case also in specialty chemicals in Dahej as a site. Now Dahej as a site it is shared by fluorinated chemicals business also and the specialty chemicals. Now as the volumes pick up the distribution of cost across the units increases. So efficiencies improved even as volumes go up efficiencies of power and chemical reaction, catalyst everything improves. That is what happened.

Rohit Nagaraj:

On a sustainable basis what kind of operating margins are we looking at?

Rajendra Prasad:

Of what business?

Rohit Nagaraj:

Consolidated basis on all the three businesses put together?

Rohit Nagaraj:

I just wanted to know now since we have put up new capacities and probably the utilization will improve the utilities will be commonly used across facilities. So in such a scenario what is the improvement that we expect probably from here on?

Rajendra Prasad:

The EBIT margin on a SRF standalone basis is 16%. Now as the significance of our higher margin businesses goes up, the blend and the revenue streams will change. That is the whole purpose and what will also happen if you dissect each of our businesses and you say okay in polyester packaging films we are making 6% today and if we see a better prospect in it tomorrow it is not going to be 6% and it is about 30% odd of our entire business right now it is less than 30%. So and you think about our specialties business and our chemicals business as the volumes increase directionally I think we should be expecting to see higher margins.

Rohit Nagaraj:

Sir in specialties and fluoro specialties, which is the segment or which is the geography which is translating in to such a higher demand?

Rajendra Prasad:

In our specialty chemicals actually we sell to three international majors one of the largest chemical companies in the world. In agro space there are probably six or seven you can count on your fingertips and we sell to three of them. So many of them buy either for their local manufacturing operations but mostly they buy for their overseas plants. This is for specialty chemicals.

For fluorochemicals it is quite distributed actually in the fluorochemicals business we have refrigerant gases. So if you breakup the refrigerant gas demand into application it goes into automobiles. It goes into the white goods, refrigerators, air-conditions, which is I think Pan India. So what is also happening is there has been while you see such a good trend in the entire chemicals and polymer business together is because we have made big intrude in the domestic market, both domestic OEM market and domestic trade market. Trade is which actually serves your servicing segment. So we have made intrude into the servicing and trade mechanic market where the margins on the gases are about 10% better than what you would get on an OEM.

Rohit Nagaraj:

Sir one last question. The other income of Rs.32 crore where is it accounted for and what was the rational behind our sale of these investments?

Rajendra Prasad:

We had two entities which were sold. One was the subsidiary which held only one apartment in Bombay. That apartment was sold for Rs. 21 crore but actually that company was sold along with the apartment. So that subsidiary was kind of hived off and the value of that apartment was Rs. 21 crore, the gain out of that was Rs. 15.1 crore. So what we account for in that Rs.30 crore is not Rs.21 crore but Rs.15.1 crore, plus Rs.7 crore from other subsidiaries, that was a distraction to our balance sheet. It was a company which held investments. It had no other assets but financial investments. So the market value of the investments was Rs. 11.44 crore. So the total gain which had got accounted for other income is round about Rs.26.5 crore out of Rs.30 crore. The balance is actually dividend income and other things which are actually business as usual So this time what has also happened our average investment outstanding has come down. Our dividend earning has also come down so if you see last quarter it was Rs 8 crore odd now it is Rs 3.5 crore. So we had a gain of Rs.26.5 crore and we had Rs.3.5 crore as dividend income so total of Rs.30 odd crore.

Rohit Nagaraj:

Sir in these entities these were the long-term investments, which were made over a period of time. We did not do any significant investment in the two entities in the couple of year's right?

Rajendra Prasad:

No we did not do and that is why if you realize the entire investments in the investment company, which held the investments, was written off in our books longtime ago in a scheme of some arrangement done in 2000 or before that. So that is why the entire Rs.11.44 crore has got accounted for it as profit in our books and that company also held nothing else but financial investment and property company held nothing else other than the property. Property was also historical.

Rohit Nagaraj:

Thank you.

Moderator:

Thank you. The next question is from the line of Avinash Agarwal from Sundaram Mutual Fund. Please go ahead.

Avinash Agarwal:

Good afternoon Sir. I just wanted to understand on the HFC-134a. Post this anti-dumping impose the US, have we seen any increase on the price and has any benefit of that come in this Q1 results?

Rajendra Prasad:

There is no benefit coming directly from US sales to us yet like I mentioned a little while ago. The domestic prices have not seen any material change. So that is like the previous question probably we will start to see from September end, December end and March end we will see an increasing profile from the impact of US anti-dumping, on our increased R134a sales.

Avinash Agarwal:

Today Sir out of our total sales of R134a how much is exported?

Rajendra Prasad:

It is nothing much right now. It was a little bit in the Middle East etc., but nothing to write home about.

Avinash Agarwal:

Sir in terms of volume from HFC-134a is there any number that you can kind of guide us to what we can do in terms of volume this year?

Rajendra Prasad:

What I have mentioned even on the earlier calls the total we expected to produce 10,000 tonnes of R134a between Bhiwadi and Dahej. You are aware that Dahej has a capacity of 12,500 tonnes. Our expectation was after taking into account the ramp up period. We would produce around 8,000 tonnes from there and around 2000 tonnes from Bhiwadi. So while Dahej would have a growing profile over the months ending at 8,000 the Bhiwadi plant would have a declining profile ending at 2,000 tonnes of 134A. Now we are still studying the US situation that do we need to change our manufacturing profile because of the demand from the US and accordingly we will decide whether we stick on to 10000 tonnes or we want to make more because we have the wherewithal to make more but it will still not be 17,000 tonnes. So do not in your mind add up the 4.5 and 12.5 and say we will make 17,000 tonnes.

Avinash Agarwal:

Sir this 10,000 tonnes can be done even without any significant supplies to the US. Is that the right?

Rajendra Prasad:

10,000 tonnes manufacturing can be naturally done. As far as sales, we would have to make efforts to reach 10,000 tonnes sales in domestic and little bit of residual exports. So there is today to our mind no reason why the US sales will not take place. So we have to bank on the prospect that US sales are taking place. The issue is whether we want to increase it beyond 10,000 tonnes or keep it at 10,000 tonnes.

Avinash Agarwal:

Sir you mentioned something on the Bhiwadi facility in the opening remark. I missed that can you just kind of tell that again?

Rajendra Prasad:

In the opening remarks I mentioned that in addition we are also closely monitoring the international demand situation to evaluate the next course of action for our existing unit in Bhiwadi. The pull from the US will determine the extent to which we utilize the Bhiwadi plant. The cost of manufacture is cheaper in Dahej because it is a larger plant. It is a newer technology. So if given a choice and Dahej plant is able to cope with it we would continue to make more in Dahej itself.

Avinash Agarwal:

There are no plans to shut down or sell the plant right?

Rajendra Prasad:

Which plant?

Avinash Agarwal:

The Bhiwadi plant?

Rajendra Prasad:

No I mentioned last time also. We have two or three options. Either we can mothball it or continue to produce and sell from this plant or we can convert it to produce another set of gases which are used in blends, which is a distinct possibility with the little bit of capex. That also further validates my earlier assertions that most of our plants are interchangeable or we can add something with a little bit of capex, they are flexible and they can be reused. So it could be used elsewhere. Thirdly we could just shut this plant down and take it to Dahej and work with it in Dahej. So all three possibilities are there. Right now if there is a demand for the total gas, I will continue to make.

Avinash Agarwal:

In terms of packaging films business it is showing an improvement in margin so do we expect us to continue going ahead as well?

Rajendra Prasad:

You people are better judges because many of your colleagues and friends and your fraternity has been telling me that packaging film is hitting the bottom of the trough and if that is the case we should be seeing improvement in the margins.

Avinash Agarwal:

Thank you and all the best Sir.

Moderator:

Thank you. The next question is from the line of Tejas Sheth from Emkay Global. Please go ahead.

Tejas Sheth:

Just wanted to ask obviously you have done very well in your specialty chemicals in this quarter and you have guided for a very high growth coming in coming years also. Any traction on the client side or any geography side which you would like to highlight especially the chemicals?

Rajendra Prasad:

On the client side as you are all aware that most of the products that we launch or introduce in this area are mostly demand driven. They are generally on a specific request from the customer. So the very fact that we have approved Rs.140 crore for one plant and Rs.113 crore for another plant so it proves that I think we are getting a bigger share of our customer's wallet and we are catering to their bouquet of requirements.

Tejas Sheth:

So Sir this quarter I think the margins in chemical segment have been very well despite of high ramp up cost, which you would have seen in your R134a plant, which you capitalized in March month. So going ahead obviously you have mentioned that quarterly basis we do not see really the margins but what kind of sustainability can we see in the kind of margins?

Rajendra Prasad:

We commissioned Rs.660 crore on this site in March but there were certain plants, which were commissioned earlier maybe in June or before that. Now what we are seeing today is actually those plants which were commissioned not in March but earlier now bearing fruit. Many people asked me on a call that what do you see as a turnover ratio I would say and I used to say we would see 1.8 times after 18 to 24 months.

Tejas Sheth:

So just last question, a little bit on more on packaging film. I think many people have asked you this but any point to point price realization increase. You have seen in Indian market on quarter-on-quarter basis?

Rajendra Prasad:

Yes. That is our experience.

Tejas Sheth:

There is some growth in your realizations?

Rajendra Prasad:

Yes.

Tejas Sheth:

Thank you.

Moderator:

Thank you. The next question is the followup question from the line of Rohit Nagaraj from Sunidhi Securities. Please go ahead.

Rohit Nagaraj:

Sir my question actually has been answered just I wanted to know the asset turnover for the plant from Dahej perspective I think you said 1.8 times is the asset?

Rajendra Prasad:

Yes but 1.8 times you should not consider immediately but after 24 to 28 months.

Rohit Nagaraj:

Right but that is the peak?

Rajendra Prasad:

It should be a reasonable estimate.

Rohit Nagaraj:

Thank you Sir.

Moderator:

Thank you very much. As there are no further questions I would now like to hand the floor over to Mr. Tejas Sheth for closing remarks. Over to you Sir!

Tejas Sheth:

On behalf of Emkay I would like to once again thank you all for joining the call. Have a great day today.

Rajendra Prasad:

Thank you very much for joining us today on the call.

Moderator:

Thank you. Ladies and gentlemen, on behalf of Emkay Global Financial Services that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

Note: 1.This document has been edited to improve readability.

2. Blanks in this transcript represent inaudible or incomprehensible words.