

14<sup>th</sup> March, 2017

To,  
Corporate Relationship Department  
The Bombay Stock Exchange Limited  
Dalal Street,  
Mumbai - 400 001

**Sub: Transcripts of Earning Conference Call**

**Scrip Code: 505590**

Dear Sir/Madam,

We are enclosing herewith transcript of earnings conference call which was held on 17.02.2017 after announcement of unaudited financial results for the quarter ended 31.12.2016.

The said transcript is also uploaded on the website of the Company.

Please take note of the same

Thanking you,

Yours truly,  
For **SVP GLOBAL VENTURES LIMITED**

  
Managing Director  
(Chirag Pittie)

Din : 00117368

Encl. : As above

**SVP Global Ventures Limited**  
**Q3 FY 2017 Earnings Conference Call**  
**February 17, 2017**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY 2017 Earnings Conference Call of SVP Global Ventures Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Anuj Sonpal Chief Executive Officer of Valorem Advisors. Thank you and over to you, sir.

**Anuj Sonpal:** Thanks, Lizanne. Good afternoon, everyone. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of SVP Global Ventures Limited. On behalf of the company and Valorem Advisors I would like to thank you all for participating in the Company's earnings conference call for Q3 FY 2017.

Before we begin, as usual I would like to mention a short cautionary statement. Some of the statements made in con call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's believe as well as assumptions made by and information currently available to management. Audience are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions.

The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

I would like to now introduce you to the management participating in the earnings call. We have with us Mr. Chirag Pittie, who is the Managing Director of SVP Global Ventures.

Without much ado, I now request Mr. Chirag to give his opening remarks. Thanks and over to you Chirag.

**Chirag Pittie:** Good afternoon, everyone. Thank you for participating in our Company's earnings conference call for the third quarter financial year 2016-2017. At first, let me start by giving you a little

background of the company followed by some key financial and operational highlights for the quarter under review.

SVP Global Ventures Limited is a diversified yarn manufacturing company. We got incorporated in 1982. Up to last year the company primarily had textile manufacturing units in Tamil Nadu for manufacturing polyester and cotton blended yarn and having a total capacity of 98,000 spindles.

Apart from that, the company also did job work with some other units. The Company has built various reputed brands in the yarn market that enjoy a good standing and reputation. We also have strong expertise in sourcing best quality raw material leading to higher quality yarns.

Our company also has some very highly experienced management. To capitalize on our extensive experience in the textile business, the company saw an opportunity to expand our capacities in the last few years.

With the various central benefits like TUF and other interest subsidies and also the state of Rajasthan announced some additional subsidy benefits in its Resurgent Rajasthan Scheme, companies looking to create jobs and set up Greenfield capacities in the state had an tremendous opportunity.

Hence, the Company embarked on a large initiative by setting up high end value added compact cotton yarn manufacturing facilities in the state of Rajasthan, in the district of Jhalawar. We are setting up three units. In the first phase, we have already commissioned 1 lakh spindles of compact yarn as of June 2016. These new units produce high quality compact yarn which is low on heaviness, higher strength, and elongation, less fiber fly, giving significant advantages in downstream processing.

This unit is currently operating at over 90% capacity utilization. In Phase-II of our expansion plans, we have added 2,400 rotors which is expected to commence full production by the end of the current quarter. We have managed to expand the product range from the 1 lakh spindles unit to include certain premium qualities which sell at a significant price premium to the regular qualities.

In Phase-III of our expansion plant, we are adding another 50,000 spindles which we expect to commission in the next quarter.

Now, I would like to summarize the financial highlights for the third quarter. Our total income for the quarter grew by 71.9% quarter-on-quarter to INR 6,197 million. EBITDA for the quarter ended was INR 493 million which is 152% higher quarter-on-quarter. EBITDA margins stood at 7.96%.

The net profit for the quarter grew by 203% to INR 94 million. This growth in our financials is primarily due to our new capacity expansion which are state of the art and also a clear reflection of a well executed business strategy. We are focusing on high margin, higher account compact yarn products and the results of the same can be seen from the increased margins and profitability.

Thank you. And now we can open the floor for any questions.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

**Ritesh Gandhi:** Just had a few quick questions. Firstly, in the terms of the interest initiative, actually these subsidies how large are they?

**Chirag Pittie:** So, the interest subsidy that we are getting from the state government is 9% on the long-term borrowings of the company for a period of five years.

**Ritesh Gandhi:** So, this would actually be probably amongst the highest interest subsidies out there in the industry. Usually can I say fixed assets significantly smaller amount this would be the highest in the industry?

**Chirag Pittie:** Yes, I believe. The regular textile policy the state Rajasthan offers 6% interest subsidy and they have a provision for a customized package for large projects set-up in certain areas and as a result of which the company was able to get a customized package approved by the state government under which 9% interest subsidy will be given to the company. Something I would like to mention over here. The 1 lakh spindle project which started operations last year would also receive an additional 2% interest subsidy from the central government under the TUF scheme. So, for that project it would be 11%. For Phase-II and Phase-III of the projects would be 9%.

**Ritesh Gandhi:** Got it. And so effectively the ROEs you would expect given it is kind of leverage or it has given the interest subsidies would be actually quite high. Any indication as to how high you think ROEs could be on the projects or these projects?

**Chirag Pittie:** I would not like to give any specific number at this point. But...

**Ritesh Gandhi:** Yeah. But, it would be I mean just a rough actually kind of calculation would be well over 20% ROEs is that in line with what you think?

**Chirag Pittie:** Yes, it would be somewhere in that region.

**Ritesh Gandhi:** Got it. And so, right now the actually a capital in the spinning projects would be how much? In terms of equity invested?

**Chirag Pittie:** On the consolidated basis, we are somewhere about Rs. 450 crores...

**Ritesh Gandhi:** Equity invested in the projects?

**Chirag Pittie:** Yes. This is including the existing plants that the other company has in the state of Tamil Nadu.

**Ritesh Gandhi:** And how about in the new plants?

**Chirag Pittie:** In the new plant, we have Rs. 170 crores for the 1 lakh spindle project and if you include the Phase-II and Phase-III this figure goes up to around Rs. 270 crores.

**Ritesh Gandhi:** Got it. So, we have about Rs. 270 crores of invested capital in new CAPEX which we would expect to earn north of 20% ROE, just broadly speaking, just we get to indication of that figure.

**Chirag Pittie:** Well, yeah, projects of this size and depending on what the industry is currently generating, that is something what is expected.

**Ritesh Gandhi:** Got it. And so effectively given the outlay of the way CAPEX will be coming on stream, you effectively expect Q4 to be higher than Q3 and then Q1 to effectively have the entire impact of all the CAPEX that is at the right way to think about it?

**Chirag Pittie:** Yes, with Phase-II coming on stream very shortly and Phase-III expected to start by early next quarter that would definitely have an impact, yes.

**Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

**Giriraj Daga:** I have a couple of questions. What is the volume number in this quarter and if you can break between the new facility and the new facility?

**Chirag Pittie:** Okay. So, we are running about 5,000 tonnes from the new capacity that came on stream last quarter or last year.

**Giriraj Daga:** Yeah, okay. 5,000 tonnes of new capacity in last quarter?

**Chirag Pittie:** Yes, approximately. And from the rest of the Tamil Nadu units we would be somewhere in the region of about 15,000 tonnes.

**Giriraj Daga:** 15,000 tonnes?

**Chirag Pittie:** Yes.

**Giriraj Daga:** Okay. Roughly about 20,000 tonne total put together. Sir, the realization would be if I do the revenue divide by volume, the realization will be more or less same both the units or it will be different, result would be different and would old one would be different?

**Chirag Pittie:** No, the realization from the Rajasthan units is higher. The selling price because you are manufacturing compact cotton yarn, so it is selling at a premium. It is higher than the realization that we get.

**Giriraj Daga:** Would you be able to give the number for Rajasthan, average number?

**Chirag Pittie:** So, the general selling price is anywhere Rs. 245 off late.

**Giriraj Daga:** Okay. In the presentation, somewhere we mentioned Rs. 180 so that is the and average number in the presentation?

**Chirag Pittie:** Well Rs. 180 could be an average price fiscal the new capacity as well as the old capacity.

**Giriraj Daga:** Okay, understood. And sir, one more thing I would like to understand, cost if I look at major basically we have about 6%, 7% of gross margin. So, primarily expenses the cost. If you can give the breakup and believe cotton is one the major cost item there. So, what kind of average cotton cost we had in the last quarter?

**Chirag Pittie:** It was in the region of about Rs. 100 per kg to Rs. 110 per kg.

**Giriraj Daga:** Rs. 100 per kg to Rs. 110 per kg, average cotton cost. And primary any other major raw material apart from cotton.

**Chirag Pittie:** No, for the cotton manufacturing units in Rajasthan, the raw material is only cotton.

**Giriraj Daga:** Okay. Has there been like, this quarter has seen the full impact of cotton price hike that is roughly nearly about 10%, 15% price hike in cotton, so has this quarter fully reflected that?

**Chirag Pittie:** So, the price increase has happened gradually over the last few months. Some of it has been passed on. Some of it will get reflected in the current quarter based on our sales realization as well.

**Giriraj Daga:** Okay. So, what is the total debt as of December?

**Chirag Pittie:** Total consolidated debt is anywhere in the region of about Rs. 952 crores.

**Giriraj Daga:** This is net debt or gross debt?

**Chirag Pittie:** Gross debt.

**Giriraj Daga:** Gross debt including short-term?

**Chirag Pittie:** Including short-term yes, long-term and short-term.

**Giriraj Daga:** Okay. And receivables cycles are normally?

**Chirag Pittie:** General industry trend is anywhere between 60 days to 90 days. So, that is the kind of cycle that we follow as well.

**Giriraj Daga:** For the new plant as well?

**Chirag Pittie:** Yes, for the new plant as well.

**Giriraj Daga:** Okay. And if I look at the numbers we have included in other operating revenues from item of Rs. 756 interest subsidy, Rs. 7.56 crores in other operating income.

**Chirag Pittie:** Yes.

**Giriraj Daga:** So, what is this pertaining to, this is from the Rajasthan government you are talking about

**Chirag Pittie:** Yes, this is a combination of the subsidy from the state government as well as from the central government.

**Giriraj Daga:** You are charging full interest in the P&L?

**Chirag Pittie:** Yes.

**Giriraj Daga:** And you are receiving back the interest subsidy in the other operating income that is the way?

**Chirag Pittie:** Yes, that is correct.

**Giriraj Daga:** Okay. So, if I look at the 9% number, if you gross it up, the debt comes higher. What I was saying is that 11% subsidy should I assume for this Rs. 756 crores?

**Chirag Pittie:** No, okay, so let me explain to you how it is, we have in total about Rs. 490 crores of long-term debt. Rs. 275 crore s of that is for the 1 lakh spindle project which was commissioned last year. The project which came on stream last year is the only one on which we have you know calculated the subsidy on which is 11% on Rs. 275 crores term loan borrowing for a period of three months and it total ups to about Rs. 7.5 crores. The present debt that we have

Rs. 490 crores also includes the debt for Phase-II and Phase-III which is now expected to start shortly.

**Giriraj Daga:** And once that will come in then this subsidy will start reflecting that.

**Chirag Pittie:** Exactly.

**Giriraj Daga:** And what is our gross interest cost, cost of debt?

**Chirag Pittie:** The banks are charging anywhere between 11% to 12% interest rate for us presently.

**Giriraj Daga:** Okay. Sir, one more thing on let us say one project this my last question would be. That if we talk about the Phase-I project we are talking of let us say about Rs. 245 crores so us say on 90% capacity utilization, we would be making about revenue Rs. 450 crores.

**Chirag Pittie:** Correct.

**Giriraj Daga:** Correct. And if I look at the current quarter EBITDA per tonne, if you say our margin per se we had about 8%, 9% kind of margin.

**Chirag Pittie:** 8%, 9% is for the company on a consolidated basis.

**Giriraj Daga:** Correct, yeah. Okay, so for Rajasthan project would be higher I believe.

**Chirag Pittie:** Yes.

**Giriraj Daga:** So, how much would it be?

**Chirag Pittie:** So, basically Rajasthan project we have got EBITDA margins in the region of about 22% and that when you consolidate it, it also gets combined with the EBITDA margins earned by the Tamil Nadu units which is lower than that. So, what you are seeing is a reflection of the blended EBITDA margin of all those units.

**Giriraj Daga:** Okay. And how much 22% would be driven by the VAT benefit or electricity duty benefit?

**Chirag Pittie:** Well, we do have a power tariff concession wherein the electricity duty gets waved this is basically about the 40 - 50 paisa per unit reduction in power tariff. So, that would may be come out to around 1% or so.

**Giriraj Daga:** And 60% VAT benefit, so that should be reflecting to about 8%, 9% of additional margin?

**Chirag Pittie:** No, the CST that is charged on yarn sales is 2%. VAT sales within the same state is of course higher and that kind of gets adjusted against our cotton purchases when we are purchasing



cotton from the state of Rajasthan, we pay VAT on that. So, that gets set off against that. so, we have to calculate the actual figure there.

**Moderator:** Thank you. The next question is from the line of Ankit Tikmany from IIFL. Please go ahead.

**Ankit Tikmany:** Just wanted to understand the split between trading and manufacturing in the current quarter.

**Chirag Pittie:** So, we have about Rs. 100 crores of revenue from our trading business and the rest of it is all coming from our manufacturing companies.

**Moderator:** Thank you. The next question is from the line of Nishant Agrawal from B&K Securities. Please go ahead.

**Nishant Agrawal:** Just I want to understand, how much is your manufacturing revenue from the new capacity and how much is from the old capacity?

**Chirag Pittie:** So, of the Rs. 610 crores, we had about Rs. 90 crores coming in from the new plant set up in Rajasthan and rest of it is coming from our manufacturing units that are the company that we set up in Tamil Nadu.

**Nishant Agrawal:** Okay. And sir, how much gross margin we have in our new manufacturing?

**Chirag Pittie:** Okay. I mean, maybe I like not like to comment on that exact figure right now but earlier I had mentioned what the EBITDA percentage generated from the new capacity is coming out to.

**Nishant Agrawal:** Sir, but actually the gross margin I want to know actually because we take our raw material cost including purchase. So, is it possible to give the separate number that how much is for raw material and how much is for trading purchase?

**Chirag Pittie:** Well, so the Rajasthan company of course does not have any trading operations in it. Trading company is a complete separate operation and let us get back to you on that figure separately please.

**Nishant Agrawal:** Okay. And sir, one more thing, we have Rs. 250 crores of mortgage loans. On that how much interest we are paying?

**Chirag Pittie:** We do not have Rs. 250 crores, we have close to Rs. 100 crores of mortgage loan wherein, we are paying around 13% interest.

**Nishant Agrawal:** 13% interest. And sir, what is our plan to repay this?

**Chirag Pittie:** Also, something I would like to add, this mortgage loan is taking against rented out properties so, it is basically structured under lease rental discounting kind of it is basically rental discounting, so our rentals flow to that first.

**Nishant Agrawal:** Okay. And sir, we are increasing that our 50,000 spindles and rotors so, what kind of utilization we can expect in FY 2018 for that?

**Chirag Pittie:** Well FY 2018 for the rotors would be a full year of operations because the plant will be fully operational before the end of this quarter. And the 50,000 spindles is expected to start very-very early next quarter resuming that we are able to start it in April, we should get somewhere about 75% to 80% utilization for the entire year.

**Moderator:** Thank you. The next question is from the line of Avinash Sharma from Dalal & Broacha. Please go ahead.

**Avinash Sharma:** Sir, wanted to know currently what percentage of our revenues are into exports and just wanted to know who are customers in the domestic market and broadly where are we seeing most of that demand coming from for our later projects with the Phase-II and Phase-III.

**Chirag Pittie:** Okay. So, exports for the new unit that we have set up are generally in the region of 50% to 50%, 50-50 ratio but last quarter it was higher because after demonetization we shifted most of our we were exporting almost 100% from there. I do not want to any specific customer due to our part of our marketing policy.

**Avinash Sharma:** Sir, but would it be diversified or would it be like concentrated that is what I wanted to know...

**Chirag Pittie:** We are selling to almost all major corporate in India as well as very-very large customer overseas as well. So, no single customer who is.....

**Avinash Sharma:** Yeah, the geography would be okay, in which geographies do we export?

**Chirag Pittie:** Sure. We are exporting to China, we are exporting to Bangladesh, Vietnam, Pakistan many different countries.

**Avinash Sharma:** Okay, Right, sir. And you mentioned about last quarter being 100% export, this is what you are mentioning from the new Phase-I Jhalawar?

**Chirag Pittie:** Yes. What I mentioned was after demonetization the Rajasthan plant which was a 1 lakh spindle project shifted to almost 100% in next quarter.

**Avinash Sharma:** Right. And the Tamil Nadu units mix would be something similar 50-50 or?

**Chirag Pittie:** No, so those are catering primarily to the domestic market and significantly lesser percentage going towards export.

**Avinash Sharma:** Right. Sir, one last question the primary difference between then would be one, the Rajasthan is completely for cotton and in Tamil Nadu we also have a polyester business, right so what will be the mix over there?

**Chirag Pittie:** Okay. So, both them are ring spun plants. The Rajasthan plant is state of the art highly automated plant manufacturing compact cotton yarn which is a very high quality yarn, the Tamil Nadu units of course being ring spun but they are manufacturing again specialty yarns but something which is basically polyester and cotton blended together so.

**Avinash Sharma:** Right. And sir, the debt that we have, are we planning further down the line any significant CAPEX according to you may be on a three-year horizon and what would be our repayment schedule?

**Chirag Pittie:** See, as of now we are fully focused on Phase-II and Phase-III to get them fully operational completely. We are still in the moratorium phase for Phase-I which started operations last year for which the repayment will start towards the end of this year when I am saying 2017, 2018.

**Avinash Sharma:** 2017, 2018.

**Chirag Pittie:** Yes.

**Avinash Sharma:** Yeah.

**Chirag Pittie:** And Phase-II and Phase-III of course we have a longer moratorium period over there so, that would be anywhere towards the end of that.

**Avinash Sharma:** Right. But you mentioned 70%, 80% capacity utilization is what you are expecting for Phase-II and Phase-III, right?

**Chirag Pittie:** Phase-II I am actually expecting next year to be a full year of operations because it is expected to start completely before the end of this quarter. Then Phase-III we are expected to start very early of next year. So, when we start and then it takes no....

**Avinash Sharma:** So, you are expecting a 75%, 80% over there?

**Chirag Pittie:** Yes, because it takes a little bit of time for the entire operations to come speed so.

**Avinash Sharma:** Sure. And sir, the realization you mentioned earlier but I just missed out on one of the numbers, but you mentioned the realization being much better right in the newer phases?

**Chirag Pittie:** Yes, the Rajasthan plant of course, the realization of yarn is significantly higher, yes.

**Moderator:** Thank you. We will take the next question from the line of Raj Kiran, an Individual Investor. Please go ahead.

**Raj Kiran:** I have three questions specifically one is the capacity. Basically you said for this quarter you got revenue of Rs. 90 crores approximately from Rajasthan plant. So, can you just tell me that Rs. 90 crores is at what capacity utilization I mean it is 10% or 20% of the Rajasthan unit?

**Chirag Pittie:** That is averaging about 80%.

**Raj Kiran:** So, 80% capacity utilization you have for this quarter for Rajasthan units?

**Chirag Pittie:** For Q3.

**Raj Kiran:** For Q3. And 80% was only contributed Rs. 90 crores as per you?

**Chirag Pittie:** Correct.

**Raj Kiran:** Okay.

**Chirag Pittie:** So, if you calculate this plant running at over 90%, 95% capacity utilization today, a plant of this size should give you anywhere around Rs. 110 crores to Rs. 120 crores in revenue for the quarter.

**Raj Kiran:** Okay. If you see I mean we have the similar capacity and Tamil Nadu, okay.

**Chirag Pittie:** Yeah.

**Raj Kiran:** And it is at the almost similar like 98,000 spindles and that is giving approximately Rs. 500 crores for the quarter?

**Chirag Pittie:** Okay. So, the Tamil Nadu units we have 98,000 spindles which is our owned capacities. We do have contracted capacities basically other units from which who are making yarn for us so, that gets factored in over there as well.

**Raj Kiran:** Okay. So, I mean just to clear this thing out, I mean Rajasthan plant at a full capacity of 100% will give approximate revenue of Rs. 120 crores quarterly, right?

**Chirag Pittie:** Quarterly about Rs. 110 crores to Rs. 120 crores, yes.

**Raj Kiran:** Okay. Second question will be like can you just help me out like what is the order book right now for the fixed orders which we have?

**Chirag Pittie:** Okay. So, generally we maintain a order book of anywhere in the region of 10 days to 15 days as a part of our marketing policy, we do not book very large orders for the future period.

**Raj Kiran:** Okay. And what is your view on traction right now I mean, in market for the cotton, I mean like what is going forward the order book or the orders coming from the customers I mean how they are panning out over last quarter?

**Chirag Pittie:** No, sorry, are you referring to cotton or you are referring to yarn?

**Raj Kiran:** I am referring to yarn this time.

**Chirag Pittie:** So, the compact yarn is something which is in very high demand, so it is kind of a universal yarn, so it goes into multiple products and we have got very strong domestic as well as export demand for it.

**Raj Kiran:** Okay. The last question will be like, I was just checking in the Annual Report along with your the site of ours, we are have mentioned that we have started the initial plan in Ethiopia in 2014, just laying down the plan. Ethiopia like two different countries, I am not sure, where that went ahead from there because we had the line in our book, we had bought that land that thing. Can you just guide us what will be the timeline you are looking at for those plants to start or are we planning that or not right now?

**Chirag Pittie:** No, the Ethiopia project was something which we had conceived quite a few years back. The land was not on ownership it was a lease based land and it had of course certain contingencies attached to it such as number of years within with we have to start operations. We face a lot of issues in Ethiopia because the country was facing a lot of foreign currency shortage and despite having financial closure over there we decided not to go ahead with that project. So, that project was shelved again quite a few years ago.

**Raj Kiran:** Because at that time we had invested, right I think around Rs. 460 crores, if I am not wrong I mean...

**Chirag Pittie:** No, I think you are referring to the total size of the project. Before we could invest any significant amounts over there we realize this the shortage of foreign currency that the country was experiencing...

**Raj Kiran:** No, I mean no plan for overseas plants.

**Chirag Pittie:** No, as of now we are only focused on the plants in Rajasthan.

**Raj Kiran:** Okay. Just a last question just to finish it off, on just the guidelines, what revenues are expecting FY 2018, not FY 2017, FY 2018?

**Chirag Pittie:** Again, I would not like to give out any forward-looking statement at this point.

**Raj Kiran:** Okay. But it will be like highest as compared to last year, right FY 2016, it is around Rs. 1,800 crores, right, revenue?

**Chirag Pittie:** Yes, because the new plant started operated around June of last year so, that would get captured in the current year. So, yes, we should see a significantly higher increase. Phase-II will also come you know will contribute to some part of it.

**Moderator:** Thank you. The next question is from the line of Amit Jeswani from Stallion Asset. Please go ahead.

**Amit Jeswani:** My first question is about understanding this quarter numbers. You said, we have done Rs. 100 crores of trading revenue, Rs. 90 crores from Rajasthan Phase-I, about Rs. 420 crores from the Tamil Nadu unit, am I right?

**Chirag Pittie:** That is right.

**Amit Jeswani:** Right. So, next for FY 2018 I will just break-up, we will do about Rs. 110 crores to Rs. 120 crores per quarter from Phase-I. From Phase-III because it is 50,000 spindles, so we will do about Rs. 55 crores to Rs. 60 crores for Phase-III, right. What would be the revenues for Phase-II, could you give us some color on that what was...

**Chirag Pittie:** Rs. 2,400 rotors is expected to generate anywhere around Rs. 120 crores of revenue on an annual basis.

**Amit Jeswani:** Right. And the margins will be similar about (+20%)?

**Chirag Pittie:** Like, okay so it should end up generating something very-very close to that.

**Amit Jeswani:** Okay. Just take on trading business. What the margin on the trading side, 8%?

**Chirag Pittie:** Yeas, the trading margins are very-very less, I can tell you generally in the region of about 2%.

**Amit Jeswani:** Okay. Directly on the net side, right?

**Chirag Pittie:** Correct.

**Amit Jeswani:** So, broadly, if my calculations are right, we will do somewhere around Rs. 1,500 crores for the new in FY 2018 from the Rajasthan units, am I right?

**Chirag Pittie:** No, I think there is some error over there. From the Rajasthan units 1 lakh spindle plant should give you anywhere around you know Rs. 450 crores of revenue, Rs. 475 crores of

revenue on an annual basis. The 50,000 spindle plant should be anywhere around half of that and then the 2,400 rotors would give you anywhere around Rs. 120 crores of revenues for an entire year.

**Amit Jeswani:** Broadly about Rs. 1,125 crore from the new business that we are in?

**Chirag Pittie:** No, it totals somewhere around Rs. 850 crores or so.

**Amit Jeswani:** I will do the calculation, no big deal. Right, sir. On the VAT subsidy what kind of VAT subsidy do we get right now?

**Chirag Pittie:** We have a 60% exemption of VAT, so basically that is after whatever we have adjusted against our raw material purchase.

**Amit Jeswani:** Okay. Do we have any plans to dilute equity?

**Chirag Pittie:** So, we already have financial closure for Phase-II and Phase-III, so nothing significant right now.

**Moderator:** Thank you. We will take the next question is from the line of Avinash Sharma from Dalal & Broacha. Please go ahead.

**Avinash Sharma:** Sir, just wanted to understand the interest subsidy which you are getting from the center and the state, can you just help me understand the overall structure like if the gross debt is around Rs. 1,000 crores. So, can you just help me understand like how does this come on the P&L? Thank you.

**Chirag Pittie:** Okay. So, the interest subsidy is only on the long-term borrowing. We have Rs. 275 crores of long-term borrowing for the 1 lakh spindle plant which started operations last year and on which we have made a provision of 11% interest subsidy from the state and central government. The other two Phase-II and Phase-III as and when they start production the state government subsidy gets booked from that particular date. So, that would only be from the start of production from that plant.

**Avinash Sharma:** Right, sir. So, that basically means on the Rs. 275 crores if there is a the bank interest rate is say x so then if it is like 12%, 13% so 11% gets paid by the government is that...

**Chirag Pittie:** Yes, so 11% would be reimbursed to us.

**Avinash Sharma:** 11% will be reimbursed, okay. And the remaining part of the debt is you said long-term is how much of the total currently overall consolidated?

**Chirag Pittie:** So, we have Rs. 490 crores of long-term debt which includes the debt that we have taken on for Phase-II and Phase-III which is expected to start shortly.

**Avinash Sharma:** Okay, it includes that.

**Chirag Pittie:** Yes.

**Avinash Sharma:** Okay. And the short-term borrowings what would be the interest rate?

**Chirag Pittie:** Generally, in the region of the 12% to 13%.

**Avinash Sharma:** 12% to 13%, okay, sir. And the CAPEX for the new plants and everything has been already capitalized on the balance sheet?

**Chirag Pittie:** Yes, the 1 lakh spindle plant has been capitalized and Phase-II and Phase-III as and when they start that will be capitalized as well.

**Avinash Sharma:** But it will be expected in sometime in Q4, right for the Phase-II at least?

**Chirag Pittie:** Phase-II is expected to be fully operational before the end of Q4 and...

**Avinash Sharma:** So, then in the Q4 results we would be seeing the effect on the balance sheet?

**Chirag Pittie:** Yes, it will be capitalized over there.

**Moderator:** Thank you. The next question is from the line of Nishant Agrawal from B&K Securities. Please go ahead.

**Nishant Agrawal:** My question is on the on the depreciation side, sir what would be the total depreciation for FY 2018 because our new capacity has come?

**Chirag Pittie:** So, we will have to end up calculating that because we have to see Phase-II and Phase-III exactly when that starts but I can tell you what we are following as a depreciation policy. Basically, we are factoring in what is the life span of the machine and then, calculating a conservative number on that and depreciating it. So, for the 1 lakh spindle project we have started depreciating that already. But for Phase-II and Phase-III we need to see exactly when they on stream, so that would help us calculate what will be the depreciation cost for the company as a whole.

**Nishant Agrawal:** Okay. What would be the average life for the capacity we have, means you are expecting?

**Chirag Pittie:** Generally the machines have a very long life span anywhere in the region of 20 years, 25 years, 30 years. But of course, we will depreciate it very conservatively before that.



**Nishant Agrawal:** And for 1 lakh spindle what is our expectation that we are taking for 15 years or what kind of average life you are expecting for 1 lakh spindle?

**Chirag Pittie:** In the region of about 12 years or so we will be depreciating it that.

**Nishant Agrawal:** For 12 years, okay. And sir, on the working capital side, as our new capacity are coming so, what would be the average working capital requirement for you for the full year, FY 2018?

**Chirag Pittie:** Okay. Presently we have about Rs. 390 crores of working capital limits available with the company and with Phase-II and Phase-III coming on stream that figure would go up somewhat but the Rs. 390 crores that we have is fully utilized we are only utilizing a part of our limits.

**Nishant Agrawal:** So, we can add it to Rs. 500 crores around we can expect, around it would be around Rs. 500 crores?

**Chirag Pittie:** Lesser than that.

**Nishant Agrawal:** Lesser than that.

**Chirag Pittie:** Yes.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for their closing comments.

**Management:** Okay, thank you everyone for attending. I hope, we have been able to clarify some of the points and answer some of the questions that you might have had on the performance of the company. So, thank you so much.

**Moderator:** Thank you. Ladies and gentleman, with that, concludes we conclude today's conference. Thank you for joining us and you may now disconnect your lines.