# SANGAM (INDIA) LIMITED

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Value through values

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| The Manager,<br>Department of Corporate Services,<br>**The National Stock Exchange of India Ltd.**<br>Exchange Plaza, 5th Floor,<br>Plot No. C/1, G Block,<br>Bandra Kurla Complex, Bandra (E)<br>Mumbai – 400051<br>**Scrip Code: 5251** | The Manager,<br>Department of Corporate Services,<br>**Bombay Stock Exchange Ltd.**<br>Phiroze Jeejeebhoy Towers,<br>25th Floor, Dalal Street,<br>MUMBAI - 400 001<br>**Scrip Code: 514234** |

**Sub.: Transcript of Management Interactions with Investors**

Dear Sir/Ma'am,

Pursuant to Regulations 30 read with Para A of Part A of Schedule III and other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, we attach herewith the transcript of the Company's analyst call held on 13th May, 2024.

The transcript is also uploaded in the Company's website.

We request you to take note of the same and update record of the Company accordingly.

Thanking You,
Yours Faithfully,

**For- Sangam (India) Limited**

Suratram Ramjas Dakhera

Digitally signed by Suratram Ramjas Dakhera
Date: 2024.05.16 12:54:12 +05'30'

**Surat Ram Dakhera**
**(Chief Financial Officer)**

# "Sangam (India) Limited
# Q4 FY'24 Earnings Conference Call"
# May 13th, 2024

**MANAGEMENT:** **MR. ANURAG SONI – MANAGING DIRECTOR SANGAM (INDIA) LIMITED**

**MR. S.N. MODANI – VICE CHAIRMAN SANGAM (INDIA) LIMITED**

**INVESTOR RELATION:** **MS. VANDINI TATED – GO INDIA ADVISORS**

**MR. RAKESH ARORA – GO INDIA ADVISORS**

**Rakesh Arora:** Vandini, you are on mute.

**Vandini Tated:** Hi, good morning everybody. Welcome to Sangam India Limited, Quarter 4, FY24 earnings conference call. We have on the call Mr. Anurag Soni, Managing Director, and Mr. S.N. Modani, Vice Chairman of Sangam India Limited. I must remind you that the discussion of today's call may include certain forward-looking statements and must therefore be viewed in conjunction with the risks that the company faces. May I now request Mr Anurag Soni to take us through the company's business and industry updates. Thank you and over to you, sir.

**Anurag Soni:** Good morning, everyone. Thank you for joining us today on Sangam India Limited Q4 and FY24 earning call. Our earning presentation and results have been uploaded on the exchanges and we hope you had the opportunity to go through it. Before we delve into the financial performance highlights, let me briefly touch upon the industry landscape and strategic updates for the Q4 and FY24.

I am pleased to announce that there has been an incremental improvement in the business outlook. We are implementing strategies to reduce cyclical volatility. As the sector headwinds have reduced a little, we are witnessing a slight uptake in demand, reflected in improved price relations across all our product segments, and our quarterly profits have seen a smart recovery.

Today, we are strategically positioned as a premier textile manufacturer, recognized for exceptional quality and diverse product offerings. Our strategic focus has always been on providing tailored solutions to meet the distinct needs of our customers. Having complete control over the production from yarn to fabric and garments, we are able to meet the demanding specifications of the customers and deliver the highest quality products and make in-time deliveries.

The company has been moving up the value chain and increasing the proportion of fabric and garments. Currently, 53% of our product mix comprises of value-added products, and going forward, we are committed to increase this further. During this quarter, there has been an improvement in capacity utilization under all the segments of the company. Our capacity, utilization, and reflex are operational efficiency and our ability to cater to higher demand. Now, I would like to hand over to Mr. Modani sir to provide further insights into the strategic updates for the quarter.

**S.N. Modani:** Thank you Anurag. As you are already aware, we are a prominent player in this industry. Our company has legacy spinning over 40 years in the textile industry. Our strength lies in our comprehensive presence across the textile value chain highlighted by our leadership in the PV dyed yarn.

The expansion into garment and fabric reflects our commitment to providing value added products. Having said that, the companies pleased to report significant progress on several strategic initiatives.

Firstly, Denim and Phase 1 of synthetic fabric CAPEX has been successfully completed within the expected timeline and will be yielding benefits from Q1 Financial year 25 and this quarter onwards. Phase 2 of synthetic fabric is currently under way and is progressing as per schedule. Phase 3 of yarn segment is also scheduled and it is on track for completion by Q1 FY26.

Lastly, we are happy to report that Sangam India Limited received prestigious award by Texprocil for achieving the highest export of denim in the year 2020-23. During the year, we exported approximately 160 lakhs meter denim fabric across the world. These milestones emphasize our commitment to increase proportion of high margin products and in global, the global arena. Now I would hand over to Anurag again to discuss the financial highlights of the company. Thank you Anurag.

**Anurag Soni:** Coming to the financial performance of the company in Q4 FY24 our revenue showed a quarter on quarter increase of 13% reaching 701 crores. EBITDA is at 67 crores which is grown 38% quarter on quarter. EBITDA margin is at 10%, which is expanded about 1.7% quarter on quarter again.

Quarter 4 net profit is at 14 crores. Lastly, I would like to say that we aim to achieve a top line of about 4,000 crores while maintaining a steady EBITDA margins at around

12.5% for FY26. With this, I would want to conclude my opening remarks. We can now open the floor for questions.

**Vandini:** Please form a queue for the questions and we will take the questions accordingly. Mr. Darshil Pandya, sir you may go ahead and ask your question.

**Darshil Pandya:** Hello, am I audible?

**Vandini:** Yes sir, you are.

**Darshil Pandya:** Yes. So, what are the markets we cater through our exports and any new geographies or something that you are targeting?

**Anurag Soni:** Well, the market actually spread all across the globe. So, like on the cotton side of the business, Bangladesh is a big market then South America, Latin America are big markets for our PV business. Then Europe, Turkey in our fabric business there is African side. Egypt is a big market and the Middle East is a big market. So it is spread across all geographies.

**Darshil Pandya:** Okay. Are we entered any new geographies this quarter or this year?

**Anurag Soni:** So what we intend to do and what we are working on is that, so there are various product segments in the company. So let us say we are we are present in a particular product and not in the other segments. So we're working on those markets where we already present and adding our products in those markets. So that way we are adding new markets. But since we already present in more than I think

**S.N.Modani:** 68

**Anurag Soni:** more than about 60 countries globally. So then it is difficult to actually add more countries then.

**Darshil Pandya:** Got it. And who would be our key clients, if you can name any?

**Anurag Soni:** So the key clients actually, there are again, varied clients across the segment. So and on the investor presentation, we've put our major market clients on them. So there are about 30-40 big clients that we put on the presentation. So we would request you to look on that, please.

**Darshil Pandya:** All right. So second question would be are we going to increase our export for garments more catered to primarily domestic or which markets will be focusing more on?

**Anurag Soni:** So currently about one third of the business in the company comes from the export market and two third comes from the domestic market. Now, see that there is a huge potential domestically as well because India is growing at a fast pace. So we see that over the last 3 years, last 3 years, I think the number for exports has varied around 35 to 40 percent. So it around that margin because see absolute numbers going up because turnovers are increasing. So absolute numbers are growing up but because India is also fast growing. So in terms of overall percentage of revenue to the company, it may remain in the similar range.

**Darshil Pandya:** Okay and sir what is the mix of you know value products that you are ensarging in your total revenue maybe in future and how much is the incremental margin that you can see in this portfolio?

**Anurag Soni:** See again we have given a guidance of that in the next 2 years, we should be reaching about 12.5% margin level. So currently we are at 10%. So we should see some fundamental gains quarter on quarter over the next 8 quarters.

**Darshil Pandya:** But you know I just asked about the value added products. What will be the share of that?

**Anurag Soni:** Value added products again, so when we say value added we are actually saying that the contribution of yarn to the total turnover is about 47% currently. But that does not imply that we are not doing any value addition yarns per se. But then when we are saying that we are moving up the value chain, we are actually adding on the garment and the fabric side. So this number should increase again every quarter we will see a incremental gain on that side. So probably over the next 2 years this number can be about 60% coming from the fabric and garment side and 40% from the yarn side.

**Darshil Pandya:** Got it. One last question if I could ask. Sir, how will we be working on the debt side because I can see almost 1000 crores of debt is standing on the books and we are still on the recovery phase and I guess the interest payments will be started up and what will be the interest cost for this year specifically?

**Anurag Soni:** See debt again, our debt to equity is very comfortable though this was an exceptional year on the downside because the price movements were continuous on the downside so that the margins were under pressure so that's why EBITDA to debt can look a little higher for the current year but this should come down again significantly over the next few quarters. Still having said that net debt to equity is still very comfortable. We don't see any challenges that interest cost wise. See, there are two things that have happened. One that overall interest rates globally have gone up. So as we said today, we are at the peak of the interest rates across the globe. So now that is beyond our control. So whatever easing will happen there, that can contribute. Otherwise, probably whatever the Q4 interest costs are, I think that is probably at the peak. So we should see a dip from here going forward.

**Darshil Pandya:** Well, I got I will get back in the queue. Thank you.

**Vandini:** Thank you, sir. Mr. Raj Maccwan, sir, you may go ahead and ask your question. Hello, Mr. Raj sir.

**Raj Maccwan:** Hello, Am I Audible.

**Vandini:** Yes, yes you are.

**Raj Maccwan:** Yeah, so FY24 has been a challenging year for exports. So what kind of growth do you see in FY25 in terms of exports?

**Anurag Soni:** See, as mentioned earlier, again, total percentage of exports in the company varies between about, let's say, 33 to 38, 40%. So it will remain in that zone.

It is a high challenge. And if you see during last 20 years of our carbon market history, such exchanges at the international domain were there into the existence. So, we do not think for the international trading of the credits such a subject.

**Anurag Soni:** I think that there is a, I don't know, so some cross connection that happens. Sorry, I will get back to you on your question. So you mentioned that export growth. So export is about 33% to 40% of our business. It will remain in that range. So whatever growth we do in the company for the coming financial year. So export absolute number will be in line within that percentage levels.

**S.N.Modani:** Here I can add something because Sangam India is the most diversified company and since we have a control right from the yarn, fabric, weaving, processing and denim and all and that timely delivery and the quantities both Sangam as the age because of in PV dyed yarn because that is substitute for all poly wool fabrics and all school wear and formal wear with spandex and all. So the basically company is growing and we have a presence in 58 countries and those countries with our business associates because since 91 we started export. So the basically our relationship and what the market demands we can supply with the innovative product maybe in the blends of all man made fibers because I tackle fibre blending and That's why how we can I we can control the cost with the product innovation That's the beauty of the company because we have to dye Polyester viscose wool hemp cleaner? So whatever cotton So basically we are also thinking that what best we can, what different product we can give at a competitive price. So we don't see there will be a challenge in exports because ultimately first time it has happened in April to September that PV fabric export has grown up by 2% and we are the man 4 days PV. That's why we analyzed that our yarn has to be converted into polyservice force fabrics with different blends and then we can achieve that timeline as well as the fastest shipment possible because market is very much volatile. Therefore, company do not foresee any problem in the export fronts. This is what I can add.

**Raj Maccwan:** All right acha one more question I wanted to ask when you talk about value and so what exactly it is?

**S.N.Modani:** When we talk about value addition, value addition means what? Like polyester is the cheapest fibre available, most sustainable. Viscose and Ecovero viscose, Excel, linen and blends. When you do something different, when you go for polywool, if you can have 30 where you can attend 20% wool and now new fibres have also been nominated by the lands in the world over like air thumb, pool max and all which gives the effect of wool because of hollow fiber. So we are doing a lot of things because we are a spinner, weaver and all. So these are all value added items because how you can improve the aesthetic value of the fabric, garment value per se and all. And definitely denim as well because we are trying different type of yarn combinations. So definitely when you control yarn, yarn blend and of course weaving, whatever there are a lot of technologies involved and so that only as a spinner we can do it. Like change in count, change in blend. So you know how to make it, product more competitive and different.

**Anurag Soni:** And adding to that, see by value added, we are specifically saying that we are going to increase our fabric and garment business and overall yarn is going to be used captively and that number will go up subsequently every year.

**Raj Maccwan:** So 3 to 4 years from now, how much percent of sales will come from value added segment?

**Anurag Soni:** We are saying that over the next 2 years, I think this number should be about 60%.

**Raj Maccwan:** 60% value and 40% will come from yarn.

**Anurag Soni:** Yeah, but that does not mean that in yarn we are doing plain yarn. So even there, there is also that there is margin. There are products where we are making good margin. So that will continue. So basically what we are substituting is those products in the yarn division that we are selling today, where the margins are lower that we are going to convert further into fabrics and that is how the margin expansion will come.

**Raj Maccwan:** Alright, How much does the cotton prices currently?

**S.N.Modani:** And it is around 57 to 58,000 rupees is the prices per candy. So it is in the reasonable market. I mean reasonably it is because when we see the international market, Indian cotton is 2% cheaper than that. So that margin is also there, which was not earlier. It was over to 5% higher than the international market in one and a half years back.

**Raj Maccwan:** Any update on the FDA agreement with Europe?

**S.N. Modani:** I think UK because the government is in election mode so the FDA we were expecting long back from UK and Australia and all. Probably I think after the new government will come definitely because they are also willing to take because India is the only source now with the huge capacities and you know presence because India's strength is what? India's strength is (inaudible) textile is the smaller lot with the design fabric.

China's strength is mass and because in the polyester and all manmade so government with the new government they will work hard on manmade fiber and all to give more incentives because here we are stuck with the government policy because we have inverted duty structure now 18% on the fiber, 12% on the yarn like that. So basically that will reverse and that will improve the profitability exports of India enlarge for the man-made because the government focus has to be there.

**Raj Maccwan:** All right. Okay. So thanks. Have a good day. Bye.

**Vandini:** Thank you, sir. The participants may raise their hands for the questions and we will take them accordingly. Now, I might request Mr. Khush Shah to go ahead and ask his question.

**Khush Shah:** Hello, am I audible?

**Vandini:** Yes, you are, sir.

**Khush Shah:** Good morning, everyone. I have a couple of questions. First would be what are the different varieties of product under garment segment apart from C9?

**Anurag Soni:** Like we are actually into some categories, into the categories of athleisure wear and then there is a women innerwear so those are the categories that we are present in the in the garment segment and so that that's present in c9 as well as as the brands that we supply to it, there are similar products.

**Khush Shah:** Second would be the GP margin have been decreasing for FY 24. Though the company have plans to move towards value addition. Please explain the disparity over here. Can you explain the disparity?

**Anurag Soni:** Gross profit margins are declining because as I mentioned earlier, there has been continuous fall in prices of cotton as well as polyester side. So That's why in a falling market, there are some stock losses as well that happened. And that's why the margins have been problematic and under pressures. But however, as mentioned earlier again, that we are seeing that prices have bottomed out and there is slight improvements there. So when we say December to March quarter, there is about a hundred, 1.7 percent improvement in margins is there. So we hope that that will sustain and we can improve further on from here.

**Khush Shah:** Fair. My last question would be how we have a competitive advantage over peer, peers.

**Anurag Soni:** See, at Sangam, We are present in various segments in the textile chain. So we are making both synthetic and cotton yarns. And then there is in the fabric as well, we are a significant player on the denim side, as well as the synthetic fabric side and then a small portion in garment. So there is a diversified portfolio. So it is, I would say that we are better placed in terms of the varied product ranges and when we are entering some markets where you know we're dealing with brands so we are able to supply various products versus just doing one product there So I think that is probably a edge over the other peers there.

**Khush Shah:** Oh, thank you, sir. Thank you so much.

**Vandini:** Thank you, sir. Mr. Aditya Sen, sir you may go ahead and ask your question now.

**Aditya Sen:** Hi, thank you for the opportunity. So first I would like to know if we have the breakup of the revenue from our branded products that is C9 and the other athleisure products that you were talking about.

**Anurag Soni:** Currently, Garment consists of about 3% of the total business.

**Aditya Sen:** Okay, 3% and the Capex that we are doing is it dedicated to our branded products also or only for the non branded ones?

**Anurag Soni:** The capex that we have incurred some capex on the garment side which has been completed. So there the capacity utilisation, quarter on quarter so, so current year, We should see a subsequent substantial growth. And that that is visible even when we compare March to December to March, there has been an increase in the production and the sales of the garment side. So overall, again, the percentage is 3% absolute number has gone up year on year and currently again, we see a substantial growth.

**Aditya Sen:** All right. And about FY26-27 visibility, where do we aspire our company to be in the coming years as we are doing some significant capex. So what could be the revenue potential or EBITDA margin in FY26-27 aspirationally?

**Anurag Soni:** We have given a guidance for 4000 crores and 12 and a 12.5 percent margin for FY26. So we will maintain that.

**Aditya Sen:** All right. All right. Thank you.

**Vandini:** Thank you sir. Mr. Saket Kapoor, so you may go ahead and ask your question. Mr. Saket Kapoor sir.

**Saket Kapoor:** Yeah, yeah, yeah. Namaskar sir And so thank you for this opportunity. So firstly, when you when you are providing a target, a top line of 4000 crore for 26-27, taking into account the capex that we have done for the preceding this financial year, what should be our projected top line for this current financial year, 2024-25?

**Anurag Soni**: We can expect about 15% growth in whatever capex that has kicked in. And some normal growth, so I think 15% is the sustainable number

(inaudible)

**Saket Kapoor:** And in this 15%, what would be the mix between our commoditized product and the value added will there be a significant change or it will be in line with what the last financial year was?

**Anurag Soni:** So as I again mentioned that There will be a current 47% (inaudible) I will be lower than that. So

**Saket Kapoor:** I think if you come closer to the mic, we can hear.

**Anurag Soni:** yeah, So, FY24 we did 47% was the yarn revenue and 53% was the fabric and garment revenue. Currently we are seeing the number going up so yarn revenues will decrease from here.

**Saket Kapoor:** Okay, and any ballpark number will glide for this year or will it not be meaningful?

**Anurag Soni:** It is difficult to project that but we will see a substantial change.

**Saket Kapoor:** We will see a substantial change in this. Sir, when you alluded to the fact that our finance cost, we can annualise this 23 crore number for the current financial year?

**Anurag Soni:** Yes, I think this should be the peak number.

**Saket Kapoor:** Okay, and we have the current year closing balance of CWIP of 220 crores. So I think so when will this get capitalized?

**Anurag Soni:** I think all our expansion plans are finishing by the second quarter next year.

**Saket Kapoor:** Okay then on this 220 crores, the interest, then that cost of fund, then the finance cost should increase.

**Anurag Soni:** There are two things here. I think currently, we have also got interest subsidies that are available to the company. So this we have there will (inaudible) be a reduction that will come up. (inaudible) And there are also the (inaudible) working up our export limit for much cheaper one year back.

**Saket Kapoor:** I can't hear you.

**Anurag Soni:** High today. So I think all these numbers factored in, we should see that, we can assume that this is a peak number.

**Saket Kapoor:** I'll rejoin, sir. I think so I'm unable to hear.

**Vandini:** Okay. Thank you, sir. Mr. Ganesh Kumar sir you may go ahead and ask your question. Rest of the participants, please raise your hand for the questions.

**Ganesh Kumar:** Okay, Thank you. Am I audible?

**Vandini:** Yes, sir

**Ganesh Kumar:** So, so given the CapEx that we are doing, how do we see depreciation and debt panning out say over the next 2 years or 3 years?

**Anurag Soni:** See depreciation is going to go up with with capex coming in so absolute number of depreciation is going to go up and as well debt number we are still going to add some debt because whatever expansions are under process. So I think about there is undrawn debt of about 150 to 200 crores on the long term debt side. So that will add however, currently are some repayments will also happen. So there will be a slight increase on the debt not not meaningful. We can safely say that we are at least about 85-90% at the peak debt levels.

**Ganesh Kumar:** Okay, so the interest costs will also more or less stay the same.

**Anurag Soni:** That's what I said earlier that the current, March quarter is probably the peak number.

**Ganesh Kumar:** Okay.

**Anurag Soni:** So, It is interest rates don't go up from here.

**Ganesh Kumar:** Okay, got it. So just one more question. How does, I probably you addressed it earlier in the call I missed it. So how do we see the margin difference between the value added that we have today and whatever we are trying to incorporate over the next 2 or 3 years?

**Anurag Soni:** See, currently we are at 10% margin levels. And we are saying that over the next 2 years, we are working towards going up to 12 and half percent. So that is the work that is happening on that front.

**Ganesh Kumar:** Got it. Thank you. That's all from my end.

**Vandini:** Thank you, sir. Mr. Saket Kapoor, sir, you may go ahead and ask your question now.

**Saket Kapoor:** Yeah. Sorry for the interruption, sir. You were explaining about I think to the interest cause the absolute number that there will be provision of the rebate on the on the drawn on the loans drawn. So on a net basis, even on a increase of 150 crore in the net debt level, the interest cost are more or less aligned to 110 crore annual number. This should be the number we should (inaudible) need.

**Anurag Soni**: Yes, I think it should be below 100.

**Saket Kapoor:** It should be below 100. And sir, you alluded to the point that post December quarter, the margins, the yields improved on the yarns for the March quarter post March exits are what are the trends currently for the month of April and (inaudible)

**Anurag Soni:** so I think they're still in line with last quarter there may be a slight improvement from that, but still it is very volatile, so difficult to give a clear guidance on that.

**Saket Kapoor:** And sir, We are running on full utilization level, optimum capacity?

**Anurag Soni:** Yes broadly.

**Saket Kapoor:** And for the year as a whole, sir, what should be the interest rebate we should factor in?

**Anurag Soni:** See currently, see how this works is when you incur a capex, you apply for under the investment promotion scheme of the government, you inform them that, you know, my project is complete and now I'm eligible for the subsidies, the interest pensions. So that that has already happened. And currently, I think what we have not factored in is about 4 to 5 crores of interest that that will be accounted for once the government approves this. That will that happens retrospectively it will happen from the date of the project completion date. So we have some we are still but we'll account for it once the government approves it.

**Saket Kapoor:** That is only 4 to 5 crores.

**Anurag Soni:** Yes, no, no, no, no, no, 4 to 5 crores is what we are for for this financial year. That is what is not accounted for. So whatever permission has been received has been accounted for. This is the number that is pending to be accounted for.

**Saket Kapoor:** Our debt numbers are long term borrowing is 690 Crore and what our what is our cost of and blended cost of taking into account both the I think the short term is around Rs. 440-446.

**Anurag Soni:** See long term debt, I think that there are some loans about Rs. 150 crores are old loans that are at about 9% and then all the new loans that we have taken considering the government subventions I think it should be below 5% for the long term loans.

**Saket Kapoor:** And working capital requirement?

**Anurag Soni:** Working capital is between around 8%. Blended.

**Saket Kapoor:** You spoke about historical margins also for us and our improvement in margins. So, barring the year of 22-23, in which your margins were supernatural for the whole segment, historically, our EBITDA margin has been sustainable and what do you expect after this CAPEX is stabilized?

**Anurag Soni:** See again, after this capex, we keep expectations of 12.5%. Historically, these numbers are considering today's yarn spread. So if yarn spreads go up, we may improve from 12.5 to whatever number that, to the extent where yarn spreads go up. Now, historically, I think if we say over the last decade, I think yarn margins have always been at 10%. So if they were to come back to 10 percent, we may actually see 15 percent margins totally. But in the current scenario on the current yarn spread, we would assume that I think 12 and a half percent is a safe number.

**Saket Kapoor:** I have two more questions. So, first of all, in the capital raising exercise, I think so we have done we have raised some equity also earlier. So that has all been utilized for for this capex part only I think so.

**Anurag Soni:** Yes, that is true.

**Saket Kapoor:** And what was the dilutions at what price have we done that?

**Anurag Soni:** So actually there is no dilution because if we see over the last last 4 to 5 years, I think the (inaudible) has been there for 70%. There is no no dilution on that front.

**Saket Kapoor:** The last fundraising was from the promoter category only or non-promoter?

**Anurag Soni:** Last fundraising was about 100 crores where 60% was funded by the promoter and 40% was from a non-promoter entity.

**Saket Kapoor:** Okay. And lastly, on the power cost and the other expenses, what is power and fuel mix, what investment are we doing in the renewable segment? And are we drawing currently we are depending on the state grid for our electricity requirement?

**Anurag Soni:** So currently, majority of the power is drawn from the state grid. I think about 10% of our needs are coming from the renewable side. So there are plans to work towards increasing the renewable capacity. But they're still under very initial phases. So we'll come back to you when we have more clarity on that.

**Saket Kapoor:** So what is are mixed, sir? Any meaningful and renewable?

**Anurag Soni:** So 10% of our energy comes from the captive needs, the renewable side. I think 10% of the total energy is from that side yeah 90 percent is from the (inaudible)

**Saket Kapoor:** What is the grid power cost?

**Anurag Soni:** (inaudible) right 725 and then we have duty so 725 is the blended cost

**Saket Kapoor:** And then there's this cost escalation also for next year or 725 is fixed.

**Anurag Soni:** This is the current pricing in the current financial year.

**S.N. Modani:** We charge fuel surcharge from time to time that we maybe 30, 25- 30 Paisa more because that we know only after year.

**Anurag Soni:** Yeah, but see, I think 725 is a number that we can say that is the average cost of this.

**S.N. Modani:** (inaudible) It's a fact of that also.

**Saket Kapoor:** Last year on the other expenses part, sir, what are the key components for the other expenses? I think it is 85 crore for this year. Last year also the number was only 84 crore but Q on Q that has gone up from say 63 to 85. That turnover has increased from 621 to 700, around 70-80 crore but from 20 crore to 23 crore your other expense has increased. So, how should we take this into proportion?

**Anurag Soni:** In this, Apart from the raw material, power and employee benefits which are huge costs, the costs which are not classified in the raw material. For example dyes and chemicals used in processing. When our fabric turnover increases the raw material on the processing division is dyes and chemicals but that is classified in other expenses so it will be a factor, as there is jump in turnover so yeah impact is there of that so however we have to see the overall margin expansion is 2 percent almost 2 percent from quarter on quarter so that is a number that has gone into other expenses. So this is what we see. Other expenses actually are the processing costs, the selling expenses of freight and factory overheads and other overheads, office overheads, all those things are factored in there.

**Saket Kapoor:** Sir, I'll join the queue. I’ll come later.

**Vandini:** Thank you sir. Mr. Nikhil Agrawal, so you may go ahead and ask your question now.

**Nikhil Agarwal:** Yeah, hi. Sorry, actually, I joined the call a bit late. So my question relates to the free trade agreement, the FTA. Are you seeing any green signals or some positive designs on ground that you know that FTA will soon be...

**Anurag Soni:** I think our Vice Chairman have answer that question earlier, the same question was asked. See right now,

**S.N. Modani:** because FTA government is quite active on that and since we already closed, I mean, the very advanced talk with the UK and Australia, but it will take some time with the new government will come into power, right? Probably it will happen in a couple of months time because it is on top agenda of the government. Okay, okay, sure, that's it,

**Vandini:** Thank you. Thank you, sir. Mr. Saket Kapoor, sir you may go ahead and ask your question.

**Saket Kapoor:** Sir, on the income tax rate, what is the taxation rate currently we are into? I think this year in your cash flow, the tax paid is only 12 crore, 12 crore 35 lakhs.

**Anurag Soni:** See the tax we are under the 22% regime, so 22% plus surcharge some 25% is the income tax rate. Our tax outflow did not really go much to that because a lot of capitalization has happened over the last 1 year. So the income tax, (inaudible) that will always be a difference.

**Saket Kapoor:** The net tax outflow is much lower then. We are left with more cash.

**Anurag Soni:** Yes, that's true. Because of the capitalization that has happened over the last 3 years We have gone into the new regime I think 3 years back or 4 years.(inaudible) So tax rate is 25%.

**Saket Kapoor:** Okay, but the actual tax outgo will be in this range of 8 to 9% only. This for this year also we will then saving a lot of cash will be there in the book.

**Anurag Soni:** We have not really had worked too much on that. So let us see what that number is Because there is a lot of depreciation that is happening and there are some accelerated depreciation that you can take on certain products. It does not really work too much on that number because long term that tax rate is going to be 25%.

**Saket Kapoor:** Right sir.

**Anurag Soni:** (inaudible) is up to me for next 2-3 years but eventually it will catch up.

**Saket Kapoor:** And, sir. Next time when you are coming up with the results and presentation, kindly allude to the point of this interest rebate part also so that we get a clarity on what have we accrued in terms of in the other income split as and when the same comes up when you are alluding to the fact because finance cost you are saying that will remain stagnant at or lower to lower than 100 crore for the year whereas we will be drawing more money into the debt account. Our net debt will peak later on with an increase of 150 crore. So next in the next presentation or during the call kindly explain to us the benefits in terms of the actual accrual cash received that will go that will clear because 4 crore. I am unable to understand what you were trying to elude if it is annual 4 crore or quarterly for that number I missed. If you could explain once again or let us one on one also.

**Anurag Soni:** I will try to give you more clarity on that. However, I had answered this question in part earlier that all the new loans that we are taking for projects will be some 5 percent interest costs for the term loans. So we have still about 150 crores of old debt that is pending, which is not pertinent to current capex. So that is at about 9% interest rates. The new debt will be so right now it is we'll try to give you a more accurate number on the next call that how much how much of the new debt, where the approvals, from the government has been received which has been accounted for, at at that rates and what how much is still pending. So I gave you absolute number that about 4 to 5 crores is a number that we have not accounted for. We are waiting for government approvals that is pertaining to the current financial year which will be actually accounted in the next financial year. But I will try and give you a better picture next time.

**Saket Kapoor:** And sir on the dividend part also sir, we have maintained our dividend at 20%. So what should investors look at in terms of dividend payout ratio? How have you arrived at a figure of 20%?

**Anurag Soni:** So we just tried to maintain continuity. Last year, it could have been a higher number, but since we could see that, you know, margins are going to be under pressure in the future. So we tried to be conservative last year and this year we try to maintain some continuity there.

**Saket Kapoor:** But we should work sir for codified different policy rather than things in which you are working on how the market conditions will shape up. There should be a codified way if there is better profitability and if you adjust your current maturities as per your cash flows, it should be codified in that way. It should not be adopted that you are taking conservative view or an aggressive view when you are declaring dividend that is a understanding

**Anurag Soni:** point taken we will try to work on on on that policy

**Saket Kapoor:** right and for the exceptional items are, note number 4 I'll go through would you like to explain sir

**Anurag Soni:** So this is with regards to the the ESOPs and SWEAT equities that that were issued to various company, company officials, I think 2 years back. So that is that that is going to be amortised over 5 years. So I think that that exceptional item is part of that cost.

**Saket Kapoor:** That is a non-cash item.

**Anurag Soni:** Yes. Thank you. one second, sir.

**Vandini:** Thank you, Mr. Saket Kapoor sir. Mr. Ganesh Kumar, sir, we can take up here question. Please go ahead and ask your question. Thank you.

**Ganesh Kumar:** Am I audible now?

**Anurag Soni:** Yes

**Vandini:** Yes, sir.

**Ganesh Kumar:** Just a couple of questions. We have had two fundraisers I think through preferential warrants and conversion to EBT in the last 4 years or so. Do you anticipate any more equity dilution because of any new preferential warrants or conversion of previous warrants in the next 2 or 3 years?

**Anurag Soni:** No, we are well capitalized and all our projects have been funded through debt or equity. So I think we are very comfortable there. We don't foresee any further equity infusion in the company in the near future.

**Ganesh Kumar:** Okay, this question you probably partly answered earlier, I just wanted to clarify. So what would be the power cost for us annually just a ballpark figure?

**Anurag Soni:** The per unit cost is about 7.25 rupees per unit. Absolute number difficult to say because it obviously depends on the capacity utilizations and we bid new capex coming in so absolute number will go up per unit cost is that however percentage of the revenue should remain similar.

**Ganesh Kumar:** Okay so today as a percentage of revenue can we say it's around 8 or 10 percent?

**Anurag Soni:** Yes, I think it is around that number.

**Ganesh Kumar:** Okay, thank you. That's all from my side.

**Vandini:** Thank you, sir. Participants, whoever wants to ask a question may raise their hand.

**Rakesh Arora:** It looks like there are no further questions. We will stop there. Anurag, do you want to give any closing comments before we stop?

**Anurag Soni:** Thank you everyone for joining the call today. We trust we have addressed all your inquiries to your satisfaction. If you have any remaining unanswered questions, please don't hesitate to contact us or our investor relations agencies, Go India advisors. They will be more than happy to assist you. Further thanks again.

**S.N. Modani:** Thank you.

**Rakesh Arora:** Thanks everyone.