



Ester Industries Limited
Q3-FY22 Earnings Conference Call Transcript
February 7, 2022

- Moderator:** Ladies and gentlemen, good day and welcome to Q3 FY '22 Earnings Conference Call of Ester Industries Limited. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Gavin Desa from CDR India.
- Gavin Desa:** Thank you good day, everyone at a warm welcome to Ester Industries Q3 and 9M FY 22 analyst and investor conference call. We have with us today, Mr. Arvind Singhania – the Chairman and Mr. Pradeep Rustagi – the Executive Director-Corporate Affairs. We will begin this call with opening remarks from management, following which we will have the floor open for interactive Q&A session. Before we begin, I would like to point out that some statements made in today's discussions maybe forward looking in nature, and a note to this effect has been sent to you earlier. We trust you've had a chance to go through the communications and financial performance. I would now like to invite Mr. Singhania to make his opening remarks over to you Arvind.
- Arvind Singhania:** Thanks, Gavin. And thank you everyone for joining us today. I have alongside me, Mr. Pradeep Rustagi, our Executive Director-Corporate Affairs. I will begin the call with brief overview of all our businesses post which Pradeep will walk you through our financial performance for the quarter. Starting with the headline numbers. We are pleased with our performance for the quarter wherein, we have delivered strong topline growth of 43% over the previous year, the growth was largely broad based with all our business vertical performing well. Though EBITDA in absolute terms is better compared to Q3 FY'21; EBITDA margins in percentage terms, however, compressed on expected lines, given the sharp rise in input costs visible across sectors, eliminating the impact of increasing feedstock prices from raw material consumption and sales value, EBITDA margins during Q3 FY '22, would've been about 26%.



Moving on to individual businesses, starting with specialty polymers. As I've been indicating demand momentum continues to remain strong as can be seen by our volumes for the quarter, which enhanced by 59% over the previous year. Sequentially as well, we have seen a volume growth of 8%. Product off-take for both new and existing products remain strong, reflective of the underlying demand for the products. Sales of our marquee product MB-03 remains strong with volume of 305 metric tons for the quarter as against 88 metric tons during Q3 FY '21 and 240 metric tons during Q2 FY '22. We expect this trend to sustain. Despite higher sales volume our margins for the businesses though were marginally impacted on account of product mix not being as good as the last quarter. As most of you know, specialty polymers is largely export dependent and the overall margin profile varies with regards to customer mix, geography mix, et cetera.

Sales of innovative PBT were at 164 metric tons in the quarter as against 250 metric tons during Q3 FY '21 and 284 metric tons during Q2 FY '22. Innovative PBT is manufactured by us for a global chemical leader. Basis orders in hand and forecast received from the customer, we expect to match the performance of last year and achieve significantly higher sales in both -- volumetric and value terms in FY '22-'23. Besides the legacy product, sales of our newly introduced products as well, continue to remain strong. We are confident of scaling the volume of both existing and new products overcoming year, given the strong demand we are seeing from our customers. Volume for LMC-03 as well, for which we recently started commercial sales are picking up and we are hopeful of seeing good volumes from this product over the next two to three years.

Lastly, we are also close to achieving techno commercial qualifications for our innovative product, MB-16. Steady pick up and volume for such products will help us significantly scale up revenue from this business.

Moving on the film business, Q3 witness yet another solid performance from the business with revenue expanding 35% over previous year and 15% over the previous quarter. Demand momentum remains steady helping sustain the volume run rate. Domestic demand as we have been indicating is growing at 11% to 13% on an annual basis, which augurs well for the business on a medium to long term basis.

In the near turn though, demand supply may be slightly skewed in favor of the latter with excess supply, hitting the market in turn exerting pressure on the realizations and margins. Our volume for



the quarter stood a/t 14,248 metric tons as against 14,299 metric tons in the corresponding quarter last year and 14,591 metric tons for Q2 FY '22, translating into a marginal dip. Despite the low volume though, consequent to high feedstock prices, selling prices on a sequential basis have improved. Higher proportion of value added products also contributed to high realization. We are working, as we said, towards increasing the share of value-added products and I'm happy to report that we have been making steady progress towards that. The share of value-added products during the quarter stood at 23%, compared to 20% during the previous quarter Q3 FY 21. Our aim as we have hinted earlier has been to increase the share of high margin products to 30% of the overall product mix and we are well on track toward attaining that. We are confident that the better product mix will help us sustain the overall profitability of the business. Commissioning of a new 48,000 Ton per annum plant in Telangana in October should help us further scale up the growth and profitability profile of the business.

Moving on to our engineering plastic business, Q3 was a good quarter for the business with good revenue momentum. Our volume for the quarter stood 2,910 metric tons as against 4,420 metric tons during Q3 FY 21 and 2,974 metric tons during the previous quarter. Reduction in volume is vis-à-vis previous quarter, is mainly on account of lower demand for OFC grade engineering plastics volatility in overseas volume quarter -- OFC volumes quarter-to-quarter is a though demand for EP compounds improved in the months of October and November '21, the slowdown in auto sector, especially two wheelers impacted demand in the month of December. Better pricing and margin environment resulted in higher profitability for the business as compared to Q3 FY '21 EBIT margin for the quarters stood at 21.3% as against 19.1% during Q3 FY '21 and 23.7% registered during previous quarter higher margins during the previous quarter.

Higher margins during current quarter were despite having limited holding of low cost inventory akin to film business and EP as well are objective as to improve product mix by increasing the share of value products. We are also confident that the relocation of the unit will not only help us better serve our customers, but will also help us to – in sustaining margins, by lowering operating and logistics costs.

To conclude, I would just like to state that all our businesses are well positioned to embark on the next growth phase. Specialty polymer has revived well on expected lines after a challenging year. Demand momentum for legacy products remain strong, while newly introduced products as well have been garnering favorable



response from the clients. Product pipeline as well, continues to remain encouraging, giving us the confidence of sustaining the momentum over coming years. Film business as well, continues to perform well. Demand in both domestic and export segments remains steady helping sustain the volume momentum. Realizations as well are expected to remain steady in the medium to long term. Although in the near term, though one can expect some pressure owing to excess supply. Besides favorable macros are efforts towards improving product mix, by increasing the share of value-added products and commissioning of new unit should help us improve the margins and profitability trajectory of the business. Engineering plastic business as well is expected to perform well, supporting the Film and specialty Polymer businesses. EP has seen a sharp revival in the last six quarters, owing to shortage of feedstock material, increasing prices of feedstock, and revival and demand post wave of COVID 19. We expect the trend to sustain in the near term. Furthermore, the relocation of the unit should also help us in sustaining the profitability and margin profile of the business.

That concludes my opening remarks. I now hand over the floor to Pradeep to walk you through the financial performance. Thank you.

Pradeep Rustagi:

Good evening, everyone and thank you for joining us today. I'll quickly walk you through our financial performance for the quarter and nine months ended December 31st, post which we can begin the Q&A session. Starting with the top line revenues from operation stood at Rs. 365 crore as against Rs. 256 crore reported during Q3, FY '21 that is higher by 43%. On a nine-month basis, revenues stood at Rs. 1,717 crore as against pay Rs. 695 crore higher by 46%. The growth has been largely broad-based as all the businesses have seen good traction in their revenues. EBITDA for the quarter stood at Rs.64 crore as against Rs.58 crore generated during the Q3 FY '21 higher by 10% while on and nine month basis, the same stood at Rs. 187 crore as against Rs. 183 crore generated during nine months FY '21 higher by 2%.

Margins in percentage terms though compressed during the period in the review, largely owing to sharp increase in input cost and freight expenses. Finance cost for the quarter stood at Rs. 6 crore as against Rs. 4.7 crore outgo reported during Q3 FY '21, while on a nine-month basis the same stood at Rs. 16.3 crore as against Rs. 13 crore outgo reported during nine months FY '20. As of December 31st, 2021, our outstanding interest bearing term debt net of free cash is stood Rs. 190 crore while interest bearing working capital liability stood at Rs.92 crore. Interest bearing debt, net of free cash as a multiple of annualized EBITDA remained at a



comfortable level of 1.13 as of 31, December '21. We are committed towards maintaining prudent debt equity level and will not jeopardize our balance sheet at the cost of growth. Depreciation for the quarter stood at Rs. 10 crore, as against Rs. 9 crore reported during Q3 FY '21, while for the nine months the same stood at Rs. 29 crore as against Rs. 27 crore during nine months FY '21. Profit for the quarter stood at Rs. 36 crore as against Rs. 33 crore generated during Q3 FY '21, while for the nine month same stood at Rs. 106 crore as against Rs. 108 crore generated during nine months FY 21.

To conclude, I would just like to reiterate what Arvind Ji had said earlier. All our businesses are well positioned to deliver consistent growth and drive in next phase of growth for the company. Thank you.

Questions & Answers

Moderator:

The first question is from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar:

Sir my question is for the BOPET segment. So can you talk about the contribution margin in the segment and where do you see the spread moving, going forward? So I'm talking about overall, the contribution margin in BOPET segment and how is the spread is going to move forward?

Pradeep Rustagi:

Yes. So spread is nothing but value addition, which is the difference between selling price and raw material cost. So in the September '21 quarter, it was, for a 12-micron Corona film it was Rs. 36, December it improved to Rs.46. And currently it is in the range of Rs.62 to Rs.64 a kg.

Sumant Kumar:

Okay. Do you think this spread is going to sustain? what kind of moderation you are looking -- is going to be happen in the coming quarter?

Arvind Singhania:

In the medium to long term, the margins will remain healthy, although in the short term with the startup of some new capacities, it could moderate a little bit.

Sumant Kumar:

Okay. So your other competitor is also talking about the supply side. So can you talk about the supply in the industry where the supply is going to come and we have seen volatility in the business and the margin is in the higher the side and what kind of moderation can we see in the margin?



- Arvind Singhania:** So in this year we expect about three lines to start up, three to four lines, including ours, which is the total capacity about 120 to 150 thousand tons per annum, of course, when the line starts up, it doesn't start producing 100% straight away. So it always takes a few months for capacity to build up. So, on an average this year, you could see if nameplate capacity is 150,000 tons. You could see addition capacity of about anything 80,000 to 100,000 tons in effect -- coming into effect this year in 2022-23.
- Sumant Kumar:** So in that case, you see the supply is going to hit the realization as well as the margin.
- Arvind Singhania:** Yes. there may be some moderation in the margin. But there is a healthy demand growth in the film business.
- Sumant Kumar:** Okay.
- Moderator:** The next question is from the line of Alpesh Lad from Dolat Capital.
- Alpesh Lad:** Couple of questions sir, first one is regarding the Specialty Polymer segment. We've seen like declining sequential margins. So is it mainly because of lower share of IQPBT or like, is there any other reason for the same and do you see the like, margin contraction going forward as well?
- Arvind Singhania:** No. There is no margin contraction going forward. Just this is an aberration because of product mix. Every quarter doesn't have the same product mix, sometimes product mix, maybe a little more favorable than the other quarter. That's why you see this. This much variation is going to be there. Because margins here are pretty much fixed in all the products, Rupees per KG is fixed. As a percentage, you may see the drop in margin, but that is cause raw material prices have doubled over the last one year. And with the margins being in fixed Rupees per KG, then the percentage margin will fall.
- We don't expect these high raw material prices and crude to remain at \$90 a barrel or \$95 a barrel. As soon as the crude oil starts moderating, raw materials will moderate the selling prices will come back. Margins in Rupees per KG remaining same, percentage margin will increase.
- Alpesh Lad:** Okay, fine. And the second one is in engineering plastic segment, like what do you -- what kind of momentum do you see going forward and do you feel any challenges from the crude oil price? Rising crude oil prices?

- Arvind Singhanian:** See Crude oil prices affects the price of raw material. And like I've always said it's a pass-through model. So raw material prices went up. We were able to pass this through, margins remained healthy, despite the increase and when the raw material prices or the crude will come down, raw material prices will come down. Our selling price will come down, but hopefully the margins will remain the same. We are bullish about engineering plastics business.
- Alpesh Lad:** Okay. Fine. Thank you much.
- Moderator:** The next question from the line of Sanket Kapoor from Kapoor and Company.
- Sanket Kapoor:** Firstly, you were speaking about the new capacities that are likely to come on stream. So if you could give more color, what kind of - - in volume terms and from which geographies are these capacities going to be?
- Arvind Singhanian:** Geography is India, the capacities are coming up in India, Like ours is in south there are some coming in the north, some will be in the central part of India or Western part of India. Total capacity increase expected nameplate capacity is going to be about 130,000 to 150,000 tons. It's kind actual effect in terms of volume terms in this next financial year in FY '23 should be in the region of 80,000 to 100,000 tons of additional capacity in practical terms.
- Sanket Kapoor:** And globally, how things are in the pipeline, what kind of capacity addition we are seeing on the global scale?
- Arvind Singhanian:** On the global scale, most of the capacity are coming up in China, So China, is no threat to us.
- Saket Kapoor:** Right. So if you look at the size of the market and the import that the country takes, how is the dynamic is going to change post this expansion, firstly, the incremental demand and secondly, what percentage are imported in the country?
- Arvind Singhanian:** Very little is imported into the country. Imports are negligible. We don't have an import threat.
- Saket Kapoor:** Okay. So then how is this capacity going to get exhausted? What is the incremental demand and what kind of -- additional capacity then will be the system?
- Arvind Singhanian:** Yes, so the additional capacity will get used up because of the increase in domestic demand, which is about 11% to 12% or 13% per annum, and plus global demand is growing at about 5% to 6%.

So there will be export, they will increase and it will get consumed with the increase in domestic demand and global demand.

- Moderator:** The next question is from the line of Sachin Kasera from Svan Investments.
- Sachin Kasera:** Sir, One question regarding this CapEx and debt. So if you could just explain this slide number 30 this total Capex is Rs. 587 crore.
- Arvind Singhania:** Yes. That is in the subsidiary Ester FilmTech, the project coming up in Telangana. So Rs. 584 crore Capex is in the wholly owned subsidiary of Ester called Ester FilmTech which is implementing the 48,000 ton per annum film project in Telangana.
- Sachin Kasera:** Okay and you have given certain projections this is basically your assumption of the revenue & profitability that subsidiary will make in '24 and '25, right, sir?
- Arvind Singhania:** Yes.
- Sachin Kasera:** Yes. But which would mean that our debt will go up significantly right? To almost Rs. 500 crore, Rs. 600 crore post this plan getting commission.
- Pradeep Rustagi:** On a consolidated basis, but EBITDA would also go up.
- Sachin Kasera:** And Sir what type of assumptions, before this upswing started, the EBITDA margin used to 15% to 17% in the film business. Currently they're in 28%-30% and we are projecting around 24%. So what gives us the confidence that, -- and with so much of capacity coming in, this 23% 24% margin you'll be able to achieve?
- Arvind Singhania:** See please understand there may be short term volatility because of capacity, but in the medium to long term and with the increased capacities and economies of scale coming into play. And the project's cost of production is going to be much lower, So therefore they'll have a big impact on the margins for instance.
- Sachin Kasera:** Okay. But sir, any number that you can share with us over a two, three-year period what is the peak debt to equity that you are comfortable with or debt to EBITDA you are comfortable with?
- Arvind Singhania:** It'll always remain prudent. So it will always remain below three times – much below 3 times EBITDA more like 2 times EBITDA.
- Sachin Kasera:** Thank you.

Moderator: The next question is from the line of Rahul Kulkarni, an individual investor .

Rahul Kulkarni: I just had a few questions, one in terms of the Capex plant, which is coming up. What is the current status? Because last time I think land leveling works were going on. So what exactly is the current status of that?

Arvind Singhanian: So yes, the project timelines are running absolutely on schedule and we are way beyond the land levelling, our building is complete, erection of plant and machinery has started, and we are absolutely on time in terms of commissioning of the project, which is in September - October of this year.

Rahul Kulkarni: So basically, Q3 FY '23, the revenue from that plant should kick in.

Arvind Singhanian: Absolutely. Well, it'll start,

Rahul Kulkarni: I understand it would be a gradual scale, but it'll still start.

Arvind Singhanian: Yes. In Q3 will definitely start our production.

Rahul Kulkarni: Okay. That is one. Second in terms of -- in one of the questions which you answered, you mentioned the spread has gone up from around Rs. 46 to around Rs. 62. So is this same for the I think basic film which is there. is it fair to assess that that would exactly, if the same momentum is to continue, you will see a drastic increase in the margin for Q4.

Arvind Singhanian: Q4 is also looking good up to now.

Rahul Kulkarni: Okay. So like INR 14 per kg, which was mentioned like from Rs. 46 to Rs. 62 around Rs. 16.

Pradeep Rustagi: No, January was lower.

Arvind Singhanian: So this is a February number, January was a little bit lower Rs.57. So, and like I said, the Q4 is looking good, better than Q3 in terms of Film.

Rahul Kulkarni: Okay. And for that, you mentioned that freight rates was also the reasons, however, from export part, how are the freight rates now, and have they reduced.

Arvind Singhanian: Freight is still extremely high, the prices have gone up freight rates have gone up, everything has gone up. I mean, the world is feeling the pinch of inflation and high rates and commodities across the board.

Rahul Kulkarni: Understood. Got it. In terms of specialty polymers, you mentioned that the product mix has been one of the reasons for the changes our margins. So in terms of this innovative PBT, which I could see in terms of drop in terms of volume so is this innovative PBT we had a contract renewal, which is supposed to happen. So has that contract been renewed or do the volumes continue from that player irrespective of the contract?

Arvind Singhanian: No. So, we discussed with them, there is no need for contract renewal. They're buying, they've given us a forecast and this year, our volumes will be similar to last year and next year we hope to almost double it.

Rahul Kulkarni: But any special reason why there was a drop seen on our year-on-year basis.

Arvind Singhanian: It's not really a drop. It is virtually the same.

Pradeep Rustagi: If you annualize the nine months data, you will get the same number as we achieved last year.

Arvind Singhanian: There's no drop.

Pradeep Rustagi: In the nine months we have done 792, as against 1,042 last year.

Arvind Singhanian: They are increasing volume and they're given us a clear indication that next year's volume will be substantially higher than this year.

Rahul Kulkarni: Is it possible to mention what is the FY '23 estimate volume for innovative PBT?

Arvind Singhanian: 2,000 tons plus.

Rahul Kulkarni: Okay. And what did we do in FY '21

Pradeep Rustagi: Close to 1,000 to 1,050.

Rahul Kulkarni: Okay. So expected. What has been a nine-month number for innovative PBT?

Pradeep Rustagi: 792 tons.

Rahul Kulkarni: So broadly we are looking at doubling that's what...

Arvind Singhanian: That's the indication that we've been given.

Rahul Kulkarni: And when, -- just one last question on the engineering plastics plant. So when are we looking to complete that shifting to the new place, which will improve the margin?

Pradeep Rustagi: I think it should be over by about August –September.

Rahul Kulkarni: 2022.

Pradeep Rustagi: Yes. Correct.

Arvind Singhanian: Land has already been acquired.

Rahul Kulkarni: Understood. So again for that also the Q3 numbers should get just -- should result in improvement in margins.

Arvind Singhanian: Q3 you'll start seeing difference.

Rahul Kulkarni: And how much is, what part -- is it quantifiable? What broad level of impact it has?

Arvind Singhanian: I think that just the shifting should improve the EBITDA margins by anything, 1% to 2%, just because of shifting. Because saving and logistics cost.

Rahul Kulkarni: And you were doing some Capex also for the engineer plastic if I'm not wrong. So where are we on that?

Arvind Singhanian: Engineering plastic business has been shifted. So there will be CapeX involved and we're increasing capacity also by another extruder.

Rahul Kulkarni: So when would that be completed?

Arvind Singhanian: That's what I said August. September.

Rahul Kulkarni: Okay. So the shifting and the extruder both...

Arvind Singhanian: It is going together.

Rahul Kulkarni: Okay. They're happening together understood. So only shifting will result into 1%, 2%, increase in margins and obviously whatever extra you can sell because of the additional capacities that would in the additional revenue and margin?

Arvind Singhanian: Additional revenue and additional margin.

Rahul Kulkarni: Okay. Thank you so much. And congratulations on great set of results.

Arvind Singhanian: Thank you.

Moderator: The next question is from the line of such Sachin Kasera from Svan Investments.

- Sachin Kasera:** Sir regarding the share of value added products in the film segment, if you could tell us bit, I think in two years between 2020, it came down, this year again it has gone up. So how do we see this share of value added FY '23 and for the commissioning of new plant, what is the plan in product?
- Girish Behl:** After commissioning of new plant, in the initial period, the new plant will start contributing to large commodity products and slowly and steadily the proportion of volume from that plant also will be shifted to value added products.
- Arvind Singhania:** Basically, you know, this 23% is based on our existing capacity. Once the new capacity has added, the absolute number of value-added product will go up. But as a percentage, it'll come down, because you have to add the denominator goes up.
- Sachin Kasera:** How do we classify the value? What is our benchmark for that?
- Arvind Singhania:** The benchmark is a certain additional value add per KG that we get. So let's say if we are getting more than Rs. 20 or Rs. 25 per kilo, then its classified as a value-added product. Over and above commodity film.
- Sachin Kasera:** No because the commodity margin itself has gone up. So that's what it is creating a bit of confusion. It is linked to these margin superiority that you get our on commodity or it is on absolute number. Because the commodity margin itself has got significant in the last two years.
- Arvind Singhania:** Yes. So it is over and about that. Over and above.
- Sachin Kasera:** Okay. So it's always linked to the commodity.
- Arvind Singhania:** Value added products have to bring it more than commodity margins at any point.
- Sachin Kasera:** Okay. And do commodity margin fluctuate. So if commodity margins were to come down cause of the extra capacity, will the margins commodity and specialty will it also come down accordingly?
- Arvind Singhania:** No, not necessarily. It depends on raw material pricing. And in some cases it is linked to commodity. In some cases is it is not linked to commodity. So in some cases, if raw material prices were to come down, some products, the margins absolute margins will also reduce, but still be higher than commodity. And in some cases it is not linked to commodity, where the margins, if raw material goes down will increase.

Sachin Kasera: Thank you.

Moderator: The next question is from the line of Saket Kapoor from Kapoor and Company.

Saket Kapoor: Sir, I missed the percentage of value added films this quarter number then for the nine months,

Pradeep Rustagi: You want the absolute volume?

Saket Kapoor: Volume as well as the Turnover. Secondly How the raw material basket shifted and you spoken about raw material moving up significantly and how the price movement on quarter to quarter

Pradeep Rustagi: So in June '21, we did 20%, but whereas value propotion was 28.5% in September '21 again, we did 20%, but the value proportion was 28%, in this quarter, we have done 23% in volume terms and 31% in value terms.

Saket Kapoor: Okay. what should be the trajectory as a sustainable ballpark number in what bracket are we expecting the value added film contribution to be going forward?

Arvind Singhania: Our target is 30% in volume terms based on current capacity.

Saket Kapoor: And Sir when the new capacity will be upstream what kind of value addition are we contemplating there? And if you could give some more color on this?

Arvind Singhania: See, once a new capacity starts up, our total capacity will almost double. So as a percentage value, value added proportion will fall as a percentage after the startup of new capacity, but over a period of time, our target is again to take up to 25%-30% of total volume.

Saket Kapoor: Right. When we are putting up this new capacity, are we coming up with the extruder and the metallic film. What we have done earlier to introduce value added segment, or this will be a plane vanilla film?

Arvind Singhania: No, We are putting up metallizer. We are also going to put up another coater, so this will help us to achieve our overall target of 25-30% of the overall capacity.

Saket Kapoor: Sir coming into raw material part. If you can dwell into it.

Arvind Singhania: Raw material, as you know, I've already mentioned in my discussion here that raw materials have doubled over the last one year, largely on account of increase in crude oil prices and crude

oil, as you know, has gone from \$40 a barrel to \$95 a barrel today. And therefore there has been a phenomenal increase in raw material prices. And we don't know, I can't predict where oil will go in the future, whether it'll continue to go up, remain steady or go down.

Saket Kapoor: Only the breakup, I am looking for the raw material break up, within MEG, PTA prices. What have been the price trends Q on Q? Last two quarters comparison. If you can give me? How the June shaped, how September shaped and how December quarter.

Pradeep Rustagi: September the PTA was Rs. 66, then it increased in December quarter Rs. 68.5. And currently it is Rs.72. MEG in September was Rs.55, in December, it was Rs.60. And now it is currently at Rs.61.

Saket Kapoor: Right. So these are, are the major components for this

Arvind Singhania: This is the biggest component.

Saket Kapoor: Sir, I missed your point when you explained that even on the higher volumes, the margins were lower for the film segment. So what were the key reason? Is it only the product mix part which you have explained or any other things Sir? When we look at the volume numbers, even when we looked the numbers for say, quarter two to quarter three, the volumes have dipped by I think so from 14,000.

Arvind Singhania: There was hardly any dip. It is almost the same. Margins in absolute terms have improved, but as a percentage have gone down because of increase of raw material.

Saket Kapoor: Right, right, sir. And then lastly, on this our engineering plastic segment, sir, what is the update on the relocation and are these numbers sustainable?

Arvind Singhania: I've already answered that question the relocation is going well it will be finished by August- September.

Saket Kapoor: Okay. And these margins are sustainable over a period. Now we are building on these margins. If we take every quarter number, we are seeing improvement. So on a longer-term horizon, what should be the base margins for this segment?

Arvind Singhania: I think the margins -- we're expecting these margins to sustain over the short to medium-term period.

Saket Kapoor: Okay. if I could recollect sir earlier you -- it was, I think it was shortage and because of the pandemic effect that we posted, we started posting these higher margins of 20% for this engineering segment, plastic engineering.



Arvind Singhania: The effect Of COVID has not gone as yet. The world is still facing the effects of COVID, trade rates have tripled or quadrupled, raw material has doubled. I mean, if you see across the board across all commodities, across all sectors, whether its steel, whether its cement, polymers anything and everything, the prices have gone through the roof. So COVID effects has still not finished. COVID may finish very soon. I'm hoping, but the effects of COVID may last for a while.

Saket Kapoor: Correct. So just to sum up. Quarter four, as of now, except, I think the January month, is shaping up better. And then we can look forward for similar or better volumes in all the segment for Q4 ending March 2022.

Arvind Singhania: I will just say that Q4 is looking better than Q3 and that's it.

Saket Kapoor: Only on the volume and the utilizing levels, sir, are we contemplating better volume?

Arvind Singhania: At the end of the day. What matters is profitability. Profitability looks better in Q4 as of now.

Saket Kapoor: Correct, sir. And lastly on the net debt number, sir, if you could share, what are the net debt?

Pradeep Rustagi: Net debt is about Rs. 280 crore working capital and term loan put together close to Rs. 280 crore as of 31st December '21.

Saket Kapoor: Okay. And how much has been withdrawn on for the new planted Telangana?

Arvind Singhania: That is in the subsidiary?

Saket Kapoor: Give me the net consolidated numbers Sir?

Pradeep Rustagi: Consolidated it's close to Rs. 500 crore.

Saket Kapoor: Okay. For the project in specific, sir. How much have been drawn and how's the CapEx plan for the next year?

Pradeep Rustagi: For the wholly owned subsidiary, we have drawn so far Rs. 250 crore foreign currency and rupee debt put together.

Saket Kapoor: Okay. What will we be closing this year, sir? For March, how much would we draw?

Pradeep Rustagi: But I think you should not count the debt of subsidiary because that's a plant under commissioning, that's work in progress that

should not be looked at this stage. The right time would be the March of '23.

Saket Kapoor:

Okay. Sir, but on a whole basis, it'll impact the number even in CWIP also it'll create -- it'll be lumpy figure over a period of time when the things will get capitalized, but we will get a fair idea of how things are shaping up. That was a reason for this. Thank you sir, for answering all the questions and thank you for again, for the presentation that we hope looking forward for a good trend to continue.

Moderator:

Thank you. I would now like to hand the conference over to the management for closing comments.

Arvind Singhania:

Thank you everyone for attending this earnings call for Q3 FY '22, and I look forward to seeing you for the next earnings call for the for the full year of FY '22. Thank you very much.