

Transcript

Conference Call of Vardhman Textiles Limited

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Presentation Session

Moderator: Good evening ladies and gentlemen I am Pavithra moderator for the conference call. Welcome to Vardhman Textiles Limited 2QFY21 post results conference call hosted by Batlivala and Karani Securities Pvt. Ltd. As a reminder all participants 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 an operator by pressing * then 0 on your touchstone phone. Please note that this conference is being recorded. I would now like to handover the floor to Ms. Prerna Jhunjunwala. Thank you and over to you ma'am.

Prerna Jhunjunwala: Thank you Pavithra. Good afternoon everyone. On behalf of B&K Securities I would like to welcome you all for 2QFY21 results conference call of Vardhman Textiles Limited. Today we have with us the Senior Management of the Company including Mr. Neeraj Jain, Joint Managing Director; Mr. Sushil Jhamb, Director Raw Material; Mr. Rajeev Thapar, Chief Financial Officer; Mr. Mukesh Bansal, Senior Vice President Fabric Marketing and Mr. Akshay Jain, Head of Finance. I would now like to hand over the call to the management for initial comments. Thank you and over to you sir.

Neeraj Jain: Good afternoon everyone and thank you for joining this second quarter call. First of all I hope all of you are safe, all your family members are safe, I wish a very, very safe environment for all of you. This has been a mixed quarter; started with the challenges and slowly became better. April and May were very, very bad months for most of the textile players including us as most of the factories were closed. We started operating partially and slowly started building up the volumes. The customer orders were less, customers were also having lots of stocks, they were issues with old outstanding, there were issues with the old stocks and so on. But slowly the industry took shape, especially the leisurewear, the knitting section and we move onto the right track where we not only sold whatever was pending with us, but we recovered also most of the money which was due from the market and started improving the volumes as well.

Our overall utilization for the quarter on the spinning side has been pretty good, somewhere in the third week or fourth week of July we reached almost 100% of capacity utilization and we are maintaining the same for the last 2 or 2-1/2 months or so which means the volume increased, top line increased, cost got apportioned, the fixed costs; of course the raw material challenges are a little different.

Same way fabric also started improving, though the formal wear is still a question mark because still in many countries people are working from home; events have not started;

the social gatherings are still much less started and most of the formal wear was not doing good but in spite of that I think the Company has done reasonably good. Month after month we are improving our volume; we are improving our capacity utilizations.

I will give you details of volumes in a little while in terms of how the business has been shaping up. But definitely it looks like the worst is over. When the locked down happened we were not very sure...most of the textile players, textile consultants predicted net-net reduction of about 25% to 30% for the consumption of textiles. Practically that is true maybe for the first six months, but I think the Western world has started picking up in a big way and maybe the full year may not be that bad as predicted earlier. In this period the raw material also played a different role where after the pandemic everything was on a very, very low side; both the raw materials, the yarn prices, the fabric prices because there was no demand. But slowly as things started improving, the improvements started happening on the raw material side also, on the yarn side also, on the fabric side also. So the second quarter results are better compared to the first quarter and primarily both the reasons one, the volume increased where the first quarter was relatively much poorer; two, there was some improvement on the prices front also. So both factors together we showed a net profit for the second quarter though the YTD is still small minus, but I am sure, the way things are the results for the next quarter should also be reasonably okay.

That's what in general are my first comments in terms of the business scenario. We are still exporting a lot. On the export side since the Western world is doing good, China is doing good, so the overall export was okay. Domestic market took some time but again the domestic also in terms of the knitting sector, I think there is very good demand both for the domestic market as well as indirect export of garments from India, so that demand has increased in a big way in the last two months or so. On the fabric side, the domestic consumption is still there but the export is reaching almost 80%, 85% of what we used to export before.

The way trend is, the way things are improving; there is definitely much less pressure of COVID as of now. Confidence of the consumer is improving, festival season is coming up so I am sure...normally the festival season is one of the best season as far as textiles are concerned, so I hope if the demand continues or improves, this will give an overall advantage and benefit to all the textile players. To the fear factor of whether we are going to survive or not in terms of the individual thought process and in terms of whether there will be jobs or not, this trending which generally comes down at least that fear factor looks like is not there as of now. So people's confidence in terms of surviving from the COVID and also the fear of not losing the jobs or income have also come down. As normalcy starts happening, people will start spending, travelling and fortunately the overall pressure of the pandemic is also much less, recovery rate in the country is good and so I think that confidence is slowly building up and I am sure the way things are this is going to improve only if we do not find a very strong second or a third wave in this country.

I will request first Akshay to give you a brief on some of the numbers. After that we will reply to all your questions in the Q&A session itself including raw materials, fabric and everything. So we will revert to the queries through the Q&A section, so I will first ask Akshay to give a small brief on the numbers. Thank you.

Akshay Jain: Good afternoon. Just to sort of give a brief overview of the numbers though the results have been out in the public domain on Saturday. We see a great improvement in the top line of the Company over the last quarter of FY21 from about Rs 771 crore to Rs 1533 crore. This is on the back of obviously better utilization and better sales achieved in quarter two as Mr. Jain initially expanded upon. The higher utilization and the higher sales done improved the EBITDA profile of the company from about 4% last quarter to about 11-1/2% this quarter resulting in a significant improvement in EBITDA from about 38 crores last quarter to about 184 crores this quarter. The other costs such as interest and finance cost are slightly lower as the working capital requirements of the company slowly come down as we liquidate the stock of cotton that we have resulting in a lower interest cost of about Rs 6 crore. These are the basic numbers for the quarter, now we open the call to any questions that you may have. Thanks.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. I repeat, ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

We have first question from the line of Mr. Abhijeet Dey from BNP Paribas Mutual Fund. Please go ahead.

Abhijeet Dey: Good afternoon sir, congratulations on a much better performance. Two or three questions from my side. You had posted...talked about a derivative loss in the first two quarters relating to aging of your raw materials; so I just wanted to know what is the current position and if we can see any such kind of loss in Q3 and Q4 also?

Neeraj Jain: We have started cutting the position slowly. It is not the same position which we are carrying as of now. It will depend upon how the New York future operates, so I can't say really whether these loss can be higher or lower but yes the total position which we had taken, we are surely cutting it down slowly because we feel the prices have already reached a level where it may not go up beyond this. But in any case it is any one's guess, so as we are consuming the cotton we are cancelling it as well. It is difficult for me to say at this stage whether the second quarter will have a similar loss, higher loss or a lower loss; but the only thing I can say is that partially we have started cutting it off.

Abhijeet Dey: Okay. On the outlook on the cotton prices itself going forward, now the arrivals would have started and we are seeing cotton prices actually go up both in domestic as well as in the international market and assuming that the COVID situation also eases off in the months ahead, what's your outlook on the cotton prices for this season?

Neeraj Jain: There are two different factors operating as of now. One is the international prices of New York future. It is gone out of control or any thoughts whether why it is going up or going down whether there are any investors or speculators or certain fundamentals or not. So it is anyone's guess what's happening here. But yes,

the fact of the matter is it is definitely very strong as of now. So it is difficult for me to comment whether it is right or wrong, whether it will come down or not. But let's look at it if this continues or if it keeps on strengthening then the Indian prices are generally driven by the international prices only. So in India there are two factors which are going to make the changes. One is the international parity through which we can determine what could be the Indian prices because if the prices in India are too low, the cotton will start getting exported through the local policy of MSP and CCI. One of the big operations the CCI did last year; they bought almost Maharashtra Federation and CCI together more than 13 million bales just in carrying a huge stock. But in spite of that the government of India has announced a hike in the MSP this year by 5%. So the (not sure) prices, MSP is almost Rs.5700 a month. So the way market operates one, the CCI will continue to buy at the MSP prices. If you go by that then the prices can rule anything between Rs.42000 a candy to Rs.44000 a candy depending upon the out turn and the prices of seed. That's on one hand. Two, whether CCI can procure this much of cotton or what will be their policy of buying new and as well as since they will be carrying huge stocks of the earlier cotton; so what are their policies going to be in terms of selling or in terms of how much do they want to buy. So there is no idea to us as of now... to the industry as of now whether CCI is going to really procure a lot or how they are going to dispose of the old one. But yes, the fact is since the New York future is very strong, as a result of that the Indian prices also moved up. If the New York future continues to be like this ; then the Indian prices will be almost close to the MSP prices; but if the New York future comes down, then with a bumper crop and with the existing stock of CCI there could be a possibility that the prices may come down. But how much and when is yet to be known because the sole player to decide the market will virtually be the CCI. What policies they adopt in terms of selling and in terms of the buying, I think they are also looking at the market very closely, and depending upon their action plan only we can determine. Third, since at this prices of yarn since the cotton parity is acceptable to the mills; so the mills are in a position to buy. Of course nobody is adding stock in a bigger way; so the day to day mills have started buying because the yarn is supporting it as of now and as a result of that there is no pressure for reduction in prices. Four, the season has just started, the arrivals are almost close to about 100,000 or 120,000 bales a day as of now and the consumptions are normally about 80,000 bales or so as a country as a whole. We expect soon the arrival will go to 200 000 bales or so in the next two weeks. Once it is crossing 200,000 bales, at that stage we will have to look at how much pressure the prices comes under or whether CCI will be in a position to acquire or buy anything or not. So it is very difficult going by all these sentiments because everyone feels the New York future is at very high prices whether one should stock or not. So I think it is very challenging as of now to say prices will come down or not. But yes, if the international prices are strong, then no way the prices will come down from these levels in India. It does not look like possible.

Abhijeet Dey: And would you continue with your mission policy of stocking up of cotton as we do every year and in the next five, six months?

Neeraj Jain: There are two factors in our mind. First factor was the right quality because what was happening in the earlier years, during the peak season lots of good quality cotton used to get exported. So we always had these issues and challenges that if you do not buy it today in the proper season, and good quality gets exported; probably by the time the off season comes in the quality of raw material generally will be much lower than what is our need. As a result of that our customer gets a difficulty in terms of the right yarn. So that's one of the reasons we always used to

buy, the second has always been the commercial consideration that if we think the prices are going to go up or commercially we feel it is at a lower price, then only stock it. So these were the two considerations which we have always followed when we are storing or stocking the cotton. The second factor, we are still open I case we find commercially the prices have come to a level where the chances of loss is less but we will make money, we will definitely look at the stocking policy again. If not in six months, may be three months or four months, I cannot say as of now. But the second factor where we were forced to buy because of the right quality, that probably the pressure is not there because if we are not buying the CCI is buying at least the good quality cotton is available in the country. So depending upon our need depending upon how do we want to buy; at least that choice will be available since the quality will be available within the country. So secondly one consideration where we have always been buying because we will not get the right quality later that consideration has a positive impact that it's available in the country. Commercial call we will definitely take during the year depending upon how the prices go.

Abhijeet Dey: Okay right sir and one last question; what was the capex for the first six months this year and the next six months what's it like?

Neeraj Jain: The first six months was I think some of the ongoing capex which was started last year was close to about I think 100 150 crores only. The next six months we are yet to finalize. But again it is not going to be really, really very huge because this period we decided to do conservative in this period. I think it can be another 150 crores or so. So the total capex will not go more than 250-300 crores for this full year.

Abhijeet Dey: Right sir, thank you and all the best.

Moderator: Thank you sir. We have the next question from Manish Jain an individual investor. Please go ahead with your question.

Manish Jain: Good afternoon sir. Congratulations on good set of numbers. Sir we heard that due to the present situation we are in, companies are looking at India for outsourcing rather than China. So how is Vardhman Textiles placed in order to capitalize this? Also an additional question was, there is a boom in the home textile sector as such, so how are we placed in this sector as well?

Neeraj Jain: Definitely there are lots of brands which are talking of buying their...they want to divert from the basic Chinese cotton; specially to Xingjiang area. So to that extent the customers are coming to India, directly or indirectly or they are asking their vendors in China to use the Indian cotton or Indian yarn. So to that extent I think the business has improved in India, specially on the spinning side. On the fabric side also lots of brands are talking, where they want to have some diversification from China, physically how much will they do, or how much can India as a country is in a position to offer or to serve them is a separate question but yes the enquiry levels are huge and are improving and in case we are in a position to take advantage of that as a country, it can be very competitive.

The second question you've asked for the home textiles. Vardhman Textile do not have any business which relates to home textiles. We are only yarn suppliers, including super

fine counts which goes for the home textiles. So as yarn suppliers we are there but direct business of towels, sheeting...the home textiles, we are not into that business.

Manish Jain: Okay thank you so much.

Moderator: Thank you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. We have the next question from Krishna Nagpal from Latin Manharlal Securities. Please go ahead.

Krishna Nagpal: Hi sir, congratulations on a great set of numbers. Sir my question is just on the basic outlook of how things have changed for you all and so what is the future; like the perspective and how you can see yourselves growing in the near future?

Neeraj Jain: So the basic outlook has definitely improved because whenever there is pressure in terms of the income level of the people, the garment is something where the demand can be postponed conveniently. At least in this period, those kind of pressures are not there. We are finding the overall sentiment to be far better in the country as a whole, the world as a whole; so to that extent I think we are quite comfortable in terms of the improvement coming into the business, which can be sustained as well. The second question is how the bottom growths will happen? So the bottom growth will happen....or the top line growth will happen only through the bottom growth. We still have lots of unutilized capacity specially on the fabric side. Once we are in a position to utilize it fully, I am sure then only the top line will happen. On the spinning side, we are running 100% capacity utilization, so there is no possibility for us in the near future to increase any bottom growth in that. So the only possibility is with the improvement in the fabric business which is happening month after month, the value addition happens into the company, the top line improves and the margins should also improve.

Krishna Nagpal: Sir can you give numbers on the utilization of the fabric segment sir?

Neeraj Jain: Generally I can share....on the spinning side as I mentioned, we are running practically close to about 97%, 98%. On the fabric side now we have started reaching almost 65%, 70% capacity utilization. If you look at the second quarter, it was surely less but last one and a half months....every month it is improving 3%, 4%, 5%. So as of now it will be close to about 65%, 70%.

Krishna Nagpal: Okay thanks so much.

Moderator: Thank you sir. We have the next question from Saurabh Patwar from HDFC Mutual Fund. Please go ahead.

Saurabh Patwa: Good afternoon sir, thanks for taking my question. I just wanted to have some sense on how the cotton yarn spreads are great for us since our typing was slightly different; our raw material prices were slightly higher because of your earlier....past inventory and how they are now?

Neeraj Jain: Let us look at the situation before the pandemic and during the pandemic. Before pandemic, the yarn prices were close to about \$3 or so. Indian

cotton prices were close to about Rs.40,000 a candy. Pandemic happened and the cotton prices came down to as low as Rs.34,000 a candy and the yarn prices also came down to \$2.40 or so. As of now, today, of course this improvement happened gradually and people keep on selling at every level; as of now the yarn prices are touching almost close to \$3 and the cotton prices have also gone to the same level of Rs.40,000, Rs.41,000 per candy. So practically international prices are again 71, 72 cents which are the normal ruling prices. So practically all prices are reaching the same level which was there before the pandemic. In between the advantage of cotton could not come to us because we had already bought the cotton when the prices came down. But anyone who didn't have the cotton was buying cotton at Rs.34,000 and selling yarn at \$2.40 was not a loser at all. So we couldn't take that advantage because we had covered the cotton by the time the pandemic happened in the month of March and we had to sell based upon the market price.

Saurabh Patwar: Right, so now things are normalized in terms of prices, so it does not matter whatever inventory we hold or how the prices move going forward?

Neeraj Jain: Yeah.

Saurabh Patwar: Okay thank you sir.

Moderator: Thank you sir. Ladies and gentlemen if you have a question please press * and 1 on your telephone keypad. We have the next question from Keshav from Counter Cyclical Investment. Please go ahead.

Keshav: Sir I wanted to understand after Q4 we kept the dividend because of the lockdown and related uncertainty, then in the first quarter we had a loss. But now we have made profit and you are saying that the worst is behind and on a consolidated basis, on 600 crores of net worth our net debt is less than 500 crores. Also in the great financial crisis also the Company didn't give dividend, so now that things are better, you can consider giving an interim dividend?

Neeraj Jain: I think I can only speak to the Board of Directors and it is upto their judgment call whether they want to consider now or not. Your idea we will definitely share with the Board, but I think finally it is upto them to decide in their wisdom what do they think about the same.

Keshav: Definitely sir. Also sir regarding our subsidiary Vardhman Acrylic there was some anti-dumping duty that was expected. So is there any update on that?

Neeraj Jain: There is already an anti-dumping duty on the import of acrylic fibers. In fact the duty was much higher and as per the new duty it is going to be much lower. But since that notification has not happened, so earlier I think the duty was 16 cents, which now has come down to maybe 2 cents or 1.5 cents. But that notification has not happened till now and we are waiting. As of now the existing arrangement continues.

Keshav: So sir, considering that, what is the expected profitability, because last year was the lowest EBITDA in more than a decade. So are things expected to improve going forward?

Neeraj Jain: I can't really say because there are two factors again in that since the crude prices came down, so all the raw materials they had, that was de-valued because they had to sell their products based upon the market prices of raw materials. So whatever inventory one has when the prices comes down, that inventory has to be devalued and to that extent the losses will happen in any commodities marketing in a commodity manufacturing product. So I think one of the reason for them also was that since they couldn't go for full operations and they already had a huge amount of raw material which is because it is all imported and it is a long cycle to import it. So I think those were also some of the reasons where those margins were less. I am sure once things should be normal...I can't really comment whether the prices will go for that product, but yes the last quarters had less utilization, lesser demand and the devaluation of the inventory.

Keshav: Okay sir. Lastly sir, is our subsidiary now operating at full capacity?

Neeraj Jain: Yeah, Vardhman Acrylic is a continuous plant so it is running at full capacity.

Keshav: Okay sir, best of luck to you, thank you.

Neeraj Jain: Thank you.

Moderator: Thank you sir. We have the next question from Deepesh Agarwal from UTI, please go ahead.

Deepesh Agarwal: Good evening Mr. Jain. My first question is, since you have already reached peak utilization in yarn and maybe by the end of this year at the current pace of progress, you will reach ideal utilization in fabric, where are we in terms of capacity expansion plans?

Neeraj Jain: This year we are not looking at any capacity expansion plans, we are not even preparing it as of now. The only special case, in the fabric processing they added some capacity in the months of December – January before the pandemic. Those capacities are still unutilized as of now. So our first effort is to use that capacity, make it sustainable, continuous basis we use that, make some profit and then only we will start looking at what more to do. As of now there are clearly no plans to expand any of the business, not even drawing board. So, next one year I don't think we are going to expand anything, rather we are only looking at utilizing what all has been created, consolidating it and improving it, so that we are strong enough to take care of the future expansions.

Deepesh Agarwal: Okay. And sir, so at current pace of progress, how confident are you of going back to your long term margin average range of 18% to 22% next year?

Management: If no artificial things happen and things work on normal basis, there is a good possibility we may reach there. But yes, there are different issues. I mentioned about the cotton, CCI, so what prices do they keep it in India, those are the things in the market, if the market operates as per the normal demand supply phenomena and I am sure we can reach those levels.

Deepesh Agarwal: Okay. And sir, on the fabric side, can we actually diversify into a casual wear or the knitted side of the fabric?

Neeraj Jain: Mukesh, can you reply to this? Mukesh?

Mukesh Bansal: Yeah, can you hear me?

Deepesh Agarwal: Yeah, yeah.

Mukesh Bansal: Okay, I was on mute, so I un-muted myself. Your question is that on the fabric side, can we move onto casual?

Deepesh Agarwal: Yeah, with our current capacity, can we go for the next round of expansion on the knitted garment side, knitted fabric side, given that the demand seems much stronger there?

Mukesh Bansal: No, actually knitted requires whole lot of new set of machinery. It is not a natural extension of the woven business. But, in the woven fabric itself, we are seeing that we are reaching at about 72% to 80% of capacity utilization in the third quarter. And the things are progressing for good. It is unlikely we will go into knitted business, if knitted business has to be looked after, that has to be seen as a total expansion at the company level and not at the business level. Within the fabric, within the woven fabric, whatever casual or need of the market we can serve, we are trying our level best.

Deepesh Agarwal: Okay sir. Thank you. I will join back in the queue for further questions.

Moderator: Thank you sir. We have the next question from Mr. Venkat Samala from Tata Asset Management. Please go ahead.

Venkat Samala: Hi sir. Thanks for the opportunity. Sir, as you pointed out that you are operating at near 100% capacity utilization levels. I just wanted to understand how is the industry as a whole performing and how are, especially the smaller players doing?

Neeraj Jain: There is no organized data which is available for the industry. But yes, through the different vendors and through the different processes, we do collect the data. As per our internal working, I think the industry utilization is only about 80% as of now, which used to be 92%-93% before. So, there are lots smaller or the unorganized player which is going restart the operation for whatever is the reason and that is also one of the reasons why the industry is doing better in terms of the volume etc., because not everyone could restart.

Venkat Samala: So, then definitely the organized or the larger players with better balance sheet are able to sustain or do better as compared to the smaller ones, right?

Neeraj Jain: That is true. That is true.

Venkat Samala: Right, sure. Sir, also if you can help us with your yarn realization for the quarter and what are you guys doing currently now?

Neeraj Jain: We never share normally our volumes or the price realization, but I can give you an idea on how the market is operating. As I mentioned we started with a price of 2 dollars, 40 cents in the month of May. And slowly it has moved to about 2 dollars, 90-95 cents as of now. Of course, the major increase has happened in last three weeks only and that is true even for Chirag Cotton also, the cotton prices have also increased in a big way in the last three weeks, four weeks only. So, slowly starting from 2.40, we are reaching to almost 3 dollars, that has been the trend and where I think almost 20-25 cents increase have happened in the month of October itself.

Venkat Samala: So, basically we know that the cotton prices have gone up. But, the yarn prices are also keeping up with that increase, right? So, net-net the profitability is not getting affected?

Neeraj Jain: Yeah, that is true.

Venkat Samala: Sure, okay. And one last thing, just wanted to understand from your fabric segment, if we could understand what percentage of your fabric volumes sold would be exported?

Neeraj Jain: Direct and indirect, so there are two kinds of exports we do. One is the direct fabric exports and second is the indirect fabric, which goes to India, but again gets, predominantly gets exported. Both things stick on together, almost 65% is our volumes which used to be there before the pandemic for the exports and 35% was the domestic delivery.

Venkat Samala: Sorry, now it is 65 and previously it used to be 35, is it?

Neeraj Jain: No, no, I am saying pre-pandemic our ratio was 65% exports and 35% domestic.

Venkat Samala: Okay. And now how that has changed sir? It would have moved in favor of exports no?

Neeraj Jain: Earlier yes, but slowly the domestic is also improving. So, I think as of now the ratios....because we are still not using the full volumes. But, my belief, the ratio of export and domestic would be almost 30-70 or 35-65.

Venkat Samala: So, it is slowly normalizing.

Neeraj Jain: Because, still the volumes are less, so we have reached almost 70%-80% of exports faster. But, now the domestic has started picking up. So, in terms of whatever we are supplying in the market, the ratio will be 30-70 only. Of course, volume wise export is the bigger volume.

Venkat Samala: Sure, sure, understood. Thank you sir. Thanks a lot.

Moderator: Thank you sir. We have the next question from Mr. Srivatsa from UTI Investments. Please go ahead.

Srivatsa: Thanks for the opportunity. Sir, I had a question on the exporting of the garments, because whatever interactions that we have been having, most of the garment exporters are talking of a very big order book and very good visibility for the next two-three quarters. So, given the fact that you have also mentioned that we also sell in the form of indirect exports, are you also seeing the same level of opportunities in this segment sir?

Neeraj Jain: In the garment?

Srivatsa: No, no, I meant whatever sale of fabric you do to the garment exporters like say.....?

Neeraj Jain: Yeah, definitely those, basically the garment exports from India is primarily the knitted base. So, that segment is doing phenomenally well. But yes, as the markets are opening elsewhere, slowly the woven garment exports also has started happening. So, to that extent things are improving. But, the first part which you mentioned in terms of the exporter doing really well in garments, I think that is more on the knitted side. Denim and woven are still not in the same line as the knitting is seeing today.

Srivatsa: Okay. And sir, the other trend which we also hear is that, especially on the garment side, there is a lot of focus on manmade fiber. So, tomorrow if there is an improvement in the manmade fabric, are we in a position to take up that opportunity, because a lot of China fabric capacity is manmade, is what I believe to understand. So, is there an opportunity for us sir to shift to manmade, if that demand presents a good opportunity for us?

Neeraj Jain: It is a fact that as of now the manmade demand or the blended manmade and cotton is definitely better or is improving. And to that extent it is down the risk of cotton also. At the same time, if it is a permanent change, I am sure we can re-modify our factory with small investments here and there, which can be done conveniently to take advantage of those kind of things. And we are watching it very carefully and wherever the opportunities are there, we are tapping to the same. But, going forward if this becomes, we find this becomes a permanent change, definitely we will be looking at how we convert those capacities. It is not really going to be a very expensive or a very time consuming kind of time to do that. Once we take a decision, we may do it in next three to four months' time, any time we take a decision. But, we will do it only if we feel this is a permanent change, because otherwise we have a good set of customers for cotton, if we lose them and then they will be buying from somewhere else. So, if we take a decision to shift the major capacities, we will take it very cautiously. Small (not clear) is depending upon the opportunities. We are doing it on a daily basis and even now also.

Srivatsa: Okay. And sir, just a follow up question on the capex, while I do appreciate you may not want to do anything right now, but if I just fast forward to say, next year or the year after that, we will be getting very good cash flows and probably we may even turn debt free in a couple of years. So, any thoughts on when you expect or what kind of conditions you would want before you would announce the second leg of

capex. And will that also be in your fabric or are you willing to look at areas such as say, your technical textiles or some other high growth areas or even yarn, especially on the M&A side, because I do understand that a lot of yarn capacities have closed down, the largest being Sintex and there is some talk of that being auctioned. So sir, I would be happy if you could address those sides?

Neeraj Jain: We are open to the idea, at least as you mentioned, at least the next one year we are not doing it, any major expansion to happen, where we want to conserve the cash. But yes, beyond that if we get the right opportunity, either on the fabric side or on the spinning side. The newer areas we are yet to finalize our mind. But, definitely in the existing businesses, if we get the right opportunity or a right value proposition, we can definitely look at the same.

Srivatsa: Okay. But sir, is there any progress on the spinning side, because as I hear that lot of spinning capacities have shut down and banks have written off that entire amount.

Neeraj Jain: As I mentioned at least as of now, we are not looking at it, anything as of now. So, at least next one year my personal feeling is, it is just right to consolidate, because with a great difficulty we have reached the 100% capacity utilization and the customer behavior is changing, customer needs are changing, everything has to be produced very fast. The turnaround times are coming down in a big way. So, to keep the pace with the market, I think there are lot of internal challenges and changes which we are making. So, I think it is a going to be a great journey. But, at the same time a very, very challenging journey. So, I think the way the markets are changing, fashion cycles are changing, customer needs are changing, we will have to really look at to make the organization prepared for the same. And two, the confidence should be back that the margins are normal and things are stabilized, then only we will look at expanding in a bigger way.

Srivatsa: And sir, final question on the fabric side, we are still working at say, 65%-70% utilization. So sir, to fill up the new capacity, do we need to add more clients on the fabric side or do we believe that there is enough headroom available in our existing top ten-fifteen clients for us to fill the new capacity?

Neeraj Jain: I think there are different ways to look at it. One is that, it is a customer base. But, I don't think this was a question on the customer base. It was basically, since the events are not happening, the work from home is still on. So, people are not buying. So once the existing customers also becomes normal, the volumes will start increasing. Two, the domestic market of woven has just started working last one month or so, before that it was virtually there was no market. So, I think as the things will become normal, we have a good range of products, we have a good range of customers, both exports and domestic and in any case whatever is the new customer's possibility, now products possibility, the fabric marketing team, the production team is working very aggressively on that. So, I am sure our product mix change, customer profile improvements and the normal demand from the existing customers, all three things together will take us through. So, I am not really, really very bearish on it as of now and I am sure the next three-four months we should start being visible and we will have major improvements in this also and that is my view.

Srivatsa: Okay. And sir, some of your key big clients like say, H&M or UNIQLO, I don't know if they are your clients, but they are setting up Indian operations in a very big way. So, whenever they set up, is there any evidence to say that they will increase their sourcing from India in a big way, just to show their commitment? Have you seen that in the past in any of our top clients who have set up operations in India in a big way and then suddenly they increased their sourcing out of India?

Neeraj Jain: Mukesh, can you reply to that?

Mukesh Bansal: Yeah. It doesn't happen this way. Whatever they source, they source for the international markets and for that matter India is also covered under that. For India retail, they will not separately source from India or anywhere. So, the sourcing is international.

Srivatsa: No, what I meant was, my question was more on the fact that because they are aggressively expanding in India also, so are there any commitment to improve the sourcing from India? Is there any evidence you have seen, because some of your customers would have come in and aggressively expanded in India, that was more of my question?

Mukesh Bansal: They have done that, but still if you look at their overall size, still the Indian share of retail is hardly a peanut in their overall retail operations. But nevertheless, there is a condition on the retail FDI, that certain percentage of whatever the retail in India has to be sourced from India. But, that doesn't hamper their strategy, sourcing strategy in a big way.

Srivatsa: Okay sir. Thanks a lot sir. All the best.

Moderator: Thank you sir. We have the next question from Mr. Hemang Khanna from Kotak Securities. Please go ahead

Hemang Khanna: Hi sir. Thank you for taking my question. Sir, I just wanted to understand from the second half of this year's perspective, obviously our yarn numbers have...

Neeraj Jain: Would you speak up please, we can't hear your question.

Hemang Khanna: Am I audible now?

Neeraj Jain: Yeah.

Hemang Khanna: Sir, I just wanted to understand from the second half of this year perspective, now that our yarn utilizations are pretty strong, would it be fair to say that our margins, when we look at the second half of this year should not be too far off from the previous year's level on second half YoY comparison basis. And in terms of that, even our yarn sales, in terms of volumes, at least barring the first quarter dip which was there, the rest of the year should at least sort of be at a steady level.

Neeraj Jain: Yes, the business is normal. And I hope second quarter, third quarter second half should be normal, as far as the business operations are concerned. But, I think the way the markets are changing, the way things are improving

or changing, the European countries are just looking at the second wave, so everything remains what it is today, then probably the things will remain stable. But, the kind of changes which are happening or which are visible in the world today, it is very difficult to say it is stability or not stability. So, I can only say, if we go by today's scenario, yes, things are far better.

Hemang Khanna: Sure sir. And just one other question, comparing the second half of last year's gross margins versus this year, at least with the visibility that we have right now, would be sort of be at steady levels, considering the yarn cotton prices which are available as of today.

Neeraj Jain: The only challenges, the cotton season has just started. We are still not sure how the prices will turn into the world markets or Indian markets or what would be the CCIs actions, support etc. etc. on that. Also we have still not made up our minds on how do we want to have the stock policies or what will we do in terms of the overall stocking etc. So, it is too premature, because the season has just started last week, the cotton has started coming in slowly. So, I think maybe next one and a half month will be more clear in terms of how the raw material prices are behaving and also on the yarn prices, the New York future prices, a huge movement has happened in the last two weeks, three weeks, so I am not sure whether that will sustain or what will happen. So, I think let the market get stabilized and then only there could be a possibility for anyone to make a prediction. The way the market has increased or improved, whether it gets sustained or not, it is very, very difficult as of now to commit on to that.

Hemang Khanna: Alright. Thank you so much sir. Thank you.

Moderator: Thank you sir. We have the next question, which is a follow up question from Mr. Venkat Samala from Tata Asset Management. Please go ahead.

Venkat Samala: Hi sir, thanks for the follow up. My question is just an extension of the previous speaker's question. So, just wanted to understand from whatever visibility and order book that you might have, how confident are you about maintaining the yarn segment current capacity utilization levels?

Neeraj Jain: My personal belief is, on the yarn capacity utilization should not be a challenge. We should be in a position to maintain whatever we are producing today for the next couple of months. It should not be an issue.

Venkat Samala: Right, sure, understood. So, then we could well expect an year on year growth, because your internal consumption would be lower than what it is in the base quarter?

Neeraj Jain: Yeah.

Venkat Samala: Sure, right. And one more question is with respect to the receivables, your full year receivables have inched up slightly. Any idea as to when they could normalize?

Neeraj Jain: No, it is already normalized. The increase is only because there is a huge amount of yarn which is getting exported. So, normally in the export

market, the realization comes after 90 days to 120 days, so it is all backed by the letter of credit. But, in terms of balance sheet, it looks like debtors in the system. If we sell the same material in India, probably we will get the money after thirty days or so. So, that is why the debtors are looking like much more increased. But, it is all secured LC based. The money will come in, in the normal course of time.

Venkat Samala: Okay. So, the working capital days for exports would be reasonably higher than what it would be in the domestic, is it?

Neeraj Jain: Yeah, that is true. No, domestic also, again there are different segments. Even exports also, there are customers who will buy on thirty days LC, sixty days LC, ninety days and 120. But, most of the international markets, our business happens at ninety days LC. Domestic also, the credit terms vary from ten days to about three months. But most of our segments works in about thirty to forty-five days, so that is why it is looking a little higher. Two, since the fabric is not utilizing the fully capacity, so to that extent we are exporting yarn, so more yarn export, because as of now the selling of yarn is higher in the market compared to the captive. So, whatever is the additional exports happening, that is on the ninety days basis. So, that is why the debtors are a little higher.

Venkat Samala: Right, sure. And one last question sir, if I may squeeze in, sir, what would be your premium now versus the industry with respect to the yarn realization at a blended level?

Neeraj Jain: It is very, very difficult to say whether I am better or I am lower than the market or what is happening, because depending upon whether you have sold two months before, three months before, one month before, because the market, the prices are changing in a very, very big way or a fast way. But, normally we feel that at any stage we generally get a premium of 3 to 5 cents, 7 cents compared to our competitors, at any one stage. Now, it depends upon whether my competitors have sold earlier or I have sold earlier or what the customer demand is. It is very difficult to predict that I will be better in terms of realization compared to my competitors or not. It is very difficult to reply. But yes, whenever we are selling, normally we get a premium between 3 cents to 7 cents per kg.

Venkat Samala: Sure sir. The reason also why I was asking that is, because you do a lot of value added yarn as well, right? And most of them.....

Neeraj Jain: This I am talking of the basic yarn. So, depending upon the valuation, definitely we could, our overall, it is definitely better than most of the competitors we have.

Venkat Samala: Yeah, yeah, that is what I was just trying to understand, at the blended level, considering both basic plus value added yarn, so what could be the premium sir versus the industry yarn realization?

Neeraj Jain: Depending upon how much volume we are in a position to do value added, because this has been a period where lots of basic products are also going in. Generally, for basic products, I can give you the industry data, the basic product is Rs.200 per kg, value added average will be about Rs.270-Rs.280 per kg. But, at the same time, the cost of manufacturing the value added will also be much higher.

And it is going to be only, everything is going into the margins. But yes, the cost will also be higher.

Venkat Samala: Right. And what could be your proportion, basic versus value added?

Neeraj Jain: This year it is more of basic as of now.

Venkat Samala: Okay. So, more in the sense, it would be like 70-30?

Neeraj Jain: I am sorry, I would not be in a position to share that.

Venkat Samala: Okay, sure sir. Thank you. Thanks a lot.

Moderator: Thank you sir. We have the next question from Mr. Rishabh Shah from RS Capital. Please go ahead.

Rishabh Shah: Hello, thank you for the opportunity. I just wanted your perspective on the textile industry. Next two-three years down the line, which sub segment of the textile, whether it is your segment, woven fabrics or knitted garments or say, home textile or branded apparel, which sub segment benefit disproportionately or say, may do relatively better, in the next two to three years whether due to pandemic or export opportunities or whatever the reason may be and why?

Neeraj Jain: We are already finding home textiles got a great opportunity because of the pandemic, the demand of sheeting, the demand of towel has increased worldwide. So, that segment of the industry is doing very well as of now. In terms of all other products, the apparel garments, apparel fabrics, and the yarn related to that, that is the spinning, weaving, processing, knitting and the garmenting segments. I think my belief is in case we get an opportunity as a country that some of the orders that have shifted from China, because our capacities are miniscule compared to China. So, even if we get a small percentage from China, I think the opportunities are going to be great. The only thing, as a country whether we will be in a position to capitalize that, whether we will be in a position to deliver that, whether we will have those kinds of capacities to give the right product and the right service to the customer, but yes, the amount of enquiries, the amount of communication today, most of the brands are having in case we are in a position to capitalize part of that in the next two years, I think for our country it is going to be a really, really very big opportunity.

Rishabh Shah: And sir, last question, can you given an update on the latest Government export incentives scheme which is yet to come out, what is the expected rate versus the earlier rate, if it is available?

Neeraj Jain: They haven't indicated anything. So, they have asked the industry to provide them the data etc. So, those things are on. But, as of now they have not indicated what they are going to give and when they are going to give.

Rishabh Shah: But, can it be at least at par with the previous one or it will be less than the previous one?

Neeraj Jain: No, my personal belief is it will be less than the previous one. But, I am no one to comment upon that. So, I think the Government will take a view on that.

Rishabh Shah: Okay. Thank you so much.

Moderator: Thank you sir. We have the next question from Mr. Deepak Mehta, an Individual Investor. Please go ahead.

Deepak Mehta: Good evening sir. Thank you for taking my question. Hope everyone is doing fine and well. So, my question is around the export business sir. So, how competitive is our company or any Indian textile company as compared to Bangladesh and Vietnam, as we (not clear) the textile industry, there is no work from China due to negative sentiments sir.

Neeraj Jain: In terms of spinning, we are competitive to any part of the world, whether that is China or Vietnam or any parts. So, as spinners, India as a country is competitive worldwide. So, there is no issue in terms of the cost. There is no issue in terms of the capacities. There is no issue in terms of the product quality. On the fabric side, especially knitting side, our capacity in India is too small compared to what China or Vietnam or Bangladesh has created. So, that is why I am asking this that in case we get this opportunity, whether we will have those capacities or we can create those capacities to really deliver, that will be a big question mark. In terms of woven, I think still our plants are world class, both in terms of size, technology in the overall processing. So, woven since it is a relatively much better organized, so there is no issue in that end. But yes, knitting, garmenting are bigger challenges in terms of the capacities and also in terms of the cost factor, because garmenting, the biggest cost is the labor cost. And Bangladesh's labor cost is much less compared to the Indian cost. So, I think those challenges, of course some of the States have given incentives, yes, where they are giving the advantages for the garmenting, in case the production starts in their States. But, really this is one factor where I think we have to take the opportunity, so the entire value chain has to work together in terms of not only supply chain, but in terms of creating that atmosphere that culture, that cluster is the thought process, then only we can make it a success. Raw materials are available in these countries, both polyester as well as cotton, spinning is world class, woven is world class, knitting yes, there is improvement, and scope and the garmenting definitely is relatively much weaker in terms of the size etc., which are required for the export markets. So, depending upon the opportunities, I am sure the country can create those capacities, but as of now if the order starts coming in, there will be challenge for the industry to implement the same. But, if it continues to get the orders, probably they can create those capacities in the next two years or so. Our own textile capacities are again large, world class, so they are also competitive as of now.

Deepak Mehta: Okay, thank you sir. And my follow up question is around the order. Are there any talks or are you participating in any RFQ from large US retailer or apparel company?

Neeraj Jain: Mukesh-ji?

Mukesh Bansal: Sorry, can you repeat the question please?

Deepak Mehta: Are we in any talk with any apparel or retailer from US or any part of the world, large order size?

Mukesh Bansal: At the moment we are developing our product portfolio. We are widening our product portfolio. At this time we have captured some new programs which we were not doing before. In aggregate, those may help the company in the long run when the situation normalizes. Is that your question?

Deepak Mehta: Okay. Sir my basic question is around the new talks for any new big order from large retailer or apparel company sir. So I think if you develop new portfolio....

Mukesh Bansal: There is no such big order worth mentioning here. But it is a continuous process, we keep on hunting for new businesses.

Deepak Mehta: Okay and sir we are already running at 100% utilization, near to 100% (not clear). So if we get new pent up demand or new order, what time period it will take our company to ramp up and for expansion, for new manufacturing capacity sir?

Neeraj Jain: On the spinning side we are not really looking at expanding it immediately; so we might have to play with our product mix or our customer mix only if we get more orders. So we are not really, really inclined to take a very big spinning expansion as of now. Fabric we still have lots of scope for capacity utilization in case we get the order I am sure we will keep on increasing.

Deepak Mehta: Okay sir, thank you so much and best wishes for the rest of the period sir.

Moderator: Thank you sir. We have the next question from Ritesh Badjatya from Asian Markets, please go ahead.

Ritesh Badjatya: Thanks for the opportunity sir. My question is more regarding your understanding at the management level. So after this pandemic, lots of changes have happened across the industries, across the consumer behavior and all as you also mentioned in your commentary and responses to the various participants. But the management level, compared to the pre-pandemic, after this pandemic has it become easy for you to make the business run in terms of taking the capital allocation in terms of selecting the geographies in which you are focused in terms of product categories you want to focus in? Has it become difficult now in the post pandemic world or is it worse compared to the pre-pandemic? Your thoughts on that please.

Neeraj Jain: I think the overall complexity in the business has increased because as I mentioned in one of the earlier questions also, customer expectations of delivery times are changing. Their expectation of differentiated products are increasing. So to that extent we have to keep on looking at gearing up our manufacturing set up that how do we supply to them the differentiated products with a faster delivery pace. Two, I think it has always been an ongoing process that wherever the margins are better on a sustainable basis, unless it is a steady customer, a steady product or market, we have always been evaluating our product base, customer base. So it is not something like pandemic or no pandemic, last 20, 30 years we have been doing and we will continue to do the same because on the spinning side our capacity utilization has always been

100%. So to that extent whenever we get more customers or new orders, we always have to look at vacating something; so that's a continuous process. I don't think there is any major change in that thought process during this pandemic time. The only thing is where customer expectation, his product needs, the delivery times are changed to that extent wherever we find (not clear) leading to customers where the margins could improve little more complexity which may not be possible for many of the spinners to do that. We are willing to look at that and we are working on that.

Ritesh Badjatya: Okay got it; thanks a lot, that's all from my side.

Moderator: Thank you sir. Ladies and gentlemen if you have a question please press * and 1 on your telephone keypad. We have the next question from Gagan Tareja from Kotak Mahindra. Please go ahead sir.

Gagan Tareja: Good evening. Just one question since you indicated that for the next year or so at least you are not really thinking about capacity expansion, would you therefore be, let's say in three years' time frame, more focused on the margin side of the business? More on value addition and extracting more value out of your capacities and if so what are your aspirations in margins and how do you intend to implement this?

Neeraj Jain: Definitely all efforts are to look at how the margins could be improved. We do not have a number in mind that this is the margin we want to have but we keep on evaluating the different product category, the different customers as to what is the kind of margins we are getting in the different products and the different customers. So wherever the margins are better, we are moving on to those products and customers and I am sure if we are in a position to keep on making the effort and delivery sustained to the customer, the margins will definitely improve only. We never look at that we want to earn 12%, 14%, 10%, 15%. We always look at, these are the basket of products today so which are the products which are giving me the least profitability and how some part of that at best could be shifted to something which can give me a better margin.

Gagan Tareja: Looking at the quarter end, in the second coming second half or the starting of the next year, would you be able to restore yourself back to the normal margin back at least the lower end of the normal margin....

Neeraj Jain: This year it may not be possible because I think it is only in the second half where we will start using our full capacity utilization. The margins....we will not be in a position to restore till the time our fabric is utilizing the full capacity. But as soon as we are in a position to do that I am sure we will start looking at those changes as well. But as I mentioned we are improving every month, so it might take us another 4, 5 months before we reach almost the previous levels of fabric delivery.

Gagan Tareja: Thanks, that's all from my side. Thank you.

Moderator: Thank you sir. Next we have a follow up question from Mr. Keshav from Counter Cyclical Investment. Please go ahead.

Keshav: Sir in the last concall you mentioned that you were expecting around 10% to 15% of the yarn of the yarn capacity in India to shut down. So what is

the latest on that? Maybe some of them might have re-opened, so what part is permanently shut?

Neeraj Jain: It is very difficult for me to say whether they are shut or not. As I mentioned in an earlier question also, there is no organized data available on that. As per our own estimate, we estimate as of now about 80% spinning capacity is running. It used to be earlier 92%, 93%. So my belief is today the margins of the spinning are reasonably okay. If someone is not in a position to operate in today's time, I am not very sure whether he can really operate after that. I am not really, really very sure, but it looks like the unutilized capacity as of now maybe, most of it may not get revamped again unless there are some entrepreneurs who can come up. But 12% is a good gap; in case this gap continues. The demand of the yarn is very good as of now, the margins are reasonably okay, so still some are not running. That means it is becoming difficult for them to re-organize their operations...that's the only logic I can find in my mind. So, I really do not know beyond that.

Keshav: Sir, so keeping that in mind, since (not sure) is the factor of demand supply, and since demand is reasonably okay, so it's been a long while in FY11 and FY14 were very good years for the yarn industry, so it's been like over six years now; so do you think that in FY 22 the profitability of the yarn industry can be above average?

Neeraj Jain: It can definitely be better margins; but again as I mentioned depending upon...because as of now lots of increase happened in terms of the New York future of the cotton prices also. So whether the industry will be in a position to take advantage of that or part of that or most of that will be taken away by the increase in the cotton prices. So I can't say that; but yes, if the raw material does not behave in a different way probably there could be a possibility that the margins on the spinning side can improve as well. The cotton season has just started so I can't really commit as of now.

Keshav: Sir lastly I wanted to understand, you mentioned that you are only in woven fabric. So what is stopping...since you have no plans to enter garments, so any plans to enter knitting fabric?

Neeraj Jain: As of now we don't have a plan because knitting for a very, very long period was reserved for the unorganized sector, small scale. So there are hardly a handful of people who are organized on the knitting side. Yes, there could be an opportunity but at the same time since we expanded our woven capacity last year, all efforts are to make sure we utilize that capacity and then only we look at diversifying our business in case we think that.

Keshav: So provided opportunity is there, are we capable of getting into knitting or is there some constraint...?

Neeraj Jain: No there is no constraint. It is an absolutely separate business, different technology, different mindset, so we have to start from scratch only. There is no common thought process that since we know the garment processing we will be knowing the knitting processing, no. It is altogether a different mindset.

Keshav: Okay sir, thank you very much and best of luck.

Moderator: Thank you sir. Next we have a followup question from Krishna Nagpal from Latin Manharlal Securities, please go ahead.

Krishna Nagpal: Sir one last question sir. With the festive season coming up, how do you see the change which is happening? Just wanted to get a brief view on that.

Neeraj Jain: The sentiment is definitely very much positive. You go to markets....you look at the traffic at all places, all the cars moving, people moving....so the sentiment is definitely far better than what it was two, three, four months before. So my belief and you go to the shops, you go to the Mall, I think the foot fall is definitely reaching 50%, 60%. Moreover a lot of shopping happening on the online basis also. So my feeling is, talking to the various retailers or our customer base, sentiments as of now is definitely better than what it was before.

Krishna Nagpal: Okay sir, great.

Moderator: Thank you sir. Last question for the day comes from Naman Jain from Passive Investors. Please go ahead.

Naman Jain: Hi good afternoon to everyone. My question is regarding the inventory. Since prices are quite volatile for cotton moving up and down, is VTL booking any inventory losses? What's the future trend on....I mean what's the current status on inventory? Thank you.

Neeraj Jain: No, we have not booked any inventory losses as such so whatever is the inventory cost, we are consuming the same every month. It is not that one time we have taken an inventory loss or gain, so whatever is our monthly cost we are charging the same to our V&L on a monthly basis. In terms of our stocking policies, I have already replied, we depend upon our commercial thoughts at that stage. As of now the season has just started and we have just started buying....last two days very small quantities. So depending upon our commercial call; once before the arrival comes in, we will make up our mind. But now it is too early to say whether we are going to add stock or not stock.

Naman Jain: Okay thank you.

Moderator: Thank you sir. That would be the last question for the day. Now I hand over the floor to Mr. Neeraj Jain for closing comments. Over to you sir.

Neeraj Jain: Thank you very much. I thank all the investors for being with us and having patience to look at what all we have been doing. So as the management of the Company, I can only assure all of you that yes, things are difficult. Things are odd specially for textiles. Spinning has been passing through a difficult time; weaving has been passing through a difficult time; but we are doing our level best to see that this difficult time will pass through comfortably with success. All our efforts to improve customer base, product base, I think we are working very hard on that to reduce costs and to look at alternate ways of buying. So we are really, really working and trying to generate ideas and trying to make money wherever possible by way of improving processes. It was really a challenging time, in spite of that our operations team, our technical team, our marketing team have done a great job in terms of restoring the

capacity at a very fast pace. Fabric is also working hard that in spite of the sale of only regular wear, they are still working hard to make sure they make some success. I am sure once things become normal we will be back soon with our earlier performance numbers. I once again thank all of you for being with the Company, to have faith on us and I am sure we will work hard; we will make all the efforts to come up to the expectations of the investors. Thank you very much.

Moderator: Thank you sir. Ladies and gentlemen this concludes the conference call for today. Thank you for your participation. You may all disconnect your lines now. Thank you and have a pleasant evening.

Note:

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.