

Apcotex Industries Limited
FY18 Earnings Conference Call
November 8, 2017

Moderator: Ladies and gentlemen, good day and welcome to the Apcotex Industries Limited Q2 FY18 Earnings Conference Call. As a reminder, all participant lines will be in 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 touchtone phone. Please note this conference is being recorded. At this time I would like to hand the conference over to Mr. Anuj Sonpal – CEO of Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: Thank you Vikram. Good afternoon everybody and a warm welcome to you all. My name is Anuj Sonpal, the CEO of Valorem Advisors. We represent the Investor Relations of Apcotex Industries Limited. On behalf of the company and Valorem Advisors I would like to thank you all for participating in the company's earnings conference call for Q2 and H1 FY18.

Before we begin, I would like to mention a short cautionary statement as usual. Some of the statements made in today's earnings conference call maybe forward looking in nature. Such forward looking statements are subject to risk and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. I would like to now introduce you to the management of Apcotex Industries Limited participating with us in today's earnings concall. We have with us Mr. Abhiraj Choksey, Managing Director and Mr. Anand Kumashi, Company Secretary of Apcotex Industries. Without much ado, I request Mr. Kumashi to give his opening statements. Thank you and over to you, sir.

Anand Kumashi: Thank you Anuj. Good afternoon and welcome everyone to this earnings conference call for Q2 and half year ended 30th September 2017 under review. Along with me on today's earnings call, I have our Managing Director Mr. Abhiraj Choksey. I hope you had an opportunity to look at the company's Q2 FY18 result as well as the earnings presentation which has been circulated and uploaded on the company's website and the stock exchanges website.

Moving on the financial performance for the quarter, in Q2 FY18 we had a turnover of around 129 crores as against 92 crores in Q2 FY17, a growth of 40% and EBITDA stood at 15 crores as compared to 5 crores in Q2 FY17. The EBITDA margins were 11.8% for Q2 FY18 as against 5% last year. The PAT for Q2 FY18 was reported at around 9 crores as against 5 crores in Q2 FY17 with a PAT margin of 6.6% for Q2 FY18. For H1 FY18, we have a turnover of around 249 crores as against 198 crores in H1 FY17 a growth of 26% and EBITDA stood at around 24 crores as compared to 15 crores in H1 FY17. The EBITDA margins were 9.5% for H1 FY18 as against 7.8% last year. The PAT for H1 FY18 was reported at around 14 crores as against 13 crores in H1 FY17 with a PAT margin of 5.5% for H1 FY18.

Some of the key operating highlights of this quarter are as under:

- The company's Taloja plant's labor issue has been resolved and the plant is currently running smoothly.
- Good growth seen across all industries in the domestic market where the company supplies its product.
- Highest volumes and margins for the Nitrile Rubber on account of shortage of imports and technical approvals achieved in the last few quarters.
- Excellent growth in the exports due to sales efforts for last few quarters.
- Efficient buying of raw materials this quarter helped us to improve the margins. First two phases of investment at Valia plant totaling to about 60 crores has been started.

With this, I would like to open the floor for question and answers. Thank you.

- Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Sagar Gandhi from ICICI Securities. Please go ahead.
- Sagar Gandhi:** Our exports for the quarter have been very good. So what I understand is for Q2 FY17 this number was 27 crores. So I wanted a similar number for this quarter.
- Abhiraj Choksey:** What is your question sorry?
- Sagar Gandhi:** I wanted the export number for Q2 FY18.
- Abhiraj Choksey:** See, we don't typically give export number separately.
- Sagar Gandhi:** Sir I understand, but our Q1 was also very good in terms of exports. And if you can only help me with percentage growth Y-o-Y, that also will be fine.
- Abhiraj Choksey:** So the percentage growth for exports year-on-year for I think for the quarter as well as for the year is almost 95% to 100%, somewhere within that range.

Sagar Gandhi: And sir my second question is, the company was reporting lower sales growth over the last few quarters as a demand from our key client was significantly impacted. So if you can please highlight the latest status there?

Abhiraj Choksey: So our key client of course has been buying from us off and on for the last one year and Q2 they have been buying consistently of course not the regular volumes that were there in FY15-16. But at about 40%-50% of the regular volumes.

Sagar Gandhi: And sir receivable days as on September 17?

Abhiraj Choksey: I think there is no major change.

Sagar Gandhi: So is it in the range of 60 to 70 days?

Abhiraj Choksey: Yeah, it should be. I don't have the exact number but we will revert to you but it should be, yes.

Moderator: Thank you sir. We have the next question from the line of Vikrant Kashyap from Kedia Securities. Please go ahead.

Vikrant Kashyap: My first question is regarding your growth plans. How do you see second half of FY18 and FY19, if you can provide us some numbers?

Abhiraj Choksey: We have said before we don't really give guidance for any quarter or for the year either. Our idea is to of course grow and continue to grow and a lot of the good work that is being done in the last one year whether it is on the exports front, whether it is the turnaround of the new company that we have acquired and the growth of that business, as well as regular growth for our Apcotex traditional business, so all that has gone as per plan in Q2 and we are quite confident that going forward that will continue. Of course there will be from time to time like any business, there might be ups and downs in the quarter or in like a quarter or two as we had in Q4 of last year for example because of the strike at the Taloja plant. But by and large you know, all our plants are on track.

Vikrant Kashyap: Right. And on the margin front we have seen quite significant improvement in this quarter. So do we see at least continuing these margins?

Abhiraj Choksey: Yeah. I mentioned earlier that look we have in the past achieved margins of 13%-14% and that of course after the acquisition did come down because the new company was a loss making company and lot of other issues, but that is turned around now and we are on our way back and we have started off as a target of 2-3 years to go back to those margin levels. So I think given all the initiatives that you have taken of cost cut, whether it is cost cutting, improvement of sales, contribution side sales margin, better customer and product mix, on

all fronts we are working to improve margins over time. And that is kind of reflected in Q2 as well.

Vikrant Kashyap: And your opening remarks as well as presentation you mentioned about shortage of imports on account of Nitrile Rubbers and technical approvals. So do we see, the shortage of imports to continue in coming quarters and what are these technical approvals, if you can throw some...?

Abhiraj Choksey: So there are two separate issues, one of the things that we wanted to highlight is look NBR margin this quarter were very good. One of the reasons was that, our main competition in NBR is only imports that comes from Europe and East Asia. For whatever reason best known to our competitors there was a shortage of material coming into India and as a result of which of course we used that advantage in Q2 and were able to get better margin. The other thing is we also have done a lot of work over the last year or year and a half again. I don't know if you have been on previous calls. But with the company we bought there were a few technical issues in the products when we took over. So not only did we correct those issues in the first 6 months after takeover and the last one year or so we have been working with several customers and potential customers to get our products approved. Now this approval cycle typically takes anywhere from 3 months to over a year. So lot of those approvals have come through. So we have been at the right place as well. The shortage was one reason and then because of this approval we were able to run our plant at almost full capacity.

Vikrant Kashyap: Okay, this quarter we have run at full capacity.

Abhiraj Choksey: NBR plant in Valia.

Vikrant Kashyap: So do we see this shortage of import as an opportunity for us to create an impact in the mind of customers that actually we are the domestic supplier and we have products as good as they were importing. So...

Abhiraj Choksey: I think that is very clear and customers are now asking us to increase capacity immediately and we have done that and most customers would prefer to buy from a domestic supplier if they could as long as we are competitive and give the right product and quality as you said.

Vikrant Kashyap: And on export front, you have mentioned that you have done a lot of work to improve exports. So I don't need number, but do we see accelerated growth in exports?

Abhiraj Choksey: We have seen it in the last one year, at least in the last two quarters, over the last two quarters our sales have been much higher than the previous years. Our endeavor has been to get again similarly more and more approvals in more and more countries and more and clients abroad. We have also introduced newer products in the same product range that we have. So all this have helped and we kind of see that growth. One thing I must mention is in

export some time there are tactical sales as well that we may do in the sense that unlike India where it is a domestic market and sales are fairly smooth, in a quarter-on-quarter we get the same sales from all our customers. In the export market it can be a little choppy. Yeah, we are quite optimistic.

Vikrant Kashyap: So if you can share which are the largest geographies for us?

Abhiraj Choksey: Middle East and South East Asia typically are the largest. But we supply also to as far as China and America and Europe, everywhere about 35-40 different countries, but a large chunk would be coming from countries which are in close geographic proximity to us, which is in the Middle East area and the South East Asian area.

Moderator: Thank you. We have our next question from the line of Dhavan Shah from KRChoksey Shares and Securities. Please go ahead.

Dhavan Shah: Just two questions. Firstly, can you please explain the changes in the other expenditure because of the restatement. So far in the first quarter FY18, the other expenditure was around 25 crores and now it is 14 crores. So can you please explain the delta?

Abhiraj Choksey: Yeah. I think that has mostly to do with the excise duty, right? Because of GST, correct me if I am wrong Anand, because of GST which has started from Q2, there is no excise and in the result GST is of course not included anywhere in the P&L. It is part of the balance sheet. But last, in Q1, because there was excise as per the SEBI format we had to put excise as part of the other expenditure.

Dhavan Shah: But I think in first quarter FY18 really is, there was revenue net of tax only, on the top line?

Abhiraj Choksey: No. I mean, which numbers are you looking at. Are you looking at the corporate presentation or are you looking at the published numbers?

Dhavan Shah: Update number, quarterly number, not presentation.

Abhiraj Choksey: So if you see the published number, Q1 of last year is a 102 crores revenue from operations, do you see that number? Or if you can see note number 2 in the published result I think that should clarify your question.

Dhavan Shah: Okay. I will find it out.

Abhiraj Choksey: And if not, otherwise we can discuss this offline if there is still some clarification required.

Dhavan Shah: Sure. And second question is about the Butadiene pricing. So basically the crude is moving up. So what is our take on the butadiene, because we have enjoyed the higher gross margin

for this quarter because of the low cost inventory? So what kind of gross margin are you working with for the next coming few quarters?

Abhiraj Choksey: Look, the ups and downs will happen from month-to-month, quarter-on-quarter. By and large we are confident that given a time lag even if price is very hard for me to predict or for anyone to predict what butadiene will do, just to give you an example, even the oil has been going up in the last few days, butadiene is actually been coming down. Now hard to explain why that is happening but that is the reality. But yes, with oil going up the likelihood that most petrochemical would follow suit will probably happen and as I mentioned in our calls before that given a certain time lag we are able to pass along this increase to our customers as well. So we were not too concerned about it in the long term. Short term there can be some pain.

Moderator: Thank you. We have our next question from the line of Amar Mourya from Emkay Global. Please go ahead.

Amar Mourya: Sir first thing is if you can help us that, what was the broader revenue mix in this particular quarter, probably the Latex and Nitrile Rubber and SBR?

Abhiraj Choksey: Thanks Amar. As I said we generally give ranges...

Amar Mourya: That would be helpful sir.

Abhiraj Choksey: That has not changed much from the previous thing. Broadly our synthetic rubber, synthetic latex is about 50:50. I mean it could be 45:50 depending on quarter-on-quarter, but it is about 50:50, and out of that Nitrile Rubber and allied products is about 35% out of the 50 and then 15% is HSR, high styrene rubber and Latex, paper and paper board is by far our largest segment, continues to be so. Of course compared to, I would say compared to 2015-16 the percentage of paper, paper board is dropped because the other segments have grown more and as we have mentioned many time in the last few quarters, one of the key clients in the paper, paper board segment is buying only 40-50% of regular volumes. As a percentage paper and paper board would be now currently less than half of the remaining 50%.

Amar Mourya: So which was 50% earlier in the same quarter last year?

Abhiraj Choksey: Yeah. Probably yes. I don't remember those particular quarter numbers, again I am talking generally.

Amar Mourya: No issues. Second is if I look at your margin improvement, now part of the margin improvement is obviously because of the raw material saving. But I think the major benefits has also come because of the price movement in the Nitrile Rubber which you had seen in this particular quarter and also because the SBR this quarter was basically manufactured here

in Taloja, so which is basically a high margin business relative to the Valia business. So do we see that this kind of margins sustainable going forward?

Abhiraj Choksey: I just said there is not just one reason, there is 4 or 5 different reasons why margins were better in Q2 compared to Q1. So I think you have already mentioned, you have done half of my job by mentioning most of the reasons. One is yes, we moved HSR back to Taloja which is better margin, NBR due to a sort of a temporary shortage that happened, raw materials buying have been more efficient, our volumes have overall been better, exports NBR across the board, most of the industries we cater to. So all these reason have helped in the better set of margin numbers. Look, of course there are raw material changes from quarter-to-quarter, month-on-month, so that may or may not last. Again the bigger picture is that we feel fairly confident, even if these things are up and down, by and large we will keep improving our margins going forward as well. Now it could happen that there could be one quarter where you know suddenly cost rise up very quickly given that what is happening in oil market these days and we may not be able to have the same margins or the improvement in margins as we would like. By and large over the next 6 to 8 quarters given all the work that we have done, margins we expect should improve and once some of our initial investment projects go through where we are expecting reduction in cost in manufacturing, margins should go back to the, our endeavor is to grab margins, go back to the same levels that we had in 15-16 about 13%-15%.

Amar Mourya: Just last question sir. I think our margin improvement in this quarter if I am not wrong, is around 460 basis point on a sequential basis. So out of this, if I just want to knock off or divide this whole margin improvement into two parts, one is because of the raw material saving and second is because of the Nitrile Rubber and third is because of the SBR. So how much, can you just quantify something like this?

Abhiraj Choksey: Not really because it is just that, this is only 3 reason that you are giving, there are two more reason I said, export volume growth as well as domestic volume growth. I don't have those numbers with me.

Amar Mourya: At least raw material savings?

Abhiraj Choksey: I mean, if you just talk about raw material saving, that is actually a smaller portion of it.

Amar Mourya: Okay. So 460 basis point, I mean are you saying that it is more because of the operational performance and less because of the raw materials?

Abhiraj Choksey: I think so, yes.

Moderator: Thank you. We have our next question from the line of Suvarna Joshi from Axis Securities. Please go ahead.

Suvarna Joshi: Sir just two questions from my end. One was you mentioned about some new products being introduced in the similar line of products that we have especially in the export market. So if you could just throw some light on what are these kind of the products that we have introduced, one. And second just a clarification again on the margin bit. So you mentioned our endeavor is to maintain about 13%-15% margin levels. So are we talking from current quarter 13% to 15% levels or from the time that we took over Omnova. So those are the two questions from my end.

Abhiraj Choksey: As far as the margin question is concerned, again before we took over Omnova business that year, our margins were up I think between 13% and 14%. Our endeavor is to go back to those levels. It will, and as I mentioned a few times in the last few calls as well, it is not going to happen overnight. We don't give quarter-on-quarter guidance. I don't know if it will happen this quarter, next quarter, but over a 2 to 3 year period after making a lot of changes and those changes sometimes take few quarters to actually see the results. So within 2 to 3 years, after the acquisition our endeavor was to go back to 13% - 15% and as you can see, of course we had some issue in Q4 with the strike in Taloja and that the lingering effects of the strike even went into Q1 because a lot of our customers had imported more material because there was uncertainty when our plant would restart. So in obviously Q4 of last year and Q1 of this year there was some uncertainties. But now we are coming back to so called normal operations and so our endeavor is to try and keep improving margin as we go along. I don't have a timeline on that. As far as your first question on new products is concerned, you know within the range that we currently have, all the ranges that we currently have, not paper, carpet, construction, textiles, nonwoven fabrics, within those there are some specialty grades that we have introduced over the last, I would say, 6 quarters or so. So that has also played a part increasing volumes, that is what I meant by new products. In addition, as I mentioned in the previous slides we are looking at completely a new product range for a new set of industry or a new industry which as I said we will need to invest some money and we are in the middle of working that out.

Suvarna Joshi: Alright. So sir this new product category which you are intending to introduce something completely new, is that going to be in the domestic market or will that be in the export market?

Abhiraj Choksey: It is a combination with more focused on the exports side. The larger volumes will be in the exports market.

Suvarna Joshi: Sure sir. Any broad line of industry that you can tell us where it is exactly?

Abhiraj Choksey: No, I think that is a range because what we are trying to do, in fact we are ready with the product range, the technology everything is ready, but we are trying to invest in it smartly along with the other capacity enhancements that we will need to do over the next sort of 1 to 2 years.

Suvarna Joshi: So just let me put it this way. So is it going to be an NBR or is it going to be in latex?

Abhiraj Choksey: I mean, there is couple of options. So we will come to it when we are ready.

Suvarna Joshi: Sure sir. Just a bit on that margin, you mentioned that our endeavor is 13%-15% that is going back to the pre=acquisition levels. So I just wanted to, I mean you did mention that over the next 2 to 3 years, so is my understanding right that by FY20 we should be in that range of double digit margins?

Abhiraj Choksey: You do the maths Suvarna. As I have said, I am saying it again, you have been on the call before I know. I said it before that 2-3 years from the time of acquisition.

Moderator: Thank you. We have our next question from the line of Kalpesh Gothi from Veda Investment Managers Pvt. Ltd. Please go ahead.

Kalpesh Gothi: Sir, can you help me out if possible for Q1, what was the volume growth or in first half what was the volume growth?

Abhiraj Choksey: Our first half I don't have the exact numbers honestly, but it was obviously a good volume growth in double digits. Again keep in mind that Q1 was not so good for us because of the strike at Taloja and even though we were operational by Q1, a lot of, as I mentioned, the previous caller that we had some lingering effect of the strike. It took us some month or two to get back on our feet. Some of our customers had already ordered material in advance from imports. So they didn't start lifting their regular volumes till May-June. So Q1 was difficult. But of course Q2 volume growth has been much better than Q2 was last year. Overall for the first half we have double digit volume growth, I don't have the exact number.

Kalpesh Gothi: So one more thing. If you want to see the, where we have seen the higher growth in terms of the paper industry or the carpet industry or construction industry, where are the top two driver?

Abhiraj Choksey: I think I already mentioned that. One is in exports we have seen in terms of percentage exports have been great growth for us in the first half. As far as the NBR business that we have acquired, I think we have done a lot of work in the last year to turn that around and we have seen that results from all those efforts made over the last one year.

Kalpesh Gothi: So in exports is carpet is a driver?

Abhiraj Choksey: No exports 3 or 4 different industries, specialties for textile non-woven, paper as well as carpet and construction. I would say all across the board in fact we have seen good growth in exports.

Kalpesh Gothi: So do we see in second half also the similar kind of growth we can achieve in exports?

Abhiraj Choksey: As I mentioned to a previous caller, look with exports there are going to be some tactical sales where you know we could have some choppiness, but of course our endeavor is to get more and more approvals in place and do larger and larger volumes We hope we can continue.

Kalpesh Gothi: And sir any update on the CAPEX, how much we have done till date?

Abhiraj Choksey: You know we have started the first, I mention earlier that the first two phases, we are calling it phase one and phase two is about 60 crores. Some of the approvals from the respective pollution departments APCB And MPCB are awaited. So we have just started on that project. Not much has happened honestly. Not more than 10%-15% yet out of the 60 crores, but over the next one year everything should be done, one year to 15 months.

Moderator: Thank you sir. We have our next question from the line of Farokh Pandole from Avestha Fund Management. Please go ahead.

Farokh Pandole: I just had a general question on your environmental compliance and how we position with respect to that? If you could just describe the way forward and if you see this as any kind of obstacle ahead and a second question most specific to what you had mentioned on the last call of revenue visibility of 600 crores this year and having negotiated the first half, the level of confidence we have on that number for the year.

Abhiraj Choksey: Thank you, Farokh Pandole. About the environment compliance, we are completely 100% environment in all the statutory norms, we are of course 100% compliant with. In fact we go a step forward, we are a responsible care, an ISO 14001 and OHSAS 18001 certified company. So as a result of which we are over and beyond the statutory requirements of the Indian laws and we continue to improve on that as we go along. In fact part of this 60 crores project that is partly upgrading our ETP also with new technologies have come about. So we are doing that. And your second question is as far as revenue guidance, it was a broad guidance that we had given of about 550-600 crores for this year. Q1 was obviously of course a little more difficult that we would have liked just because of the lingering effects of the Taloja strike. Q2 has been good and of course those numbers at that time when we have discussed this included excise and having, if you see our Q2 numbers we are quite happy and I think we should be able to achieve those this year if all goes well.

Moderator: Thank you sir. We have next question from Sharat Sharma, Individual Investor. Please go ahead.

Sharat Sharma: Sir if you can share the volume details, can you tell, what is the percentage of capacity utilization? That is one. And second broadly, what is the impact of FX exchange and GST on the business? Thanks and congrats for the great numbers.

Abhiraj Choksey: Thank you. As far as capacity utilization is concerned, at Taloja we are at 80%-85% capacity utilization approximately. I am giving range because I don't know that exactly, because there are so many variables, so around 75% to 85%. As far as Valia is concerned we have had a very good quarter this quarter and I would say almost at, not at 100% but I would say almost above 90%. As far as, I think your second question was on FX and GST. As far as GST is concerned, you know we are very happy with GST. I think it had simplified our internal operations. It has made us more competitive against exports, because earlier we were paying 2% CST, sorry against Imports. And imports competition didn't have that. So it is a level playing field now. So we are on the whole quite happy with GST. We didn't see any negative impact at all, even for a month. As far as forex is concerned, look there is going to be volatility we have seen it in the past. It is something that we know how to manage and we are able to pass it along, in case the rupee depreciates we are able to pass it along albeit with the time lag. I hope that answers your question.

Sharat Sharma: Correct. But my thing was more for exports, so the rupee is strengthening. I mean will you see the headwind or will that be manageable?

Abhiraj Choksey: No, it is quite manageable honestly. And of course we have a strict hedging policy that we use as well. So in terms of risk also it is very little risk that we take.

Moderator: Thank you sir. We have the next question from the line of Kamlesh Kotak from AMSEC. Please go ahead.

Kamlesh Kotak: Sir my question pertains to the margin profile, like you shared the revenue broader range, could you help us understand the margin across the 3 product verticals, at least broad range if you can help us in terms of the profitability contribution?

Abhiraj Choksey: I think, I have said this before, of course it varies again from quarter-to-quarter this year. This quarter for example, I have said there was a little bit of a shortage on NBR. So margins for NBR were good. If you look at a longer term, sort of 1-2 year period, they are all fairly similar.

Kamlesh Kotak: And secondly about the capacity expansion, what are the plans about the NBR capacity we said that it is going to be higher by around 40%-50%. So what timeline you give and what kind of investment will lead for that?

Abhiraj Choksey: So I think this first 60 crores will include some amount of debottlenecking of our current capacities. So it is not really adding new equipments, but it is adding equipments that is replacing old equipments that will enhance capacities for NBR production. That I think we expect to do in the next I would say 9 to 10 months.

Kamlesh Kotak: So how much capacity it would lead to?

Abhiraj Choksey: We see about a 40% capacity increase for current NBR and allied products capacity, approximately, the exact numbers still we have not started implementing the project yet, but by and large this is what it looks like, 35% to 40% let us say.

Kamlesh Kotak: And like you said the capacity would be commissioned over the next one year, so that means that current whatever improvement that we have seen, is yet to capture in the efficiency that will play out of this incremental CAPEX which we are incurring, right?

Abhiraj Choksey: Yes, absolutely. Some amount of it will reduce operating cost and will improve margins further.

Kamlesh Kotak: And sir about Taloja also we have some expansion plans, you stated, so anything on that, this 60 crores I understand more on the Valia front, so...?

Abhiraj Choksey: Yeah. Mostly in Valia. We are working those numbers out. That will be a larger project that will include capacity increase across NBR and allied products and all Latex products, or most Latex products. So that is the project we are working on, but still on paper.

Kamlesh Kotak: That will be at both the locations?

Abhiraj Choksey: Not decided.

Kamlesh Kotak: And sir, you stated the raw material price have been steady for the last quarter, how has this been currently, the pricing are trending in terms of the overall trend of raw materials?

Abhiraj Choksey: No. I don't think the raw materials have been steady ever. But...

Kamlesh Kotak: No. it was trending soft is what you said.

Abhiraj Choksey: Yeah, more favorable to us. Even as we speak what happened in the quarter is they came down and they started going back up and again in Q3 coming back down. So it's been a lot of volatility in the last 4-5 months going down and up across all our raw materials. Some of our raw materials are still going up; some are coming down, but it is going to take a little longer term of course oil has strengthened quite a bit in the last few months, upwards of maybe 20%. So I would think most people expect petrochemical to follow that as well.

Kamlesh Kotak: And lastly just if you could just help us understand, how big would be the new product contribution to the overall revenue for this quarter, you said various grades have been launched. So is it significant in terms of percentage of revenue be for NBR overall revenue?

Abhiraj Choksey: Not significant.

Kamlesh Kotak: But it can improve going forward, right?

Abhiraj Choksey: Yes.

Moderator: Thank you. We have the next question from the line of Sagar Gandhi from ICICI Securities. Please go ahead.

Sagar Gandhi: Sir, can you give us an approximate idea about the operating margins that we are able to clock in the export segments?

Abhiraj Choksey: You know as I said before, again I don't want to talk about quarter-on-quarter because quarter-on-quarter you can get lucky, you can get unlucky both ways. But on an average export segment margins are, on an average, across products are fairly similar to the domestic industry as well. We do not see maybe a percentage or two higher but not significant.

Sagar Gandhi: And sir when do you see your export revenues crossing 100 crores, will it be FY18 or FY19?

Abhiraj Choksey: We hope so.

Sagar Gandhi: In 18 only?

Abhiraj Choksey: Honestly, I don't know the exact number for H1, but our endeavor is to have 100 crores shortly, if not hit the next year.

Sagar Gandhi: And sir the last question, our Nitrile Rubber capacity in Valia post after the completion of 12 months, should be roughly around 21,000 tonnes or so. So do you think with additional CAPEX we can increase the capacity there only or there will be no other option but to bring new capacity in Taloja only?

Abhiraj Choksey: Sorry, I didn't understand the question.

Sagar Gandhi: Sir, our Nitrile Rubber capacity which current stands at 16,000 tonnes is going to expand to roughly 22,000 tonnes over the next one year over the CAPEX?

Abhiraj Choksey: That is more from the debottlenecking. The CAPEX for debottlenecking, correct.

Sagar Gandhi: So in case we want to grow there, are there any capacity constraints post the debottlenecking or we can...?

Abhiraj Choksey: Growing beyond 21,000 tonnes?

Sagar Gandhi: Yes sir.

Abhiraj Choksey: No. There is no constraints. We can do it. Of course the constraint is funds. So we will have to invest and do it there. We have enough land and we have all the permissions in place, as far

as ETP and those permission in general, of course we will need permission to establish and operate. But we will have to invest in new reactors and new guidelines to look to be able to do that.

Moderator: Thank you sir. We have the next question from Amar Mourya from Emkay Global. Please go ahead.

Amar Mourya: Sir one last from my side. In terms of the Nitrile Rubber margin, I believe in Nitrile Rubber the margins were in the range of mid single digit. So is this quarter, the margin is say even in single digit but at the higher level?

Abhiraj Choksey: I don't know where you have got that single digit, honestly I don't know, but of course this last quarter was fairly good. I would say they were in double digits, the margins.

Moderator: Thank you sir. Ladies and gentlemen, that was the last question. I would now hand the conference over to Mr. Abhiraj Choksey, Apcotex Industries Limited for closing comments. Over to you sir.

Abhiraj Choksey: I just want to thank everyone for once again participating on the call. I appreciate your time and we look forward to seeing you next quarter. Thank you.

Moderator: Thank you. Ladies and gentlemen, that concludes the conference for today. You may now disconnect your lines. Thank you.