

Apcotex Industries Limited
Q3 FY18 Earnings Conference Call
February 12, 2018

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY18 Earnings Conference Call of Apcotex Industries Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. In case you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal – CEO of Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you. Good afternoon, everybody and a warm welcome to you all. My name is Anuj Sonpal - 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 Q3 and 9 months FY18.

Before we begin, I would like to mention a short cautionary statement as always. Some of the statements made in today's earnings concall 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 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 now like to introduce you to the management of Apcotex Industries Limited participating today's earnings call. We have with us Mr. Abhiraj Choksey - Managing Director and Mr. Anand Kumashi - Company Secretary of Apcotex. Without much ado, I request Mr. Anand Kumashi to give his opening remarks. Thank you and over to you, sir.

Anand Kumashi: Thank you Anuj. Good afternoon and welcome everyone to this earnings conference call for third quarter and 9 months ended 31st December, 2017 under review. Along with me on today's earning call, I have our Managing Director Mr. Abhiraj Choksey. I hope you had an opportunity to look at the company's Q3 FY18 result as well as the earning presentation which has been circulated and uploaded on our website and stock exchanges.

Some of the key operating highlights for the quarter are as follows:

- Highest ever Sales, EBITDA and PBT for the company reported in any quarter.
- EBITDA margin improvement due to a combination of higher sales, lowering of cost structure especially at Valia, better margins and good raw-material buying
- The company saw good growth in volumes across all the industries that it caters to.
- Volumes from one of the biggest customers in the paper industry slowly coming back to normal levels.
- Most of the quality related issues have been addressed which has helped to increase the market share in Nitrile Rubber.
- Excellent growth in Exports due to the Sales efforts over the last few quarters.
- The company has started the planned capital expenditure of INR 60 cr at Valia plant for both the phases.

Moving on to the financial performance for the quarter, the Q3 net turnover (adjusted for excise) increased by 32% from Rs 104 cr in Q3-FY17 to 138 cr in Q3-FY18 and Operating EBITDA stood at around Rs. 17 cr in Q3-FY18 as compared to Rs. 6 cr in Q3-FY17. The Operating EBITDA margins were 12.6% for Q3-FY18 as against 5.4% in Q3-FY17. The PAT for Q3-FY18 was reported at around Rs.13 cr as against Rs. 5 cr in Q3-FY17 with PAT margin of around 10% for Q3-FY18.

For the nine month ended FY18, the net turnover (adjusted for excise) increased by 28% from Rs 302 cr in 9M-FY17 to 387 cr in 9M-FY18. Operating EBITDA stood at around Rs. 41 cr in 9M-FY18 as compared to Rs. 21 cr in 9M-FY17. The Operating EBITDA margins were 10.3% for 9M-FY18 as against 6.5% in 9M-FY17. The PAT for 9M-FY18 was reported at around Rs. 27 cr as against Rs. 18 cr in 9M-FY17 with a PAT margin of 6.8% for 9M-FY18.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Sagar Gandhi from ICICI Securities. Please go ahead.

Sagar Gandhi: My question for you is, what has been your export growth Y-o-Y, 9 month performance over the previous year?

Abhiraj Choksey: Overall the export growth from what I recall is being about 79%-80% year-on-year for 9 months FY18.

Sagar Gandhi: And sir what would that number be?

Abhiraj Choksey: It is approximately 15% to 17% of the total turnover.

Sagar Gandhi: And sir, this Valia facility expansion of Rs. 60 crores now we expect this capacity to grow up from 16,000 tonnes to what levels post this expansion?

Abhiraj Choksey: It is not only expansion from this Rs 60 crores. We have multiple projects that are going in. We are putting in a power plant for security of power as well as reduction in cost and that is the major cost. The rest projects are related to safety environments, some projects related to upgrading of current asset, to better or more efficient equipment and large chunk is to reduce cost. Yes, we do expect some amount of debottlenecking to happen as well with these Rs 60 crores and so I would say the 16,000 tonne capacity would go up to about 20,000 tonnes to 21,000 tonnes.

Sagar Gandhi: So, the initial Rs 30 crores is which you had spoken in last quarterly calls is included in this 60 crores?

Abhiraj Choksey: Yes, I said 30 plus 30 i.e. 60. Now of all these projects, some projects have started, some projects are about to start, some small projects with a lead time time of 3-4 months have been completed.

Sagar Gandhi: And sir, do you expect the margin trajectory of Q3 FY18 to continue over the next couple of quarters as well?

Abhiraj Choksey: As I have said before that our endeavor is through various things keep improving margin as we go along. Of course we have had a good quarter and in fact better than we expected. Even this quarter we are at 12.5% operating EBITDA margins, which was faster than expected. In the last few calls I had said that we have reached margins as high as almost 14% in previous years and that is where we would want to go in the future and that will be after all these projects have been implemented.

Moderator: Thank you. The next question is from the line of Vikrant Kashyap from Kedia Securities. Please go ahead.

Vikrant Kashyap: Sir, my question pertains to growth of the company. Sir, we have seen that you have done a lot of efforts in doing the rationalization of the company and performance has been in line. So, how do you see for Q4 and FY19?

Abhiraj Choksey: As a policy we do not comment on a particular quarter or even a particular period. What we talk about is general growth and the idea is to consistently grow with new products, expanding our current product line as well as always, looking out for strategic acquisitions as we have done 2 years ago. So, we do want to continue to grow, of course and we expect to do that over the next year or 2 as well.

Vikrant Kashyap: Which industries have contributed more to the additional growth of the company?

Abhiraj Choksey: We have seen that all the industries that we cater to whether it is paper, carpet, construction, Nitrile Rubber, end users all the rubber, automotive components across the board in 9 months and the quarter have all grown. Of course at a different rate but they have all grown in double digit. And that is what it helped us to grow and also a large growth has come from the exports as well which is as I mentioned previously in the first 9 months we have grown at about 79%-80% but across all these industries.

Vikrant Kashyap: So, what was the growth in the quarter for exports?

Abhiraj Choksey: I do not have the exact number but quarter-on-quarter it is, honestly it is irrelevant quarter-on-quarter it does not matter first 9 months of the year. It is about 79%-80% for 9 months and little less than that on quarter-on-quarter but is on double digit.

Moderator: Thank you. The next question is from the line of Amar Mourya from Emkay Global. Please go ahead.

Amar Mourya: Sir, I have 3 questions, Number one is that if I see the overall revenue mix today, how it would be divided into the Nitrile latex and SBR, if you can give some broader understanding about in this particular quarter?

Abhiraj Choksey: Synthetic rubber which means Nitrile Rubber and Nitrile PVC, Nitrile Powder and high styrene rubber make up approximately 50% of the value and remaining 50% is synthetic latex product SB latex, styrene latex, VP latex, nitrite latex and so on.

Amar Mourya: And secondly sir, the margin expansion which we had seen in this particular quarter despite that on a year-on-year basis your raw material cost has slightly gone up as percentage of the total revenue. So, the major benefits are coming primarily from the reduction of the other expenditures. So, what exactly has led to this kind of reduction in other expenditure as percentage of revenue or is this the economies of scale which is now playing the benefit?

Abhiraj Choksey: No, the reduction in expense which is only on account of one line-item which is excise. Last year for the first 9 months the excise component comes under other expenditure. For this year because only in Q1 we had excise after that excise disappeared because GST. Other expenses have not gone down they may have marginally gone up most of the reasons for the good results in quarter have been on better contribution margins across the board.

Amar Mourya: So, sir like last time you indicated that Nitrile Rubber which was basically the having a very low margin has actually shown a significant uptick in the margin last quarter itself. So, was the story same even in this quarter for the Nitrile rubber?

Abhiraj Choksey: Yes, it is been a couple of reasons why, the short answer is yes. The long answer is that margins have certainly improved for Nitrile Rubber and allied products which are the

products of the company which we acquired. The reason has been that a lot of work has gone at our end to reduce cost, whether on the procurement level of getting better raw material pricing, on the quality level we have got a lot of approvals in place. We are able to get better prices because of better quality and as well overall the market in the last 6-8 months the synthetic rubber market has been bullish and we have taken advantage of that factor as well. There was a shortage of Nitrile Rubber in Q2 but not in Q3. In Q3 there was enough Nitrile Rubber in the market but we are able to hold on to this margin. It is a combination of 3 or 4 things that have obviously come together in Q2 and Q3 to get better margins.

Amar Mourya: EBITDA margin expansion compared to the last year was because of the Nitrile Rubber or in the latex and SBR also the margins have slightly gone uptick?

Abhiraj Choksey: The volume has grown up across the boards and so when volumes go up, overall operating EBITDA margins go up. One more driver which is our other income because of our treasury. So, operating EBITDA margin were about 12.5%. The combination of volume, lower cost and better market conditions in the last 6 months, all three and not just Nitrile Rubber. The margins in Nitrile Rubber were low when we took over. The business was in a loss in 2016-2017 for most of the year. So, we have been able to turn that around and certainly that has helped. But even the other latex products that we make at Taloja plant have seen better volumes that have result in good margins.

Amar Mourya: So, sir like is it fair to understand now your Nitrile Rubber margin would be the average company level margin?

Abhiraj Choksey: Yes, probably, yes.

Amar Mourya: Last time you indicated that the broader guidance of about a revenue of around Rs 550 crores. So, is it looking possible even today considering that the run rate which we are going?

Abhiraj Choksey: Yes, revenue is almost Rs 400 crores now and if see Q3 our revenue was about almost 140 crores. So, yes we are looking at about Rs 550 crore.

Amar Mourya: So, still you are confident. So, basically in that contract, so the run rate for the Q4 should be at least 160 crores-163 crores?

Abhiraj Choksey: Look, I do not want to give specific numbers as I said we have always the guidance has given for the entire year. Yes, we hope to be somewhere around the 550 crores mark.

Moderator: Thank you. We move to the next question that is from the line of Dhavan Shah from KR Choksey Shares and Securities. Please go ahead.

Dhavan Shah: Firstly, can you please share the details for the plant utilization for Valia if possible and what is our market share for NBR segment right now?

Abhiraj Choksey: Last quarter we were pretty much at 100% capacity utilization.

Dhavan Shah: What is on market share for NBR?

Abhiraj Choksey: It has improved and when we took over it was only 17%-18%. Now it is somewhere between 23% to 25%.

Dhavan Shah: So second question is what is our take on the raw material cost right now and can you expect the gross margins of around 32%-33% in the coming quarters, as seen in the last quarter?

Abhiraj Choksey: Certain things we have done internally to reduce costs, improve volumes that had certainly helped in improved quality. There have certainly helped in improving contribution margins there is also an outside factor, external factor there we vary of. We would love to have 30%-32% contribution margin that even increase if possible but difficult to say.

Dhavan Shah: But on the conservative side we can expect around 30%-31% right? So that is possible from our side, right?

Abhiraj Choksey: Difficult to say.

Dhavan Shah: And can you please explain the variance in other income, I mean why is that thing shoot up by this much of amount? I am saying for the other expense if you look at ...

Abhiraj Choksey: This is mark-to-market as per IndAS now from this year onwards and we are required to state mark-to-market values. We do have some equity investments and these equity investments have unrealized gains and we have to show that as other income and so that is around 4 crore.

Dhavan Shah: Rs 4 crores was the other income, including this unrealized income?

Abhiraj Choksey: Rs 4.7 was the total other income but what Rs 4 crores is because of this mark-to-market.

Dhavan Shah: And for the other expenditure if you look at the run rate on quarterly basis, increase from 15 crores to 19 crores, so can you please explain the variance in general?

Abhiraj Choksey: The volumes have gone up between Q2 and Q3 and one of the important cost there is power and some of the variable cost that is the reason other expenditure has also gone up from Rs 15.5 crores to Rs 19 crores, that is one of the reason.

Dhavan Shah: And we were setting up some power plant at Valia, so is that commissioned?

Abhiraj Choksey: No, the plan is to commission by March 2019, so that is just about to start.

Dhavan Shah: And post that we can see some further improvement in the operating margins for Valia, right?

Abhiraj Choksey: Yes, that is the idea to reduce cost.

Dhavan Shah: So, may be from FY20 onwards or maybe, yes so, from FY20 onwards can we see around 15% of operating margins on the group business if we look at?

Abhiraj Choksey: Our endeavor is if we get to 13% and 14% consistently we are happy to start with. As I said this quarter we have also had some very good raw material buying, the external environment has been very favorable for us and whether that will continue to next year or not we will have to wait and see. There are lot of things we are doing at our end to keep improving there and improving our internal operations. So, let us focus on trying to get to 13%-14% margin consistently then will see about 15% but I hope so.

Moderator: Thank you. The next question is from the line of Kamlesh Kotak from Asian Market Securities. Please go ahead.

Kamlesh Kotak: Sir, can you help us understand how much has been the volume and value growth during the quarter?

Management: I can give you approximate numbers. Well, value growth you can see yourself I think, right.

Kamlesh Kotak: But that also I think we need to adjust in the light of the excise?

Management: Yes that also you can adjust, those numbers out then public domain but approximately if you adjust for excise the volume value growth is approximately, value growth is 32% and the volume growth I do not have the exact number, would be little less than that.

Kamlesh Kotak: Which means that the prices have formed up during the quarter?

Abhiraj Choksey: Yes, compared to Q3 last year they are a little higher.

Kamlesh Kotak: And how has been the trend of raw material prices during the current quarter in the overall general industry.

Abhiraj Choksey: Except for the last few days oil has been going up consistently and most of the petrochemicals also following the trend. It is being forming further so far.

Kamlesh Kotak: And sir when you say it 79% growth in exports, which segment there is contributing more on the exports, any sector?

Abhiraj Choksey: Across the board we are seeing high double all the segments are growing between anywhere between 50% and 100%. We have had some new products introduced as well in specialty segments side unfortunately I do not want to name those for proprietary reasons but so, some new products have also called that growth and across all segments.

Kamlesh Kotak: And you also mentioned about some new products pipeline even, so is it already being commissioned, or we have more products coming in the pipeline?

Abhiraj Choksey: So, we have developed some new products. For synthetic latex, we do have new products and have been already developed. We do need some capacities and have some spare capacity in Taloja which we planned to use now going forward. But, yes in the long run we were working in an expansion project to take care of Nitrile Rubber requirement and we will need for synthetic latex.

Kamlesh Kotak: When you said that your plant utilization has already been at 100%, so are you planning for any further capacity expansion at Valia plant?

Abhiraj Choksey: That is going to be a debottlenecking project that is ongoing right now and would free up 20% to 25% of the capacity. After that we do plan to increase the capacity as well but that will be a big brownfield project.

Kamlesh Kotak: So, how much cost would be for debottlenecking of plant?

Abhiraj Choksey: It is part of the Rs 60 crores initial investment.

Kamlesh Kotak: So, it is part of the CAPEX at both plant, right Valia and the other one Taloja?

Abhiraj Choksey: No, the 60 crores is all in Valia.

Kamlesh Kotak: When will we finalize new leg of CAPEX and it will not be in FY19-2020 or is it going to be in FY20?

Abhiraj Choksey: We will start in FY18-2019 and we should be done within 2 years after we start.

Kamlesh Kotak: And sir when you said that we are going to have the incremental CAPEX, so is it going to be in the new products or is it the existing line of products?

Abhiraj Choksey: It will include both and mostly for our existing line of products but with the capex we are also planning to make it flexible enough to also make some new products within the same family of synthetic latex.

Kamlesh Kotak: When we say such a big jump in the overall volume, is it the demand that is formed up or we are gaining market share on new customers?

Abhiraj Choksey: Both because overall we see the volumes to be higher compared, the industry is growing faster compared to last year. I would say a lot of work is internal as well with the acquisition we have finished a lot of approval processes that were pending which they have sometimes a long cycle time of 1 year to 1.5 year that is bearing the fruit now. And in our latex side, we had trouble with one or two of our customers last year especially one of our large customers in the paper industry, where volumes were very low last year and now this year they are coming back. So, that has helped us in terms of volumes.

Kamlesh Kotak: Sir, so to what extent they have normalize the operations?

Abhiraj Choksey: Too large extent around 75%-80% to their normal level. For last year for few months their plant was shut completely.

Moderator: Thank you. The next question is from the line of Farokh Pandole from Avestha Fund Management. Please go ahead.

Farokh Pandole: I just had a few questions, one of the earlier participants has asked about the raw material costs which are jumped up about 250 basis points both year-on-year and quarter-on-quarter. So, would this impact be passed on in subsequent quarters?

Abhiraj Choksey: I have mentioned previous call that we were able to passes along fairly quickly and if seen in fact this quarter we have. I think we have passed along and done better with the raw material increase. Therefore, the margins have also gone up. So, sometimes it is the time lag but by enlarge we are able to pass it along.

Farokh Pandole: Because the material cost is now 68% of sales as supposed to 65.5% for both year-on-year and quarter-on-quarter.?

Abhiraj Choksey: No, in fact year-on-year it should show a reduction. If you are comparing year-on-year for the revenue from operations in the previous year includes the excise component. Revenue from operations is only in Q1 is where the excise component is included it. Refer point number 2 in the notes. And you will see actually there has been a drop in that number from around 70% percent to 68%.

Farokh Pandole: What is current level of capacity utilization and what is the timeline for this 60 crores CAPEX implementation within which we will then go up to the 20,000 tonnes -21,000 tonnes?

Abhiraj Choksey: That is only in the Valia plant. I think that should be take about 6 months.

Farokh Pandole: And what would be the size of the second leg that we are taking about from next year?

Abhiraj Choksey: We are planning to do a bigger project which includes Nitrile Rubber includes latex as well some of our latex products that we make in Taloja we want to try and make them in Valia as well. It would be somewhere between 150 crores and 200 crores.

Farokh Pandole: What would be the structure of financing that amount?

Abhiraj Choksey: Not yet, but again it depends it will the investment would happen over a period of two years. So, I think a good amount would be from internal accruals.

Farokh Pandole: And is it fair to say that the fourth quarter is typically seasonally is the strongest quarter for your business?

Abhiraj Choksey: We have had yes in the past more often than Q4 has been generally very strong but there has been years where it is not. So, I cannot predict.

Farokh Pandole: And from an operational stand point any sort of one-offs operationally in these numbers or even if not one-offs any sort of line item from which you feel you benefited excessively which may not be the case going forward?

Abhiraj Choksey: Yes, I meant actually I would say one is one as is said the external environment in the last 6 months is being quite bullish for us. So, that certainly helped for 50% of our product range we do not have any domestic manufacturers so most it other domestic manufacturers. So, most of it is imported. So, what we have seen is there was a shortage of these imported material in Q2. In Q3, so therefore the prices went up for especially for Nitrile Rubber all our synthetic rubber products, Nitrile Rubber, high styrene rubber, NBC. Now whether that external environment continues for the next few months I am not sure, so we will have to wait and watch on that. And the second thing that line item that I mentioned was the other income, those are the two things that I think I would not say one-off but certainly standout.

Farokh Pandole: You mentioned the strength in pricing in quarter 2 and quarter 3 but if you look at the natural rubber prices over the last year they have been quite weak and if they sort of come off a fair bit over the last 12 months and so to what extent does the product portfolio from one of synthetic latex and synthetic rubber mirror that trend in natural rubber prices or is it possible that those could move in opposing directions for some time?

Abhiraj Choksey: It is very difficult to say we have try to figure this out but obviously the major component I would say the major driver is oil pricing and if you see oil pricing in the last 6-8 months it has only gone one way. Now you are right, natural rubber prices has been soft and for that reason synthetic rubber price should at some point because those also competing in some application. But what we find more and more is that there many applications especially in Nitrile Rubber that is not really synthetic rubber where which is competing again. So, it is not so much of correlation with Nitrile natural rubber.

Farokh Pandole: It is not so much of a correlation?

Abhiraj Choksey: Not so much. I would say more with oil and petrochemicals than natural rubber.

Farokh Pandole: And I am presuming your dividend policy would remain unchanged for the current year in light of the 60 crores and in light of the further lag of capacity to follow?

Abhiraj Choksey: The board will decide the dividend policy in our next board meeting in April-May next quarter's board meeting in April-May. Generally, as you said we have maintained typically the policy has been as long as the company can afford to they will continue to have the current dividend policy.

Moderator: Thank you. The next question is from the line of Kalpesh Gothi from Veda Investments. Please go ahead.

Kalpesh Gothi: You are reported very good volume growth and value growth. So, can you share the how much growth is coming from the new product?

Abhiraj Choksey: Growth is coming from our current set of products that we have. We have introduced a few new products in the export market but that is not significant compared to the overall 30% growth. 32% growth that is not very significant mostly from the existing products.

Kalpesh Gothi: Is this new product is having a higher margin than the 12%...

Abhiraj Choksey: We hope it will be little higher in the future but yes similar margins.

Kalpesh Gothi: What is your investment and cash in the book?

Abhiraj Choksey: Currently we have got Rs 60 crores to Rs 65 crores in our books which is the market value of investments which includes cash.

Moderator: Thank you. The next question is from the line of Umesh Patel from TCG Asset Management. Please go ahead.

Umesh Patel: Two things sir. As you mentioned in you earlier remark regarding the raw material prices and passing on to end consumers is not a difficult task for you. Just wanted to crosscheck with you if I look at your quarterly numbers as a percentage of sales your raw material cost has come down? So, from where has your EBITDA margin increased from 7% to 11% and now 12.5% that the thing is as oil prices are moving and your key raw materials, which is not available broadly in India and you are importing that particularly Styrene and Butadiene and acrylonitrile which is the major raw material. So, wanted to know how the pricing scenario of this raw materials in the international market is panning out and how do you see it to impact

on your EBITDA margin if in case you will consider it some months' time line to pass it on to end user?

Abhiraj Choksey: Overall as I mentioned earlier that raw material pricing is very hard to predict. What happens with all these three raw materials styrene, butadiene, and ACN, the way we manage the business is we are able to pass along the price increase with some time lag and vice versa when cost come down. So, there could some very good quarters, some may be little less than average but on an average, we are consistently looking at improving our operations and trying to improve overall profit margins.

Umesh Patel: If I look at historical trend of oil and raw material prices like butadiene. When crude oil was around \$80 to \$85, then at that time your EBITDA margin was around 9% to 10%. But from 2015 onwards when the crude oil prices has come down to almost 50% from its peak, then you managed to report better margins. In fact in FY16 you as you mentioned 14% EBITDA margin was there?

Abhiraj Choksey: Yes, I agree. So, certainly but oil prices at that time had gone more than \$100 and then came down to as low as \$30. When oil comes as low as \$30 and it consistently for 3 or 4 quarters constantly come down so that benefitted us.

Umesh Patel: So, as you mentioned that we pass on the increase in raw material prices so have we increased the prices of our products and by how much percentage we have increased in last quarter?

Abhiraj Choksey: We revise it every month and it is our prices change almost on a monthly basis.

Umesh Patel: By how much price Butadiene has increased styrene, Butadiene raw material prices from December 2017 onwards till date in past 2 months?

Abhiraj Choksey: That proprietary information we do not give that out.

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

Amar Mourya: Sir, my first question is on the export, 9-month export is around Rs 60 crores, around 11% of full year topline. So, is that the new products followed by the traction in the existing product line. Can we see this number significantly higher number the next year as well?

Abhiraj Choksey: Actually the first 9 months number it works out to be around 16% to 17% topline. Look we are constantly trying to increase exports and when we have new customers and new products, even this year our total growth has been almost 80%. If your question is do we expect to grow 80% year-on-year for the next few years, I do not think so. I do not think we

can have that kind of growth every year but certainly there will be some quarter where some there will be a step jump as we have seen in this year.

Amar Mourya: So my question is sir, like that in this quarter we have us, this year round about 60 and hopefully by the end of the year probably it would be a 70 crores number. So is it fair to assume that round about by financial year 2019 this number should be at least 100 crores number?

Abhiraj Choksey: We do not give a specific number but we are looking to grow well and aggressively looking to grow on export as well.

Moderator: Thank you. We have the next question from the line of Umesh Patel from TCG Asset Management. Please go ahead.

Umesh Patel: What is your current capacity of Taloja plant and Valia plant as on date?

Abhiraj Choksey: Umesh, it is all available in the investor presentation online.

Moderator: Thank you. We have the next question from the line of Anubhav Sahu from Money Control Research. Please go ahead.

Anubhav Sahu: The mega expansion plan of around 150 cr to 200 cr would be allocated form next year, so what would be capacity addition in terms of tonnage?

Abhiraj Choksey: So, we will probably increase that capacity approximately by 20,000-25,000 mt and may increase latex capacity 20,000-25,000 mt.

Anubhav Sahu: And sir for both the plants we have around a 100% capacity utilization both in Taloja and Valia?

Abhiraj Choksey: Valia plant is almost at 100% capacity utilization and Taloja plant is at 80%-85% capacity utilization level.

Anubhav Sahu: And sir for the raw materials except for styrene most of it if the domestically sourced, right?

Abhiraj Choksey: A lot of raw materials are imported. Styrene, acrylonitrile, VP, monomer is imported.

Anubhav Sahu: Butadiene would be from the Indian sources only.

Abhiraj Choksey: Mostly yes but we do import some amount of butadiene.

Anubhav Sahu: And it is, I think one of your presentation you have mention about a new facility in Gujarat for Butadiene supply where you referring to OPAL as one of these sources.

Abhiraj Choksey: Yes, we started last year and we are buying from them.

Moderator: Thank you. Ladies and gentlemen, that was the last question and I now hand over the conference over to Mr. Abhiraj Choksey for closing comments, thank you and over to you.

Abhiraj Choksey: Thank you all for spending your time and joining us for a Q3 conference call we look forward to meet you again next quarter, thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Apcotex, that concludes this conference. Thank you for joining us and you may now disconnect your lines.