

Transcript

Conference Call of Indo Rama Synthetics (India) Limited

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Presentation Session

Moderator: Good afternoon ladies and gentlemen. I'm Leela, moderator for this conference. Welcome to the conference call of Indo Rama Synthetics hosted by Citigate Dewe Rogerson. At this moment all participants are in listen only mode. Later, we will conduct a question and answer session. At that time if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Jigar Dave of Citigate Dewe Rogerson.

Jigar Dave: Good afternoon Ladies and Gentlemen and thank you for joining us to discuss Indo Rama Synthetics Ltd. results for the quarter ended December 31st, 2006. On the call we have with us Mr. Abhinandan Chatterjee, CFO, Mr. R.S Singhvi, President, Polyester, Mr. G. P. Bhatia, President, Corporate and Mr. Subash Katyal, VP Finance. Before we begin I would like to state that some of the statements made in today's discussions may be forward looking in nature and may involve risks and uncertainties. Now I would like to invite Mr. Abhinandan Chatterjee to take this call forward.

Abhinandan Chatterjee: Thank you Jigar. I trust that all of you have received our results and communication that accompanied them. To quickly recap our net sales for this quarter amounted to 574 crores, EBITDA stood at 46 crores and PAT at 3 crores. Let me take this opportunity to cover some of the key developments during the period under review. Thereafter we will be happy to have an interactive forum where we can discuss questions that you may have more in detail. Total production during the quarter increased by 48% to 98,832 MTs as against the 66,867 MTs same quarter last year. This was largely a result of the commencement of our POY plant that began operating from 1st November 2006. I am happy to report that in our POY plant we have achieved a high degree of stabilization by now, having a capacity utilization in excess of 95%, and the wastages have come down to less than 2.5%. I am also pleased to report that the company has been able to place the entire incremental production of our POY plant in

the market place. Finished goods inventories as of 31st December 2006 were somewhat higher. On a year to year basis at 25,418 MTs, however, we expect this to come down to around 10,000 levels by end March 2007. Our EBITDA for Q3 increased 20.7% to 46 crores primarily due to rise in other income arising out of FOREX gain due to the appreciation of the rupee during the quarter and gain out of the sale of the Mumbai property which has no further use for the company's business. During the quarter the operating profit marginally declined as we were not in a position to pass on the full impact of the input cost increases to the customers. Also on account of commercialization of the new POY unit depreciation and interest costs increased by 12% and 153% respectively compared to the corresponding period last year. As a result, PAT was lower at 3 crores. However cash profit was better at 32.70 crores. Though prices of PTA peaked in September 2006, they declined sharply in October 2006 mainly due to a decrease in paraxylene prices resulting from the reduction of crude prices. The prices of polyester raw materials have remained steady since then and are likely to remain so given the improved supply both in the domestic and in the global market. Further we are hopeful that the inverted duty structure which is adversely affecting the man made fiber industry will be corrected in the forthcoming budget and will be in line with the duty levied on other fibers. We are on track to double the capacity to 6 lakh tons per annum. During the year the POY unit has already been commissioned and commercial production has commenced. The PSF unit is expected to get commissioned by March 2007. Overall, our confidence in the polyester industry sector and its prospects are very positive and the outlook for the business over the long term continues to be strong. This brings me to the end of my presentation and we would now be happy to discuss any specific details or questions that you may have in mind. Thank you.

Question and Answer Session

Moderator:

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 your question has been answered before your turn and you wish to withdraw your request you may do so by pressing # key.

The first question comes from Mr. Amol Rao of Pioneer Intermediaries.

- Amol Rao:** Good afternoon sir. What is the rationale behind the rising of raw materials prices? I understand that production has gone up but as a percentage of sales raw material prices have gone up a bit. Now this in spite of PTA and MEG prices easing up, I am a little confused sir.
- Abhinandan Chatterjee:** If I have understood your question correct that the raw materials consumption as a percentage of sales is high why is it so?
- Amol Rao:** Yes sir.
- Abhinandan Chatterjee:** Ok, let me clarify. In the month of September as I said the PTA and MEG prices were at a very high which showed very sharp decline in the month of October.
- Amol Rao:** All right. But that would imply that for the quarter of October, November and December we would have lower raw material prices. Isn't that correct Sir?
- Abhinandan Chatterjee:** Please give me a minute to complete. As result of this sharp decline between September and October, the inventories that we were holding at end of September, we had an inventory valuation loss which has hit the P&L account during this quarter and this has led to an increase in the percentage of raw material consumption and the percentage of sales.
- Amol Rao:** Okay I understand. Sir, could you please explain what is movement on excise duty on stocks reserve? This is a new item for me - movement of excise duty on stocks is approximately 4 crores in comparison to 8 crores last year. So what is this item? What is the accounting for this?
- Abhinandan Chatterjee:** There is nothing new about it. The Institute of Chartered Accountants of India have issued a guideline, that from now onwards, in fact for the last two quarters, all companies are showing it this way, that impact of movement of excise duty has to be shown separately and we are showing it separately.
- Amol Rao:** All right, thank you so much sir.
- Moderator:** The next question comes from Mr. Chirag of Crisil Research.
- Chirag:** Good afternoon sir. I wanted to know since the last 2, 3 months the PSF and POY prices have remained stable, they have not increased, neither has there been a decrease in the prices. But if you see the results there is a

decline of around 65% in your margins of 9 months ended and in your third quarter ended there has been a decline of 37%. Raw material prices are also falling, PTA prices and all. So why has there been a decline in margins?

Abhinandan Chatterjee: Let me clarify. Along with the fall in the raw material prices our finished goods prices have also sharply come down. They have to come down there has to be a parity. Let me clarify - our margins have come down because right now our total focus and strategy is on increasing the market share. We want to place the entire increased production in the market so at a time when the strategy is to increase the market share the focus has to be there and not on the margin. So we had deliberately sacrificed a little bit on the margin but we want to enhance our market share and we are exactly doing that. We are increasing our market share strategy, we are consolidating our market share and at a point of time when any company increases substantially its production capacity, enhancement and consolidation of market share has to be the prime focus and strategy.

Chirag: Sir, if you see there has been a over capacity in PSF and POY then there have been many players coming in this field, then the margins are expected to decline, then why there has been such an increase in capacity?

R.S. Singhvi: Increase in capacity is a result of many factors in the sense we hold that the future of the textile industry is very bright. If you just go through the information that various institutions in the country like CITI and other institutions they have projected that export of the textile products will go up from present about 20 billion dollars to 50 billion dollars in 2010. So we see great opportunity for the textile sector in the next 4 to 5 years. Keeping this in mind we feel that the additional capacities which we have put up will be easily marketed. The simple example of this can be seen that we have just started our POY plant in the month of November and the entire capacity has already been marketed . We are quite bullish that the PSF and POY will both be in great demand in the times to come.

Chirag: Sir, the budget is about to come, so what your expectations on excise duty and custom duty, will they be reduced and to what extent?

R.S. Singhvi: See, we can only see the news and we can only understand from what are the statements being made from the various quarters, but we feel from the information gathered by us so far from the various institutions and discussions that the polyester duty from present 8% will

come down to 4% and similarly raw material duties will also come down like PTA from 8 to 4 and if you recall the duties in the last mid of the year the finance ministry has reduced the duty from 16% to 12% in MEG and 16% to 8% in PTA. Now I feel that the differentiation will be mitigated and utilized and we feel that in PTA and MEG the duty will come down to 4%. We feel that with this change the demand and the market will grow and this will help the entire textile industry to grow and be able to compete globally, effectively.

Chirag:

Sir, there has been talk that the excise duty will be made in line with cotton yarn, and in cotton yarn there is optional excise duty. You may opt out of the excise duty, but will this be made optional on even polyester because if it is made optional then it will have to be made optional till crude stage otherwise it will result in inverted duty structure.

R.S. Singhvi:

So far as inverted duty structure is concerned the government is also considering certain kind of excise in this regard, although we are not sure of what kind of structure will evolve but that can only be known after the budget is announced. So let us hope for the best, but all indications are there that government is going to do something for this industry to mitigate this hardship of accumulation of duty. Let us hope that the budget is going to help us in this regard.

Chirag:

Sir, what are the expectations on the TUF scheme, will it be extended, what do you expect?

R.S. Singhvi:

TUF scheme although it is coming to end by the end of this financial year, there are all indications that the TUF will be introduced. Some format may change, but it is most likely that TUF is going to come maybe in different format.

Chirag:

Okay, thank you sir.

Moderator:

Next question comes from Mr. Ritesh Poladia from Dolat Capital.

Ritesh Poladia:

Good afternoon sir, I just wanted to know your outlook on PTA and MEG vis-à-vis PSF and POY.

G.P. Bhatia :

In the last six months there have been new PTA and MEG capacities coming up in China and India. So, today the expectation is that PTA and MEG prices will be corrected downwards from the present level. Here we are self-sufficient on the PTA after this IOCL has started their

production. In fact India is surplus in PTA as of now. And this year India might export PTA.

- Ritesh Poladia:** And now what would be your outlook on PSF and POY?
- G.P. Bhatia:** PSF as of now is an excess capacity but as Mr. Singhvi just mentioned there are some corrections in the budget which takes place on excise duty and custom duty on raw materials. And we should be able to you know increase our market share and this extra capacity which we are seeing today may not be there.
- Ritesh Poladia:** Okay. I just wanted to know on you're other income which is about 37 crores of which 12 crores is from sale of Mumbai property.
- Abhinandan Chatterjee:** Yes please.
- Ritesh Poladia:** So 25 crores will belong to?
- Abhinandan Chatterjee:** About 16.5 crores is the foreign exchange income. In previous quarters when we incurred a foreign exchange loss because of the depreciation of the rupee it was shown under other expenditure as a business expense. Now rupee has appreciated during the quarter, so it has been shown as other income as per again accounting standard guideline which is an integral part of the business income - 16.5 crores.
- Ritesh Poladia:** Okay. So 12 is from sale of Mumbai property, 16.5 from FOREX gain, and other would be. ?
- Abhinandan Chatterjee:** Others are interest received 1 crore, sale of scrap 1.5 crores, liabilities written back and other miscellaneous.
- Ritesh Poladia:** Okay. So this 16.5 crores foreign exchange would be for this import of raw material right?
- Abhinandan Chatterjee:** Absolutely.
- Ritesh Poladia:** Okay. Thanks a lot.
- Moderator:** We have a followup question from Mr. Amol Rao of Pioneer Investments.
- Amol Rao:** Sir, good afternoon I think you touched upon cotton, but sir for my own knowledge, this ingredient of BT cotton widely used in India is this with an aim to boost cotton production and how does it affect our PSF and POY outlook sir?

- R.S. Singhvi:** BT cotton is already in a big way in the market. The yield per hectare has increased from a traditional 250-300 kg to 500 kg this year.
- Amol Rao:** All right. So I mean this cotton production that is picking up in our country is meeting the deficit that is being felt abroad, but at home does it dampen the pricing power of polyester players like Indo Rama or Reliance or JBF by any chance?
- R.S. Singhvi:** Polyester has its own issue. The textile sector will grow tremendously in the next 4 to 5 years from the present 50 billion range it is going to go up to 90 billion dollars – that is the estimate. If we believe that this 90 dollars is going to come then polyester will play a major part because cotton has already reached a certain state beyond which it will only grow marginally in the sense that we have already utilized 91 million hectare and with the present import of the grains in the country the area is not going to grow, the growth will only come by additional yield. So we can estimate that cotton will grow at a reasonable level every year but the significant growth which is going to come will come from the support of the polyester products. So we are quite bullish that in the times to come the additional capacities which we have put up will be marketed without much of a problem. Secondly with the government support gradually coming in and the duty structure is I mean the level playing field is given by the government, I am sure this sector will also help tremendously in marketing the additional capacity.
- Amol Rao:** Sir one question on production figures. Our yarn production figures of the company are around 10,800 in this quarter and around 15,500 last year. Why is there a slight drop in our yarn production?
- Abhinandan Chatterjee:** In this yarn figure the last year merchant export sales has also been included. This year we are not doing any merchant export, so obviously...
- Amol Rao:** Okay I got it. Sir, I just wanted to clarify what is our captive usage of POY in this quarter, if possible?
- Abhinandan Chatterjee:** We use, in quantum, month by month for POY because we have got a fixed limited capacity for converting it to DTY. So we normally use 3200-3300 tons every month. If you are talking of this POY captive consumption, during the first nine months it was 227,808 tons.

- Amol Rao:** All right sir. So in this quarter it will be approximately some thing like 9000 and approximately 3000 tons per month is it?
- Abhinandan Chatterjee:** Yeah, yeah, you are right.
- Amol Rao:** Thank you very much sir.
- Moderator:** Next question comes from Mr. Rajesh Shah of Klass Investment.
- Rajesh Shah:** Sir, I just wanted to know the total amount of debt that will be there after commissioning of the PSF facility.
- Subhash Katyal:** As on 31st March?
- Rajesh Shah:** Yeah 31st March 2007.
- Subhash Katyal:** 814 crores.
- Rajesh Shah:** It will be 814 crores? What will be the interest and depreciation on full commissioning?
- Subhash Katyal:** This 814 crores includes the project loans for this recent expansion which we have completed, which is almost to the extent of 630 crores.
- Rajesh Shah:** Okay, and what would be the interest and depreciation on full commissioning?
- Subhash Katyal:** It will be a total of 116 crores with the depreciation for the year.
- Rajesh Shah:** Depreciation is 116 crores?
- Subhash Katyal:** Yes.
- Rajesh Shah:** On full commissioning that is on all the facility?
- Subhash Katyal:** One phase we have already commissioned from 1st of November, the other one is slated to be commissioned in February.
- Rajesh Shah:** I am just saying for a full year what will be the depreciation charge on full commissioning?
- Subhash Katyal:** 07-08 it will be a close to 139 crores.
- Rajesh Shah:** 139 crores depreciation and interest sir?

- Subhash Katyal:** This year it will be higher the reason being the project loans which have been taken, as I told you 635 crores.
- Rajesh Shah:** Right.
- Subhash Katyal:** Their interest charge is coming in this quarter partially and in the next quarter fully.
- Rajesh Shah:** Yeah.
- Subhash Katyal:** So it will be close to about...Are you asking only the long term loans or ?
- Rajesh Shah:** Yeah every thing total interest cost, which will come in your results.
- Subhash Katyal:** It will be close to around 52 or 53 crores.
- Rajesh Shah:** 52 or 53 crores will be for a quarter or for a year?
- Subhash Katyal:** For a year.
- Rajesh Shah:** Okay, so for the March quarter how much do you expect the interest to be?
- Subhash Katyal:** March quarter is expected about 16 crores.
- Rajesh Shah:** Okay, 16 crores. Now your margins in the December 2006 quarter were down. If I assume the same delta or same contribution margin per kg which was there in the December quarter and your increased depreciation and interest, if that scenario were going to take place would you report a loss for the March quarter?
- Subhash Katyal:** When Mr. Chatterjee was trying to explain the real reason for the drop in margin...
- Abhinandan Chatterjee:** In the December quarter I explained that in the month of October we suffered an inventory evaluation loss because crude paraxylene, Naptha, PTA, MEG prices crashed drastically. That factor is no more there in this quarter. It will not be there in the P&L account.
- Subhash Katyal:** Capacities are never built for the present; they are always built for the future. The management had the option where to keep the stock or to increase the market share. The choice which the management adopted was that we should enhance the market share because once we have established our shares in the market then we can easily quicken the margins in times to come. There will be a

sacrifice, no one can predict what will be the P&L in the quarter precisely but the margins will remain under pressure for this quarter also.

Rajesh Shah: For the March quarter also? And your stock you said you will bring it down to 10,000 metric tons by March 2007, but still that will be double over what existed in March 2006.

Abhinandan Chatterjee: In March 2006, 5000 tons that is the no more a sustainable option at this point of time. Even if it is of 10,000 tons level we shall be operating on 3, 4 days stock which is not a very advisable course of action but that is the barest minimum that we need.

Rajesh Shah: Okay sir, thanks a lot.

Moderator: Next question comes from Ms. Neha Bubna of UTI Securities.

Neha Bubna: Hello. Sir I wanted to know that since raw material has fallen drastically in previous quarter are you seeing any pressure on realization going forward?

Abhinandan Chatterjee: Pressure on realization?

Neha Bubna: Yeah because I assume that you will have to pass it on to your customers.

Abhinandan Chatterjee: You see when raw material prices go up we do not pass on the entire impact to the customers. So when it comes down we need not pass on the entire impact to the customer. That choice totally lies with us.

Neha Bubna: So, approximately what percentage would be passed on?

G.P. Bhatia : So far, everything has been passed on.

Neha Bubna: Okay. Thank you.

Moderator: Next question comes from Mr. Shiv Diwan of HDFC AMC.

Shiv Dawan: Hello. Sir just wanted to check with you the operating cost and the staff cost for this quarter. In spite of the commissioning of the POY capacity, these costs are largely flat on a quarter on quarter basis. So should we assume that the present operating cost will hold true for the expanded capacity as well or do you think that will go up in the next quarter?

Abhinandan Chatterjee: Actually cost wise our motive and objective is to always remain very lean and mean. So staff cost there will not be

any appreciable increase. This year, we entered into a long term agreement with the workers union. The impact of that entire increase is there and we had an actual real valuation done of all the retirement benefits in terms of accounted standard 15 which was issued by the institute and in this quarter the entire impact has been absorbed. But still the staff cost is barely 2% of the total sale. Now sales value will drastically go up in times to come, but staff cost will not, so there is absolutely no cause for concern as far as staff cost is concerned.

Shiv Dawan:

Sir, as far as the other operating costs are concerned, whatever is shown as other expenditure in the quarterly result?

Abhinandan Chatterjee:

Yes in the other expenditure the major chunk is power and fuel. Out of 202 crores for the nine months 100 crores alone is power and fuel. And this cost went up sharply again due to the increase in furnace oil cost. Now furnace oil cost has already started coming down, so power and fuel cost will not go up that much more, it can only come down. So even as far as the other expenses are concerned I do not think there is any cause of concern.

Subhash Katyal:

If you see the correlation between the turnover and the percentage, in absolute terms it might increase but in percentage terms it is likely to go down drastically and that is where from this the sale will come in the future. The number of employees meant for our existing plant and for the new plant will be far less because the people will be managing at the same location. In percentage terms it is likely to come down, even in this quarter if you see 8.47 to 446 it give you a percentage of just, in this quarter it is 1.8%. It has come down from 2.1% to 1.8%.

Shiv Dawan:

Okay. Sir just wanted to clarify again on the power plant we have not yet seen the benefits of our own 40 megawatts getting commissioned.

Abhinandan Chatterjee:

The first unit of the power plant started production in the last week of December. It is still in the stabilization state, so during the quarter we have not seen any impact, by this quarter there will be some stabilization on that front.

Shiv Dawan:

So that should lead into a further reduction in cost.

Abhinandan Chatterjee:

As I said as far as power cost are concerned, since furnace oil cost is coming down, we shall certainly see an improvement on the power front.

Shiv Dawan:

Okay sir, thank you.

- Moderator:** Next question comes from Mr. S. S. Ramesh of ICCI securities.
- S. Ramesh:** Good afternoon, first on the power cost, I mean there are a lot of efforts by companies manufacturing to substitute fuel oil and Naptha with natural gas, so are you gentlemen envisaging something on those lines?
- Abhinandan Chatterjee:** No gas is not available in Nagpur, Butibori area. So we cannot have a gas plant. It is out of the question. We are having 2 x 15 megawatts thermal coal based plant. That is for captive use.
- S. Ramesh:** Okay so you are saying based on the coal based power plant you will be able to achieve sale compared to the present use of fuel oil?
- Subhash Katyal:** Yes.
- S. Ramesh:** Okay on the market what is the growth and demand for PSF and POY as seen in the third quarter and where do you see that going forward.
- G.P. Bhatia :** Average growth is about 6%.
- S. Ramesh:** This is for both PSF and POY?
- G.P. Bhatia :** But if the excise duties are corrected demand will grow up much faster.
- S. Ramesh:** So how much do you think this demand growth will accelerate if the excise duties are cut in this budget?
- G.P. Bhatia :** 4 to 12% minimum.
- S. Ramesh:** Okay, so you are saying from 6% growth in the third quarter it will go to 10% from first quarter next year.
- G.P. Bhatia :** With correction in both excise as well as custom duty.
- S. Ramesh:** Yeah. Okay and secondly in terms of the excess capacity in the region, China has had a significant excess capacity. So what is the sense you get in terms of the current capacity utilization in China and say first polyester and then in the intermediates (PTA and Paraxylene).
- G.P. Bhatia :** See in China, the operating rates are in the average of about 65%.
- S. Ramesh:** In polyester?

- G.P. Bhatia :** See in India it is 80% plus.
- S. Ramesh:** And how about the operating rates in the region on PTA and Paraxylene?
- G.P. Bhatia :** India?
- S. Ramesh:** In Asia.
- G.P. Bhatia :** Oh in Asia you know the operating rates are quite high because as of now there is a good demand for PTA and MEG. And the operating rates are about 90% in PTA and MEG.
- S. Ramesh:** But what is the increase in capacities you see in Paraxylene and PTA say in the next one year in the region.
- G.P. Bhatia :** Next one year I think 3 to 4 million ton of PTA capacity will increase.
- S. Ramesh:** But how about the Paraxylene because that is where the shortage seems to be.
- G.P. Bhatia :** Paraxylene you know there is a difference because refineries people do not know. We feel that sufficient Paraxylene should be available also.
- S. Ramesh:** Okay and how is the IOC PTA plant doing are they operating at full capacity, what is the current supply from IOC now?
- G.P. Bhatia :** As of now they are currently producing about 12 to 1300 tons per day.
- S. Ramesh:** Sir going back to the expected growth rate of 10% now between you and Reliance I think we have doubling capacity. They are adding 5, 5-1/2 lakhs you are adding 6 lakhs that is about a million, that's about 100% increase in the capacity. So even if your industry growth is at 10% there will be some excess capacity in the domestic market, so do you think you can export that surplus without causing much damage to the polyester realizations of margins in the next two - three years.
- G.P. Bhatia :** Yes we have you know and it is 300,000 tons not 600,000 tons.
- S. Ramesh:** So your ultimate objective is to add total of 600,000 tons. I am taking both PSF and POY put together.

- G.P. Bhatia :** PSF POY will be increasing only 300,000 tons.
- S. Ramesh:** Only 300,000 tons.
- Subhash Katyal:** See we are doubling our production from 3 lakhs tons to 6 lakhs tons. And this is not doubling the production, Reliance is I think only 4.73 lakh tons.
- G.P. Bhatia :** And as of now because the duties are still not in place rationally both Reliance and Indo Rama are exporting material. And as soon as the duty correction takes place the export will go down and domestic consumption will rise.
- S. Ramesh:** If you look at your capacity addition of 3 lakhs and Reliance of 4 lakhs it is about 7 lakhs ton and what is the current size of the market now?
- G.P. Bhatia :** It is about 2.7 million tons.
- S. Ramesh:** So this is just about 25% of that or 30% roughly. So if the industry grows at 10% will it be able to absorb the entire increase in capacity?
- Abhinandan Chatterjee:** The price of the market is dependent on many factors, the current imbalance in the duty structure it artificially limiting the size of the market. Once that is removed the market size will go drastically, right now there is a real estate boom, there is a housing boom, so home furnishing segment is expected to go up very rapidly and there is an automobile boom, automobile boom again tends to boost up the polyester sales, and there are lot of things are happening in the economy, so we need to take a holistic economic view and not a very tunnel vision view of the current market size which had historically been limited because of the irrational duty structure.
- S. Ramesh:** Ok, thank you very much.
- Moderator:** Next question comes from Mr. Jigar Valia of Parag Parikh Finance.
- Jigar Valia:** Hello, Good afternoon. Sir, my question, first an elementary one - if you can given me product wise sales breakup in value terms?
- Abhinandan Chatterjee:** For the quarter?
- Jigar Valia:** Yes sir.

Abhinandan Chatterjee: PSF sales at 208 crores, POY is 192 crores, FDY 37.5 crores, yarn 85 crores, chips is 49.5 crores that is the broad breakup.

Jigar Valia: Next question is on the merger with the power company, can you let us know the status on that?

Abhinandan Chatterjee: We are making an overall study of restructuring the power business, optimizing tax cost, so till the study is completed we are not taking any call on the merger. Once the study is completed we have appointed an external agency to make the study and submit their reports to us, but till the study is complete we are not taking any decision on the matter.

Jigar Valia: Sir, one thing I would like to understand is you said in September raw material prices were very high. In October you booked FOREX loss on account of that so just hypothetically if I take an example, you have your raw material pricing around 52 rupees and you booked it at 50 rupees and eventually rate came down to 48 rupees and so that is 2 rupees loss you have booked in October?

Abhinandan Chatterjee: I did not follow your question, can you please repeat?

Jigar Valia: Sir, you said on the FOREX part in October you had a loss despite the raw material cost.

Abhinandan Chatterjee: Forex in Q1 and Q2 we had losses, in Q3 we recovered and we recovered considerably, because the rupee appreciated substantially. In April rupee was 44.63 against the dollar, it rose to 45.96 in June, September it was 45.93, almost 46 rupees, in December it ended up 44.27, so just see the fluctuation in the rupee, and it is taking a toll on the P&L account.

Jigar Valia: So what ever loss you have booked in October has got entirely in to the FOREX account and your 16 crores profit is the net of the loss you did in October or has the loss actually gone into the raw material account and increased the RM cost,

Abhinandan Chatterjee: The FOREX loss goes to a FOREX account and it has got nothing to do with the raw material account.

Jigar Valia: Sir, another question, if you give the average cost PTA and MEG for the quarter?

Abhinandan Chatterjee: Raw material prices for PTA was 41.61 during Q3, MEG was 43.40, the preceding quarter Q2, PTA was 52.87, and MEG was 45.77.

- Jigar Valia:** These prices are after excise...?
- Abhinandan Chatterjee:** Net.
- Jigar Valia:** Sir, can you tell what exactly which of the product is exported?
- Abhinandan Chatterjee:** We export the POY, DTY.
- Jigar Valia:** Sir, can you give us prices for domestic as well as exports for this particular product?
- Abhinandan Chatterjee:** Which products?
- Jigar Valia:** POY and DTY.
- Abhinandan Chatterjee:** Are you taking of realization per ton?
- Jigar Valia:** Yeah, realization.
- Abhinandan Chatterjee:** Realization per tone during the quarter of PSF has been 67,100
- Jigar Valia:** Sir, basically I was looking for the breakup, difference in realization between export market and domestic market.
- Abhinandan Chatterjee:** It is almost same.
- Jigar Valia:** Thank you
- Moderator:** There are no further questions. Now I hand over the floor to Mr. Abhinandan Chatterjee, CFO of Indo Rama Synthetics for closing comments.
- Abhinandan Chatterjee:** Thank you ladies and gentlemen for participating in this conference call. I would like to thank all concerned for the interactive session that we had and the interest that you showed in our results. Thank you very much.
- Moderator:** Ladies and gentlemen this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.
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