KPR Mill Limited
Q1 FY19 Financial Results Conference Call"
July 31, 2018

Moderator: Ladies and Gentlemen, welcome to Q1 FY19 Financial Performance Conference Call of KPR Mill Limited, hosted by Batlivala and Karani Securities India Private Limited. We will start the call with all participants lines in listen only mode. There will be an opportunity to ask questions after the management comments concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touch tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Prerna Jhunjhunwala. Thank you and over to you Madam

Prerna Jhunjhunwala: Thank you Latika. Good evening everyone. On behalf of B&KSecurities, I would like to welcome you all to the Q1 FY19 results conference call of KPR Mill Limited. From the company we have with us the senior management including Mr. P Nataraj – MD, Mr. Murugappan – CFO and Mr.Kandaswamy– CS. I would now like to hand over the call to the management for their initial comments. Thank you and over to you sir.

Management: Thank you Prerna. Good evening and welcome you all to the KPR Mill, Q1 earnings call. With me Mr. Murugappan – CFO and Mr. Kandaswamy – CS, is also here. And I am happy to inform you that the Q1 performance irrespective of the cotton prices and volatility in the Yarn Market, the company is able to perform better, compared to previous years, in the yarn segment. And a systematic ramp up of our new garment facility and processing facility started contributing to the revenue progressively. Particularly the garment order position is encouraging, consistent support from the existing buyers as well as market potential from untapped areas are throwing more opportunity for the garment segment. In order to enter new avenues and to avail competing benefits such as duty-free access to export of garments to major countries like USA and European region, KPR is establishing a new garment unit at Ethiopia, which has tremendous scope for garment business. About Ethiopia, one of the fastest growing economies, has a large potential for garment manufacturing. There are tremendous opportunities in Ethiopia as land, labor and energy costs are relatively low compared to other countries, particularly India. KPR, with its strategic planning and dynamic execution abilities is hopeful of making its global foot print to elevate its performance capabilities. The company is also preparing a road map to enter into retail segments with a vision to introduce premium innerwear for men. As and when the plan is finalized, we shall share with you the further details. With this we keep the floor open for the questions and mean time the CFO and CS are also here to respond to your questions.

Moderator: Certainly sir, Ladies and gentlemen, we will now begin the question and answer session. Participants using speaker phones are requested to use the handsets when asking questions. To enter the question and answer queue please press * and 1 on your phone now**.**

We have our first question from the line of HR Gala, Finvest advisors, please go ahead.

H R Gala: Hello, Congratulations Mr. Nataraj. Q1 we have seen really good volume growth, price growth, value growth etc. SO, as you said in your initial comments, that despite the cotton price increase and the yarn market volatility, can you briefly tell us what are the strategies going ahead. Because I think this volatility is going to remain. How are we going to progress as the quarters pass by?

Management: Yes, see, some 6 years before that is 2011-12, the cotton prices started fluctuating at very high levels. And irrespective of the season or off-season. This is mainly due to globalization and the international player; commodity traders also involve in that. So, because of that we generally keep stock 6 to 7 months previously and we have cut down to 2 months stock now. The global scenario on cotton is changing slowly. China in last 3 years didn't buy much to keep their reserve.

They have reduced a lot on their reserve in the last 2-3 years, and in this year, they started to buy to build up their reserve. And similarly, first time in the last 5 years, the international cotton prices were ruling high, compared to the Indian cotton. So, these are all the cotton economical changes in the last 1 year. We are very closely monitoring and we are very keen to follow these things as to when to buy the cotton and how much to keep stock. See the last 5 to 6 years, we have been keeping stock for only 2 months. And this year, we are able to see the trend where the cotton price will move up. So, we have increased our stock limit to certain extent, based on all these things, so that we are able to buy and keep some extra months stock even as on today. At any day, even within a week there is lot of a high and low in price changes. With all these things we are strategically plan and also on day to day basis we are keen to procure and keep stock. So, this is how things have happened, again continuously monitor the market and now it's off season and the price is high and we expect that may be in the new season there is a chance of prices to come down little bit. So till the new season we have the stock.

H R Gala: So, currently the ruling price is around 47000 per candy.

Management: It is actually spot price. Today it is Rs. 48500, Shankar6 Cotton and mill landing cost its 50,000.

H R Gala: It's extra-long or long?

Management: No, it is medium staple. We use only medium staple.

H R Gala: Yarn and fabric contributes substantially. Last year it contributed, 1550 crore to our total revenue. So, what kind of new strategy you will have because you have mentioned in your presentation that value added yarn etc., this is what we are aiming at.

Management: Sir, what we are doing is, we are upgrading our entire yarn facility. Now the entire facility is compact yarn and we are adding more varieties of yarn into the segment to get additional revenue on that. It's actually paying off now. Now the market is highly looking at the quality yarn and the different yarns like Mélange, color Mélange, Polyester blend yarn, slub yarn and all.

H R Gala: As a result of which do you expect the revenue to go up from the current level?

Management: Yes, it is expected to go up.

H R Gala: I mean what I meant to say is the price?

Management: Price wise it will improve. We have around 360,000 spindles. Now we have converted into high quality yarn that is the premium quality yarn. We converted around 40,000 spindles. And it is a little bit slow process, because we have to find a new market. If we want we can change by installing some of the equipment in the machine we can immediately produce. You know all over India lot of markets are there. But for the special yarn, we have to find the market. So, it's a slow growth. But already we have increased to 40000 spindles. This year, from 30000 to 40000 we have increased. Slowly we are increasing this. That will have an impact on both the top line and the bottom line.

H R Gala: and I think your internal consumption also will increase as your garment output also increases.

Management: Yes you are right.

H R Gala: Do we export yarn, or it is mainly sold in the Indian market?

Management: The Yarn sold in the domestic market, is almost 80% and 20% export.

R Gala: Okay. Briefly can you tell us how we are strategizing our garment business? In terms of the product line, that new countries you said, the untapped markets you want to explore etc.?

Management: See our major market now is Europe. Now we are looking for the American market as our capacities are going on expanding. We have already some 2 to 3 US customer. We are also looking for Japan and even other markets. The import duty in Europe and US is based on the product. So, it ranges from 10% to 28%. Some products the import duty is up to 28% in US. So, we have to select the product and select the country, based on that we will make our planning. That is what I meant.

H R Gala: Okay**.**

Moderator: We have our next question from the line of Mr. Abhijeet Dey, from BNP Paribas Mutual fund.

Abhijeet Dey: Good evening sir, can you just break up yarn and fabric sales volumes and sales revenue sir?

Management: Yes. Yarn is 18880 tons. Fabric is 1651 tons. Yarn is 401 crore and fabric are 38 crore.

Abhijeet Dey: So clearly you have sold more yarn compared to the trend that we saw in Q4. The exports markets have done well right?

Management: Yes, yarn market has done well in the first quarter.

Abhijeet Dey: Going ahead, how has been the power and fuel cost trend. Of course, this is a wind generating season per se. But on a Y-o-Y basis, how was the move?

Management: At the current rate, the cost is little higher, because wind season started little late. Now the generation is very good. We expect the generation to match with the earlier year generation.

Abhijeet Dey: Okay right. And sir, what would be the cotton inventory now sir?

Management: Cotton inventory up to next season till October we have.

Abhijeet Dey: Lastly sir, what would be the net debt number?

Management: Yeah, net debt is 650 crore.

Abhijeet Dey: If you could add the sugar division performance sir. Last quarter it was actually a surprise for us for you to post a positive EBIT. This time around its negative, while in one would have expected that you would have returned back from inventory loss of last quarter. Can you explain that.

Management: Sure. The first quarter, sugar prices were fluctuating very heavily. We have sold the stock during the first quarter.

Abhijeet Dey: Were power sales a factor here?

Management: Yes, small portion of the power. We have generated during the first quarter and we sold it.

Moderator: Thank you. We have our next question from the line of Mr. Sunil Kothari, from Unique Investment Consultancy, please go-ahead sir.

Sunil Kothari: Sir my question is, we are entering the retail segment mainly men innerwear. Which is very competitive and very dominant players are making it very difficult for new entrants. Will it be that our strategy will be that we will go ahead with our own effort, or we want to tie-up with some global, may be some good name or what will be our strategy? Little bit if you can talk about whether it's an online or offline, how we want to move ahead?

Management: See, now only we're preparing all these initial strategies. We are presently planning to go for our own new brand and also the company is open to have tie-up or some licensing. Anything we get through also we will be okay for that. Another thing about it is that, we have thoroughly studied the market and for the inner wear, the market is around 10,000 crore now, and the next 5 to 6 years, you know it will grow at the rate of around 15% so it will reach to around 20,000 crore. So, there is tremendous potential, and KPR is having the confidence that, in any market we can penetrate, and we can compete with quality and service and we have the production facilities and all very strong, quality network and all these things. This is great opportunity for KPR. So, we can penetrate in this market and there is potential in this market and I feel this is the right time to enter the market and as we have explained in the last call itself we are going for asset-light model. Not investing huge money on this. Like MBO mode only we are going. So, where the investment is very less, our focus is through heavy marketing mainly. We have the production capacity, facility and quality with respect to the fabric of our own. Lot of other premium high end manufacturers are buying the fabric and yarn from KPR.

Sunil Kothari: Next question is, sir we have first quarter garment has substantially jumped from last year's Rs.120 or Rs.130 to Rs. 139. During last conference call I think we said that we want to increase our realization of high value products, maybe 10% to 12%. So is this a trend we should understand that now onwards we will be getting better realization per piece.

Management: Compared to the previous year trend, the realization has improved from Rs.130 to Rs.139 per garment, we hope that we will continue to do this at the coming period also.

Sunil Kothari: And any scope to further increase or this is the average realization that we should accept for this year. Rs.139 - Rs. 140.

Management: In addition to that, there is some technical point I want to make it clear. Generally, like garment manufacturing where we have the capacity. Capacity is for example, 1000 machines, and for 1000 machines, say X number of garments and you know it depends on the style of the garment and the number of stitching and based on the number of cuts and designs. For example it's a very basic T- Shirt, the price will be low, but you know, the production will be X + Y. And if the style is very tough, having extra printing stitching extra pocket, like some extra stitching and all these things, so the piece of production will be X-Y. So there the price will be high. When the per garment price goes up very steeply then the production will come down and when the realization per garment is less then production will go up. But ultimately you have to multiply both to get the end result.

Sunil Kothari: Last quarter conference call, we said that there is a state subsidy of last year's 12 crore roughly of the Q3 and every quarter are we supposed to save roughly 4 crore. What is the status of that subsidy.

Management: We are waiting for the state government's announcement for the extent of subsidy both central and state. We are waiting for the approval. Maybe we are expecting it during August or September this year. They have constituted a committee to evaluate and finalize the rates of subsidy for the existing mills.

Sunil Kothari: So, we are hopeful to get this during this year right.

Management: Yes**.**

Sunil Kothari: 2 more strategic questions I want to understand is. See Ethiopia seems to be very competitive in terms of production, cost, everything and in terms of duty from exporting from Ethiopia to Europe is also very lucrative? Can this become a challenge for Indian Garment industry over a long term that Indian production base, that lot of people will shift to Ethiopia? How do you see this situation?

Management: See, for everything there is a challenge. Even manufacturing and having a garment factory here in India itself is a challenge, you know, regarding labor and managing and all these things and definitely when we move to other countries, So far in the last 3 to 4 months we have visited 3 to 4 times, the government and embassy. Of course, there is very good opportunity. But it is not easy that everybody just can go and start their factory there. So definitely it is will take time, at least for next 10 years for some other countries like China to come and compete there.

Sunil Kothari: And my last question is we mentioned something on change in shipping rules in Annual report which will help us in transportation cost from Gujarat to Tamil Nadu of the cotton. Can you elaborate on what type of cost benefits we are thinking because of these changing rules?

Management: Actually sir, earlier only Indian vessels were allowed to transport the cotton from Gujarat to TN. Now government has allowed the international vessels to carry the cotton from Gujarat to TN Tuticorin port. It will help the TN mills because most of the ships going to Gujarat are coming empty to Tuticorin for further loads, so these vessels will bring the cotton at competitive price.

Sunil Kothari: Sir will it substantially benefit our transportation cost?

Management: Yes it will.

Sunil Kothari: Oh very good. Thank you very much

Moderator: Thank you. The next question is from the line of Mr. Mahantesh Marilinga, from Finquest Securities, please go-ahead sir

Mahantesh Marilinga: Sir what is the latest present trend in cotton yarn, and what was it during the June quarter?

Management: Currently in the cotton yarn, the last quarter the average is about Rs.212 per kg, the average realization. Now presently the price realization is about Rs.225.

Mahantesh Marilinga: and what is your outlook sir, going ahead?

Management: Basically to be stable for the quarter.

Mahantesh Marilinga: What is your view on the cotton? Will it impact a little bit for you on the RM front or you will be able to pass through?

Management: Yeah, When cotton price goes up, yarn price also moves the same way. But there is a gap of 15 to 20 days.

Mahantesh Marilinga: Off late I think the last 1.5 to 2 months I think the cotton price slightly corrected right?

Management: No. Cotton prices are not corrected. For example, the cotton price is Rs.40000 it goes to Rs.42000, then it comes down by Rs.500 to Rs.41,500. It goes again to 43000 and 44000 and then again it comes down by Rs. 500. it was Rs. 49000 last week and it had come down to Rs. 48500.

Mahantesh Marilinga: Sir, any hope of cotton yarn price going up further.

Management: In present situation, already what we see is because the government has also announced MSP, which is around Rs. 42000 to Rs. 43000 and the cotton price is now much higher than the MSP price. So, I don't think, till the next season there is chance of going up.

Mahantesh Marilinga: Next season means is it next year or?

Management: By November. Once season comes there is a chance of coming down a little bit.

Mahantesh Marilinga: Then in the latest quarter there was some impact of some margin contraction, was it mainly because of the cotton price itself or anything else?

Management: Can you come again?

Mahantesh Marilinga: The latest June quarter there was some margin contraction here Y-o-Y. was it mainly because of the cotton price increase? Or other than that anything else?

Management: The cotton price increase only.

Mahantesh Marilinga: Coming to the other income, there was a decline in the other income. What is the reason for that sir?

Management: Actually sir, our company is eligible for state subsidy for new investment in that particular area. After introduction of the GST, the government is yet to come out with a clear policy. That is why we have not provided that in our books. We are waiting for that policy.

Mahantesh Marilinga: That was the reason for the change in the other income. Subsidy is not there.

Management: Subsidy was there but we have not provided in the books.

Mahantesh Marilinga: Okay, that way! Sir your investment in Ethiopia, just mention the quantum and also the time line when you will be investing it!?

Management: We will be investing in 4-months time. The expected investment is around Rs. 25 crore.

Mahantesh Marilinga: Okay, it will be a garment unit or?

Management: Yes, it will be a garment manufacturing unit.

Mahantesh Marilinga: Okay sir. And as far as the cost of manufacturing how much cheaper will it be from India.

Management: I see about 10% cheaper than India overall.

Moderator: Sir we lost the line of Mr. Mahantesh Marilinga. We will connect him back. Shall we move on to next question?

Management: Yes please.

Moderator: We have our next question from Mr. Naushad Chaudhary, from Systematix Shares, please go ahead.

Naushad Chaudhary: So, in the retail business, the garment we will be making in house, right? We are not going to outsource it right?

Management: Yes.

Naushad Chaudhary: So how much capacity from the existing 95 million do you think would be allocated to this retail business. How much capacity would be disturbed from the existing 95 million.

Management: Sir, actually it is much early to comment on this because we have enough capacity. We are in the initial stage once everything is sorted and started the launching, we may know it. Depends on the demand. Based on the demand we can use one or 2 lines sir. So, with existing facility it is not an issue. But once we start issuing then we can add some more machinery and existing facility, or we can go for further expansion on this. So, immediately there is no issue on this aspect. So once we launch and go into the market, how they market reacts and demand based on that we have to plan the facility. Otherwise now if we invest on this we have to keep the plant idle. So, we have to strategically plan all these aspects.

Naushad Chaudhary: Okay. And how do you see growth post FY19, as I see your garment capacity which is at optimal utilization now, which is running at 80% to 85% if I am not wrong, and we don't have any expansion plan in India in next couple of years. So how do you see this?

Management: Apart from this, retail and the Ethiopia expansion, based on the performances we will decide the further expansions, during this year.

Naushad Chaudhary: So, if everything goes well in Ethiopia, how much time will it take to add up a substantial sizable capacity?

Management: it will take about 5 to 6 months in time.

Naushad Chaudhary: Okay. And is there any import duty in Ethiopia on yarn if we send it from India?

Management: It's a duty-free import sir.

Moderator: Thank you. The next question is from the line of Mahantesh Marilinga back with us. Please go ahead.

Mahantesh Marilinga: Sorry sir I think the call got disconnected. I just missed the question. I just wanted to know the etc. costing of manufacturing in India vs. Ethiopia. What is the differential you will get in terms of duty benefits, including everything I mean?

Management: Over all we are expecting a 10% benefit.

Mahantesh Marilinga: Including the tax benefit and including duty, right?

Management: Yes.

Mahantesh Marilinga: How is the manpower, is it skilled enough compared to Indian man power?

Management: Need to train them their sir. But hope that we can do that.

Moderator: Thank you. The next question is from the line of Mr. Shivam from Alpha Alternatives. Please go-ahead sir.

Shivam: Can you just help me understand the fabric volume in terms of meters.

Management: Sir, we are manufacturing knitted fabric. It is in Kilos.

Shivam: Oh, okay.

Management: The Production is about 3588 tons.

Shivam: Okay, and what would be your yarn EBITDA margin for the quarter.

Management: EBITDA is about 18.1% in the yarn and fabric combined.

Moderator: Thank you. We have our next question from the line of Ms. Supriya Madye from East India Securities Limited, please go ahead.

Supriya Madye: I have a query with regarding the production. We have seen the yarn production is 85% to 90% capacity utilization. How are we going to expand the capacity over there?

Management: See, in yarn capacity we have reasonably good size of having 360,000 spindles and that is why we see that in the last 5 years we're planning to expand in the value addition curve. That's why in the last 4 to 5 years, we are expanding continuously in the garment, fabrics and the processing which is also supporting for the garments. So, where we can convert the value of the 1 kilo suppose the yarn is around Rs. 200, the value addition can rise to Rs. 600 by converting it to the garment. So that's why we are concentrating on expansion of garments. And as on today we are converting our 25% of the yarn into fabric and 50% fabric captively consumed and the balance 50% we are selling in the market. So, we are still looking into expanding the value additions only. We continue to focus on the garment side. Value added product.

Supriya Madye: So there is actually, have a little confusion, when you have these spindles and convert them into the tons capacity, your capacity comes to around 90,000, and that is utilized to around 85% to 86% which again you use for your fabric production. So, even to support the fabric needed, how that capacity is going to be ramped up. I mean how that capacity is to be used.

Management: Presently we have a yarn manufacturing capacity of about 90,000 out of which we are converting about 22,000 tons to fabric and 50% of the fabric is used in-house and 50% of the fabric is sold outside as fabric. We are looking at increasing the value-added products you know. The captive consumption, we want to increase. Both fabric and garment capacities we want to increase. And we want to produce more value-added product.

Supriya Madye: Sir can you just give me the break up for the Sales quantity which you have given as combined 20531, can you please break it up into yarn and fabric please.

Management: Yarn sales are 18,880 tons and Fabric is 1651 tons.

Supriya Madye: Okay and the fabrics realization sir?

Management: Rs.230 per kg.

Supriya Madye: Sir, can you also take me to the cotton prices which we had booked for the Q1, I might have got disconnected if you have already explained this.

Management: The last quarter cotton price is Rs. 123 per kilo.

Supriya Madye: And for the reported quarter?

Management: Okay, current quarters expected to be in this same level. Last quarter is Rs. 123 and the present quarter also expected around this level because we already covered the cotton.

Supriya Madye: See if you are explaining about your garment facility which you are looking at the most opportunistic plant location that is Ethiopia, where you said the cost would be around 23 crore to start the factory because of the land and building availability which is helping you save this cost. If the same capacity needs to be expanded in the India, what would be the cost for you sir. Just wanted to compare it.

Management: It would be around 90 crore when we establish the same facility in India.

Supriya Madye: Does that mean that going forward when we meet the more capacity coming from the garment facility as our garment sales is improving and the captive consumption to your retail is also is improving and probably the export will also increase with these Ethiopia plants coming up. Would it be right to expand the capacity over there, rather than coming back to India?

Management: First time we are stepping into investment outside India, and, we have to get experience and how the productivity and labor and all these things of course the duty-free import and labor is cheap and power is cheap and everything is there, and there is definitely better profitability we are expecting but at the same time training the labor and the productivity and all these things we have to see practically. Once the commercial production starts, then only we have idea on this. Already Ethiopian Government is offering the next shed in the neighboring. But we don’t want to go on blindly investing huge money, and end up in a problem. So that’s why we are going slowly. Once the site is established and everything goes well then, we can immediately go for because the advantage is there. The building and everything are ready. Just plug and play like they say. So, like that we can buy the machine and we can start the production. So, for that we are waiting,

Supriya Madye: Sir, other than these 23 crore, if you have planned for this Ethiopia, what would be the other capex if needed?

Management: No, for the regular capex, there will be around 50 to 100 crore. Otherwise we have not planned any capital expenditure for the year, based on the development of the Ethiopia and Indian conditions we will decide upon the further capacity.

Supriya Madye: So these 100 crore don’t include the 23 crore planned for Ethiopia.

Management: Yes.

Supriya Madye: and what exactly it will be spent upon.

Management: Technical up-gradation, regular balance equipment.

Supriya Madye: Sir could you please give me the break up for your debt level also, which you said around 650 crore.

Management: The term loan is 172 crore.

Supriya Madye: Okay sir. Could you explain me on your sugar business please?

Management: Sugar business is comparatively better now. Because government has come out with a release mechanism of Sugar. What they have done is, they have fixed the minimum sale price and they have also introduced the release mechanism. After which only the company can sell so because of these regulations, the sugar business had started looking good in the realizations also improved substantially. And also, government came out with various schemes like buffer stock and in the stock loan Also, they have given some incentives for setting up of an ethanol plant, for which they are giving a 100% interest reimbursement. These are all the better initiatives taken by the government, to book profits for the sugar business as a whole.

Supriya Madye: Sir are we looking at putting up the ethanol plant?

Management: Not yet decided madam we are on discussion.

Supriya Madye: and can you just help me with the realization. The last quarter it was Rs.26 per kg. This quarter?

Management: Presently it is around Rs. 30.

Moderator: Thank you. We have our next question from the line of Ms. Kinjal Jugani, from MM Savla Consultancy Services. Please go-ahead mam.

Kinjal Jugani: Good evening. My only question is, the yarn fabric sale we have increased by a volume of 28.5%, but the sales have gone by 22.9%, so does that consider as sales realization has come down?

Management: No, the captive consumption has gone up. Because we have put up new garment facilities in the past So capital consumption is going up.

Kinjal Jugani: and regarding that Ethiopia, is there any currency problem over there? I have gone some information regarding some, like have you faces any problems such like when you are setting up a facility over there.

Management: Like in all other African countries, Ethiopia also having dollar issues. These currency reserves are a little lesser. But we don't think that will have an impact on the business.

Kinjal Jugani: Okay so we will be having no such problems regarding the currency.

Management: That is what they are assuring.

Moderator: Thank you. We have our next question from the line of Mr. Ankit Gore from Systematic Shares, please go-ahead sir.

Ankit Gor: Hi good evening all. My first questions regard to a connectivity there**.** I believe lot of garmenting factories in Ethiopia is around Hawassa industrial exit. Are we located in the same place? If not, if you can name the Industrial park name or something, and how the connectivity to the port? Is it via Djibouti port or another connectivity issues are there.

Management: Sir actually it Djibouti port only. Mekelle Industrial Park.

Moderator: We have our next question from the line of Mr. Sunil Kothari, from Unique Investment Consultancy. Please go ahead.

Sunil Kothari: Sir, can you throw some light on the sugar business, what type of growth and profitability is we expecting on Y-o-Y basis? Last year we had done 265 crore revenue and segmental profit of 28 crore.

Management: We are expecting a good year as government has announced various measures including interest rates to certain extent for holding some stock. They are also giving some incentives for the production and also, they are going to give incentives like interest reimbursement for the ethanol plant for the entire capital expenditure. They have also introduced the release mechanism to control the market and control the selling quantity in the market. This will lead to better pricing and also, they have to introduce with the minimum price of sugar. Sugar cannot be sold lesser than the minimum rate they have announced. So, all these help the sugar industry to grow further. Because what happened was, everybody was selling sugar in the market. Because of this excess supply led to reduction in the selling price, led to lot of sugar mills facing debt problems. Now these problems are more or less solved. The government is supporting in all possible ways. We hope that it will be good for the government as well. They are encouraging the sugar mill to produce more ethanol to substitute with the oil. This will help both the sugar mills as well as the government.

Sunil Kothari: So you are expecting at least better year than last year interms of bottom line also?

Management: Yes, we hope so.

Sunil Kothari: And sir my last question is, we have already produced 22 million garments during Q1, and we were targeting around 85 to 86. Looking at first quarter, should we, I mean can we hope for a better than 85 million pieces this current year?

Management: Hopefully sir.

Moderator: Thank you. We have the next question from the line of Mr. Naushad Chaudhary, from Systematix shares. Please go-ahead sir.

Naushad Chaudhary: One question on the garment realization side. Last 2 years we have upgraded our processing facility and printing division. That should ideally add up to our realization of the garments. So is it fair to assume, from Rs. 140 per piece, can we expect it to go beyond Rs. 160 or Rs. 165 in next 2 to 3 years.

Management: We hope sir. We have introduced a lot of special processing in the garment manufacturing. We are expecting something like a 5% to 10% increase in the present level.

Naushad Chaudhary: 5% to 10% every year, right?

Management: Yes, we hope so.

Moderator: Thank you. We have our next question from the line of Mr. Thomas Abraham, from Karvy Stock Broking limited.

Thomas Abraham: Hi, Good evening. I just want to know if we have a time line that can be set up for the plant of Ethiopia to come up by?

Management: We hope to commence the production by January.

Thomas Abraham: and for the garment segment, it's purely exports as of, now right?

Management: Yeah.

Thomas Abraham: So once we do go ahead with the branding, I mean within the domestic market that's a separate business, altogether right?

Management: Yes, it's a separate business altogether.

Moderator: Thank you. As there is no further question in queue, I now hand over the floor to the host of the call. Over to your mam and sir.

Management: Thank you very much. Well equipped with strong factors of production capacities, commitment and determined drive for prospect, KPR is striving for elevating to the next level and I am confident that the textile industry looks very positive. The monsoon is very good all over the country, the cotton growing is also expected, and thanks to the government for having increased the MSP price. Far first time above Rs. 40000. It was around Rs. 42000 to Rs. 43000 Also where it is announced in the beginning of the season, the farmers directly will get the benefit out of that. And because of that even this year also the news is coming in that the sowing has happened. Because of that we will get more crop and monsoon is good. Very good quality crop will be available. Where India is having 70% cotton and 30% man-made fiber, and it is vice versa for the rest of the world, and so with this we hope that KPR will do better performance in the future. With this I thank you all very much for attending the conference call. Thank you once again.

Moderator: Ladies and Gentlemen, this concludes your conference call for today. We thank you for your participation and for using Ijunxion conference service. You may please disconnect your lines now and have a great evening ahead. Thank you.