

K.P.R. MILL LIMITED

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17.11.2020

To,

The Listing Department
Bombay Stock Exchange Ltd
1st Floor, Rotunda Buildings,
Phiroze Jeejeebhoy Towers,
Mumbai - 400 001

The Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, Plot: C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai - 400 051

Dear Sir,

BSE: 532889 / NSE: KPRMILL

Sub: Transcript of the Conference Call held on 28th October, 2020

In Compliance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached, the transcript of the aforesaid conference call.

Please take the same on record.

Thanking You,

Yours Faithfully,

For K.P.R. Mill Limited



P. Kandaswamy
Company Secretary

Encl: As above

Transcript

Conference Call of KPR Mill Limited

Event Date / Time : 28th October, 2020, 4 PM IST

Event Duration : 1 hour 30mins 15secs

Presentation Session

Moderator: Good evening ladies and gentlemen I am Pavithra moderator for the conference call. Welcome to KPR Mill Limited 2Q FY21 post results conference call hosted by Batlivala and Karani Securities Pvt. Ltd. As a reminder, all participants will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchstone phone. Please note that this conference is recorded. I would now like to handover the floor to Ms. Prerna Jhunjunwala. Thank you and over to you ma'am.

Prerna Jhunjunwala: Thank you Pavithra. Good evening everyone. On behalf of B&K Securities, I would like to welcome you all for 2Q FY21 results conference call of KPR Mill Limited. Today we have with us the Senior Management of the Company including Mr. P. Nataraj Managing Director; Mr. P.L. Murugappan, Chief Financial Officer; and Mr. P. Kandaswamy, Company Secretary. I would now like to hand over the call to the management for initial comments. Thank you and over to you sir.

P. Nataraj: Thank you Prerna. Good evening everyone and welcome to all of you for the KPR Mill second quarter earnings call. Mr. P.L. Murugappan our CFO and Mr. Kandaswamy our Company Secretary are with me. I am happy to announce that overcoming the impact of COVID-19 challenges in the first quarter, KPR is moving towards normal operations and registered better performance in the second quarter. The COVID-19 pandemic created a fear among the migrant workers all over the world, Particularly the Indian textile industry where the migrant labor is highest in India; urging them to rush to their hometown to join their families leaving their jobs whereas KPR employees created history. They stayed with the management, drawing the attention of the industry. The social care and support extended to them by KPR during COVID-19 pandemic including the financial assistance in spite of no work enabled them to enjoy secure, safe and healthy atmosphere and gave them the confidence that KPR is not just an employer but plays an important part in the upliftment of their wellbeing and personal growth. The feel-at-home atmosphere gave them the much-needed moral support. They felt being at KPR is more comfortable, safer and healthier than being at their homes. That is the strength of KPR, built over a period of time. We are proud to declare that almost all the migrant workers employed at KPR; that is in thousands stayed back in our factory premises itself. Thanks to the dedicated support...this is actually a support at all levels, not only from the workers, from the top management; Manager's and at all levels. So thanks to the dedicated support from all employees, customers...In fact in a critical time, all the customers supported; stakeholders stood with us during the difficult time.

At this juncture, I also wish to thank all those who have communicated their commendations through various media for the employee caring attitude of KPR even during the pandemic. We received a lot of messages, calls, appreciations, not only within the industry but all other walks of life hailing KPR as management with human touch. Actually, this kind of encouragement, wishes and support made us to do better always. So the business is moving towards pre-COVID levels in all segments holding sufficient cotton stocks and awaiting for the new arrivals from the market.

The cotton price due to COVID, suddenly fell down almost to Rs.34000 - 35000 level and again in the last few months moving upwards; irrespective of the new season. Today it is around Rs.41000. Yarn, fabric and garment movement in the domestic and export markets are encouraging. Order levels are good and satisfactory. Regarding sugar season, it is expected to commence from the first week of November. Thanks to the government policy regarding sugar, the MSP price and the encouragement for ethanol. In fact from last year, sugar and ethanol made considerate impact on the number. Growth in the textile and apparel sector is sustained by the strong domestic consumption as well as export demand.

The turnaround with positive growth is happening in the Indian industry with abundant arrival of raw material. In fact we are the world's number one in producing cotton. Strengthened by healthy infrastructure and skilled labour force, we are happy to inform that responding to the market demand the global scenario. KPR plans to expand its garment capacity by establishing a new factory near Coimbatore. We feel this is the right time to go for expansion even as a few of you have been asking about expansion whether in Ethiopia or India. We were looking for the right time and the situation and we feel this is the right time to expand and we decided to expand in India. The factory is coming up near Coimbatore with a capacity to produce 42 million garments per annum; almost the largest among the factories what KPR already has. Upon implementation, the total garment capacity will reach to 157 million garments per annum, by strengthening its standing as one of the largest garment manufacturers in India.

Regarding the retail segment, that is our inner wear brand FASO. We started almost a year before and everything moved as per our schedule and one of the COVID worst hit industry by COVID was the retail market. We all know that after the lock down the growth was stagnant; So we hope after the pandemic, slowly it will pick up. One thing, I want to clarify, the brands take time to build up. Till that we have to be very cautious investing in brands. We are not going for own stores; we have no idea now. We are pushing the market through online as well as through MBO, that is multi brand outlets through rent basis. So we are not immediately pushing anything by going for big capex for retail brand. At least for the next two, three years our plan is to make very small investments, maybe like Rs.10 to 15crores maximum per year in retail brand to reach certain levels at least to cross say Rs.50 crores and above, or 100 crores. Once the race is run then we can think of that. It will take at least a minimum of next two to / or three years. This is about the FASO brand.

With these opening remarks the floor is open for question and answer session. Thank you all.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad

and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. I repeat, ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

We have first question from Anant Singh from Unifi Capital; please go ahead.

Anant Singh: Thank you for the opportunity and congratulations for a very good performance. I have three questions. One is about sugar segment. I see that this quarter we have reported losses as compared to the previous quarter. Can you elaborate a bit more on the reason for this loss and shall we always expect Q2....because last year Q2 was not loss, it was flat; but this year we are in loss, so if you can first talk about the sugar segment?

P.L. Murugappan: Yeah, basically, Sir during this quarter we have modernized the existing sugar plant and we also expanded the sugar plant. We expanded the capacity to 10,000 TCD and increased the ethanol plant from 100 KLPD to 130 KLPD. So we have not produced ethanol during this quarter. We kept the molasses as stock. Only now we have started producing ethanol, that is one reason. Second, unlike other sugar mills we are not taking the off-season expenditure to the next quarter for offsetting. Generally, we are writing off in the same quarter itself. We have spent about Rs.50 crores and odd for modernizing the machines in sugar plant so that the capacity will raise to 10,000 TCD per day and 130 KLPD per day.

Anant Singh: But sir, shall we always expect in Q2 we will have maintenance expenditure and we would not be producing so it will be a loss segment for sugar every year in the Q2? Is that the right understanding or is there something one off for this particular second quarter of FY21.

P.L. Murugappan: It is one off for the second quarter because during this quarter we have engaged in expansion program and that's why we have not produced any ethanol. In the coming quarters the plant will be running.

Anant Singh: Okay. Second, on the capex on garmenting, can you give us some sense of the time line? By what time do we get this to get completed and when can we expect the capacity off take? How many quarters would you ramp up with the full capacity utilization?

P. Nataraj: All the preliminary document and the paper work like the local authorities approval etc are happening. May be in a month these things will be over by December we will start the project construction for this size of the factory normally it may take 15 to 18 months, but because we have the construction facilities and we have the team of people, we can complete it in six months' time. So this is the commissioning of the facility. From today, it will be within 7 to 8 months we can start the commercial production. Ramping up will take some time. It will employ more than 5000 workers. So for that the recruitment of the people will take some time. For construction and commissioning I can say, But selection of people, training and all will take some time. To reach full capacity, once commissioned it will take one year. So based on the availability and training of the people, may be plus or minus two to three months in advance or extra.

Anant Singh: So if I understood you correct, ramping up will depend upon a) the orders and b) how quickly we can. But based on our historical experience can we expect the full

ramp up; assuming demand is there, full ramp up in four quarters? Like if we start in Q2 of FY22, can we by Q2 of FY23 we can if there is demand ramp up?

P.L. Murugappan: Yeah you are right.

Anant Singh: Okay and sir just wanted to clarify is there any cotton inventory gain in this quarter. Do we have any mark-to-market inventory?

P.L. Murugappan: No, there is no mark-to-market in this quarter.

Anant Singh: This facility that we are building, this 250 crores is the all inclusive cost of even housing and the facility that we build for the employees? There will not be any other additional capex for housing employees? Is my understanding correct?

P.L. Murugappan: Yes, you are right.

Anant Singh: Thank you I will come back in the queue.

P.L. Murugappan: Thank you.

Moderator: Thank you sir. Participants are kindly requested to restrict to two questions in the initial round and join back the queue for further questions. We have the next question from Kshitij Kaji from Carmelian Capital. Please go ahead.

Kshitij Kaji: Hi, good evening and congratulations on another great quarter in these tough times. Sir in your opening remarks you alluded to the fact that to set up this expansion in garments, you said that this is the right time to do it. I just wanted to understand what is the thought process we are thinking this is the right time. Is there...basically China is having 30% share in garment exports today in spite of much higher labor cost. Do you feel that basically the demand can move away from China going forward, so that's why you feel it is the right time? I just wanted to understand what the thought process was.

P. Nataraj: Sir if you see overall, first point is, our domestic market is very strongly growing, so lots of brands are coming into the Indian market. So, the Indian market is consistently growing in the last one year and continue to grow in the future also. That is one aspect. Big brands would like to come and open their stores in India. The international markets as you rightly pointed out, because of the trade war, in the last 1-1/2 or 2 years we can say the impact slowly started. In the beginning it was only in the news; now slowly the big brands prefer not to procure from only one place; so even those who are buying 100% outside from such country, they feel it is better to source from India at least some portion. Lots of brands are moving towards India, and the movement has already started. So, what we feel is that this is the right time to grab this opportunity. Once if we start now, maybe in another 7 or 8 months our factory is ready, it is the right time for us to receive the order. So, this is the second point. Third one is, we are able to feel that even our existing customers are pushing for more capacity. In fact as of today, all our factories are full and in fact they are ready to place more orders as well. So, we really feel that these are all the reasons to feel it is the right time to start.

Kshitij Kaji: That's great sir. Just two takes. So generally when we compete globally, even Bangladesh and Vietnam are competing with us and winning orders so going forward in the last 3, 4 years they have taken quite a chunk away from India. So going

forward do you kind of see that India can come back into the reckoning and players like you can grow faster and take away that share back from Bangladesh and Vietnam?

P. Nataraj: Definitely sir. If you see the last five years, or even if we take a maximum of five years, Bangladesh, Vietnam markets are growing and customers are going there. In India if you take the Companies those who are growing, continue to grow and the customers increase volume in India continue to increase. If you take examples from customers, their business is growing continuously in India year-on-year. So, this is the situation. Another thing because of the trade war and all these things the customers are looking for where the large capacity is available. So it is very important irrespective of the country a company who is having large capacity mainly with integrated facilities are here with. Needless to say, India is having abundance of raw material and labor force, Three years before it was not like that. Today in Coimbatore people from around 10 various states are there. Even if they don't know each other's language so many people are here. They are happy to come and live here and work here. So that kind of situation....what is two years back and today the migrant people strength is good. Even during the pandemic, people won't stay but KPR is different because all the people stayed here and that is the reason we could turnaround very quickly. In other companies, people who were working here, went back and were idle; Now slowly the workers are coming back again. In the last three months, I can say atleast 75% of the migrant people have come back in a phased manner. So keeping the raw material strength, labor strength, growing market and the sentiment of the brands or the customers based on the global scenario, I think these are all really very good. I think in the last five years what we faced, the toughness of the competition with other countries, I think in the near future, we will be more empowered to win in this competition than in the last two, three years. This is what we feel.

Kshitij Kaji: Great sir, thank you so much for answering my questions and all the best.

P. Nataraj: Thank you.

Moderator: Thank you sir. Participants are kindly requested to restrict to two questions in the initial round and join back the queue for further questions. We have the next question from Rajesh Seth from Seers Fund Management. Please go ahead.

Rajesh Seth: Hi, hats off to the management for the great performance. I would like to ask you questions regarding your expansion plans. I understand we have the land or we have to acquire the land also for that?

P. Nataraj: Sir land we will have to acquire but all this work is going on. I think within a month we can complete it.

Rajesh Seth: Okay and the expansion would qualify under the PLI scheme I understand?

P.L. Murugappan: Yeah, this is the central government income tax benefit and will come under the 15% Tax

Rajesh Seth: That's great. I would like to ask Mr. Murugappan about the stock of cotton and sugar at the end of the quarter.

P.L. Murugappan: Sir basically for the interest of all the participants I thought I will give you the quantitative details initially. I will take them one by one. First yarn. In the quarter we produced about 20500 tons. Yarn sales during the quarter is 17600 tons and the average realization is about Rs.202. Fabric production is about 6600 tons and sales is 3500 tons. Average realization is Rs.221. Garment production is 26 million and sales is 25 million and average realization is Rs.159 per garment. Sugar during the quarter we sold about 22000 tons and we have a stock of about 17000 tons. Cotton we have about 13400 tons.

Rajesh Seth: Okay. Regarding the expansion of ethanol production in the sugar front, what was the capital outlay on that?

P.L. Murugappan: It is about Rs.50 crore spent on that side, it is spent out of the internal accruals of sugar mill.

Rajesh Seth: Okay thank you very much.

Moderator: Thank you sir. We have the next question from Mukesh Sawla from MM Sawla Consultancy Services. Please go ahead.

Mukesh Sawla: Thanks for taking my question, good evening. Heartiest congratulations for an excellent set of numbers. One follow up question on our new facility sir, I think we will be putting up that facility in a separate subsidiary whereby we will be qualifying for lower rate of taxation or is there any another scheme of central government which is under some production linked investments incentive schemes or something like that?

P.L. Murugappan: It is a separate subsidiary sir.

Mukesh Sawla: But we are also hearing from the market that even government might come up with some PLI scheme for readymade garments also. Is it not fair to wait for some more time or we need extra facility to cope up with the demand?

P.L. Murugappan: Sir PLI is generally applicable to all the players, whoever is putting up a new capacity. We hope it will cover this also.

Mukesh Sawla: Okay.

P.L. Murugappan: Working capital incentive only you are talking about right?

Mukesh Sawla: Right, production linked incentive scheme. The government at present notified for electronics and chemicals and some key APIs and all.

P.L. Murugappan: Yeah, it is available for all existing fields.

Mukesh Sawla: Okay. Sir one question on the accounting front. Our last year's September quarter and last half year will be inclusive of MEIS content right?

P.L. Murugappan: Correct sir.

Mukesh Sawla: Can you give me that number for quarter as well as half year of last year? If we remove that, I think our result will be much better than what is appearing in the presentation right now.

P.L. Murugappan: Sir actually MEIS is replaced with ROSCTL, the rate is more or less the same, so they have replaced it.

Mukesh Sawla: So instead of MEIS, we are getting ROSCTL?

P.L. Murugappan: Yes sir.

Mukesh Sawla: So it is not going to give any material different numbers?

P.L. Murugappan: Yeah sir.

Mukesh Sawla: Alright sir, wish you all the very best. Thank you.

P.L. Murugappan: Thank you.

Moderator: Thank you sir. We have the next question from Tarang Agarwal from Old Bridge Capital, please go ahead.

Tarang Agarwal: Hello sir, good evening. I have a couple of questions. First, for your garments business in FY20 what was your domestic and exports split?

P.L. Murugappan: Sir garments are generally exported. About 99% of the garments we produce, are exported.

Tarang Agarwal: 99% is it?

P.L. Murugappan: Yeah.

Tarang Agarwal: So would it be fair to assume that the primary intent of this new 42 million pieces garment facility is for export primarily?

P.L. Murugappan: Yes, primarily export.

Tarang Agarwal: Okay. So how are you planning to source the fabric for this increased capacity? Will it be all captive?

P.L. Murugappan: Yeah it will be captive because ours is a fully integrated business. We have capacity in all the processes, like yarn we have about one lakh tons of production capacity. Fabric we have 40,000 tons of productive capacity, and garments also presently it is 115 million and additional also it can be sourced from the fabric what we can produce. Processing we have 22000 tons, it will be enough for the new capacity also, so everything is in-house.

Tarang Agarwal: Sure. So sir just wanted to understand instead of selling the fabric externally or the yarn externally if we were to use it captively for our garment manufacturing, what is the incremental margin that I could get on both on the fabric consumed captively?

P.L. Murugappan: Sir suppose if we are consuming fabric captively we get at the same margin whatever they are making, about 22%, 23% kind of margin we can get. We make our garment capacity to utilize the extra fabric.

Tarang Agarwal: No, no my question was that there is obviously a benefit that I get right instead of selling that fabric externally, if I use that fabric to manufacture my garment, I just wanted to understand what is the incremental sort of EBITDA per ton or the gross contribution per ton that I will get for consuming it captively for the purpose of garment manufacturing?

P.L. Murugappan: For the purpose of garment manufacturing we consume, we get about 20% to 23% of EBITDA margin.

Tarang Agarwal: 20% to 23% is it?

P.L. Murugappan: Yeah.

Tarang Agarwal: Okay thank you.

Moderator: Thank you sir. We have the next question from Venkat Samala from TATA Asset Management; please go ahead.

Venkat Samala: Hi sir, thanks for the opportunity. Congratulations on a very good set of numbers. Hello...?

Moderator: Sir your voice is a bit feeble sir, please adjust your mike position.

Venkat Samala: Yeah, is it okay now?

Moderator: Yes, it is clear please go ahead.

Venkat Samala: I just wanted to understand what would be your capital allocation policy sir? We know that 250 odd crores you would be investing in the garment facility. But if we look at the H1 numbers, you are producing free cash flow of about 500 odd crores. Just wanted to understand if we just look at next two to three years, how would you be using your operating cash flow and if at all you will be investing more in sugar business also?

P. Nataraj: Sir actually we are not planning every year. What we are doing with the internal accrual is immediately investing in something. Actually we are looking for better options whenever there are investment opportunities in the business. The garment factory also we just cannot go blindly like this. There are lots of other works like recruiting the employees, training them, ramping up, getting orders, new customers....so it will take time at least to establish the factory, to get it fully operational. Not only that, we have to consolidate. When it has reached 100% level there will be ifs and buts like customer requirement, orders, like employees....5000 people coming to one place and working there, we have to see what kind of atmosphere they will feel comfortable, their social requirement etc. So, we have to consider all these things. Once this consolidation is over, then we will think of the other expansion. Last time we discussed about expansion at India and Ethiopia etc. Even an year back, someone told that we can go for expanding in Ethiopia, good opportunity is there; tax free and all this. Actually we waited and now it seems investing in India is good. Suppose last year we had invested little more money in Ethiopia....of course Ethiopia is not bad but India is still better. So we are weighing both which is better and we are choosing which is the best option. So, whatever we do should be to the maximum possible, and achieve the best performance.

Venkat Samala: Sure sir. Are there any plans to return the free cash flow or the operating cash that you are generating back to the shareholders since now you are....debt condition is also very good. When you are generating quite a good amount of cash also?

P.L. Murugappan: It will be decided at the appropriate time, depending on the project, cash flow requirements and other things. Last three years we have done the buy back, since we have free cash flow, we thought of paying it back to the investors. We will take the decision at the appropriate time. It will be taken to the Board for their consideration.

Venkat Samala: Right, sure. One last question if I may. One particular point you touched upon is that you are finding very good opportunities in the US market. So if you could just highlight if the product mix in Europe would be any different from what you are doing currently and what would be the unit realization there for garments?

P. Nataraj: Almost the same product what we are doing. We are only expanding the capacity, our product is mostly of knitted garments. So, in the same way only we are expanding. So, the same kind of product to the same customers only will be there.

Venkat Samala: Right and realizations will also be similar right ?

P.L. Murugappan: Right sir.

Venkat Samala: Okay sir, thank you. I will come back in queue.

Moderator: Thank you sir. We have the next question from HR Gaala from Finvest Advisors, please go ahead.

HR Gaala: Sir can you just repeat the quantitative numbers because we don't find that in the presentation. You did say something but I could not get it, the line was not good.

P.L. Murugappan: Okay. I will take you one by one. First, I am taking yarn, the production is 20,500 tons, yarn sales is 17,600 tons. Fabric production is 6,600 tons, fabric sales is 3,500 tons; garment production is 26 million, garment sales 25 million.

HR Gaala: Okay, okay I got it. Sir some questions for Mr. Nataraj. Do you see the structural changes which are taking place in the global market, will sustain for how long? When we are committing 250 crores capex, do we have any firm commitment from any of the clients?

P. Nataraj: Sir actually if you see this is a continuous process I can say. We are not fully dependent on the structural change of the global market. Like this much percentage of orders from China will come to India, it is not like that. But in the last one year we are having discussions with our customers and three years back we established another new factory. The same kind of analysis we have done, we have discussed with the customer and with existing customers and new customers also; based on that....and we have our team travelling the European market and US to meet the existing customers and new customers both and the feedback from them. Practically what we are seeing here within our factory itself, how it was three years back how it was, last year how it was, today how it is. Even today after the pandemic the entire capacity is full and we are in fact unable to accept the order because once we accept the order we

have to meet the delivery. This is the faith that customers are having, that we established. Once the customer places the order, factory through ex-factory, one is quality and the other is delivery. The price is negotiable based on the situation – raw material and other things, market situation all these things. But two things remain constant, one is quality and the other delivery. For export especially for Europe and US, because they take the product based on the season. Once the season is over, if we delay for a month, that itself is a waste. So we have to meet the delivery. When we are on time, even suppose if the customer delays in placing the order or even approving the colour or something like that by one day, whatever the quantity. Time is so important for them. So then on the face of time...it is not today, in the past we are in the market for more than 30 years; the customers who are with us, they know it is a relationship built on experience. They are ready to place the order so that's why the existing customers are pushing us for expansion. They don't say directly go for expansion; they want more capacity for them. So in a factory if there are three customers and there are 100 lines; so each customer we have 25 lines; each line around 25 to 30 machines per line. So if some customer...previously we can understand this being in the market, sometimes we are running 25 lines, sometimes they feed for only 20 lines. So we have to go for the balance 5 lines. But today when we have 25 lines, some customers want 35 lines. Actually one customer demanded you give 50 lines for me, I will pay throughout the year. So these are situations what we are experiencing in the last one year. Considering internal operations, the Indian market and the global scenario, this is the right time to go for expansion. That is the reason we have decided.

HR Gaala: Correct. So sir this 25 million volume.

Moderator: Sorry to interrupt sir, could you please join back the queue for further questions sir? Thank you. We have the next question from Siddharth Rajpurohit from JHP Securities. Please go ahead.

Siddharth Rajpurohit: Good evening sir and many congratulations for a good set of numbers. For your new capacity, can we assume the average realization of 159 which you have currently sir?

P. Nataraj: Regarding the realization part of view many times we have explained. Once the capacity ramping ups is going on, by the time the new customer comes, we cannot wait to get only the particular style. Our aim will be to fill the factory because more workers will be there. So our aim is to ramp up the factory at full capacity as quickly as possible. So whatever the style, whether it is Rs.159 realization, or even Rs.120 realization or even if some customer comes with Rs.200 realization, any kind of styles or orders we will accept and produce it. So, once the factory is running with full capacity and if the customer brings two or three styles; then we will be choosy which style gives more realization and we will go for that.

HR Gaala: Okay so 600crores to 700crores revenue is possible from the factory?

P. Nataraj: Which one sir?

HR Gaala: The new factory?

P. Nataraj: No it will be around 500 to 600.

HR Gaala: And the margin that you told 20% to 23%, at optimum level that is also possible for this?

P. Nataraj: Yeah, that will be maintained.

HR Gaala: And sir the second is on inventory sir. Your inventory level has come down from say....earlier it was close to 700, 800 crores which has come down to 480, 500 crores. Can this inventory level be maintained sir or it will gradually go up?

P. Nataraj: Sir mainly we keep cotton stock for three or four months and when the price is low we even go for six months also. March to October is offseason. During off-season, the quality will not be there and price will also fluctuate. By the time we will be cautious not to buy much. So the stock will be reduced because of the consumption but no procurement. Now the new season October has started and we started procurement of cotton. It is the end of the season now so the stock will be minimum.

HR Gaala: Okay, it will gradually accrue. The last question is, this new incentive scheme of ROSCTL...anything on that sir? What could be the rate?

P.L. Murugappan: Sir up to December they have extended the existing scheme of ROSCTL. They are collecting the data. We hope that they may be coming out with some notification.

HR Gaala: And would it be better or at par with the existing scheme sir?

P.L. Murugappan: More or less at par with the existing schemes.

HR Gaala: Okay thank you very much and all the best sir.

Moderator: Thank you sir. We have the next question from Ankit Gor from Systematix, please go ahead.

Ankit Gor: Thank you sir, congratulations for a great set of numbers. My question with regards to the new facility obviously. What could be the number of employees and sewing machines we will be having in this factory sir?

P. Nataraj: Sewing machines will be around 3000 and employees will be around 5000.

Ankit Gor: Okay in this factory obviously you said initial period we will do whatever orders we will get. But once we stabilize do we have anything in mind like we will do more of basics or more of fashion or current ratio of 70:30 will be maintained more or less? What is the thought process over there?

P. Nataraj: Sir, here one thing I would like to say again; our capacity is large and we have a set of standard customers consisting world leading brands. Orders also seasonal. So here it is not the style or design what we are making; of course we will develop the samples based on their advice. So what kind of designs and styles say for example print or embroidery designs or plain or garment or men's T-shirt or ladies garment, fashion wear or night wear, these kinds of styles most probably, what is more in demand in the Western market, that kind of style. For example this season, winter garment; (winter garments always has more realization as the price will be high) all the customers are of the western country (our main market is the Europe and US) and they

all come with same kind of style. In summer, the price will be a little lower, so the realization will be less. For winter it is Rs.180 for summer it will be Rs.120 or Rs.140. So when more orders are coming in winter, our realization will be high and when more orders are coming in summer, the realization will be low. But one thing is there, when more of winter orders are there, the overall quantity will be less. When more summer orders, the quantity will be high. Overall...the top line will remain the same.

Ankit Gor: Right. My next question is with regards to...last time we set up a 36 million new one capacity a few years back and at that time we had a great visibility from one of the major Japanese customer. This time around obviously you answered in a bit but do we see a greater visibility in terms of one, two, three customers? Second question with regards with that only sir, capex of 250 crores, will it include land as well or land is separate?

P. Nataraj: It is including all sir, the complete project with land. Regarding the customers, I am not able to point out a particular customer. In this season we saw some new customers. Existing customers ready to place more orders.

Moderator: Sorry to interrupt Mr. Ankit. Could you please join back the queue for further questions?

Ankit Gor: Sure, thank you.

Moderator: Thank you sir. We have the next question from Resham Jain from DSP Mutual Fund, please go ahead.

Resham Jain: Hi good evening sir and congratulations on a very consistent set of numbers. I have two questions. First is I think the whole Tirupur region.... we are seeing good traction in our overall business and typically whenever we see such kind of situation, Tirupur does very well and that helps our yarn and fabric business also. So if you can highlight on the garmenting industry per se in Tirupur and adjoining region?

P. Nataraj: During the pandemic, of course we all know 45 to 50 days were locked down and after that almost like two months operations were very poor and started with 30%, 40% capacity because Tirupur also consists of more than 40% migrant laborers. Now most of the people have come back although there is no full transport facilities. The Companies have arranged for buses and transport and arranged to bring the workers by flight also; all this happened and we know in the last couple of months all reached around 80% to 85% level of capacity. So operation wise it is very comfortable now and orders are flowing. In fact Tirupur market, I can say already reached the pre-COVID level. So this itself shows that the market is doing very well. As the pipeline was empty for four, five months of supply; the orders are pouring in. Another important point I would like to share, is that in lockdown or even after the pandemic, mostly people are working from home and instead of formal wear, people are using casual wear. Tirupur as well as KPR are both in knitted segment where it is used for casual wear, that is also one of the reasons for the increase in order. That's what I feel.

Resham Jain: Okay, so this is good for our yarn and fabric business? That's what I was trying to understand.

P. Nataraj: Yeah, yarn and fabric has good demand in the last one and a half months sir and I think it will continue for another three, four months.

Resham Jain: Okay. And sir, my second question is on the new capacity. In the past we saw that in some of the capacity you further de-bottleneck your capacity enhanced by further machines and all. In the current facility also, you can do modular expansion further let's say three years, four years down the line or this is like the total area you will be utilizing and no further expansion can happen here?

P. Nataraj: Sir, 42 million is the largest existing capacity we have. Previously we had 12 million 27 million, 37 million, but this is a 42 million capacity. But always there will be some space, for example three, four years down the line while modernizing with latest machinery we replace it....because sewing machine cost is very less. When modern machines comes, it may occupy less space; by the time we can remove two, three lines and we can add some more, instead of 5 lines we can go for 10 lines. Those kinds of things we can think after two, three years if necessary before going for further Greenfield expansion. That is also possible.

Resham Jain: Okay. Thank you very much sir and all the best.

P. Nataraj: Thank you sir.

Moderator: Thank you sir. We have the next question from Bharat Chhoda from ICICI Direct; please go ahead.

Bharat Chhoda: Hello? Sir I just wanted to understand regarding this new capacity, what would be your captive consumption of yarn and fabric? How would that move; like the contribution from yarn and fabric, would it reduce overall as a percentage of top line? How would that be going ahead post the expanded capacity?

P.L. Murugappan: Sir, actually the fabric captive consumption will go up by about 5000 tons per annum. We have a processing capacity also. We have increased the processing capacity in the last year from 18000 tons to 22000 tons. It will help us to meet the requirement of the new garment capacity.

Bharat Chhoda: So no new capex is required for this garmenting capacity from the yarn or fabric side?

P.L. Murugappan: No. Other facilities are all available, so there is no issue.

Bharat Chhoda: From a perspective of revenue share, like currently we are having around 1400 crores coming from yarn and fabric; so probably this thing would go down because we will be consuming more and most of the turnover would flow to the garmenting? Is that understanding correct?

P.L. Murugappan: Yeah about 100, 125 crores kind of turnover will go down in yarn and fabric and 500 to 600 crores of garment turnover will increase.

Bharat Chhoda: Okay, Sir just one more thing. The debt equity for the capex, how are we planning to fund that?

P.L. Murugappan: It is debt cum internal accrual. Debt to the extent eligible for the TUFSS subsidy and some small debt we may borrow.

Bharat Chhoda: So what will be the component of that as a percentage of say 250 crores we are doing a capex; so how much could be debt?

P.L. Murugappan: Debt not yet decided. Generally it will be 75:25 allowed under the project. We will initially get the sanction for 75% debt depending upon the position we will decide the availment.

Bharat Chhoda: Okay, that was really helpful sir, thank you so much.

Moderator: Thank you sir. We have the next question from Sunil Kothari from Unique Investments; please go ahead.

Sunil Kothari: Thanks a lot for the opportunity. A very hearty congratulations sir for you internal humanitarian effort and externally with the customer in quality and delivery. My question was two, three. One, I wanted to congratulate you for your acceptance of your business that India is better in terms of manufacturing than Ethiopia. I think it is a very speedy realization of may be some recapture Ethiopia and your confidence and control over Indian manufacturing set up. My hearty congratulations for that. My question is, in the first quarter call we were saying that we will probably cross the manufacturing for garmenting compared to last year. So last year you have done some 98 million garments and currently we are roughly at 40, 41 in the first half. Are we on a target to achieve or cross those numbers?

P.L. Murugappan: Yeah more or less we will reach that number.

Sunil Kothari: Great sir. We are also talking about improving realization which we already started. So its qualitative issue you would like to talk on better realization thing? Qualitatively what we have done right. Mr. Nataraj has already explained how we behave once we start the factory; we want to fill up the whole production line. But we also have to improve realization. So in terms of this, scenario because last two years our average realization was Rs.145 per piece which we have already crossed Rs.150; so any thoughts and talk on this will be very helpful.

P.L. Murugappan: Basically sir, as we discussed in the earlier calls also we have set up various facilities for improving the realization like continuous printing facility, embroidery facility, garment printing facility and all. It is all product mix. Sometimes we are getting a good product mix where the realization is higher, sometimes we get regular garments where the realization is little lesser. But it will not impact the business. Profitability wise we will be on line. We are having all the capacities. Whenever we get a better mix of products, the realization will improve. Actually in KPR we are looking at the margins and the top line. That will give more profitability than going into high realization product where the number of garments will go down and the profitability will also in real terms will be less.

Sunil Kothari: Correct. Last question is sugar. Will you still be able to match last year's profitability by the year-end annually?

P.L. Murugappan: India looks very good. Monsoon is very good last year. We have increased the capacities and all and we are able to start the production by the first week of November. We hope this year will be good for sugar.

Sunil Kothari: Great sir, thanks a lot and congratulations once again.

Moderator: Thank you sir. We have the next question from Sainath Sridhar from Infinite Portfolio Solutions. Please go ahead.

Sainath Sridhar: Sir my question is what kind of sales growth do you expect over the next two years? Will it be in double digits? Also the consolidated margin profile that you are all targeting?

P.L. Murugappan: For the year or project?

Sainath Sridhar: Yeah your targeted EBITDA margin levels over the next....once your garmenting capacity is fully ramped up, can the margins go above 20, like around 21%, 22%?

Moderator: Could you please use your handset to ask your questions sir?

Sainath Sridhar: Yeah, so my question is basically over the next two years, once your capacity is fully ramped up, can we expect sales to grow at about early double digits and also can you share some light on the EBITDA margin profile?

P.L. Murugappan: Yeah, sir the full running of the project will give us a sales revenue of about 500 to 600 crores and that will be in the percentage range about 15% to 16% kind of an increase from the present level. EBITDA level we hope we will maintain somewhere around 20% to 22% kind of an EBITDA margin.

Sainath Sridhar: Okay, so we can see a 100 to 200 basis points EBITDA expansion?

P.L. Murugappan: For the overall business, yes.

Sainath Sridhar: Yes in the overall business. Okay sir, thanks a lot.

Moderator: We have the next question from Ahmed Madha from Unifi Capital, please go ahead.

Ahmed Madha: Thank you for the opportunity. I have two questions. One is just a housekeeping question. This new facility is more so a continuation of the same knitwear garment, it is not into number one garments, is that correct?

P.L. Murugappan: Yeah, you are right.

Ahmed Madha: Then sir, you said there is good demand here and we are running at 80%, 85% capacity. Is it that currently still there is employee shortage and hence you are not able to run to 90%, 95% or is there some other constraint?

P.L. Murugappan: As it is we do not have any employee constraint because garment being a manpower oriented business, reaching 80%, 85% is the maximum one can do. We are doing somewhere around 90% now.

Ahmed Madha: Okay and can you share the order book at the end of Q2 in garments?

P.L. Murugappan: Garments is about 540 crores.

Ahmed Madha: What was the figure at the end of Q1?

P.L. Murugappan: Q1 also somewhere around 474, 480 crores.

Ahmed Madha: Okay, thank you I will come back in the queue.

Moderator: Thank you sir. We have the next question from Shraddha Agarwal from Asian Market Securities; please go ahead.

Shraddha Agarwal: Congratulations sir on another great quarter. Couple of questions from me. What was the investment that went into for increasing of sugar capacity this quarter?

P.L. Murugappan: For this expansion of the sugar factory, somewhere around Rs.50 crores we spent over a period of time. This has been completed during the last quarter and it is about to start its production now.

Shraddha Agarwal: This is only sugar or ethanol expansion?

P.L. Murugappan: Both we have done.

Shraddha Agarwal: So Rs.50crores you spent on both of them right?

P.L. Murugappan: Yeah, both of them.

Shraddha Agarwal: What is the potential revenue we can now expect from the increased sugar and ethanol capacities?

P.L. Murugappan: We hope, sugar being agriculture commodity, we have to wait for some time but we hope it will be better than the last year.

Shraddha Agarwal: Okay on the ethanol sir, how much can we expect potential revenue from the increased capacity?

P.L. Murugappan: Ethanol somewhere around 175 crores kind of revenue.

Shraddha Agarwal: And we maintain our EBITDA margin guidance of 17% on ethanol?

P.L. Murugappan: Yeah.

Shraddha Agarwal: Okay and sir, I just missed out....I am not sure if you called out the segmental margin in yarn and garment business this quarter?

P.L. Murugappan: Yarn is about 18%; garment is about 24%.

Shraddha Agarwal: Okay. And sir sugar inventory as of quarter end?

P.L. Murugappan: About 17,000 tonnes.

Shraddha Agarwal: And cotton inventories?

P.L. Murugappan: It is about 13,000 tonnes.

Shraddha Agarwal: Sure, thank you sir.

Moderator: Thank you ma'am. We have the next question from Sriram Ramdas from Green Portfolio; please go ahead.

Sriram Ramdas: Hi sir, congratulations on the figures. My question is with regards to exports. Our exports were 42% of the total revenue in financial year 2020 from my understanding. Do you see the exports portion increasing, and what countries do we mainly export to...is it the EU, is it the US, Japan...?

P.L. Murugappan: Exports generally goes to the countries like Europe about 54%, US about 22% and other European countries like Australia etc. about 20%.

Sriram Ramdas: Okay sir, thank you. Secondly, do you have any plans to expand the windmill infrastructure?

P.L. Murugappan: Sir we are in Tamil Nadu, where wind areas are almost fully saturated. There are no good wind areas available, and presently we are not planning for any big windmill expansion.

Sriram Ramdas: Alright thank you very much sir; thank you for the clarification.

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

Ritesh Badjathia: Thanks for the opportunity sir and congratulations on the great set of numbers. Most of my questions are answered. Just one question on the new garmenting capacity. Technology is increasing the industries day by day; so compared to previous expansions when we did on the garmenting side, in this garmenting capex what kind of new technology we are using and does it help to reduce our labor count and the machine count because of introducing the new technology? Does it help operationally if you quantify in terms of margin or in terms of efficiency level?

P. Nataraj: Sir, generally if you take tech field, of course every year there is a big technology change like in other segment, like spinning, knitting, processing...these areas. But garmenting manual work is more, every stitch has to be manually done, designs and all these things. Of course machines like embroidery, technology is there; like CAM card, earlier people were designing manually, now with the computer, if you insert CDO, automatically it will make the pattern and everything. So that kind of technology has come. There are small, changes like previously in the sewing machine, the extra thread we have to cut manually, now the machine cuts automatically. Similarly the fabric cutting machine, previously it was manual and now the automation has come and in that there will be small modification only but all these are going to reduce much of labor in garment division. Maybe even 5% reduction in people is a big thing.

Ritesh Badjathia: Okay, got it sir, sure. That's all from me thank you.

P. Nataraj: Thank you.

Moderator: Thank you sir. We have the next question from Naushad Chowdhury from Systematix; please go ahead.

Naushad Chowdhury: Thanks for the opportunity. If I understand it correctly, typically volume has never been a challenge for our kind of business in garmenting especially; but in down time we see there is a pressure in realization or EBITDA per pieces. As the market conditions are improving, do you see this number can improve further on our existing garmenting capacity...the realization and EBITDA per se?

P.L. Murugappan: Actually sir things are more or less normal now. The EBITDA levels somewhere around 22%, 23%. Presently we are running around 20% to 25%. We hope that it will continue for the year. Generally, we are happy with 20% plus kind of EBITDA margin in the garment business.

Naushad Chowdhury: Lastly sir, in the last quarter you had mentioned we were having very good traction in terms of...from the medical equipment sales which we account under our garmenting business. So if you can share how much contribution was there from these products?

P.L. Murugappan: Sir, we are generally doing the medical gowns - the PPE kit. We are producing somewhere around two lakh pieces per month and the revenue maybe around Rs.10 to Rs.12 during this quarter.

Naushad Chowdhury: Okay sir thank you, that's it.

Moderator: Thank you Sir. Next we have a follow up question from HR Gaala from Finvest Advisors. Please go ahead.

HR Gaala: Sir, I just wanted to basically know that since we are expanding this particular capacity, do we have some commitments from the clients?

P. Nataraj: Sir, we cannot go and make an agreement or ask them to give their commitments. It is only the relationship what we have with the existing customers. I already explained, the existing customers want more space in the factory. If somebody is working with 10 lines, they want 15 lines, somebody doing 20 lines to go on to 30 lines. So they are pushing it. These customers will not ask because when there is no order, we cannot go and ask...straight away they will tell; sorry. We can't expand like that. More than ten years of relationship what we have. We discuss with all our customers, if we go for expansion. Can you feed this much of capacity? So then every customer will say we will feed this much capacity. They will not say for the new factory I will give. So it is based on oral commitment only. They will not give any assurance or guarantee; but in the past what we have seen and what we have experienced, once they say, they will honor it.

HR Gaala: Okay and sir any of the customer is willing to participate in the capex program, 250 crores?

P. Nataraj: Pardon?

P.L. Murugappan: No sir, we have not generally indulged in that kind of proposals. Generally we will do the capex program. Only business we do with the client.

HR Gaala: We are not going for that kind of arrangement?

P.L. Murugappan: We won't go for it.

HR Gaala: Okay. Sir, my last question is, as far as FASO is concerned, now that things are opening up after COVID so do you see good turnover etc. coming in FY21?

P. Nataraj: FASO, now only things are looking good. Slowly the stores are getting opened, we are also pushing our clients for the product sale and other things. Online sales picked up well and reaching the stores also, new distributors we are appointing; new chain of stores we are appointing now; new stores we are approaching and we hope that this half year we will do better than the first half. The first half we really had a bad time and we were not able to....since all the stores were closed we were depending upon the online sales. Now, the things are opening up, we are pursuing it now; we hope to push it hard.

HR Gaala: Okay and sir when do you think we will be going for the national launch of FASO? In the annual report we had said in 2020-21 we are planning.

P.L. Murugappan: We have done our south India level launch, we want to establish this brand in this region first. We hope we will be doing it during the course of time, once we reach a good response in this region.

HR Gaala: Okay, thank you very much.

Moderator: Thank you sir. Next we have a follow up question from Anant Singh from Unifi Capital, please go ahead.

Anant Singh: Thank you for the opportunity; I have two questions. In our garment business in Q2 was there a spillover from Q1 like 26 million or 27 million as we did? Any spillover from Q1?

P.L.Murugappan: Spillover means sir ?

Anant Singh: Some Q1 order shifted to Q2...?

P.L. Murugappan: It is our regular order only, it is not a spillover kind of a thing. One month order was...actually April order was moved to next month; so one month's delay was there but we are trying to make it up and we will be doing this within this year.

Anant Singh: Okay. In case of our sugar division, what was the total number of days or weeks when we could not produce ethanol or sugar? What was the overall revenue loss?

P.L. Murugappan: There is no revenue loss as on date. We stopped the production for three months; molasses was kept as stock; now we are producing it, during this quarter.

Anant Singh: Okay so whatever sales we had in that segment was through the inventory sales?

P.L.Murugappan: Yeah inventory sales. Ethanol sales will happen in this quarter.

Anant Singh: Okay so that was only sugar inventory sale. Was there any power revenue in that sugar figure?

P.L.Murugappan: Everything will come during this quarter sir

Anant Singh: Okay fine. Thank you sir and good luck for the coming quarter.

P.L.Murugappan: Thank you.

Moderator: Thank you sir. Next we have a follow up question from Ankit Gor from Systematix. Please go ahead.

Ankit Gor: Thank you sir. I just wanted to understand how do we see Ethiopia now; after this, probably six months or a year down the line can we assume that operations will moderate or are we also thinking of winding our operations....? Sorry for that, but I am just trying to understand what is our strategy with regards to Ethiopia.

P.L.Murugappan: Now the things are okay; because of the pandemic, they were also affected. Six months were not very good in Ethiopia. We have already completed the audit and all. We hope that things will improve during this half year.

Ankit Gor: Okay, so in that case, we will remain...

P.L.Murugappan: Yeah we remain focused on that business.

Ankit Gor: Okay and sir on gross margins front we have seen in 4Q there is a drop on YOY, so can you please explain, because of sugar loss it was a drop or because of lower utilization of yarn capacity there was an offsetting deleverage?

P.L.Murugappan: You are talking about first quarter and second quarter?

Ankit Gor: Sir YOY, Q2FY21 compared to Q2FY20. EBITDA was down by 100 bps....

P.L.Murugappan: Sir last year yarn business was really good. During the time, yarn realization was a little higher, This year because of the high inventory costs the realization was a little less. Otherwise more or less in line with that only.

Ankit Gor: Okay and sir what is the capacity utilization in yarn?

P.L.Murugappan: We got 90% this quarter.

Ankit Gor: Okay in the second quarter. And what was the proportion captive and outside sale within this sir?

P.L.Murugappan: We are consuming about 40% of the yarn for fabric consumption and about 50% of the fabric is used for garment production.

Ankit Gor: Okay thank you very much sir that's it.

Moderator: Thank you sir. Next we have a follow up question from Tarang Agarwal from Old Bridge Capital, please go ahead.

Tarang Agarwal: Sir just a couple of questions. First, on the working capital intensity, would it be fair to presume that the working capital intensity of the yarn/fabric business

would be anywhere between 70 to 75 days and that of the garments business would be anywhere between 90 to 100 days?

P.L. Murugappan: Yeah you are right.

Tarang Agarwal: Okay. The second question sir if I notice your P&L, the employee expense as a percentage of revenue in the last four, five years have significantly gone up. So what has lead that to happen and why? Secondly, how should we see the ratio tending forward?

P.L. Murugappan: Actually sir, last three to four years we are increasing our garment capacity. Garment capacity being labor intensive business, our labor cost has gone up. In the future also we are planning to increase the garment capacity only so the labor cost portion will go up compared to the previous periods.

Tarang Agarwal: Okay, just a follow up. For instance if your employee cost in 2016 was 8-1/2% of your revenues and it is almost 11.8% in 2020; so there is a difference of almost 340 basis points. When I see your gross margins the incremental gross margin in the period has moved from 38.7% to 40.7%; so my sense was because the mix of revenues is improving, effectively the arbitrage should be between higher cost margins and proportionately lower employee cost. But it hasn't still happened in the last four years....

P.L. Murugappan: It is not the way of looking at the gross margin and employee cost. Employee cost when we go for value additions like garments, will go up. The right way to look at is at the EBITDA levels. EBITDA will improve substantially when you go for garmenting; because garmenting is a labor-oriented business, percentage of cost over the revenue of garment is higher, it is about 15%.

Tarang Agarwal: Okay, other line items will reduce is it....?

P.L. Murugappan: Yeah, other line items are lesser.

Tarang Agarwal: Got it, great. Thank you sir and all the very best.

Moderator: Thank you sir. Ladies and gentlemen if you have a question please press * and 1 on your telephone keypad. Next we have a follow up question from Bharat Chhoda from ICICI Direct. Please go ahead.

Bharat Chhoda: I just wanted to understand, why our gross margins in the second quarter has been lower? Any specific reason over there why that has been on the lower side?

P.L. Murugappan: Generally when we sell the sugar, the gross margin will be lower because the cost and selling price difference is lesser. Generally the power and molasses gives a higher margin and sugar gives lower margin.

Bharat Chhoda: Okay. If we look at individual business like yarn, fabric and garment; otherwise there will be...

P.L. Murugappan: That will be stable.

Bharat Chhoda: Okay thank you so much.

Moderator: Thank you sir. Next we have a follow up question from Venkat Samala from TATA Asset Management; please go ahead.

Venkat Samala: Hi sir, thanks for the follow up. If you could just repeat what is your expectation with respect to annual ethanol revenue?

P.L. Murugappan: Somewhere around 170 crores.

Venkat Samala: That is taking into account 130 KLPD right?

P.L. Murugappan: Yeah right.

Venkat Samala: Sir one more thing I just wanted to understand specifically about the ethanol segment. If I just look at some of the other companies like Balrampur Chini, they managed to do about 40% margins on this particular segment. So I just wanted to understand is that a possibility for us also?

P.L. Murugappan: It depends upon the area where the sugar mill is located. It varies from location to location.

Venkat Samala: Right, right sure. Sir for us that possibility is not there is it?

P.L. Murugappan: I am not telling that it is not possible; this is first season, we have to see, we hope that it will be better.

Venkat Samala: Okay right. So as and when that happens we will come to know. That is what you are saying?

P.L. Murugappan: Yeah.

Venkat Samala: Okay. One more thing, with 26 million of capacity produced in garments, large part of that is from the Indian capacity only is it?

P.L. Murugappan: Yeah, mostly from Indian capacity.

Venkat Samala: Okay, no material contribution from Ethiopia?

P.L. Murugappan: Ethiopia, now only things are improving.

Venkat Samala: Right sure sir. Sir if you can help us understand is this the maximum capacity that we can operate at? I mean 26 that we were able to achieve?

P.L. Murugappan: Yeah 26 is the maximum capacity that we can achieve. We can do a little more to compensate with extra time and all. We are trying to catch up with the previous years' figures.

Venkat Samala: Sorry sir?

P.L. Murugappan: We are trying to reach to the previous year's levels slowly.

Venkat Samala: Okay, okay understood. Does this also entail some bit of overtime also?

P.L. Murugappan: Yes, some portion of overtime also.

Venkat Samala: Okay. Generally what would be the average of this overtime in terms of hours?

P.L. Murugappan: It depends, maybe one or two hours in a day

Venkat Samala: Okay. Sure sir, and this volume can also increase in the next two quarters no because now we will be going for summer wear and this will be coming at lower realization and therefore the volumes could be slightly higher?

P.L. Murugappan: Yeah.

Venkat Samala: Okay but revenue could be similar.

P.L. Murugappan: Yeah.

Venkat Samala: Okay thanks sir.

Moderator: Thank you sir. Next we have a follow up question from Anant Singh from Unifi Capital; please go ahead.

Anant Singh: Sir thank you for the opportunity. Sir if you can give us a sense of cotton cycle. Earlier in the call you commented sugar looks good for the coming season. How does cotton look for the coming season?

P.L. Murugappan: Pardon? Could you repeat?

Anant Singh: Any comment on how the cotton harvest looks like for the forth coming season? Do you anticipate it to be a normal year, bumper year or relatively low-production year?

P. Nataraj: Cotton, actually if you see this year the area is almost the same. Because last year also very high comparatively over a period of time. Almost the same acreage is maintained this year also; but one thing is, there has been excellent rainfall all over the cotton belt in India so crop is very good. Except Telangana where due to flooding some crops were damaged. This is so far the news. Otherwise the crop, not only the quantity, quality is very important. Quality is excellent is so far the information we are getting compared to last year. So regarding cotton, this year will be very good.

Anant Singh: Sure and sir, in the call in answer to another question you mentioned 170 crores revenue for ethanol for the full year. How much would be the potential revenue for sugar now with the expanded capacity? There might be some divergence from sugar to ethanol, so what would be the sugar revenue for FY21 full year?

P.L. Murugappan: Full year we have to wait because the season is going to start. Ethanol revenue is also an estimated revenue only. The full production is for 300 days. So let us wait for some more time to understand how it goes.

Anant Singh: Okay fine, thank you sir.

Moderator: Thank you sir. That would be the last question for the day. Now I hand over the floor to the management team for closing comments. Please go ahead sir.

P. Nataraj: Thank you very much. So thank you everyone once again. Our continuous growth initiatives passionate and authentic business practices rooted in values and actions; dynamic management and sustained support from all the stakeholders would help KPR to achieve its desire result successfully. We believe that we have successfully managed pandemic and coming out of the pandemic. We believe that the future will be excellent. With the support of everyone, all the stakeholders, KPR will achieve further. Thank you all once again.

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

Note:

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