"Arvind Limited Quarter Four and Full Financial Year 2018 and 2019Analysts & Investors Post-Results Discussion Conference Call"

May 17, 2019

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Conference Call for Analysts and Investors for the Post-Results Discussion of Quarter Four and Full Financial Year 2018 and 2019 for Arvind Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone phone.

I now hand the conference over to Mr. Samir Agrawal -- Chief Strategy Officer for Arvind Limited. Thank you and over to you, sir!

Samir Agrawal: Thank you and Good Afternoon to all of you. Thank you for participating in this quarter four and full year 2019 earnings call of Arvind Limited. Joining me today is Mr. Jayesh Shah -- Executive Director and Group Chief Financial Officer.

We had a good quarter overall in terms of results, especially for Woven and Advanced Material Divisions. Although Denim continued to be under stress and I will explain a bit more detail about this in a few minutes.

To open this up, let me share the Financial Results overall:

For Q4, our overall revenues grew 1% and stood at Rs. 1,859 crores, one-eight-five-nine crores. EBITDA margin improved from 9.5% to 9.9%, primarily driven by our Advanced Materials business.

On a full year basis, revenues were up 5% at Rs. 7,142 crores, seventy-one-forty-two; and EBITDA stood at Rs. 717 crores, seven-one-seven, which is 10% margin compared to 9.9% in the previous year.

Textile revenues were lower this quarter by about 3%. However, if you compare that with Q3, they were up 7% and this validates the point, which we have made last quarter that we see the decline to actually reverse and to stabilize. Woven volumes were flat for the quarter. They did show a slight growth on a full year basis.

In the garmenting – volumes started to really expand and show growth as our new facility started to ship out customer orders. As an example, revenues from the Shirts, the Stitched Shirts, were up 35% and that drove the woven shirting revenues overall by 11% for the year. Denim volumes also improved by 3 millimeters compared to Q3. However, you acknowledge that the Denim volumes continue to be under pressure as many of our big export customers still are continuing their inventory corrections and hence, the buying is muted.

In terms of margins:

Textile margins were lower by about 250 basis points as we calculate for the quarter and also for the full year. These were a result of 3 clear factors: One is the lower volumes clearly had an operating leverage effects on the margins. Secondly, our garmenting facilities, the new and the expanded ones, are undergoing now certain preoperative losses in the initial phases, they tend to kind of not operate in full efficiency. So, in places like Gujarat, Ranchi, Ethiopia and Karnataka, these are dragging our margins down and finally, we did during the year restructure our B2C business in fabrics and that created some volume loss and additional costs, a very small number though.

The Advanced Materials business grew a solid 50% in Q4 over the previous period in the last year and almost 30% on a full year basis. It closed the year at a positive EBITDA of plus 10% as compared to a negative number last year as operating revenue started to kick in the more mature part of its portfolio. Now this business, we see is on track to cross Rs. 800 crores revenue run rate next year and be profitable as well.

Arvind Limited net debt at the end of the quarter was Rs. 2,619 crores as of 31st March, 2019 which was slightly lower as compared to the March 2018. For this year, we are increasing the dividend yield payout ratio to 26% compared to around 23.5% for the past 3 years. So, it hovered around that mark and this year, we are making it up to 26%. Although on a per share amount, it may look lesser, given that the company has demerged into 3 entities.

Looking ahead:

We expect overall Textile EBIDTA revenues to grow by 7% to 8% during this current year, FY 2020. Most of that will happen in the second-half of the year. We expect our newer, expanded garmenting facilities to start delivering significant volumes by the third quarter.

Denim volume:

We expect it to continue to be under stress for some more time, although we expect that many of our new products will start hitting the market and the products which will evolve.

Advanced Materials are expected to continue clocking 30% growth during this year. In terms of margin, we expect EBITDA in H1 to be lower than the previous year's EBITDA. Firstly, because H1 in FY 2019 was a very strong H1 and hence, has a base effect. And secondly, our newly commissioned garmenting facilities will result in initial losses. Like I said earlier, the efficiencies in the initial months when a new factory goes online is quite low and hence, it creates a loss some time. And in fact, for the same exact reasons, what happens is our H2 will be significantly better. Our factories will become much-much more efficient and we will exit on a very strong EBITDA for the year.

So, the above guidance does not take into account any impact from currency exchange program or Cotton prices. We expect, we model all of this assuming a reasonably stable macroeconomic environment.

And just to kind of wrap up my commentary, as a recap, we expect 2020 to be a good year with H2 holding us good news. Now I would like to invite you to ask questions.

Moderator: Sure. Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel: Few questions. On this Garment expansion, if you can give the update based on the both these 2 locations, Ahmedabad and Ranchi, what has been the progress so far? What could be the capacity there? And what kind of stage of development we are right now?

Kaushal Shah: So, Hi, Maulik, this is Kaushal. Maulik, about these 2 facilities so first about Ranchi. So, Ranchi, we have already completed the investment phase and they have started delivering the commercial order from the facility. It is at very smaller scale as of now because they had just started delivering the numbers. But the capacities of Ranchi, the exit capacity of Ranchi would be around 4 million pieces for the year, so this particular financial year. For Ahmedabad, we have started investment a couple of quarters back. They are yet to start delivering any commercial order. But you know investment into machineries and investment into the other facility has already been in progress. The likely exit capacity of this particular facility, the Ahmedabad facility will be around 3 million pieces, yes.

Maulik Patel: And what is the investment we are making in Ranchi and Ahmedabad, respectively?

Jayesh Shah: So, Maulik, this is Jayesh. So, overall, between, so we are investing in Ranchi. We are currently, as we speak, investing also in Ethiopia. We are also investing in Ahmedabad, 2 facilities in Ahmedabad. Overall, the exit capacity which we are aiming to achieve, whenever the plant reaches its full utilization, we are looking at almost doubling the last year’s volume, which is about 30 million - 31 million to about 55 million - 60 million. During the year, as we progress and more importantly in H2, so whole of the year, we may get anything between 42 million to 45 million Garments during the year. Now, the total investment in various facilities has been about Rs. 170 crores in the last year and we would be further putting Rs. 120 crores odd crores to complete this 60 million exit capacity during this year. So, in all about Rs. 280 crores odd among these 4 facilities, the one which is at Bengaluru (Bangalore) is almost complete and it is reaching at a very high level of efficiency already, which is a Shirt plant of about 3 million Garments and the other plants are all just about beginning and we hope that they will become at a high, not full but high level of productivity and obviously, become profitable in H2.

Maulik Patel: Okay. So, as you mentioned that this financial year of FY 2019, the total volume published from these facilities were around 31 million pieces?

Jayesh Shah: Right now, yes.

Maulik Patel: Yes, right now, okay. And probably, let us assume that in FY 2021, which is next year, we could reach to around an optimum capacity utilization of what 90% - 95% on 60 million pieces?

Jayesh Shah: Yes, we could take that. And also though if you want to look at whole of 2021 that in addition in capacity that we may also for now let me explain to you what the investment thinking right now is that we are currently taking a pause for the first-half of this year to complete what investments we have begun, and not add new investments into Phase-II of various facilities. However, depending upon how H1 and how we progress and come into H2, we may want to start Phase-II say in Ranchi or even in Ahmedabad. If that were to happen, 2021 may give us more than 50 million. Otherwise, a good if you do not do anything different, it will be close to between 55 million and 60 million.

Maulik Patel: Okay. So, in that case, if you go for the Phase-II in Ahmedabad and Ranchi, the CAPEX number will also go up higher than what you mentioned about Rs. 120 crores for only this financial year, right?

Jayesh Shah: Yes, but it may not be very significantly different in this year because when we begin, a bulk of the CAPEX happen in H1 of the next year, not necessarily in H2 of this year.

Maulik Patel: So, out of this Rs. 1,385 crore of Garment revenue, how much was from Ethiopia?

Jayesh Shah: About slightly below Rs. 100 crores.

Maulik Patel: Okay, slightly below Rs. 100 crores. So, this year, that capacity should see in a full ramp-up, if I take it...

Jayesh Shah: so, it should be closer to last year, we would have done 2 million - 2.5 million Garments. We should be hitting closer to 10 million this year.

Maulik Patel: So, in that fashion, the revenue could be in the closer to around Rs. 300 crores at least from the Ethiopia?

Jayesh Shah: Rs. 50 crores and Rs. 300 crores, that is correct.

Maulik Patel: Yes, okay. The next question is on the margin improvement. So, after a couple of quarters of slide in overall margin and because of the tough conditions in a certain fabric segment. Now is it comfortably we can say that bottom in margin is behind. Now we are looking for a little bit for a higher margin trajectory or a normalization of the trajectory?

Jayesh Shah: Let me explain. So, if we look at there are 2 reasons, very broadly, I can say, but there will be 10 other smaller reasons but 2 key reasons why margin reduction happened I think, 3 reasons actually. So, one is that, we saw a volume decline in Denim and that has a direct impact on the overall sales and Denim being a high contributing margin business. So, to that extent, that does affect did affect the margin. Number two, when you kind of saw the pressure in the market as far as the demand or oversupply hang over being there, we as you know, in this current financial year there has been significant increase in the cost of the imports. Particularly, if you look at dyes and chemicals have almost doubled as a percentage to sale. And there has been also, in recent past, in last quarter of the last financial year, there has been an increase in the main raw material, which is Cotton. And it was also at elevator levels. Though we got positive variance on the dollar - rupee, but this is where the two big negatives that were there. And in our markets such as where there is supply overhang, it was not easy to pass on the cost push. So, that is one of the reasons and I believe that, that reason is the other reason. The third of course, is that the difference between what drawback rates we had and what drawback rates we have now in Garments, that is one. And also, the good amount of you know in a sense, preops getting incurred in various plants where the capacity utilization has been at 5% or 10% or 15% and we are required to charge it to P&L because we have started commercial production. All of those are reasons. Now, when I try and analyze which ones are going to transient and which ones are going to be continuing for some more time. I would think that our ability to pass on the cost push, this for the next 1 year, may not be there, looking at the market conditions. However, increasing volume sales in all businesses, including Denim, it is looking that we will improve our volumes sales during the next financial year. As far as Garments are concerned, I mean the base effect itself is now already taken into account that the drawback rates have gone down. So, that will not the base has taken care of it. The fourth is the transient and I think, that would be continuing for H and I think my colleague explained that our H1 will not look as good as what H1 last year looked or what H2 could look because we would be spending at transient preop losses in Garment facilities across all our new facilities. So, I would think that looking at these all different things, unless something goes wrong, I think, H2, we could see an improvement in the margins beyond what you saw for the whole of this year. And I think, unless currency or Cotton changes dramatically, I think we are hopeful that things should be better in the H2.

Maulik Patel: Okay. And the last question, then probably I will come back again in the queue, what could be the CAPEX overall CAPEX guidance for this FY 2020?

Jayesh Shah: So, we are as I said that now we have spent good about Rs. 470 crores last year. I think this year because we will be spending less in the H1 or committing newer ones in H1, we think that the CAPEX will be between Rs. 375 crores and Rs. 425 crores.

Maulik Patel: Okay. So, this year, given that we expect top-line to be grow around 7% to 8%, margin to be better, and CAPEX is low. So, with that at the end of this financial year, assuming that Cotton is what it is right now, the overall debt could go down?

Jayesh Shah: The plan that we have prepared shows that it should be marginally going down.

Moderator: Thank you. The next question is from the line of Nishit Rathi from CWC Advisors. Please go ahead.

Nishit Rathi: Just a couple of questions. Just wanted to understand better, so Jayesh bhai, the dollar which was a big benefit in which we were supposed to get some benefit in our margins in H1 going forward, that you are saying has all been nullified by the increase in the cost? Is that understanding correct? Because we were supposed to get some benefit from there?

Jayesh Shah: So, it is partially correct. The reason is, there is a good amount of preops that will get incurred. And so, when I say that in H2, our margin should be much better than what we have seen in the recent past or in H1, the reason is that I am not changing the cost parameters. I am only changing that the preops losses will just vanish and as a result, our margins should improve. So, it is taking into account the benefits that we are getting currently, it is taking into account some cost push and volume changes that we would get. And only difference being and that in H1, we will have these transient losses that we will have to write off.

Nishit Rathi: So, can you broadly help us understand the quantum of those losses which will then also make it clear as to what really is happening over there?

Jayesh Shah: That would be writing what will happen now.

Nishit Rathi: Approximately, is it in the nature of like Rs. 40 crores - Rs. 50 crores? What kind of number we are looking at?

Jayesh Shah: See about a percentage or thereabouts of the margin.

Nishit Rathi: 1% of the margin?

Jayesh Shah: Yes. It could be around that.

Nishit Rathi: Okay. So, that is 1%. Okay. And again, so just trying to understand, is the currency gains that we are getting also not fully getting utilized because we are actually not really getting the benefit of we are actually passing the benefit back to retail volumes or...

Jayesh Shah: As I said that it is not a currency thing that it is a cost push, which you if I want to do 2 things at a time when increase the volumes that we have lost in Denim and at the same time increase the price at may not got. So, what we are not factoring is that whether we will be able to pass on the entire gross margin at a constant dollar, which has come down because of the cost push, whether we will be able to pass it on? We are not so certain about it right now.

Nishit Rathi: Okay. And how should we think about this Denim, this thing the softness in the Denim thing, like, it is been there for some time. How do you see this?

Jayesh Shah: So, I think the mix of 2 things, one is that internationally we do not believe there is any challenge in recouping the volumes. There has been a shift, of course, more in Europe, where more and more customers, including the customers that we had are moving towards full packaged vertical Garments rather than buying fabrics and that shift has been very fast as compared to our capacity, which we wanted to build in our Garments. So, that is one reason why we kind of see some kind of volume, but it has nothing to do with the market conditions. It is something to do with the shift in the buying pattern**.** It is not that the Denims are not being sold. It is that the vertical packages are being sold more easily than. In India, it is other way around that it is not the demand. I think the demand, if I look at the brands, particularly the Denim brands in India, they are growing rapidly. So, there is no reason to believe, including in value formats, so entire organized retail that we are catered to, we see significant increase in volumes of Denim being consumed in India. The challenge is the capacities that are there in India, where the margins at which people are selling and the credit terms at which people are selling right now, it is something which is not that we would want to kind of do. And as a result, we would rather sell less but not spoil either the capital employed or the average price at which we sell. I think, that is a period of it may be a little medium-term challenge. It may be 1 year or 2 years challenge till market supply demand corrections take place. I think, from our side, we saw certain of these things to come and we have taken a lot of steps. For example, we have taken a set up very difficult set of number of Garment facilities that is the first step we took. The second step we have taken is that we have resorted over last 2 years to a lot of outsourcing rather than in house manufacturing. You see one line item, which we call it exceptional but recurring in nature in last 2 years has been the replacement compensation that we are paying in our income statement and that is something, which we have done is to reduce in house manufacturing and make it more on outsourced basis so that we are able to have lesser fixed cost. So, that if there is a change in demand pattern, we can adjust it without losing too much on the cost front. So, third is that we are and we would want to deliver and do rather than talk right now. We are looking at very different kind of product mix within Denim. We are about to launch all of them but we would rather do it rather than talk about it right now.

Nishit Rathi: Sure. And if my understanding is correct, once your garmenting facilities are onboard, then some of those international demand, which you have lost, should actually then you should be able to actually grow the international business pretty well then?

Jayesh Shah: I would not really lose too much honestly on international or even in India but it is a trend. And I think, I would consider it to be an opportunity because from various centers in India, in Ethiopia, we would be servicing these customers. And I think to that extent, as we have seen in the past and as you possibly would know, the relationship with the customer becomes much stickier and simpler, the efforts to selling efforts reduce dramatically. So, I think strategically, we are there. It is a setback of 6 months to 9 months on timing that we will have to go through.

Nishit Rathi: Sure. So, Jayesh bhai, there is one more line item in your textile business. There this others item, which has fallen dramatically from Rs. 155 million to Rs. 83 million, it was down last quarter also. What exactly is this? And is this your Voiles and Knit business, which is it falling a lot?

Jayesh Shah: No. Okay. It is our mix business, is that what you are talking, the numbers?

Nishit Rathi: So, there are 4 numbers that you shared. One is your Denim, one is your Woven, one is your Garments, and there is Others. And the Others was Rs. 155 crores last year, which has become Rs. 83 crores.

Jayesh Shah: Let me explain. So, the redline is, of course, Denim; the in between line is Woven; the blue one is our Garments; and Others includes Rs. 155 crores to Rs. 83 crores, is what you are referring mix of this thing. So, one of them is, of course is Voiles which has grown incidentally. One business, we had a kind of setback in 1 quarter or 2 quarters was our knit division, where we had 1 or 2 large Indian customers, very large Indian customers, where we had to stop supply because of the credit issues. But it is behind us. So, I think we are now back to normalcy but I would consider it to be one-off last 6 months.

Nishit Rathi: So, that will come back, you are saying, that business coming this should come back going forward?

Jayesh Shah: When we are talking about growth projections that the company has made; we have sectored all of them. But just to explain the past I am saying there were issues and we have a very strict credit policy that if we do not get money, we just do not supply.

Nishit Rathi: And the last question from my side is the ADM business, which has delivered a stellar quarter this time, that the margins is this the new normal? Is this how it will be going forward or is there some seasonality in the business?

Jayesh Shah: I think they are looking at EBITDA margin. But if I were to look at gross margins in this business, the contribution level had always been good. It was a scale issue. We had invested in various subsequently-parts of this AMD business as we have been doing in the past be it human protection, be it composites and filtrations and industrial and all those. And there is a huge amount of so there was an overhead that were built to start all these businesses. Also, there were a lot of expenses, which were getting incurred to which I would call it development or a research or whatever expenses, which were all kind of written off in the past. So, as we had said last year, you know which we were discussing is that, this business was inherently profitable. It had to be achieved some kind of scale, which would give us that thing. We are hoping to continue that growth momentum. In fact, our first earlier projection was Rs. 1,000 crores in 2020. I think it will be 9 months to 12-month delay in that Rs. 1,000 crores mark, but we are on our way. And I think our margins from here should marginally keep improving. And I think it is a very strong, solid business that we are building within Arvind using our inherent textile and chemistry understanding.

Nishit Rathi: So, the Rs. 200 crores that we are exiting, can you actually sustain and we will grow on that, right? Or is it to be looked at or is there some seasonality? So, the last quarter is can continue into H1 also?

Jayesh Shah: Yes, in a sense, yes, but it will I mean honestly to be saying that whether Rs. 190 crores or Rs. 200 crores can become Rs. 160 crores - Rs. 170 crores in 1 quarter and Rs. 220 crores, the possibility yes because they are all order dependent that effect cumulative trend line, we are hoping to be 25% - 30% growth.

Moderator: Thank you. The next question is from the line of Prerna Jhunjhunwala from B&K Securities. Please go ahead.

Prerna Jhunjhunwala: Sir, I would like to understand your Garment revenue. How much is it from domestic and how much from exports? And what kind of export incentives we are eligible for now and how much we have earned in this year?

Jayesh Shah: So, about close to three-fourth of the top-line will be exports. The current incentives are one second, my colleague is helping me, 7.5% now. They were lower in last year. They, I think, got increased by about couple of percentages in the recent past, about 2 months back but they were like 5% - 5.5% last year. And this mention of couple of percentages comes for a shorter period. I think, it is going to be subject to renew in September or something like that. This is not the it is the wrong word. It is reimbursement of the taxes we are paying.

Prerna Jhunjhunwala: Yes, correct. So, sir, in light of these higher reimbursement, do we see the margin of Garments improving or is it likely that because you are running on lower efficiencies at this point in time, this...

Jayesh Shah: It take isolation because of this; the margins will certainly improve. But as I said, it is a year of the significant value and volume push, where at various plants lot of costs are getting incurred. So, exit margin if this percentages continue say, in quarter 3 or quarter 4, you will surely see a margin improvement on account of this reimbursement. But in general, because given the losses on account of preops costs that we are incurring will go down. We see the margin improvement in H2.

Prerna Jhunjhunwala: Okay. Sir, next question is the raw materials volatility. Now that yarn and Cotton prices are largely very volatile, so what will be our take on the cost of Cotton or Yarn in your business? And how are we managing the inventory there**?**

Jayesh Shah: So, we have inventory for which would be good for next 3 months - 4 months. Beyond that, I think, we will have to wait and see because it is truly volatile. As you see, it collapsed. All commodities minus oil collapsed in the last 2 weeks. And that is something which will be very difficult for me to say what is the Cotton price. But I think, we will have to see how it goes and those uncertainties, unfortunately, are there right now so we will have to...

Prerna Jhunjhunwala: will fall in yarn prices, will it help us in our profitability to some extent?

Jayesh Shah: Always, yes but you know so again, all of these things are I would say, price or the Yarn cost or the Cotton cost help when they go down for some period of time and when they go up, they also take away margin for some period of time. Also, there is a continuous change in the product mix that we do. So, in general, yes, any cost going down helps but I would not want to correlate by putting a formula that if Cotton price is gone down by 2%, the margins will improve by 0.4% because Cotton is 40%. So, I think, it does not work that way in a very simplistic manner.

Prerna Jhunjhunwala: Yes. Correct, I understand, sir. Sir, next last question will be on working capital. Could you just help us understand the inventory debtors and creditors position in the business because we do not have the details on our competitors

Jayesh Shah: Sure, I think the inventory on the whole for the company has marginally gone down, okay, except the inventory of Cotton, where as I said that we have bought Cotton and that inventory is there right now. Our receivables, for example, last year, were Rs. 890 crores, they are at Rs. 897 crores, so it is in-line. And our inventory, on the whole, is up by close to Rs. 100 crores compared to Rs. 1,500 crores last year. It is close to Rs. 1,600 crores right now. But very soon, I think, in the next few days, you will get the balance sheet. We are going to upload that; you will get it.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Share khan. Please go ahead.

Kaustubh Pawaskar: Most of my questions have been answered. Sir, this year, we have seen your Woven quantity, sales quantity has grown by about 7% - 8%. So, what is your take on it? Will it grow in single digits going ahead? Overall, on the Woven segment, what could be your outlook?

Jayesh Shah: So, first of all, as possibly you know that we are not adding too much capacity in fabric manufacturing right now. Our focus is to convert more of this into Garment. So, we would be in Woven very small room, 3% - 4% - 5% increase that we can get in volumes next year and we believe it will come. There is a room because we are underutilized in Denim, so there is a room to grow it by a good margin, 10% - 15%. We do not know how much we will do, but there is a room there. In knits because we underutilized because of the reasons I just mentioned in earlier one of the questions, we have room to grow. So, overall, as a company, in fabrics, there can be a volume growth of 5% to 7%.

Kaustubh Pawaskar: Okay, thank you, sir. And since we are planning to do a CAPEX of about Rs. 200 crores in FY 2020, will it be funded through...

Jayesh Shah: It is more than Rs. 200 crores. It is around Rs. 375 crores to Rs. 425 crores.

Kaustubh Pawaskar: Rs. 375 crores, yes. So, that is overall CAPEX you are planning to do for the Arvind?

Jayesh Shah: The Garments CAPEX.

Kaustubh Pawaskar: Right. So, this CAPEX will be funded through debt or you think that your cash flow…

Jayesh Shah: In my one of the questions I answered that as well that looking at the cash generation for the year and looking at the CAPEX requirements and the working capital cycle that we have and we are likely to continuously work to improve it, we do not see a debt addition during the year. So, it will, in that sense, get funded through our own internal accrual.

Moderator: Thank you. We have one last question. the last question is from the line of Sagar Parekh from Deep Finance. Please go ahead.

Sagar Parekh: Sir, on your line item, Others, for FY 2019, we have seen a significant jump in EBIDTA, so if I look at FY 2019, it was about I think...

Jayesh Shah: It was, yes, that is true. Just to give you a perspective on what all are containing within this actually, last year, Others had a negative. But if I look at the businesses which are involved, there is 2 or 3 relatively larger businesses which are part of it, there are 7 or 8 smaller things but one is our Water business, which is a company called Arvind Envisol. It had a revenue of Rs. 170 crores in the 2018, it has now jumped to over Rs. 300 crores. We had significant large EPC orders from one of the African nations, where we implemented this project. The other is that we have this joint venture in a small business, we call it a telecom business operating out of Pune, that was Rs. 170 crores, which is going to over Rs. 225 crores. So, these two constitute larger parts of the Others segment, but they are relatively large within that segment, but otherwise smaller, very small. Internet as well is part of it. Now, all of these businesses and some of the other smaller businesses, which are being incubated, many of them were in negative in 2018. Most of them, barring couple of them, we still are in investment mode, have become profitable. And this water business where we got very large orders from Africa delivered significant profits as well. So, that is the reason why the numbers in Others look quite strong. Going forward, also though there were some of those were at a very high margin, they may not continue. But I think on top-line, we believe that the small growth of 5% - 7% - 10% can continue in that segment as well.

Sagar Parekh: And this top-line will be driven by Envisol, is it?

Jayesh Shah: Yes, largely Envisol, as well as this telecom units and couple of other smaller businesses.

Sagar Parekh: So, we would be having decent order book in Envisol for us?

Jayesh Shah: Yes. I mean it is so they are short cycle orders, as you know. So, you do not need the whole year's orders unlike in Anup Engineering. Here, you could get an order and execute, even if you got it in second-half, you could still execute in the same year. So, having said that, we have good pipeline, which would we have a visibility for at least next 5 months to 6 months.

Sagar Parekh: And in terms of the margins, this 5.5% margin you?

Jayesh Shah: No, not at a very high margin that we saw last year, but they are at a decent margin.

Sagar Parekh: Okay. So, what kind of margin should we take for FY 2020? Could it be like 3% - 4%?

Jayesh Shah: It is difficult to put number because (a) it is a new business for us; (b) it is also tender based. So, I think we would not take a guess on that number for the current financial year. I think we want to make it a recurring business, that is more important with healthy growth and healthy top-line and bottom-line, and I think, we are still little away from putting numbers to this business.

Sagar Parekh: Okay, sure. On your Garments side, you mentioned volumes for FY 2019 as 31 million pieces, am I right?

Jayesh Shah: Around 31 million - 32 million pieces.

Sagar Parekh: So, that was the same number in FY 2018 also. So, we have not seen any volume growth?

Jayesh Shah: No, sorry, I am sorry, this was 34 million. So, there was a 10% growth. As you know, all our past plants were at a full utilization, we want to start many, which we started now. So, we got that bump-up in the later part of this year, but most of it will come in the coming year.

Sagar Parekh: So, FY 2020, you mentioned about 42 million and then FY 2021, if we do more investments then more than 60 million?

Jayesh Shah: Yes, based on the investments which have gone in this year, last year and the current year.

Sagar Parekh: Correct. So, next year then 30% so we are looking at more than 30% growth in Garments, right?

Jayesh Shah: It looks to be 30% coming in one go, but our original plan was to grow Textile business last year as well as the year following, it is all getting bunched up in one year. So, obviously, that would give a much larger bump-up but yes, that is the way it is.

So, thank you, everyone, for coming over to this Earnings Call. And we look forward to talking to you once again.

Moderator: Thank you very much. On behalf of Arvind Limited, that concludes the conference. Thank you for joining us. Ladies and Gentlemen, you may now disconnect your lines.