“Arvind Limited's Post-Results Discussion for Q4 Financial Year 2022 Conference Call for Analysts and Investors”

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Moderator: Ladies and gentlemen, Good day and welcome to The Conference Call for Analysts and Investors for Post-Results Discussion for Quarter 4 Financial Year 2022 of Arvind Limited. As a reminder, all participants' 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 call, please signal an operator by pressing '*' then '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Samir Agrawal from Arvind Limited. Thank you and over to you, sir.

Samir Agrawal: Thank you very much, and a very good afternoon to all of you and thanks for participating in this call to discuss the Fourth Quarter and Full Year FY 2122 Results of Arvind Limited. Joining me today is Mr. Jayesh Shah – our Executive Director and Group CFO. Mr. Swayam Saurabh, who is our new Chief Financial Officer at Arvind Limited as well as Kaushal Shah who is our head of investor relations.

As many of you may be aware, Swayam has assumed charge as the CFO of Arvind recently. Swayam brings stellar credentials and a rich background of leading finance function at large corporate like Ola, Hindustan Zinc, and Philips APAC prior to joining Arvind.

Coming to the performance update:

FY22 started off on our concerning note, as the Delta variant of COVID had crippled large parts of Indian economy and showed weak Q1 results for most parts of the system. Gradually the momentum picked up and Q3 and Q4 were some of the best quarters we had delivered post the demerger of Arvind Fashions and Anup Engineering.

Through this financial year, we maintain a tight management of operations, working capital and capital expenditures. This prudent approach enabled the company to continue reducing its long-term debt as planned as shared with you all earlier. Our fourth quarter results were good in line with the guidance we had provided in January. Q4 revenues stood at Rs. 2,204 crores which was 33% higher than the last year’s number and quite similar to Rs. 2,276 crores which was there in the third quarter. EBITDA for Q4 stood at Rs. 235 crores once again very similar to Rs. 237 crores for Q3.

In terms of the year-on-year comparison the Q4 EBITDA for the last year FY21 was Rs. 208 crores. For the full year, the overall revenues of the company increased by 58% in FY22 and stood at Rs. 8,034 crores. Textile revenues grew by 65% and advanced materials grew by 51%. EBITDA for FY22 was Rs. 788 crores compared to these Rs. 463 crores was last year and in terms of margin the EBITDA margin this year was 9.8% vis-à-vis 9.1% last year.

Consolidated profit before tax stood at Rs. 5 crores in FY21, that number zooms to Rs. 390 crores in FY22. PAT reported at Rs. 238 crores for this year compared to Rs. (-17) crores last year.

Now, coming to some business specific commentary:

The textile business volumes, especially in export markets remained quite robust through the year. Domestic market also recovered from second quarter onwards and remained strong through the festival season and rest of the year.

In all, denim sold 92 million meters of fabrics during the year compared to 62 million meters last year and 80 million in the year before last year in FY20. So, went from 80 to 62 to 92 this year. Similarly, woven volumes also recovered from 81 million in FY21 to 120 million meters in FY22. So, in terms of revenues, textile revenues were up 65% to Rs. 6,611 crores for this year.

As you are all aware, the key challenge in this segment like many other businesses has been the continuously rising prices of all the input raw materials, most prominently cotton which continued to climb even though the new harvest coming in the market around November. As we close the financial year the cotton prices closed at all-time highs and as you all are aware, they continue to do so even post the end of March. Thus far our key customers have granted us the price increases that helped offset the costs increases between FY21 and FY22 the average realization of the Denim increased from Rs. 191 per meter to Rs. 223 per meter, while that for woven increased from Rs. 149 per meter to Rs. 182 per meter.

While these increased realizations enabled us to preserve the absolute profit in terms of rupees per meter, it did imply a lower percentage margin because of the base being larger.

Garment manufacturing operations increased their output through the years as facilities opened post-Delta variant closure, full garment output for the year stood at 36 million pieces as compared to 32 million pieces last year.

During the year we completed a restructuring of some of our facilities across India and also started to gradually ramp down Ethiopia. As you recall, we had shared that the AGOA Treaty has been kind of canceled for now and hence the duty-free exports from Ethiopia to US have been halted. As such the traffic for that location has come down, so we have started kind of reducing the footprint there. So, net-net our installed capacity has now come down to about 50 million pieces or so and our Q4 run rate was 11 million pieces which is about 90% of the current installed capacity. FY22 was a milestone year for our AMD business which we have talked about in the past as well. This business crossed 1000 crore rupees mark and the revenues for this year stood at Rs. 1024, which was higher by 51% over the last year. The business saw continuing demand for its products as the key global customers granted larger wallet share for the proven products and cost-effective solutions. Like other businesses, AMD also faced cost pressure on the input cost side as the key raw materials such as specialty fibers and yarn, glass roving, specialty chemicals and a variety of resin systems all their pricing soared. Further the majority of this business being exports oriented the ever-increasing container shipping costs, availability and delays pose severe challenges for these businesses.

EBITDA for AMD increased from Rs. 90 crores to Rs. 120 crores although again for similar reasons I explained earlier the margin reduced from 14.3% to 13%. We closed the year at a net debt of Rs. 1682 crores as of March 31, 2022, this was lower by Rs. 42 crores as compared to December number and lower by Rs. 268 crores compared to March 2021. So, this is overall net debt, which was Rs. 1950 crores at the end of March 30, 2021. We closed this year at Rs. 1682 crores, which was less by Rs. 268 crores.

Now, if we only talk about the long-term debt, debt number reduced from 1371 to 957 crores. So, that saw a reduction of 415 crores.

Now, external factors such as the current commodity super-cycle unprecedented inflation in the key western markets of US, UK, Europe, rise in the interest rate and ongoing geopolitical conflict at war bring uncertainty in the business environment and make it very hard to create a full year forecast. We have a good order book for now for this quarter. However, we feel that the EBITDA and the margin percentages will continue to remain impacted because of the steep increase in the input costs, which have been witnessed in last 3-4 months and this continue to impact us in many cases with a lag. However, we stay optimistic about the medium to the long-term prospects of our business. As such, we intend to resume making some calibrate investments in the specific part of the portfolio. So, during FY23, we have penciled Rs. 200 crores towards capacity augmentation in our advanced material and garmenting businesses, as well as certain cost optimization projects for the fabric business as well. These investments also include a solar wind hybrid power project, which will take up our share of renewable power to more than 25% of the total requirement.

This concludes my opening remarks. Thank you for listening patiently and I now invite you to all ask questions. Thank you.

Moderator: Thank you. Ladies and gentlemen. We will now begin with the question-and-answer session. The first question is from the line of Mr. Sudhir Bheda from Right Time Consultancy. Please go ahead.

Sudhir Bheda: Congratulation for a good set of numbers in past two quarters, and healthy cash flow as well. Sir my first question as I understand that we are mainly now focusing on the capacity expansion in our high margin business and non-commoditized business-like AMD and Garments, so what kind of volume growth do you foresee in these two division?

Swayam Saurabh: So, we have said this earlier as well, both businesses should see year on year growth 20% or so over the next one to three years.

Sudhir Bheda: And textile well I think very well not expanding, so can we expect some 5-6% growth or how it will?

Swayam Saurabh: Overall at company level, we are expecting hoping to grow at about 8 to 10%. So, we see textile will be lower

Sudhir Bheda: 8% to 10% in textile.

Swayam Saurabh: No total company level Arvind Limited.

Sudhir Bheda: Overall volume growth. Okay. Great and sir there is one debit item of 125 crores like project expenses. Can you give color to that?

Samir Agarwal: Yes, so the project expenses, as you know, we have spoken in the past about land monetization and these expenses largely about Rs. 70-75 crore out of this number relate to essentially expenditure done to develop the land and we have engaged the developer who is actually doing it for us, we have received about 80 crores against, this expenditure is just that, once the site is ready, the revenue as well as the advance will get to recognized. The remaining relates to our water business, which is normal projected expenditure.

Sudhir Bheda: So, this year, what land revenue you expecting in FY 2023?

Samir Agarwal: So, I think this question was asked in last quarter as well. We expect to monetize about 125 to 150 crores of land every year and that is what we are aiming to do next year.

Sudhir Bheda: Some last question AMD division has seen a steep margin decline Q-on-Q basis. Any reason? This decline will be halted in Q1.

Swayam Saurabh: So, the decline is as you know AMD business also is going through significant jump in all the input raw materials whether it is glass roving or Speciality fibers. So, this decline is primarily on account of increased prices. I mean, just to use the reference, the glass roving prices have doubled over last one year, but large part of this cost increase has been passed to customer there is always a lag effect. This has reflected in 12 and a half percent margin, which is for AMD.

Sudhir Bheda: So, Q1 we can see better margin.

Swayam Saurabh: I don't think the commodity cycle has subsided yet, but when it does, we should see our margin getting normalized.

Moderator: Thank you. The next question is from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: Yes, thank you so much, and congratulations for the strong performance. Sir a couple of questions from my side. The first is in terms of how we have been able to maintain our margins, it is definitely quite contrary to what we have traditionally seen with some of the other players. So, is it the nature of our contracts, which maybe are short term based or is it that we are clear that maintaining margins is something that we want to prioritize and generally, are we ready to look at a situation where, even if there is some loss of volumes, we are ready to take that to maintain these margins going forward in case the inflationary environment doesn't add up subside?

Swayam Saurabh: No, so indeed, that's a very good question. The choice the way we feel it crucial to continue to sort of do business which is profitable. What we have done if you look at also quarter 4 some volumes have declined and that is by choice where we are taking the tail out non-strategic tactical sales which are not durable. For our textile business we are sort of moving away. It is not permanent, but it is a tactical choice we have made at this moment and we will continue to be choiceful even in in coming quarters till cotton and other input prices aside or comes to a normal level.

Nihal Jham: Understood, that is clear. The other question was on the project expenses part, you did highlight that Rs. 70 crores related to development of land. So, it is right to assume that this was more one off and in the coming years, I mean, the traditional run rate of say, 20-40 crores on an annual basis is what this line item is right

Swayam Saurabh: No, it's not a one off, because you know, you would have heard we are talking about approximately Rs. 400 crores to 500 crores of land, which will get sold. This is sitting in the closing inventory and in future also the mode of disposal could still be via development. In that case, this would still come, but the key point here is this will help us essentially realize monetize the land which we have been talking about.

Nihal Jham: For the garmenting business how is the nature of the contracts that we have with customers? But do we have a certain contracted quantity that we are supplying on a certain price or is it that it is more on a batch basis that we supply and post that there is a repricing which happened? I am just trying to gauge you know, the margin salience of this category as it grows.

Swayam Saurabh: It is a mix of both. So, there are some strategic accounts, but even there, we do not have a price lock up for a very long period, but we also have not exactly batch form, but essentially deals based revenue which gets produced. So, it is a mix of both.

Nihal Jham: Possible to share the ballpark mix of what it is like between these type of contract.

Swayam Saurabh: Yes, large part to be strategic.

Moderator: The next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: I want to understand your CAPEX spend this year which is reflected in cash flow about Rs. 270 crores where all we have spent and what is the CAPEX outline for the next two years

Swayam Saurabh: Right. So, the CAPEX spend for the year is about Rs. 185 crores that's the CAPEX spend in FY 22. We have earlier guided Rs. 200 to Rs. 250 crores that guidance would remain would hold for now, but I think we are trying to be a little bit more conservative given there is far more uncertainty going into future quarters. So, there is this whole inflation effect. Commodity supercycle where you know prices are actually not even trying to come down and that could affect demand and hence, we are more cautious on where to spend and it will there will also be some capital reallocation here where this cash which we are going to spend would go into businesses like garment and AMD which are going to give us faster return and basically better than IRR

Prerna Jhunjhunwala: Okay, so 200 crores Can you give us a breakup between AMD and garment.

Swayam Saurabh: That we have not decided yet and it will not be entirely on these two businesses there will also be maintenance CAPEX, we are also going to be investing about 25-30 crore on for example, hybrid power which will significantly reduce the total cost of power for the organization and that also is included here. So, it will be a mix of growth investment as well as investment as well as investment which helps the cost cool down.

Prerna Jhunjhunwala: Okay, and my next question is on PLI scheme. Could you just divulge in some details on where the PLI scheme or application has been made and which areas you would be expanding into.

Swayam Saurabh: Right? So, you know, I mean, the PLI scheme and the participants who are approved, are announced and we are one of them. At this moment, as I said, PLI scheme allows you to invest for next two years, up to FY 24. Right now, we are given sort of making choices on how much of this investment which we are looking to do next year need to go in garment. Part of AMD will be PLI, but also, the final plan or construct around exactly how much will go into PLI is still being made.

Moderator: Thank you. The next question is from the line of Sagar Parekh from Sagar Financial. Please go ahead.

Sagar Parekh: My first question would be on the on the pricing environment. So, you would have mentioned the demand outlook on Q1, you know, some issue on the demand because of higher cotton prices? So, just wanted to understand till what level of cotton prices have we already like taken the price increases and how much could be the impact on the margins in Q1.

Swayam Saurabh: So, this is kind of continuously rolling sort of exercise, which we do, right, we make calls on the pricing for the programs, which we are confirming and we promptly cover up the raw materials. That's how we have been operating for last two quarters, it has held us well. Now, how far the market will absorb the price, and where things will change is for all of us to really see, but beyond that, at this point, we do not have any specific commentary on pricing and realization in the near quarters and beyond.

Sagar Parekh: So, Q4 would be like cotton prices will be about 75 to 77,000 per candy and right now, it is about one lakh. So, fair to say that entire increase in the cotton prices is still yet to be reflected on the price increases yet in Q1 so that that entire effect could come in the margins.

Swayam Saurabh: Yes, so, probably we hold certain amount of inventory and that call also is a fairly dynamic call based on where we see the market sort of heading in short term and medium term, quite obviously given the rising levels of cotton, which are near historic highs, nobody including ourselves is taking a very long-term position on this kind of inventory, right. So, and then we all obviously, what we do is the pricing side and then we keep doing our standard approaches towards renewing the product, improving efficiencies and so on. So, there are a variety of tools and disposal to manage a situation all I am saying is that we are not put into long term call.

Sagar Parekh: Okay. And you think this demand issue which has come up recently that could subside once the let's say the war is over or maybe cotton prices come down and what could be the reason for cotton prices to come down, I mean Jinjiang region is still banned by US, so that approximately accounts for about 20% of global cotton supply. So, what can drive the cotton prices lower going forward? Will it just be the demand destruction that could drive the cotton prices?

Swayam Saurabh: So, there are two three large factors, one, the new crop of cotton in India would start to come from October and we will have to wait and see how monsoon goes, but typically, that is the time new cotton comes in and that equation change also sort of brings the price lower, we are going through in India a very exceptional phase where certain type of cotton, perhaps, two months from now, availability could also be a question mark. So, that's a pretty unique India situation. You know, the fact that import duty has been taken out has also not helped because of this disparity. Coming to your question on demand, the real issue here is, if there is given the inflation where it is, you know, the Fed actions around interest rate to contain inflation, we will have to wait and see because in the end, government for a consumer I mean, there's a statistics which have 60% of government comes out of disposable income. So, how that affects the demand at these cotton prices is something we will yet see. So, far we are comfortable, next two, three months as it was stated in the opening commentary, but we will have to just wait and watch and it is a little bit of cat and mouse, because if demand starts to soften, there are other factors, which will bring cotton prices down as it is not necessarily entirely supply. So, it is a little bit of an uncertain situation to be in, but we also think that, since we are an India based manufacturer, and globally, there is this whole movement around China plus one, I think structurally, from a medium term perspective, it should benefit company like us and the other point here is the domestic Indian market so far has been very positive. So, it is a combination of all of this and which we think so far, quarter one, looks to be in control, but the rest of the quarters is just uncertain, we have to just wait how it unfolds.

Sagar Parekh: Sure, and you have given the guidance of 8 to 10% growth, that was for FY 23 and that is for revenue growth number, right?

Swayam Saurabh: That's right.

Sagar Parekh: Okay. So, this is in spite of all this uncertainty prevailing in the global markets, you still feel 8 to 10% growth is doable.

Swayam Saurabh: This is what we are, we are aiming for and, if we talked about also growth, primarily coming from AMD, and also from garment, but this is as far as we can see, we think it is possible, but you also completely understand other than the war, the whole inflation. Impact, part of the world facing inflation part of the world going into deflation, could create a very different scenario and we are just cautious of that. So, goal is to grow entire company next three to four years at 8 to

10%, with some businesses like AMD and commenting growing faster. But we will have to sail through next few quarters this is all we can say right now.

Sagar Parekh: Okay. Understood and on this gross margins for Q4 if I compare it with Q3, there has been improvements. So, that I am assuming would be because of the inventory gains, right or how should we look at it, because just the gross margin without the project expenses, it is coming up I mean, the raw material cost is coming up to 47.4% versus 54.6%. So, there is a substantial improvement would that be the inventory gains and that would reverse in Q1.

Swayam Saurabh: Three reasons for it. One is indeed the sort of a lag effect, some of the new pricing which gets kicked in. It is also business mix. So, I think high EBITDA businesses like AMD has as well as garment has done better and the third is of course, part of it is an inventory gain, which should continue till cotton prices starts to come down.

Sagar Parekh: Okay. So, it will reverse in Q1 is my question right?

Swayam Saurabh: It will not because closing inventory reflects the value of raw material which were purchased. It might in future when cotton start to soften, but we might also see a small tailwind coming our way when that happens.

Sagar Parekh: Okay, then the technically the margin should not go down in Q1 if the gross margins remain or slightly improve also from Q4 level then just trying to understand how will the margins come down?

Swayam Saurabh: Yes, so, I think the point which I made earlier, the uncertainty around volume, so, we can see a large part of Q1 already sitting in the mid of Q1, but there is still part of the volume in June which requires coverage that could be a factor, otherwise, we should be doing reasonably alright on margins in quarter one.

Sagar Parekh: Okay and last question on this Rs. 250 crore there was a provision in the standalone numbers. So, that would be as Samir explained in the opening remarks that could that be the Ethiopia subsidiary that we have provided for.

Swayam Saurabh: Ethiopia subsidiary is a large component of that and there are some other sort of assessment done in terms of negative net worth subsidiaries for different reasons and it is sort of a onetime cleanup.

Sagar Parekh: That is a cash loss or just a provision

Swayam Saurabh: Just a provision

Sagar Parekh: And any cash flows is possible from Ethiopia or any other subsidiary we are completely winding down Ethiopia?

Swayam Saurabh: No, we are not we are removing some capacities out of Ethiopia back to India, we might lose about 5-7 million of garmenting capacity in that process, which will build gradually back in India, but we are not completely winding down.

Sagar Parekh: Okay. So, are we expecting any cash losses to incur from Ethiopia going forward?

Swayam Saurabh: Zero actually, it could actually be profit.

Sagar Parekh: Okay, any other subsidiaries overseas where there was this Rs. 250 crore impact, any cash losses to be impacted going forward.

Swayam Saurabh: There won't be but I think if you understand this, these losses this impact is already in consol books because subsidiaries roll up. So, this cleanup was done in standalone books only and also it is tax efficient because this is a tax-deductible expense.

Sagar Parekh: So, what would we the tax rate for FY23? What should we take the tax rate as?

Swayam Saurabh: So, we are going to move to new regime and that would mean we will have an ETR of about 25%.

Moderator: Thank you. The next question that is on the line of Kirthi Jain from Canara HSBC. Please go ahead.

Kirthi Jain: Sir, my question is first, with regard to inventory. Last year, we had an inventory of Rs. 1160 crores, this time we are having almost double the inventory. So, is it a strategic call we have taken or is it because of the Bangladesh effect the inventory cost piled up?

Swayam Saurabh: So, see the inventory reasons it has gone up one is the value. If you look at last year to this year, same volume of cotton would be valued 1.8x. So, that is one reason and other is indeed on WIP as well as partly raw material. We are sitting on slightly higher inventory than last year, but it is largely value impacted.

Kirthi Jain: Sir when we see the raw material, we are almost at six months of our consumption sir though we should sail through the inflationary pressure right side broadly.

Samir Agarwal: No, I do not think we have six months of consumption.

Kirthi Jain: No sir like this quarter consumption is Rs. 1100 crores we are sitting at Rs. 2200 in our balance sheet inventory.

Samir Agarwal: Okay. So, maybe we could clarify this offline. As we have explained earlier, we are following specially for cotton coverage of order and basically we have about two and a half months of cotton inventory sitting.

Kirthi Jain: Sir debt reduction any guidance for the FY23 end.

Samir Agarwal: Right. So, as you would have noticed, we have refrained from giving guidance for next year. But our internal goal is the cash which we accrue would first go into repaying long term debt because in our total debt mix, that is the most expensive and the goal has been to come out of it. Well, I mean, internally we are targeting anything between 300 crores plus-minus, that is what we are looking to at least take out.

Kirthi Jain: Sir last one question from my side. With regard to receivables, our receivable days, we have brought it at 45 days for the quarter if you see. Sir we will be able to sustain at debt level of this 45 days of receivables.

Samir Agarwal: Right. I think if you look at historically, it has been around that level (+/-10%) to (+/-15%) and the goal is, one of the ways we will optimize going into this year is working capital. So, we expect receivables to be around these levels.

Kirthi Jain: Sir with regard to our last slide we have mentioned marginal reduction in EBITDA. You mean absolute EBITDA or EBITDA percentage?

Samir Agarwal: Absolutely EBITDA.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Sher Khan by BNP Paribas. Please go ahead.

Kaustubh Pawaskar: Sir my question is on the garment facility augmentation. Sir as you said that, currently the garment capacity has reduced to 50 million pieces and you are right now operating at 90% capacity utilization. So, this planned augmentation, where do you see this capacity to go up and when can we expect this augmented capacity to operate?

Samir Agarwal: Right so you know, as we share with you, we improved our output of full garments from 32 million to 36 million in FY 22. For the next year, which is FY 23 the plan is to reach a level of what 45 million pieces plus-minus right. Now as and when the year rolls ahead, we will kind of like you said we will put in some investment and I think we will come back and share with you specific numbers on what more and where will add more capacities.

Kaustubh Pawaskar: Okay, so there are no plan augmentation as said that you are planning to set up a new facility, it will be expansion in your existing capacity, is it a right assumption?

Samir Agarwal: Yes.

Kaustubh Pawaskar: Okay. In future as we as you correctly said that medium term outlook for India as a textile is quite good. So, considering that are there any plans to expand capacities like setting up the new facilities for your textile business, both for garments and fabrics?

Samir Agarwal: See for now we have taken a call of continuing expansion through a combination of methods, which includes the bottlenecking, which creates capacity expansion in the current footprint, we also have used asset-light methods of no outsourcing part of the value chain. Now, like we said, the overall macro environment at this point is very uncertain to create a commitment to this forum right now, but yes, I think all options out there on the table, expand capacities as an opportunity kind of unfolds.

Moderator: Thank you. The next question is from the line for Abhay Lodha from Sanmati. Please go ahead.

Abhay Lodha: Sir, my question is related to garment again, actually, all other garment manufactures like Gokuldas and Banswara they are expanding their capacity to the new locations. Then another thing that is Government of India is going to sign a free trade agreement with EU and Australia. So, why the company is not getting any start any garment capacity.

Swayam Saurabh: So, we are not implying that we are not building garmenting capacity, I think what we implied is there will be a temporary capacity loss because of Ethiopia Movement. We said in the beginning also around CAPEX that's part of the CAPEX investment is going to go to AMD and garments and also if you recall, we said we expect garment as a business to grow at 20% only about (+/-2%) to (+/-3%). What we are implying is we may not decide to put our own capital in setting up factories and that's what Samir was meaning there are other smarter ways including outsourcing part of the value chain and we have already proven that that this works well for us. So, we are committed to garment volume capacity expansion, it will be done in different ways and in a capital efficient way is what we are looking to do.

Abhay Lodha: Okay, my second question is related to advanced materials, the advanced materials sales we have done exceedingly well in terms of ROCE in advance material as well as the sales of Rs. 1000 crores. At what capacity these advanced materials division is running?

Swayam Saurabh: So, see the advanced material division is a combination of various businesses. The short answer to your question is we still have head room to grow and we are making fresh investment and we made in FY22 as well as we are planning to make further in FY23. We will have headroom to grow as we decided the 20% growth which we are looking to get this will continue, we have sufficient headroom.

Moderator: Thank you. The next question is with the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: I do not know if I have missed this but want to understand accelerated depreciation of Rs. 7 crores that you have provided for is it one-time and if yes, then our overall depreciation on a quarterly basis have also reduced. So, just wanted to understand some clarity on how we should see depreciation.

Swayam Saurabh: Right. So, the Rs. 7 crores is indeed one-time it relates to an overseas subsidiary the depreciation by design should come down because we are on a straight-line method. Of course, depending on how aggressively we are investing in CAPEX and as we guided you want to be watchful when it comes to CAPEX at least for next four quarters. So, depreciation should hold at that level excluding that 7 crores adjustment should actually start to inch down a little bit in coming quarters.

Prerna Jhunjhunwala: Okay and second thing on interest is the actual interest cost or any adjustment in this interest cost as well.

Swayam Saurabh: So, the interest cost which we report largely is actual interest it also includes cost of discounting the number which you see Rs. 40 crores for quarter 4 and Rs. 51 crores for last year quarter 4, this decline is real, it is also reflected in our total debt profile and this level we should be able to hold unless interest rates go up significantly, but we expect this trajectory to continue.

Moderator: The next questions in from line of Vikas Sharda from NT Asset. Please go ahead.

Vikas Sharda: Yes, hi, good evening two points. One is, what is the outlook for the other segment for FY23 and secondly, there were questions on the project expenses. So, it will be nice if you could segregate the financials of real estate both in P&L and balance sheet for better understanding of the other businesses.

Swayam Saurabh: Right, so we can do that and others, as you know it has been guided in past quarters should start to go towards neutral to negative impact and in coming quarter should start to come down and we are pretty much on track with that.

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

Samir Agarwal: All right. Thank you everyone, for joining us today. We will see you again in one quarter. Have a good evening. Bye now.

Swayam Saurabh: Bye. Thank you.

Moderator: Thank you, ladies and gentlemen on behalf of Arvind Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.