

## Vardhman Acrylics

is currently exploring options like expansion into new products among others to deploy the cash on books of roughly Rs 220-250 crore but nothing has been finalised yet, says Director Sachit Jain. If no other plans materialise then the cash will be distributed, he adds.

No active discussions are on to merge the company with [Vardhman Textiles](#)

, he clarifies, adding, the dependency of the latter on Vardhman Acrylics has declined drastically consequently reducing the rationality of such a move.

In an interview to CNBC-TV18 Jain says acrylics is not a sunrise industry and has been on a downtrend over the last 5 years because of changing tastes and better and cheaper substitutes like polyester fibre.

He says the margin performance seen in the first quarter is unsustainable. The better way to assess the industry's performance would be to look at the profit before depreciation, interest and tax (PBDIT) on a per kilo basis. The average PBDIT per kilo should be around Rs 15-25/ So, the over Rs 35 per kg seen achieved in Q1 is not sustainable.

*Below is the verbatim transcript of Sachit Jain's interview to Sumaira Abidi and Nigel D'Souza on CNBC-TV18.*

**Nigel: Your market capitalisation is at around Rs 400 crore because you are an NSE listed company. What is the current cash as well as current investments compared to market capitalisation?**

A: The cash is around Rs 220-250 crore in that range.

**Nigel: And your market capitalisation currently is around Rs 420 crore approximately?**

A: Yes, that is right.

**Nigel: What do you plan on doing with this kind of cash? You have done a buyback in the parent company, that is Vardhman Textiles. For Vardhman Acrylics what kind of plans you have? That is a rather huge cash balance in fact you are sitting on?**

A: We have been examining some investment proposal, we have examined technical textiles, we have also examined other areas. So as of now we have not finalised on the expansion plans. If at some stage, we come to conclusion that there are no other expansion plans then eventually this cash will have to be distributed.

We have already started the process of distributing of the cash. Last year they gave out dividend per share. So the process has begun. So this is something which in the next couple of years will become clearer.

**Sumaira:** For the company, the performance itself in Q1 has been fabulous, margins are now nearing almost at 22 percent mark on an operational level. You have seen 80 percent growth. Is this kind of performance sustainable especially given that your key raw material, which is Acrylonitrile -- considering that the prices over there surged about 25 percent odd, is this operational sustainable, if not on the topline, at least on the operational level?

A: No, it is not sustainable.

**Nigel:** Give us a sense, what is the current capacity -- I believe the total capacity of acrylic business in India is around a lakh tonnes and you have around 20 percent of the market share, I believe export market as well has been improving, could you give us some clarity over there, what is going on that front?

A: The total capacity is about 1,10,000 tonnes and the volumes will be falling. Overall globally, acrylic fibre industry is a declining industry because change of fashion and also because of polyester fibre being cheaper than acrylic. So there is a constant substitution from polyester.

So overall, there is marginal decline over the last five years. So 2011, the world consumption of acrylic fibre was 2 million tonne per year, which is down to 1.85 million tonnes in 2016. So in five years it has declined by about 150,000 tonnes. In India also, the consumption this year will be marginally lower than last year. So this is not a sunrise industry. Otherwise, exports are expected to do better -- have done better than 2014 and 2015 over 2016.

Vardhman doesn't do too much of exports.

**Sumaira:** Is there a possibility of any merger with the listed Vardhmaan Textiles as well?

A: That is the issue where speculation continues -- has been examined even by the management. This has been examined in the past because at one time Vardhman Textile was consuming almost 60 percent of the production from this company. Today of course the consumption is more likely closer to one-third. So dependence on Vardhman Textiles for Vardhman Acrylic has gone down. So from that point, the imminent rationality has gone down but yes at some stage, that could be a possibility but that is something which will be examined at the right time by the management. There is no active discussion at this point in time.

*For full interview, watch accompanying video...*