"HEG Limited Q4FY15 Earnings Conference Call"

May 15, 2015

MANAGEMENT: MR. RAVI JHUNJHUNWALA – CHAIRMAN & MANAGING DIRECTOR, HEG LIMITED
MR. RAJU RUSTOGI – CHIEF FINANCIAL OFFICER, HEG LIMITED

Moderator: Ladies and Gentlemen, Good Evening, and Welcome to the HEG Limited Q4FY15 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Ravi Jhunjhunwala — Chairman and Managing Director, HEG Limited. Thank you and over to you sir.

Ravi Jhunjhunwala: Thank you. Good Evening to all of you and Thank You for joining us for HEG's Q4 and for the Year '14-15 Conference Call.

Firstly, I would like to share some details about the global Steel industry and its resultant impact on Graphite Electrode industry. According to the World Association of Steel, the world crude steel production in 2014 was approximately 1662 million tons, which is an increase of just about 1.2% over 2013 after it grew by about 5.3% in '13 over '12. The Chinese Steel production has been growing more or less in the region of 10% p.a. between 2008 and 2013; however this has come down to an insignificant 0.9% growth in 2014, a fairly large drop from 10% p.a. to less than less 1% now. North American Steel production increased by 2% while European Union reported growth of 1.7%, and Middle East 7.7%. In its report of April '15, the World Steel Association has actually shown a reduction of 1.8% in the Steel production in the January-March 2015 quarter over corresponding quarter last year. WSA has also reported that in the US which had been a very strong market throughout 2014, the Steel production has actually declined by approximately 8% in January-March '15 year-over-year. WSA has also reported that Steel production declined approximately 2.7% year-over-year in the month of March. Friends, all these figures indicate that global steel sentiment has become fairly negative. In the light of weaker end market demand and continued high level of steel exports from China, global utilization rates of steel plants are coming down. Ernst & Young in its report has also cautioned that while there are signs of improved demand outlook, excess capacity remains a biggest threat to the steel sector. Around 300 million tons of steel making capacity needs to be closed for the industry's profit margin to reach a sustainable level.

Now, I will turn to Graphite industry. As you are aware, industrial application of Graphite Electrodes is in the Electric Arc Furnace segment of the steel production. The demand for Electrodes is therefore dependent totally on the Electric Arc for the Steel production. The share of EAF in the total global steel production which was about (+30%) till 2010, however this share has been affected in the last couple of years, especially due to significant drops in Iron Ore and Coke prices which are the major raw materials for Blast Furnace steel against not an equivalent drop in the prices of steel scrap and electrical power prices, which are the main two raw materials for Electric Arc Furnace, thus making Blast Furnace mode of steel more favorable for the time being. However, on a long-term basis EAF continues to enjoy an advantage over Blast Furnace, and with more and more availability of steel scrap from China over the next few years, this should finally tilt the balance in favor of EAF.

In the backdrop of these negatives, there are also some positive signs over the last quarter which I would like to place before you now.

Indian Government has finally taken cognizance of our request on the matter of dumping duties on imports of Electrodes from China, and w.e.f. mid 2015, have imposed an anti-dumping duty between $278 to $922 on different suppliers on all supplies of Electrodes coming from China. This should now result into significant reduction of Electrodes coming from China.

Second, recent weakening of rupee should also have an impact on import of Electrodes from Europe, U.S., and Japan, thus enabling the Indian Graphite industry to compete with imports on a level playing field. Last year about 40% of the Indian market's demand was met by imports which should substantially reduce in the current year given the above two scenarios that we just talked about.

The significant drop in crude oil prices late last year and earlier this year enabled the Needle Coke prices to drop significantly. This would help us to tide over these difficult times. We have tied up all our current year's Needle Coke purchases at significantly reduced prices though due to long production cycle of Electrode manufacturing and a certain level of inventories that we keep all the time, the impact of this reduction would only be visible in the second half of the current year. Similarly, most of the other domestic raw material prices have also come down compared to a few quarters ago.

Plant operating parameters continue to improve quarter-over-quarter and all these positives enumerated above have helped HEG to once again report an operating margin which is amongst the best in the industry.

Now Friends, coming to our Operations. As envisaged earlier, we achieved a capacity utilization of close to 70% in the quarter under review, which is similar to what we achieved in the previous quarter also. We are continuously working on building our order book position which is slower than the previous year. In this quarter, we have stabilized the state-of-the-art Nipple Machining Chain with which we have added another feather in our quality orientation towards customers. This Machining equipment enables us to deliver products to our customers which are extremely accurately machined. We have supplied fairly significant volumes of these products in the market by now and they have been very well received by several customers all over the world and compares to the best in the industry. HEG has clearly demonstrated its strength in these challenging times and is well positioned to reap the benefits as the tide turns in the near future.

Now, a word about Outlook for the current year: The overall economic environment is expected to improve moderately in 2015. The International Monetary Fund projects global GDP growth of 3.5%. In its report, the IMF states that advanced economies growth prospects are likely to continue to improve due to lower oil prices, while emerging economy growth trends are projected to be weaker. In the US, the IMF has reduced its estimates for economic growth to a little over 3% in 2015, which is down from its January forecast of 3.6%. The Chinese economy is expected to grow at 6.8%, which is a sharp deceleration from last year's 7.4%, which previously had marked the slowest growth in China in two decades. Pricing remains under pressure both for Electrodes and Needle Coke. While we continue to face considerable industry challenges, we have made significant progress in delivering customer delight, efficiently managed working capital elements, variable and fixed costs, thereby optimizing on key financial ratios. Given the two major positives that I narrated earlier, anti-dumping duties on Chinese Electrodes and weakening rupee making imports more expensive, reduced Needle Coke and other domestic input prices, and better plant operating parameters, should help us to increase our sales this year. However, the pricing of Electrodes still remain a concern and we would have to wait and see how it pans out over the next couple of quarters.

With these comments, Friends, I would now turn it over to our CFO, Mr. **Rustogi**, to take you through the Financials.

Raju Rustogi: Good Evening, Friends. For the quarter-ended March 2015, HEG recorded a net operating income of Rs.290 crores as against Rs.279 crores in the immediately preceding quarter and EBITDA witnessed a decrease from Rs.51 crores in Q3FY15 to Rs.40.8 crores in Q4FY15. EBITDA margin reduced to 14% as compared to 18% in the previous quarter. PAT also declined from the level of Rs.10 crores in Q3 to now Rs.4 crores in Q4. Lower EBITDA vis-à-vis last quarter is largely due to pressure on Electrode prices and unprecedented increase in coal cost and resultant cost of power generation due to non-availability of linkage coal in India. Our continuous focus on improving working capital investment during the year has brought down the net current assets of the company by nearly 10% from the levels of March 2014. The company has been able to reduce its total debt by Rs.110 crores during the year which will help in reducing the interest cost going forward. Imposition of antidumping duty on Chinese imports into India would also provide a level playing field to Indian manufacturers and would help us in scaling up capacity utilization in the coming year. In the midst of continuing slowness in demand, we are well poised to absorb this business opportunity created by anti-dumping duties and improve on our financial performance during 2015-16. The company's strong balance sheet with low leverage and strong cash flow augments well for the next level of growth plans for the company.

That is all from my side, and I am now open to taking questions, Friends.

Moderator: Thank you very much, sir. Participants, we will now begin with the question-and-answer session. We have the first question from the line of Rohan Shah from Alpha Enterprises. Please go ahead.

Rohan Shah: I was just wondering what is the impact of slowing Steel production is on availability and pricing of Coal Tar Pitch?

Raju Rustogi: The Coal Tar Pitch is adequately available as we see in the market and the two major uses of Coal Tar Pitch in India is our aluminum sector as well as the Graphite industry sector. Now the availability remaining same because the steel sector is running at 70% for almost in excess of one year. So for as in 2014-15 we did not see anything called a shortage of Coal Tar Pitch and going forward based on our negotiations for coming two quarters, we feel that it is still softening, so prices are either stabilized at low levels or are softening which clearly shows the availability and that too as per our needs.

Rohan Shah: Would you imagine that demand for the same from the Aluminum segment would remain muted, thereby giving you enough supply or could that cause a tightening?

Raju Rustogi: My own understanding is the Aluminum is not as lucrative as it was a quarter or a couple of quarters ago. So the suppliers of Pitch are now prioritizing their supply in terms of where the value add to them is more and are happy working with us. We are the least consumer of Pitch vis-à-vis Aluminum in terms of volumes.

Moderator: Thank you. Our next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: If you take the quarter-on-quarter comparison, sales in value terms have improved, but the profitability has declined. So what were the key reasons for the same, because the cost of raw materials consumed also has declined by around Rs.20 to 25 crores. It is only due to the inventory I think so that dented the number. Am I correct on that part, sir?

Raju Rustogi: Let me explain it in this way, for this particular quarter of March 2015, we were affected by the non-availability of the cheaper coal from linkage sources and hence we had to source our entire coal requirement for power generation from either imports or open market. Now, this has affected our generation cost in a big way and we lost about Rs.4.5 to 5 crores during the quarter because of cost of coal. This was the benefit which would have come to us had we operated the Graphite being higher in terms of turnover and the coal cost remaining same it would have been better.

Saket Kapoor: That is the impact of only Rs.5 crores, you said?

Raju Rustogi: Yes, in any case the prices are falling as we said.

Saket Kapoor: But then also, any other factor that contributed to this dent in numbers, because if you take Rs.5 crores also that is Rs.23 to 24 on the best side, quarter-on-quarter still the numbers are lower?

Raju Rustogi: There are two things which are affecting prices; one is the Euro-Dollar parity, so our sale to European Union, the rupee realization of that sale has come down, so you can see the price or the revenue not equivalent growing in terms of the quantity that we have sold versus the revenue growth that we are seeing. The revenue growth is muted because of the Euro-Dollar parity being lower during this quarter. The second part is the prices of Electrode, there are some spot businesses, which are done at lower prices, affecting our overall realization during the quarter.

Saket Kapoor: Any particular order that got executed that has lower realization for this quarter?

Raju Rustogi: There is no particular customer, it is a mix of customers, so we pick up some orders on spot basis which are at lower prices.

Saket Kapoor: Mr. Jhunjhunwala was explaining something that exists from the Blast Furnace and EAF route, that Blast Furnace is now getting favored than the EAF, could you come again on that point?

Ravi Jhunjhunwala: Generally, we have always been saying that the Electric Arc Furnace is a preferred mode and that is where most of the new expansions and new capacities are coming in. Obviously, it also relates to the raw material pricing because both the processes of steel making end up making more or less the similar kind of steel. So while in case of Blast Furnace the two major costs of raw materials are iron ore and coal, in case of electric arc furnace it is steel scrap and power. So if you look at a graph which shows the drop in the prices of iron ore and coal in the last two-to-three years versus a similar drop in these two prices of scrap and power, you will find that the drop percentage in iron ore and coal is much larger than what has happened in scrap and power. So obviously, there are many steel makers who have Blast Furnace as well as electric arc furnace. So, in a market where everybody is operating at 60, 70, and 75% capacity, obviously, one has a choice to either produce steel through electric arc furnace or Blast Furnace. So in the current scenario, where the prices of iron ore and coal have dropped much more than equivalent prices of the raw material for EAF, so to that extent for the time being Blast Furnace is a preferred mode of steel making let us say, except for some very special grade of steels which you can only make in Electric Arc Furnace and not Blast Furnace.

Saket Kapoor: Last year also we were very optimistic that the plant shutdown of capacities by the leading players in the world would result in better realization and better spot prices of Electrodes. Has the entire plant shutdown played now into the market and how has the market now reacted depending on the current capacity available now?

Ravi Jhunjhunwala: These two major players — one from America, one from Europe — they had announced two shutdowns each, basically they decided to close four plants between the two companies and both of them have been fully shut down as of let us say middle of last year, and those shutdowns amount to little over 20%, so their capacities have shut down by about 20% in case of American company as well as in the case of the German company. So in spite of that 20% shutdown their capacity utilization as per their own publicly available data is no more than 75 to 80%. So even after a shutdown of 20% they are operating at no more than 75 to 80%. So the point is that in the last two years or so, the total Electric Arc Furnace Steel making has not picked up. There is no formal data available from any source, which only can give us Electric Arc Furnace data, but going around the customers and talking to various consultants and everything, you do get a feeling that the Electric Arc Furnace production has not increased in the last two to three years. So to that extent in spite of these two to three closures that we just spoke about in the Graphite industry, there still seems to be overcapacity.

Saket Kapoor: The positive rub-off will not be available on the prices, I think that story has played out, but the positive rub off will not come?

Ravi Jhunjhunwala: That is what we just said in our opening comments, the prices are still under pressure. The only silver lining is, as I said, about 40% of Indian market last year was met my imports, and majority of that came from China. So hopefully with these anti-dumping duties, the Chinese imports should become either negligible or nothing, and similarly, whatever imports came from the developed world, that should also be discouraged because of the rupee depreciation. A substantial portion of that 40% Indian market that the Indian Graphite industry was not able to cater to, a substantial part of that should come back to us.

Saket Kapoor: Who can be your prospective buyers in the country?

Ravi Jhunjhunwala: There are several of them, you cannot pinpoint 1, 2, 3, including JSPL and Usha Martin, and Essar Steel, Bhushan.

Saket Kapoor: What are the fillers now you are getting from them, because now the duties are being effective now for I think around 3 to 4 months now, the notification came last quarter?

Ravi Jhunjhunwala: What happens is this duty came in the middle of February, and this was known to the steel companies that this duty was coming. So they obviously imported more than what they wanted in December, January, and February before the duties came in. But to answer your question more clearly, in the last about two months or so, we have already seen a fairly large pickup in our domestic sales compared to what we normally do. And as we go into the next quarter, let us say June-July-August, this space will further strengthen, if we have sold x extra tons in the last two months, in the next two to three months this x will probably be 2x or 2.5x, because obviously all those old imports would have been used up by now, and the customers will come back in the market, and if they are not buying from China or from Europe or US, then they will have to buy it from the domestic suppliers only.

Saket Kapoor: My last question is the inventory part. Mr. Raju was answering in a TV interview where he mentioned about that we are maintaining a higher inventory and part of it will be liquidated in the first quarter, and that will have some more dent on the numbers. If you could throw some light and clarify on that point sir?

Ravi Jhunjhunwala: In the Electrode industry the manufacturing cycle is minimum of 10-weeks and the maximum is about 5 to 6-months, which means that if we feed the raw material today the earliest that we get the finished product is about 10-weeks, and some of the products can be as long as 5 to 6-months. So obviously, whenever there is a drop in the input prices, there is substantial work-in progress, inventory, and obviously, Needle Coke is all imported. So we always have 30, 35, 40-days of stock of Coke itself, and then there is a lot of WIP in the various stages of production. Obviously, this is an issue which we will always face, being a process-driven industry where the processing time is so long that whenever the prices of raw materials will drop, the effect will come in after 4 to 5-months, and vice versa if the prices of input prices were to go up, then you get an advantage of 4 to 5-months. So what Raju was saying is that let us say hopefully by August-September we believe that all our high price inventory will be used up, and by then we will start getting full advantage of the cheaper raw material costs.

Saket Kapoor: Coming two quarters are also very tough for us that is what you are trying to say?

Ravi Jhunjhunwala: I would not say any more than what it is now, because by probably middle of August as I said, we would have exhausted most of our earlier high priced inventory. So the next quarter partly will have an advantage of the cheaper cost of raw material. And the second major thing positive that we are expecting in the next quarter is substantially higher domestic sales.

Saket Kapoor: Need to see how it plays out, because you told that those inventories built up by the players would have been exhausted in the coming quarters?

Ravi Jhunjhunwala: February 13th was the date when the duties were imposed, so we are already 2-months after that, so hopefully in the next 30 days, 40 days, 45 days, nobody would have imported for 6 months, obviously. Maximum they would have got extra Electrodes for one month, two months, some people maybe 3 months, but we are already seeing an increase in domestic sales as I said. I am only saying that in the next 30 to 40-days, we will see that pace getting a lot of momentum.

Saket Kapoor: What was our mix for this quarter for the domestic and export part out of the total sales for this quarter?

Raju Rustogi: This quarter 20% let us say roughly for domestic and 80% for exports.

Ravi Jhunjhunwala: This is our normal mix.

Saket Kapoor: Now this situation should change sir?

Ravi Jhunjhunwala: Yes, 80:20 will change this year substantially.

Saket Kapoor: What should an optimistic level be — 60:40?

Ravi Jhunjhunwala: That is a very difficult question to answer, all I can say is that this import of China and import from US and Japan and Germany, something like 18,000 to 20,000 tons, out of that 18,000 to 20,000 tons, there will still be some imports, how much lower that will be, that only time will tell, but the only thing is substantial part of that 18,000 to 20,000 tons of imports will probably come to the Indian producers.

Saket Kapoor: You both have to compete with only Graphite India on the Indian players?

Ravi Jhunjhunwala: Exactly.

Saket Kapoor: Sir, you were talking about the Needle Coke price front. The prices have been on a declining mode I think so for the last one and a half years now. What is the trend you are witnessing sir currently?

Ravi Jhunjhunwala: In case of Needle Coke we fix the price by February-March for the whole year, so we have fixed our prices for the whole of current year about two months ago.

Saket Kapoor: Can you give any idea at what percentage lower it was from present to last year?

Ravi Jhunjhunwala: Because of a competitive landscape, we would not like to give that number, but all I can say it is more than 30%.

Saket Kapoor: What are the raw material constituents — Needle Coke is there, if you could divide it by percentage terms, then it would give a fair idea that it will give?

Ravi Jhunjhunwala: Roughly speaking, I can tell you, Needle Coke will account between 40% to 45% of the variable cost let us say, another 20 to 25% will be Electrical Power, and Fuel, all sorts of let us say energy, so that will be about 70%, and then there is 10% in terms of Pitch, and that is about 80% and the rest will be all other operating costs.

Saket Kapoor: Even for Pitch it is a crude derivative, so there also as you earlier said, availability and prices are on the favorable side only?

Ravi Jhunjhunwala: It is not a crude-derivative, it is a byproduct of coal coming out of steel, but yes, due to sluggish market of steel, that has also come done substantially.

Saket Kapoor: Is this Needle Coke price trend is due to the new capacities you were speaking about being added in China, that plant has fully commissioned in earlier conference calls…?

Ravi Jhunjhunwala: Yes, one of those plants has been commissioned, it is under stabilization, the other one is going to be commissioned in the next two to three months.

Saket Kapoor: Price can remain on the lower side only going forward also?

Ravi Jhunjhunwala: We do not see Needle Coke prices hardening at least in the near future.

Saket Kapoor: Earlier you spoke about the linkage coal being auctioned for this quarter. What are our guidelines for the coal sourcing now, now with the new norms coming up for linkages also, how are you preparing for procurement of coal for our requirements?

Ravi Jhunjhunwala: What basically happened was, we have a coal linkage for our power plants, but in this particular quarter, we did not get any coal from linkage, on an annual basis in the whole of last year we got about 50:50, whatever our coal consumption was, 50% was from linkage and 50% was from the market purchase, but the last quarter was let us say 100% market, but that was a peculiar scenario, going forward this quarter we should be back to about 60% to 70% and the whole year we will still be again like 50% to 60% linkage coal.

Raju Rustogi: Saket, just to add here, this linkage issue of March was primarily when the coal mines diverted their entire coal production to the power generating units. This was a specific requirement when the government power units were short of coal and the entire material went to them. So the production being normal, we are already seeing supplies improving in the month of May and we will see normal supply during the next three months at least. So this is a one-off phenomena, and it is already normalized by now.

Saket Kapoor: But still for the full year you are telling that the situation will be the same for this year, and 50:50 you are talking is an event for the coming year as a whole?

Raju Rustogi: Yes, we believe it will be in excess of 50% this year, because the production of the government coal is growing by 10% over last year.

Saket Kapoor: Then the linkage part should improve, I was dwelling on that point. Are we conservative on that that linkage will be on the lower side?

Raju Rustogi: The supply from linkage sought, one year they fall short of the supply, next year they supply the arrears of the previous year plus the current year as well. I am saying over a period of two years, they supply the normal.

Saket Kapoor: You treated it as around Rs.4-5 crores spend that you have to take on this quarter. What is the price differential for the linkage and the sourcing part?

Raju Rustogi: It is 1:2, if you take linkage it is 2600, the import is 5500.

Saket Kapoor: A book-keeping question; in the long-term borrowing and the short-term borrowing, is it only the clubbing part that has got the difference, because long-term borrowing is up and short-term is down or is there something material in it?

Raju Rustogi: No, in fact, if you see total borrowing it is down by Rs.110 crores and the short-term is the sum total of repayment during ‘15-16 plus the working capital.

Saket Kapoor: We are really comfortable on this borrowing part?

Raju Rustogi: Absolutely, our cost of finance has also come down and is expected to further come down in ’15-16 and repayment for the next year is around Rs.85 crores, so which is much improved position from last year where it was Rs.190 crores.

Saket Kapoor: And non-current investment again rising sir year-on-year, where are the investments being made?

Raju Rustogi: This is not an investment we have done in this year, this was a preferential issue we had subscribed to five years ago, which was to be redeemed or converted into equity. Most of the value out of Rs.147 crores of investment that you see was already there in my books either in the shape of loans and advances or dividend receivables. So what we have subscribed as additional capital during the year is Rs.23 crores.

Saket Kapoor: It is a book entry again sir, no actual cash inflow/outflow has gone into it?

Raju Rustogi: No, it was primarily a book entry which was about Rs.70 crores and Rs.23 crores was cash.

Saket Kapoor: Now you should be in a position to divulge the annual guidance for the next year given the capacity utilization there would be 5% higher than what it was or somewhat there or you would be in a better position to speak after the June quarter numbers when the domestic position will be more clear, that would be a better time to give the annual guidance number?

Ravi Jhunjhunwala: Correct.

Saket Kapoor: How about Hydropower part for this quarter? Generally the fourth quarter is a tapering quarter.

Raju Rustogi: The fourth quarter is always a tapering quarter, so it was normal in terms of the quarter itself year-over-year, but it is lower than the third quarter as has been the trend and for coming quarter we expect it to start by late June depending on rain.

Saket Kapoor: The power segment which we report is totally generally consumption part or it is selling also to the grid, Rs.19 crores profit which you have posted it is totally consumed part or other than the consumed part?

Raju Rustogi: For this particular quarter I would say it is 90% is self-consumption and 10% is external. We are also selling through open access to direct users; direct market sale is through three modes – one is the IA, there is an exchange of power, we sell through them; the second route is to state electricity board through a contract; and if you still have surplus then we have sold to even the direct consumers on open access basis. So there are manufacturing companies in our plant location, consume power and take from us. So that 10% is sum total of all three modes. This quarter sometimes if we get a direct consumer, the realizations are better.

Saket Kapoor: So now that the availability of coal being better, last quarter our power plants were at what utilization level since we have to rely totally on imports?

Raju Rustogi: The way we run our power plant is to suit our Graphite production and not to sell in the market. So if my Graphite production was 70% my power plants are running at 70% the utilization. It is always to suit my Graphite production, the market is always secondary.

Saket Kapoor: Now, if the coal availability in the system is better, so would it be better to be in the merchant with a trading off power as you told going forward also since the coal availability in the domestic market would be better than what it was previously?

Raju Rustogi: Friend, it is a factor of economics. If my generation cost is lower than the market price, I am willing to sell in the market. But the IEX price and the market price is as low as Rs.2.20 which no thermal plant can meet.

Saket Kapoor: Then it is viable, that is what we…?

Raju Rustogi: So that is why we do not intend to sell in the market until the market prices meet our cost.

Saket Kapoor: Coming to this “Make in India” theme that is gaining relevance only in the local terms, how are we seeing our industry getting the benefit? The anti-dumping duty has come and now it is playing its role. Other than that how this “Make in India” theme can be beneficial for our sector as a whole?

Raju Rustogi: The growth in Electrode segment has been around 1-2%. So there has to be a demand growth in the world to increase capacities. So “Make in India” definitely is a good concept I would say, but until there is a demand growth in the world market, this sector may not grow at least for a year or two, I am saying the capacity enhancement may not happen for a year or two until we see a consistent (+90%) utilization world over.

Saket Kapoor: And that trend is not seen at least in the near future?

Raju Rustogi: Yes, at least one year we do not see that.

Saket Kapoor: I recently studied your numbers of RSWM also, and it has made some investment also in the company. There was some capacity addition talk that you have said in the annual report also and when I spoke to the company secretary. Could you elaborate how are we progressing in RSWM specifically to the Melange yarn he was speaking about that value addition, what can it contribute going forward?

Ravi Jhunjhunwala: No, we have completed that expansion of Melange that you are talking about, in fact, the production has just about started recently, and for quite some time that has been our product where you get the highest contribution in Rajasthan Spinning.

Moderator: Thank you. Sir, there are no further questions on the participants.

Raju Rustogi: I must thank the participants for participating and being with us and looking forward to bright 2015-16. Thank you so much.

Moderator: Thank you, sir. Ladies and Gentlemen, on behalf of HEG Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.