"HeidelbergCement India Limited Q2 FY18 Conference Call"

February 12, 2018

MANAGEMENT: MR. JAMSHED NAVAL COOPER – MANAGING DIRECTOR
MR. ANIL SHARMA – CHIEF FINANCIAL OFFICER

MODERATOR: MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED

Moderator: Good Day, Ladies and Gentlemen. And welcome to Q3 FY18 Conference Call of HeidelbergCement India Limited, hosted by PhillipCapital (India) Private Limited. As a remainder, 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 call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, Mr. Agarwal.

Vaibhav Agarwal: Thank you, Margret. Good afternoon, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q3 FY18 call of HeidelbergCement India Limited. On the call we have with us Mr. Jamshed Naval Cooper – Managing Director and Mr. Anil Sharma – Chief Financial Officer.

I would like to mention on behalf of HeidelbergCement India Limited and its management that certain statements that may be made or discussed on this conference call may be forward-looking statements relating with future developments and economic performance. These statements may be subject to a number or risks, uncertainties and other important factors which may cause the actual developments and results to differ materially from the statements made. HeidelbergCement India Limited and the management of the company assumes no obligation to update or alter these forward-looking statements, whether as a result of new information or future events or otherwise. Also, HeidelbergCement India Limited has uploaded on the exchange a copy of the presentation on the website and the exchange, participants may download a copy of the presentation from there.

I will now hand over the floor to Mr. Cooper and Mr. Anil Sharma for opening remarks which will be followed by interactive Q&A. Thank you and over to you, sir.

Management: Thank you, Vaibhav. Thank you, everybody, for joining these Earnings Call for Q3 FY17-18. As you would have seen, I will just take you through few slides.

In terms of volumes there has been an increase of 16%. On the realization there is an increase by 7%. In terms of EBITDA there is an increase of 73%. And EBITDA per ton stands at 680, the increase is almost 49%. On the operating cost, almost flat on year-on-year basis. In terms of when I am talking about volume, which I am referring to slide three, if you can look at the volumes on a quarter-on-quarter and year-on-year basis there has been an increase of 16.4% on a year-on-year basis. In terms of gross realizations, it is almost flattish in terms of quarter-on-quarter, but there is an increase on year-on-year basis of almost 7%. And this is mainly because of some construction activities which we have seen happening in Uttar Pradesh, sand an aggregate which was issue there has almost resolved, at the moment there is no issue. Affordable housing, we can see that there is some movement which is happening in terms of rural markets, some of the markets the government has put in some money and that is as a result pulling in cement and building materials. Capacity utilization for us is almost 85%, you can look at it. And the trade and non-trade mix is 80:20. So these are the highlights on the volume side.

On the cost development, which is slide four, referring to four. Almost marginal increase overall quarter-on-quarter basis, but on year-on-year basis there is an increase and that is mainly coming out of various fuel related cost which have gone up. On terms of cost excluding logistics, which I am looking at, that is almost flattish on the year-on-year basis, on the contrary it is less by about 1.6% on year-on-year basis. Logistics cost, although we tried to contain it, but because of some business practices which have changed after the GST came in, so we started invoicing on certain basis, so that is why there is impact on logistics cost, otherwise we are very much in control of our cost. We do almost 50:50 rail and road mix, and our lead distance continues to remain below 400 kilometers which is definitely better than industry standard I would say.

Referring to slide five, I think all the figures are in a nutshell here. If you look at it, on a year-on-year basis we move from 457 EBITDA per ton to 680. The major benefit which has come out is out of GST. On raw material we had an impact but that was made over by almost equivalent by power and fuel. Despite power and fuel going up we have tried to contain our cost by managing our fuel mix, so the team has done a good job. And minus benefits in the other costs, otherwise overall the results seem to be fine in our view. We have got the government interest free loan from Uttar Pradesh pickup, which is almost Rs. 69 crores, that has also come to us in the month of December.

So this is what the status is and I think we can discuss rest of the things in our Q&A session. We return the call to Vaibhav to continue with this. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We have the first question from the line of Anshuman Atri from Haitong Securities. Please go ahead.

Anshuman Atri: My question is regarding the demand you are seeing in your regions, you have done double-digit volume growth, so what potential do you see in the next six months? And what kind of activities have government started which are leading to this strong growth?

Management: Okay. So, this same rate of growth is not possible because this was because of the low base which was created last quarter in the previous year and that was basically because of the impact of demonetization which we resulted into it. So there, demand had tanked very badly, if you look at previous year-on-year quarter wise there was a loss at the PAT level and now we have almost Rs. 32 crores of profit. So this same results growth figures would not come in but definitely yes, 6% to 7% volume growth should be visible, given the current situation the way it is moving. Hopeful about it and I think the basic reason is also as I said the demand will continue because of the sand and aggregate situation has eased in central India and the governments are spending both in Uttar Pradesh, Madhya Pradesh, the governments are spending some money, so we are seeing that. More in UP and less in MP, but on an average, I think the situation remains that the growth should be around 6% at least.

Anshuman Atri: Okay, sir. Secondly on the sand, what actions have the government taken which has lead to resolution, are they using some e-auction or some online method? So do you think there would not be any more sand issues in the coming quarters?

Management: See, this is again as I said the government has auctioned the plots of land, the mining leases. So I think this will continue now unabated, now there should not be any bottlenecks which we foresee, but one does not really know what can happen, tomorrow NGT may come in with some rule or something we really do not know. So, sand and aggregate continue to remain at a point of discussion because of the environmental issues, and that will continue, I think we will have more debates on this going forward.

Anshuman Atri: But as of now you are not seeing any issues?

Management: As of now I do not think. Looking at the Tamil Nadu case where the Supreme Court has stayed the order of High Court saying that you cannot ban the limestone or sand, considering that they understand the government is understanding that at a point of time the business has to also continue, you cannot stop development. So, I think that will dawn upon most of the governments eventually.

Moderator: Thank you. We have the next question from the line of Kamlesh Jain from Prabhudas Lilladher. Please go ahead.

Kamlesh Jain: Sir, just one question on the part of power and fuel. Like say we have seen hardly any increase in the cost, despite the fact that there has been 35% - 40% increase in the pet coke or any other grade of coal. So, I know that even your kilo calorie consumption per kg of clinker it is one of the lowest, like say 712 or 715, even on the power consumption it would be 70 to 72 units. Sir, what are the reasons for this strong performance on the power and fuel part?

Management: See, it is basically the stabilization of the WHR from where we are able to get maximum load, we can be able to operate at maximum load. So that is one of the biggest savings which has come in. And rest as I said, we are trying to tweak our equipment, plant, machinery, trying not to run during peak hours and things like that. And going forward we are looking at power as one of the major cost centers controls and we are working on it very aggressively. So you can see that we will continue to improve our performance on power consumption. In terms of the overall power cost, power units also we are working in terms of using the consumption rate also we are trying and working on it. And so I think going forward things should improve.

Kamlesh Jain: So, sir if you can quantify, because of this safety and our operation, now how much is our power cost? And secondly, what is the PLF at your waste heat recovery plant?

Management: Right now, our power cost is Rs. 6.25.

Kamlesh Jain: And at what rate your WHR is operating?

Management: See, if the lines are formed, three lines are running then we are able to operate at maximum capacity.

Kamlesh Jain: And sir out of your power consumption how much would be the share of WHR?

Management: WHR we have 20%.

Management: Overall India level it is 20%, but when we talk about thermal plant it is more than one-third of the total power requirement. And just to add one thing, during 2017 including various initiatives we have also resolved our demand charges from the grid, and that also has given benefits on account of lower power cost. So we are optimized at our old plants the demand or contact demand with the grade.

Kamlesh Jain: So, taking all that into consideration, it is Rs. 6.25?

Management: Yes.

Moderator: Thank you. Our next question is from the line of Sanjay Nandi from Ratnabali Investments. Please go ahead.

Sanjay Nandi: Sir, just a bookkeeping question, I just wanted to know like how much savings can I get like by installation of 1 megawatt waste heat recovery plant?

Management: See, the power cost is almost close to around Rs. 2.50.

Management: Your question is with respect to waste heat recovery power generation cost vis-à-vis the grid cost?

Sanjay Nandi: Exactly. I just wanted to know how much cost we can save.

Management: It is very negligible, waste heat recovery power cost is variable cost, it is nothing, it is hardly 50 paisa per unit power generation cost.

Sanjay Nandi: 50 paisa per unit compared like normal generally comes at Rs. 4 - Rs. 4.5, right sir?

Management: It is more, in MP it invariable power cost from the grid is Rs. 5.5 - Rs. 6.

Sanjay Nandi: I am talking about the average prices, maximum of Rs. 5 and compared to waste heat it is Rs. 0.5, right?

Management: Yes, so it is around Rs. 5 savings as compared to grid price.

Sanjay Nandi: So 10% of the total cost. And what is your net depreciation as of now?

Management: It is around Rs. 500 crores as on 31st December.

Sanjay Nandi: And sir do you have any plans now like for expansion, like there are already plans supporting 90% utilization and the demand that is shaping up recently, so do you think of any expansion plan?

Management: See, as of now we are having a capacity of close to 88%. And going forward we see that we have got still room for little bit of tweaking and optimization of equipment if we do we will be able to add another 7% or so. So we have some headroom right now, at the moment we are not looking at any major expansion as such.

Moderator: Thank you. Our next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Sir, on the demand side you said you are looking at 6% to 7% growth as such for Heidelberg or for the entire market itself going forward?

Management: Market should grow may be a little lower rate, around 5% it should grow, I am talking about Heidelberg should continue its growth trajectory by about 6% plus.

Madan Gopal: And what is the new capacity coming in sir, in your opinion, in the central market?

Management: In central market nothing, excepting for one capacity which will come up UltraTech in Dhar which is about 3 million, but it may take another two years to come.

Madan Gopal: Okay. And how are the current prices in the market compared to Q3 levels?

Management: I think they are stable, marginal increase over Q3 but definitely stable right now. And it should move up from February mid, then it should start moving up in February and March. There are some minor increases in January, but I think February and March should be better.

Madan Gopal: Okay. And post UltraTech acquiring JP, what the changes you are seeing in the market, are you seeing them being very competitive in the central market, what is happening sir?

Management: I think the market is at the moment little under pressure because of UltraTech's volume definitely, but I think nothing much to worry because some compensation is happening because also of the non-availability of rakes in the railway, there is a shortfall which is happening in the market allowing the domestic players which are local players to sell a little better volume.

Madan Gopal: Okay, the volume is not coming from far places, so domestic players are getting benefitted out of it you are saying?

Management: And also evacuation from the cluster to outside also is little restricted because of rake availability, but ultimately what happens is internal movement also you require logistic, which is you cannot augment it on a short-term notice. There will be pressure, so ultimately you cannot dispatch the market there will be shortage of material, the prices should look up. Overall, I would say nothing much to worry, but prices will continue moving up, my marginal hit may be there on little bit volume here and there, but then you can far more make it up in the price.

Madan Gopal: Sir, if I am right, UltraTech is currently operating the JP facility at around 60% only, so they will be looking to take it up to higher levels as we move on. You think that will keep adding more pressure on us?

Management: If it had pressure on us then definitely it will add pressure on the ones who is bringing it also. So his existing 60% will also go down. In cement industry you cannot compete just only on price, because the moment you adjust the price the other fellow adjusts it in a matter of five minutes, the time lag is not more than 6 to 7 minutes.

Moderator: Thank you. Our next question is from the line of Pratik Kumar from Antique Finance. Please go ahead.

Pratik Kumar: Sir, my first question is regarding your commentary on volume growth, you said pickup is more from UP then MP. So till Q2 the growth was I guess more triggered by MP growth and from UP, is that the right thing, I mean assessment that growth has really picked up post sand mining resolution in UP now?

Management: You are absolutely right on this.

Pratik Kumar: And it is primarily HP segment again, or low-cost housing?

Management: Yes, low cost housing is moving up, even those constructions which were withheld for a long-long time, whether some projects which are private projects also, IHV also, they have also started building up. Because then there was no sand, you cannot do much about it. So the masons had also moved out and they had gone into agriculture, now they are coming back. So I think it will fuel up again, the momentum is picking up.

Pratik Kumar: And sir major infrastructure projects in your area of operations as well?

Management: Yes, there are road projects going on, those are consuming, but we are not the ones who supply there because they consume OPC which we leave to our other industry colleagues to supply them, we are 100% blended cement company.

Pratik Kumar: Okay. And sir you mentioned about this loan from UP government of Rs. 60 crores, what is this in relation to?

Management: It is the interest free loan we get.

Pratik Kumar: Okay. So post that what is the added figure now for Q3 and post this US$10 million which we paid during the quarter?

Management: This Rs. 69 crores of UP government include that Rs. 500 crores net debt.

Pratik Kumar: So now the net debt position is Rs. 500 crores?

Management: Rs. 500 crores.

Pratik Kumar: And sir regarding your fuel, what was the pet coke price book for the current quarter Q3 and how are they in Q4?

Management: It is around Rs. 9,500.

Pratik Kumar: And what will be the current spot cost? And they are still competitive versus domestic coal for your requirement?

Management: See, there is a slight increase in the month of January again in the pet coke price and that is why we are trying to pass on the cost increase to the market. But still pet coke we can say is more or less at par with the domestic coal cost.

Pratik Kumar: Okay. So now it has come at par to domestic coal for yourself?

Management: Yes, almost.

Pratik Kumar: Okay. And sir your fuel mix remains same at 70% pet coke?

Management: That is right.

Moderator: Thank you. Our next question is from the line of Akshay Ajmera from Nirzar Securities. Please go ahead.

Akshay Ajmera: Sir, I had one question. Sir, are we facing any issues in railway racks, because one of the competitors recently said that they have some issues with non-availability of rakes. So are we facing the same issues?

Management: Yes, I just mentioned a short while ago that railways is a problem, today evacuation of material from the plant to long distances is a problem because the wagons are not available adequately. So we are working on it but nothing much to worry as such, I would say minor disturbances will continue like the object's nature, this is part of our industry which we have to learn to live in, some days it is there, some days it is not there. Yes in the month of December and January the rake shortage was far more than what we see today.

Akshay Ajmera: Okay. And sir that the government is working on to resolve these rake issues, do you see any step from government side?

Management: I think the first priority which will go from the railways is to feed coal to the power plants, I think the power situation will ease because the power demand during winters is high because of the heating load. And now I think it will come down with February and March and again it will peak up from May onwards, because when the summer goes the pooling load goes up.

Akshay Ajmera: And sir my second question is, is it possible for you to share your region wise mix, like how much is UP and how much is MP?

Management: I would prefer to refrain from that.

Moderator: Thank you. Our next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.

Manish Bhandari: I have two questions, one, at what pricing premium or in terms of quartile you are there in the industry in that region? And my second question is, I understand that I saw a news article where Heidelberg was quoted as one of the contender for the Binani Cement, so are you a contender for the listed entity? Thank you.

Management: Okay. Answering you first question, on the pricing premium in central India I would say we are in most of the markets we are in A category, in some markets we in B+ in pricing premium. Which are our major markets we are there as a A, I suppose that will answer your question. In terms of as a listed entity quoting for Binani, I would answer that we are not quoting.

Manish Bhandari: So does that mean that the unlisted entity has quoted or you have no interest, how should I constitute that?

Management: Are you talking about from a listed entity view point, I will reserve my comments only to the listed entity.

Moderator: Thank you. Our next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

Gunjan Prithyani: Just a couple of follow-on questions, this volume growth which you spoke about 16% for yourself, how does that compare with the market growth in the last quarter?

Management: If you look at it, the market would have also grown close to 12% to 14%.

Gunjan Prithyani: Okay. And I am just trying to understand this from the perspective of the ramp-up that we have seen of JP assets as well, has there been any kind of increased competitive pressure within the markets that you operate in that taking price hikes have been very difficult despite the cost inflation which is in the industry?

Management: The answer would be, yes there is somewhat volume pressure will be there and the price is on a little bit drag, I would not say there will be traction here, so we do not expect the prices to move up than we would have expected had this capacity been operating at normal rate or anything, we should have expected at least Rs. 30 - Rs. 40 per bag price jump in these months. But it has not happened, rightly said that because of the other players the price pressure will be there. But nothing much to worry I would say, it really does not give us sleepless nights or something, it is part of the game, as the new player comes in they place the capacity in the market, I am sure they understand the pressures on them also because on 60,000 if 60% capacity they are making x, if they make it on 70 definitely it would be making commercial sense to increase volume and get the higher realization, otherwise it does not make sense, it just pushes up volume.

Gunjan Prithyani: Sure. So, the reading would be that at least in the last quarter and may be for another quarter the prices stay range bound, but only once the ramp-up has reached a certain stage we could see the pricing hikes come through, is that a fair statement?

Management: Really see what happens is pricing will come because of the market demand.

Gunjan Prithyani: 12% to 14% despite, I agree there is a base effect here, but a 12% to 14% demand for the market is a very, very strong number and I am assuming January has also been strong, may be not the same number because of the base changing but demand has been fairly supportive, right?

Management: Very supportive, that is right.

Gunjan Prithyani: Okay. So it is essentially market competition which is keeping the price range bound?

Management: Yes, price range will remain like this. But still I can tell you surely there will be some increases going forward in February and March.

Gunjan Prithyani: Okay, got it. And second clarification I needed, this gross realization which you mentioned on a sequential basis there has been a slight improvement, is this a like-to-like comparison or there has been some freight changes, I mean is this a like-to-like increase?

Management: It is a like-to-like increase.

Gunjan Prithyani: Okay, there is no change in the contract for the freight or anything?

Management: No.

Gunjan Prithyani: Okay. And just third question on this debottlenecking which you mentioned, 6% to 7% capacity increase, is there any timeline laid out for that or is there work already commenced for the debottlenecking?

Management: See the timeframe for completing the job is not more than 5 months. So when we see that we are coming close to a higher capacity utilization we will decide to take this on and complete that. I am right now not in a hurry because at 80% capacity utilization it would not swing to 100% instantly, so I do not expect we will be able to sell at 100% utilization at the moment, unless the market really changes course and market goes crazy about it.

Moderator: Thank you. Our next question is from the line of Dharmesh Shah from ICICI Securities. Please go ahead.

Dharmesh Shah: Just a follow-up with the previous question, you mentioned that the demand growth for the central region will be 12% to 14% in this quarter. Is it possible to share the similar numbers for nine months and can we further break it up between UP and MP market for the quarter and nine months?

Management: As I mentioned that the same growth rate is not possible in quarter four, this was on the low base of quarter three because of the demonetization effect last year so that is why you were seeing such growth. The same would not happen in Q4.

Dharmesh Shah: Sir, I am talking of numbers for the nine months.

Management: For the nine months, nine months I tell you for the nine months period the growth has been on year-on-year basis almost about 4%.

Dharmesh Shah: Okay. And sir is it possible to provide some numbers on the UP and MP market as UP has grown better than the MP market, but if you can provide some numbers.

Management: I would not be able to provide numbers on a state wise basis.

Moderator: Thank you. Our next question is from the line of Krithika Subramanian from IIFL. Please go ahead.

Krithika Subramanian: Sir, I just had one question from my end. Sir, your trade / non-trade mix you have mentioned as 80:20, and as I understand it was on the similar lines even last year. I just wanted to ask, since there has been a lot of news on increased infra spend on both UP and MP, how have we beaten industry growth even while maintaining our trade and non-trade mix?

Management: See, as I mentioned earlier we are a 100% blended cement company and we are really not in the race for any infrastructure projects which require OPC. So it is that section of the business is left to some of our competition to fill this gap. So, unless we get some significant benefit of almost Rs. 40 to Rs. 50 a bag on OPC, at least I am not the one who is going to supply OPC.

Krithika Subramanian: Sir, but in terms of growth has the retail segment also, because our growth has been exemplary so despite keeping our mix constant we have been able to beat the market which was a little of a surprise.

Management: Yes, that will happen because we have a very strong retail base.

Krithika Subramanian: Alright, sir. And sir, also I wanted to ask, how has the price gap between Mychem and UltraTech shifted over the past two, three months?

Management: I prefer not to comment but I would say that both the companies are into a responsible area of pricing their own products and they are more worried about their own, they would be interested in their own brand equity. So, both will not try to price it under each other or below each other or something.

Participant: Sir, I am Radhakrishnan here. I have also one question. Can you please give me the breakup of the interest bearing debt now and non-interest bearing debt, is it possible out of that Rs.500 crores odd that we are having?

Management: We have taken the three tranches of the non-interest-bearing loan from UP state government, that amount is around now Rs. 150 crores, Rs. 170 crores in non-interest-bearing loan. And today at this moment we need to pay around Rs. 500 crores of interest bearing loan, but net debt is Rs. 500 crores because we have some surplus also.

Participant: Okay, what I am trying to understand is going forward can we assume the interest based on this Rs. 500 crores interest bearing debt? Because if I am seeing for 3Q the effective interest rate comes slightly higher if I am taking only the interest-bearing debt. So just trying to find out something, whether our net interest rate on our interest-bearing debt will be more than 10% or it will be less than 10%?

Management: It is around 10%. But again, what I just explained, we have net debt of Rs. 500 crores because we have around Rs. 500 crores as interest bearing loan, Rs. 170 crores is the non-interest bearing loan and the net amount is Rs. 500 crores because we are bearing some surplus cash. Now, in this quarter we have made one repayment of one tranche of $10 million, and going forward also there are some loan repayment schedule is there in 2018 and 2019. The effective interest rate, if I put only on interest bearing loan is around 10%.

Participant: So going forward can we assume a run-rate of around Rs. 12 crores, because for this quarter it was Rs. 18 crores and odd. So, just sort of getting an idea on that.

Management: It will be slightly higher than Rs. 12 crores, because if I take the 10% interest bearing loan on Rs. 500 crores per quarter will be Rs. 50 crores, and on top of that there will be some finance charges also.

Moderator: Thank you. Our next question is from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.

Abhishek Ghosh: Sir, just wanted to understand one thing, we mentioned our utilization would be close to 85%, if you could give us a sense in terms of our cluster or the central region what would be the industry utilization?

Management: Must be about 73% - 74%.

Abhishek Ghosh: So, industry utilization would be closer to 73% to 74% for our region, okay. And sir just to understand the market a little better, so apart from say UltraTech today or an ACC, in the central region which are the other premium players or category A players who were present?

Management: See, basically the Holcim is the one who leads the market in premium in Uttar Pradesh, at least in Uttar Pradesh, not in Madhya Pradesh, but in Uttar Pradesh they have a significant presence.

Abhishek Ghosh: And now UltraTech will be coming in with their presence in terms of this?

Management: Yes, that is to be seen where they settle down.

Abhishek Ghosh: Okay. But as of now Holcim is the only stand out brand in terms of premium brand

Management: Yes, that is right.

Abhishek Ghosh: And sir, wanted to get in terms of the freight cost the diesel price increase has happened and that lead to some amount of increase in freight cost per ton, but are we seeing some benefits of GST and hence is there any benefit coming in from there as of now?

Management: As of now we cannot see any benefit coming out of GST.

Moderator: Thank you. We will take our last question from the line of Akshay Ajmera from Nirzar Securities. Please go ahead.

Akshay Ajmera: Sir, just wanted to know how much was the price increase till now from the December quarter?

Management: It would be about something like about Rs. 200 a ton I would say.

Akshay Ajmera: And sir last question is, you said that you got a loan of Rs. 69 crores from UP, so this loan are available industry wide or are there any rules to it?

Management: It is on the investment amount what you make. How many industries would get it I do not know, but yes we got it because it depends on the investment you make.

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

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital I would like to thank the management of HeidelbergCement for the call and also many thanks to the participant for joining the call. Thank you and you may now conclude the call. Thank you very much, sir.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes the conference call. Thank you for joining us. And you may now disconnect your lines.