



Praj Industries Limited

Q1FY15 Earnings Conference Call Transcript

July 31, 2014

Moderator: Ladies and gentlemen, good day and welcome to the Q1FY15 Earnings Conference Call of Praj Industries. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call please signal an operator by pressing '*' then '0' on a touchtone phone. Please note that this conference is being recorded. I, now hand the conference over to Ms. Vinati Moghe of Praj Industries.

Vinati Moghe: Thank you. Good afternoon everyone. We welcome you to this conference call organized to discuss Praj Industries' operating performance and financial results for Q1FY15, which were announced on Monday, July 28, 2014. I have with me, Mr. Gajanan Nabar, CEO & Managing Director, Mr. Surendra Khairnar, Associate Vice President, Accounts, Mr. Dattatraya Nimbolkar, CFO and Company Secretary and Ms. Priyanka Watane, Associate Manager, Corporate.

Before we begin, I would like to mention that some of the statements made in today's discussion maybe forward-looking in nature and may involve risks and uncertainties. Documents relating to our financial performance were emailed to all of you earlier. These documents have also been posted on our corporate website. I would now like to hand over the floor to Mr. Nabar for his opening remarks.

Gajanan Nabar: Thank you Vinati and Good afternoon everyone. Thank you for your continued interest in the Company. During the quarter, Global economic activity has broadly remained at the same level but is expected to improve, going forward. We see a new center of economic hub emerging in the world, with the re-emergence of BRICS and the leading positions taken by India and China.

The Fiscal 2015 started on a euphoric note for India, with a stable government at the center. The upbeat mood in the industry is clearly visible. The Government of India presented the Union Budget which has provided a thrust to sectors such as power, oil & gas, banking and manufacturing. It gives an initial glimpse of the government's approach towards driving investments. This government is committed to the ethanol blending program. Even if the current blending is lower than the mandate, we expect it to improve as both; distilleries and OMCs adapt to the process. Government has also made their intentions clear of increasing the blending mandate to 10%. Our understanding is that this is awaiting cabinet nod. The recently announced decision to provide soft loans to sugar mills is welcomed, as this will enable them to invest in expansion and modernization of their existing distilleries.

Although international markets have been subdued, we see some changes in the International regions for ethanol. In South East Asia, Indonesia is considering a mandate for ethanol blending. In Vietnam, the E5 policy will be implemented in seven provinces this year and nationwide by 2015. This bodes well for us, considering our strong market share in the region. The EU Energy Counsel has recommended 7% blending of first generation biofuels and 0.5% blending of advanced biofuels which includes second generation ethanol. The EU parliament

will conclude on it by October 2014. Thus, we see stable to increasing demand for the use of fuel ethanol across the globe which continues to be driven by the mandate intensity; however, a lot of action on ground is getting delayed due to variety of reasons.

In view of this volatility, we have increased our efforts to drive modernization and retrofit cases by allocating incrementally higher resources. We see an annual opportunity of approximately Rs. 200 crore from this growth sector. Brewery business usually traces the economic growth. Again, we see emerging markets leading growth in beer consumption.

Now, I will brief you on the environment for emerging business. We see opportunity for Praj to play a role in the upstream industrial wastewater treatment as part of the Ganga Rejuvenation Plan. With a large number of industries like textile, tannery and others located along the banks of the river, there is a need to control pollution at the source.

On the pharma market, which Praj HiPurity Systems business caters to, the price cap on some essential drugs in India and the ongoing FDA inspections call for investments in the upgradation of the production facilities. We see a pick-up in the demand for integrated systems.

Now, moving on to the operations, we commissioned an ethanol plant in Sierra Leone. The plant showcases our capability to handle large projects on EPC basis. On the two international brewery projects - the one in Africa is near completion. The second is likely to be completed by end of this calendar year. On the emerging businesses, critical process equipment and systems has completed the registration process with most of the EPC companies. The water and wastewater SBU commissioned two plants in India. One is the effluent treatment plant for a large chemical company and a ZLD for recovery of glauber salt for the largest textile unit in India. Also, some new technologies on evaporation and drying got established during the quarter.

On the second generation ethanol technology, the project for demonstration plant is on track. Subject to various regulatory permitting, we should have steel in ground by November, 2014.

Now for the financials, at the outset, I would like to draw your attention to the point that we are reporting 'Consolidated Results' from FY 2013-14, onwards. Here are some quick insights into consolidated performance, as compared to corresponding quarter. Sales increased by 28%, EBITDA is at Rs. 11.66 crore as against Rs. 0.48 crore. PBT showed an increase of 38%, PAT, before minority interest, increased by 17% and after minority interest, decreased by 19%. Higher minority interest is attributable to increase in profits in Praj HiPurity Systems in this quarter. There is also an impact of higher charge for depreciation considered, as prescribed by Schedule II of the Companies Act 2013 of Rs. 2.87 crore. Incremental tax is also higher due to increase in profits of the subsidiaries, which are subjected to normal rate of taxation.

Export revenues accounted for 41% of Q1FY15. Of the total revenue, 52% is from ethanol, 12% from brewery and the balance 36% is from emerging businesses. The order intake during the quarter was Rs. 134 crore, with 73% from domestic market. Of the total order intake, 46% came from ethanol, 3% from brewery and balance 51% from emerging businesses.

As mentioned earlier, international markets have been subdued. In order to overcome this, we have accelerated our actions to address modernization opportunities in these markets. The order backlog as of 30th June, 2014 stands at Rs. 730 crore, of this 71% from domestic market, emerging business account for 20% of the order backlog. The shareholders of Praj Industries have approved a final dividend of Rs. 1.62 per share, which is 81% of the face value of Rs. 2, at the recently concluded AGM of the Company. With this, total dividend for the FY13-14 will be at Rs. 2.22 per share, which works out to 111% of the face value.

The first phase of Value Maximization Strategy is now completed. We have begun the implementation phase; we will come back to you with further updates in due course. CRISIL has reaffirmed its rating of Praj Industries Limited as AA stable on the long-term bank facilities

and A1+ on short-term bank facilities. Investment cycles in various parts of the world are yet to build-up completely. With improved global sentiments, one will see the rate of growth in investments picking up and especially with the new government in India, we expect to see much more action on ground. I would like assure you that we are in complete readiness for the up-turn in the cycle.

Thank you ladies and gentlemen for your patience and we will now take your questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Bhagyesh Kagalkar from HDFC Mutual Fund. Please go ahead.

Bhagyesh Kagalkar: Can you just repeat the order backlog once again?

Gajanan Nabar: The backlog is Rs. 730 crore.

Bhagyesh Kagalkar: For last few quarters the order backlog is almost in a steady state, it is not increasing much.

Gajanan Nabar: That is correct and it is mainly on account of some postponement of the order finalization in the International market. If you look at other business which is domestic ethanol and emerging businesses, in the order backlog, there is good amount of traction as the order backlog is increasing. Whereas on International front, there are a couple of orders which got delayed further, so that is leading to most of the gap.

Bhagyesh Kagalkar: Do you expect both order intake and order backlog to improve henceforth onwards, because it has dipped down in last four quarters continuously, both the intake as well as the order book.

Gajanan Nabar: Yes. That is correct.

Bhagyesh Kagalkar: So, things should improve on this front?

Gajanan Nabar: Yes. We have mentioned earlier that, one is, we can wait for the things to improve, two is, what we can proactively do and take action and that is what we have done. We have put incremental resources ongoing after the modernization and retrofit bucket, which we had mentioned in our investor meeting earlier and that is picking up steam. We are going all out in all the regions, earlier we had said that we will just focus on India and Far East but now we are looking at even America and Africa. We have seen some initial good feedback, but we have to still see the efforts yielding into results. This is what we are doing proactively as a Company.

Bhagyesh Kagalkar: On operating margin front, to compare the consolidated numbers it was just 0.3% in Q1FY14?

Gajanan Nabar: Yes.

Bhagyesh Kagalkar: Where is it now? It is 5.3%.

Gajanan Nabar: Okay, correct.

Bhagyesh Kagalkar: So the broader thing is that margin should improve if there is any rise in revenues, henceforth onwards, should we assume this?

Gajanan Nabar: There are two aspects, we have to have more traction on the International orders, our efforts on modernization and retrofits have to yield some results and improving on the backlog and the total order book, these three aspects would definitely look at further improvement in the margins.

Bhagyesh Kagalkar: What is the cash on the books now?

Gajanan Nabar: Rs. 230 crore.

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

Bhalchandra Shinde: Regarding the sales contribution as we know this quarter emerging business contribution was higher, from 20% it has increased almost to 40%. Are we still seeing thin margins on that business or are we seeing any improvement on the profitability front in emerging business?

Gajanan Nabar: No. I will just like to clarify; the contribution of emerging business for the last whole year was about 27%-28% to the sales. Again I would say that do not take this quarter as a representation for the entire year, but still for this quarter, it was 36%, much higher than what we saw for the last whole year. And as our market share increases and we are establishing, in my commentary I also mentioned, about couple of completed projects, all this augurs well with margin expansion because customer is not looking at you, at the first timer in most of applications, then. So, the margin improvement is on track.

Bhalchandra Shinde: For last few quarters, the trend is like this, for the first two quarters we show a comparatively lower margin and third and fourth quarter shows a good margin, is it more related to the project completion parts or this trend will follow?

Gajanan Nabar: I do not want to read into this. First of all your observation is right, that's what happened last year and it looks like even this year, the first quarter is having similar challenges. But it is all about order intake timing and sometimes, it moves by couple of months up and down and that results into where the invoicing could happen and then, it leads to other matrices falling in place. So it is more of a timing issue and it is not by design, as you would appreciate.

Bhalchandra Shinde: By chance, if we consider to be conservative, if we do not receive the international orders, means that markets doesn't revive, then do we see modernization to compensate whatever international orders will not be there, means, do we expect downside to be capped or at least sales to remain flat because of order inflow through modernization?

Gajanan Nabar: We do not want to comment about how our sales look that is because we normally do not give guidance. But, let me give a qualitative insight into the modernization bucket. Basically, there will be short cycle orders; there would be smaller sized orders so you would require multiple orders to make up one large sized order. That would normally beat the capital cycle of the customer because if you are to invest \$20 to \$30 million, it is required for you to go through the capital committee and all that, whereas, here it could work on the normal year-to-year capex kind of cycles. All these solutions, they are basically driven by solutions to the customers to improve their productivity and profitability. So they are all driven by return on investment for the customer and we have a good logic about why customers should do this kind of modernization or retrofits to their plants, which would yield them results. So, they are a different profile of order, I would not say that they like-to-like replace a large international order, but definitely this is a proactive step towards working very closely with the customer and also generating an additional stream of revenue.

Bhalchandra Shinde: Regarding the Ganga purification project initiated by the government, I read a few days back in one article that around 178 industries were surveyed and out of that 48 factories were told to shut down and another 50 were suggested some innovations to decrease the pollution that is created in the Ganga. So based on these factors, what kind of potential you see for water and waste-water treatment for that segment?

Gajanan Nabar: The potential is immense; right now, it is in the works. There are multiple plants which are polluting Ganga and unless we stop this polluted water coming into Ganga, this cleaning Ganga will not help, that everybody knows and the good part of it is that even people in government, ministry, bureaucrats, everybody understands and knows this. Now, there are Tanneries, now Praj has bought some and acquired some technologies of ECOPHOTOx, which have tannery solutions. We have established ourselves as a leading solution provider in textile and dyeing. So these are the industries, which are polluting, even there are some

distilleries on the shores of Ganga and these are all solutions which have worked in different geographies and it would definitely apply here to provide these companies giving them zero liquid discharge kind of solution or recycle, reuse kind of solutions. We believe it would definitely help in the overall attainment of Ganga clean-up. So right now it is little too early or too pre-mature to really say how big is this potential but it looks to be like an immense potential.

Bhalchandra Shinde: We have been more focused on the industrial part, we'll be more focused to the industries to stop pollution from their part rather than on the municipal part, is that right?

Gajanan Nabar: Yes, that is correct. That remains our focus as we have always said.

Bhalchandra Shinde: Any reason why we are not entering into the municipal part of the water and waste-water treatment?

Gajanan Nabar: We mentioned this earlier, this is right now very low tech, it is mainly cement, steel and water kind of offerings, which is not our key competence. Our key competence is giving solutions in a challenging kind of effluents and that is what we are good at, so we will continue to focus on our areas of strength rather than getting defocused on a large value but questionable return kind of projects.

Bhalchandra Shinde: As you suggested in the last analyst meet that 50% revenue will be targeted from emerging business, mostly that will be achieved by Praj in FY17, so do we see margins improvement because of better operating leverage or it will take time to improve, let's say it will more dependent on the International orders?

Gajanan Nabar: From emerging business standpoint, we clearly see margin expansion happening.. The international business orders for large ethanol orders definitely add their margin accretive; I am not saying one against the other, but definitely emerging business would help improvement in margins.

Bhalchandra Shinde: Regarding the EU Parliament, there has been 7% blending for the first generation ethanol, related to that do we see some CAPEX happening on the EU side and some order for Praj or there is apt capacity available on the EU?

Gajanan Nabar: Certainly, if this goes through, there would be good news for the ethanol industry. They would have to add a new capacity.

Bhalchandra Shinde: It has increased from what level?

Gajanan Nabar: 5% to 7%. That would mean that they would need to manage to get another 2 billion liters of ethanol, they can import some of that, but some of it would result into capex expansion also.

Moderator: The next question is from the line of Sangameswar Iyer from Subhkam Capital Ventures.. Please go ahead.

Sangameswar Iyer: Given the backdrop where we see the order backlog depleting on a year-on-year basis, how do we see the growth for ethanol and brewery segment for FY15?

Gajanan Nabar: Ethanol always, this is one of the natures of ethanol International business, was purely driven by the mandates and multiple factors affecting these mandates or capex formation, which are beyond anybody's control. So, that keeps going through the cycle, this is not for the first time, in the past five years we have seen multiple such cycles. What we are seeing is because of certain reasons in specific geographies, the order finalization or the capex finalization has been delayed by a few months or a quarter and we do not want to read too much into it. This keeps coming back and forth and we, as a Company, are capable or able to deliver our solutions worldwide. So, it does not matter whether it is Sierra Leone or Indonesia or in Colombia, we would be able to meet the demand of those places. Compared to that, the

emerging business is less cyclical because the industry it caters to, are prone to less cyclical effect and that is why it balances off and that is the Praj strategy. We have always said that ethanol and beer would continue to grow at a certain pace whereas the emerging business would continue to comprehend a much faster pace of growth and that's what we have demonstrated in the last couple of years and we hope to continue with that.

Sangameshwar Iyer: From the emerging business perspective, you did touch upon in your initial comments that the accreditation that you have received for your CPS as well as the demand for integrated systems and HiPurity, etc. So could you throw some more quality reply in terms of how you see these segments growing and also if you touch upon Neela and the probiotics segment as well, which are quite interesting segments in which we are in and how do we see that in the next year or couple of years' time?

Gajanan Nabar: We call Neela as PHS, which is Praj HiPurity Systems also we renamed it, so just for your information. Now, we clearly had said a couple of quarters earlier that we are focusing on the international plate and I am happy to say that our International efforts are bearing fruits, so clearly there is an increase in our leads from international market, how we track that business leads converting into enquires which are more specific, that get finalized within the same quarter and obviously then you have your win share. We clearly see, all three runs but clearly the leads have improved and so have enquires and we are seeing some conversions in International markets for PHS. So, that is good news on the PHS business.

We continue to have leadership in Indian market and that we believe it is auguring well with us in this segment. Our process offering business also has taken-off. When we started off about two years ago, our process business would contribute about sub-30%, now that business contributes to over 40% of the order book for this business. So there are good signs and good traction on this business.

Similarly on critical process equipment and system, this business now is clearly focused on oil & gas, we are acquiring capabilities to deliver on oil & gas and that is our strategy again. as I said in my commentary, we have got a lot of approvals from large big companies, for sake of confidentiality I do not want to reveal those names but all multinational oil & gas EPC firms and direct customers have approved us and we have started getting enquires and we have started converting that into orders as well. Some of the orders which we have got this quarter for CPS business have actually come from international business, these are the companies in Latin America which have given us business to execute and they are substantially large orders for that business.

Sangameshwar Iyer: About the mix changing towards 50-50, emerging and the new businesses contributing 50% of revenue by FY17-18, that's the vision of the Company. so, we are talking about almost assuming a steady run rate of 7% to 10% for the existing business, then Rs. 1,000 crore plus kind of revenue run rate for the new businesses itself. So, could you give us some visibility of how the various segments would contribute in this, Neela, Probiotics as well as the CPS segment?

Gajanan Nabar: Normally we do not give vertical wise split, but just to give you qualitatively. We see that PHS would definitely take lead here. Probiotics business, we term it as completely new business, it would take at least a couple of cycles to come off the ground, so we will have to watch and wait. On the other side, CPS is becoming an international business, over 70% order for CPS, is international or in dollars or Euros and water business is definitely dependent upon on how we dissipate the technologies that we are acquiring. So it is going to be mix of all this but we are definitely tracking towards 50% of contribution on growing pie of the core business by emerging businesses.

Sangameshwar Iyer: With the domestic contribution to your total order backlog being at 70%, do you see pressure on the margins because as you said you did allude to the fact that the international orders do cater to higher margins. So how should one look at this at least in the near-term for the Company?

- Gajanan Nabar:** We will take this question offline
- Sangameshwar Iyer:** Okay.
- Moderator:** The next question is from the line of Abhishek Jain from JHP Securities. Please go ahead.
- Abhishek Jain:** What is our tax rate for FY15 and FY16? We have seen a sharp surge in tax in the last two years and again in this quarter, so how do you see the tax rate, going forward? And about Sierra Leone, how big is the opportunity going ahead?
- Surendra Khairnar:** For tax rate, as far as standalone Company is considered, it is in the range of 20% only.
- Abhishek Jain:** For Consolidated?
- Surendra Khairnar:** For Consolidated, since our subsidiaries are at marginal tax rate, that is 34%, we are seeing tax rate in the range of 40% or so.
- Abhishek Jain:** And can you throw some light on Sierra Leone?
- Gajanan Nabar:** Yeah, Sierra Leone is the order we executed, this order was of about Rs. 125 crore, which we executed in the last fiscal.
- Moderator:** Thank you. Next question is from Bhalchandra Shinde from B&K Securities. Please go ahead.
- Bhalchandra Shinde:** Regarding the Europe Union, as you said 2 billion liters of ethanol additional capacity will be required, value wise how much do we see in dollar or Euro terms?
- Gajanan Nabar:** Let me clarify, that this is our guess. The 2 billion liters of ethanol, all might not become converted into capex. but we would also do a lot of exports. For example, the plant that we built in Sierra Leone is going to cater to Europe market including all these markets that we talked about. So based on that, additional capex of \$0.5 billion to a \$1 billion would definitely be in the play but it would be in next few years, and this is the total capex and then there will be an opportunity for all of us in that.
- Bhalchandra Shinde:** This is only on the European Union side?
- Gajanan Nabar:** Yes.
- Bhalchandra Shinde:** Regarding second generation plant, will you start the production by November end or you will start the implementation of the equipments?
- Gajanan Nabar:** We will cut the steel by November to December, this year.
- Bhalchandra Shinde:** By when will we be able to start with the production?
- Gajanan Nabar:** Between 11 to 12 months from there, to commission.
- Moderator:** Thank you. Next question is from the Amit Mahawar from Edelweiss. Please go ahead.
- Amit Mahawar:** On the equipment part, you know services or upgraded business globally in ethanol equipments, is there market existing today and if yes, how much is our share of that business today?
- Gajanan Nabar:** Internationally, currently, the business happens only when customer comes to us. So, there is a change, where we are going proactively. So, since we have data base of more than 600 installations worldwide, we are kind of going through that plus obviously customer connect directly, and where would customer need help to improve its productivity and its profitability by

reducing the cost or becoming environmentally compliant. These are the three platforms that we are working on with the customer. currently, this market is very sporadic, so whenever customer feels like their steam consumption is really out of reach and their cost has gone up, then they take some sporadic local decisions which may not be the best decision for them, whereas our team can very educatedly tell them that how can they bring their steam consumption from 3kg per liter to 2kg per liter and bring that saving to the play. So it is not a very defined continuous market, this is a new market creation by approaching in this direction.

Amit Mahawar: But some part of that also would be driven by the life span of those plants world over, if globally fuel based ethanol plants have say x capacity, and these are 15-20 years old, what percentage of that would be vintage say 15-20 years old because that will give us some idea of how this business could shape-up from here?

Gajanan Nabar: Certainly, the vintage plays but it is not only the vintage. So we are not just looking at renovating plants, we are also looking at, we brought a new technology called EcoSmart which we announced and shared with the investors which reduces the steam and power consumption substantially. Then we also brought another technology where we can make the variant from the same plant, so we can make industrial ethanol as well as fuel ethanol from the same plant, things like that or we can bring a newer technology for waste-water treatment solution. Now, this even a plant which is four year old or three year old would also look for, so yes some element of vintage comes to and we know exactly which the older plants are. For example most of the plants which we built in Colombia, are about 8 - 10 years old, so those would become our targets. So everything comes into play, it is vintage plus some gaps which they are currently facing.

Amit Mahawar: On a rough cut basis, if I take say generation one fuel ethanol plant, what is the capex per unit that would be coming for a client, just to understand, you want to define it in per liter basis also just for the sake of convenience?

Gajanan Nabar: We will share this with you offline.

Amit Mahawar: On Praj HiPurity in the next one to two years, which are the target markets? I understand you are in touch with top global companies in pharma and other space for Praj HiPurity beyond India also. But in the next one to two years, which is a target destination for Praj HiPurity? And what kind of growth rate can we see in the next one to two years in more near term in Praj HiPurity?.

Gajanan Nabar: On markets, clearly South East Asia, we already have put some people in place, the Asian network is created. In Southeast Asia, specifically it would be Malaysia, Philippines, Thailand, and Vietnam to start with; this is where our focus is. In Singapore, we missed the wave, they are waiting for the second wave to happen in investment in Singapore, but probably that will take another year or two. In Middle East, again there are few countries we are focused on, in Dubai we could be sporadic, Turkey, Jordan these are the places where it is relatively peaceful and some action is happening. In East Europe, Kazakhstan, and the few other countries in Eastern Europe, where we already have got orders from.. And then very-very specific countries in Africa. So it is very targeted, but at the same time we are not trying to spread too thin and we are getting good response in all these countries, that I mentioned.

Moderator: The last question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

Sunil Jain: Consistently, since last five quarters, our order backlog is continuously coming down, so when you are seeing this trend getting reversed? Or if you can share how is the pipeline looking?

Gajanan Nabar: In terms of enquiry pipeline, the pipeline looks fairly healthy both on domestic front as well as on international front. As I said, few instances in few countries where the decisions got delayed for a variety of reasons which has obviously caused the depleting backlog. So, we could be speculative and say that this could turn around in the next quarter and all that, but I do not want to do that. What I want to share with investor is what we are doing proactively, which is shared in terms of our efforts in modernization, our push on emerging businesses,

our push also on international brewery, so that all continues. We are seeing some good plethora of orders or enquiries in the basket, but I do not want to give any particular timeframe on when they will fructify because that would be very speculative.

Sunil Jain: On our second generation ethanol, what we are finalizing is bolt-on project?

Gajanan Nabar: Yes. We are going ahead with the bolt-on project.

Sunil Jain: Any overall project cost that has been finalized for that?

Gajanan Nabar: I shared on the last call that the overall cost which had been indicated earlier, now the new cost has come down to about Rs. 75 - 80 crore. So there is substantial streaming in the overall capex by doing this bolt-on model. We believe that this model will also be very helpful or very suitable for Indian market where the biomass is abundantly available but not at one place. So if you look at all the supply chain issues, smaller bolt-on is the real solution for Indian market, going forward.

Sunil Jain: With the second generation ethanol cost of production and all, at current price will this become viable?

Gajanan Nabar: We have been always saying this that we will have to walk the bridge when we reach, because it will all depend on the feedstock cost because right now cane crush costs nothing, but if you want tomorrow, 100 tons of cane crush per day, we don't know whether it will cost Rs. 5,000 per ton or Rs. 2,000 per ton. So, there is a lot of ifs and buts in this cost assumption. We are very-very sure that when we benchmark our total technology solution against anybody in the world, we are fairly good. And that is our confidence of going forward with this.

Sunil Jain: We had seen a substantial decline in the margin in last few years and maybe because we were not able to grow to the extent what the Company was expecting, but when the cycle returns, will that only leverage to expand margin or are we doing something else also to improve that?

Gajanan Nabar: We are doing multiple things. As we shared in our Investor Meeting, we are taking a lot of actions on the customer front including fine tuning of our new businesses, optimizing our capex and variety of other actions. At the same time, we are doing several other actions on the back-end to make sure that there is no value or profit or loss in our offerings. So, there are substantial actions in play. As we had shared with the investors that we have engaged with a consultancy of international repute for value maximization, so there are a lot of such initiatives in the play right now.

Moderator: Thank you. I now hand the conference over to the management for closing comments.

Vinati Moghe: Thank you to all of you for joining us today, this afternoon. If there are any more questions, we would like to take that up on the e-mail or we can also address it over the phone. Thank you very much.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Praj Industries that concludes this conference. Thank you for joining us and you may now disconnect your lines.