



Praj Industries Limited

Q2 & H1 FY16 Earnings Conference Call Transcript October 30, 2015

Moderator	<p>Ladies and gentlemen good day and welcome to the Praj Industries Limited Q2 and H1 FY16 Earning 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 after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Vinati Moghe of Praj Industries. Thank you and over to you ma'am.</p>
Vinati Moghe	<p>Thank you. Good day everyone. We welcome you to this conference call organized to discuss Praj Industries' operating performance & consolidated audited financial results for Q2 and half year 2015-16, which were announced on 29th Oct.</p> <p>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 Priyanka Watane, Associate Manager, Corporate.</p> <p>Before we begin, I would like to mention that some of the statements made in today's discussion may be 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, along with a quarterly results presentation, have also been posted on our corporate website. I would now like to hand over the floor to Mr. Nabar for his opening remarks.</p>
Gajanan Nabar	<p>Thank you Vinati and good morning everyone. I welcome you to Praj Industries' Earnings call. I hope all of you have had the chance to refer to the results which were circulated earlier. The presentation for the same is available on our website. You may recollect that we had advised on the first half being subdued. While we see the quarter performance as a blip, with improved quality of orders and focus on gaining traction in terms of sales and margins, our outlook for the year is optimistic. I will walk you through the numbers later.</p> <p>In terms of our business operations, we continue to pursue innovation as a core strategy for value creation. This has seen us gain high value customers across businesses. We also developed and commercialized 5 new technologies for ethanol and wastewater treatment systems in the half year of the fiscal with close to 15% of the order intake driven by innovative technologies.</p> <p>The water & wastewater business got a breakthrough in new verticals like dairy and F&B in India and in the international market.</p> <p>Ordering in the global static equipment market remains cautious given the crude oil prices. Even then, India continues to be a favoured procurement hub for EPC companies. Building further on its skids manufacturing strengths, the CPES group</p>

has received an order for a crude oil distillation skid from a global oil & gas Company. The order for Petrobras skids continues to be on hold. We are closely tracking it for possible executability. Praj HiPurity has also started making inroads into international markets with repeat order wins.

In the ethanol business, we see an immediate opportunity in India created by the Expression of Interest floated by OMCs for procurement of 2.6 bn liter ethanol which is equivalent to 10% blending. To meet the 10% blending mandate, India needs additional capacity build out to the tune of ~1-1.5 bn liter for raw alcohol. Higher blend call for alternate feedstock. Apart from molasses based ethanol, the EOI also mentions alternate feedstock like cellulosic ethanol and other biomass.

Elimination of CENVAT combined with higher delivered price has seen the blending go up from 1.5 to present 3.5%. The net realization for a sugar mill/distillery with this move is Rs 47 per liter of ethanol. We do see an enquiry build up for short delivery dehydration plants and modernization coupled with expansion and Greenfield units.

The international ethanol scenario is largely centered on South East Asia for fuel ethanol and Africa where beverage alcohol is of interest. We do see pockets of opportunity as in the case of Mexico and Argentina where there is a fresh thrust on fuel ethanol mandates. The quarter saw some impressive order wins in Europe and South America for modernization and pharma grade ethanol plant.

Coming to the financials for the quarter –

Revenue on consolidated basis stands at Rs 203.05 cr. Export revenues account for 37%. Of the total revenue, 64% is from ethanol, 11.5% from brewery and 24.5% is from emerging business. EBITDA is at Rs. 10.3 cr, PBT at Rs. 5.54 cr and PAT at Rs.4.75 cr.

The Q2 FY 16 order intake stands at Rs. 369 cr which is 40% increase over corresponding quarter. Ethanol forms 73%, brewery 7% and emerging businesses 20% of the total order intake. Domestic orders form 71% of the total order book.

The order backlog as of 30th September, 2015 is Rs 1,147 cr, a 57% growth over corresponding quarter ended September, 2014. Export orders are at 43%. Core business forms 68%, whereas emerging business forms 32%. On half year basis, Revenues for H1 FY16 stand at Rs 395.55 cr against Rs 486.32 cr over the corresponding period of previous fiscal. Order intake at Rs 531 cr shows an increase of 34% in H1 of this fiscal as compared to the corresponding period of the previous fiscal.

EBITDA stands at Rs 25.45 cr against Rs 29.9 cr in HY15 as against the corresponding period in the previous fiscal. PBT and PAT stand at Rs 14.50 cr and Rs 9.93 respectively. Cash on hand stands at Rs 221 cr. On stand-alone basis, the Company remains debt free. During the quarter, Praj Industries further increased its holding in Praj HiPurity Systems Ltd by acquiring additional 20% stake. With this, Praj HiPurity Systems Limited has become a Wholly Owned Subsidiary of the Company.

We are happy to share that Praj Industries has been shortlisted for the prestigious Platts Global Energy Award 2015 for contribution to the biofuels sector. Also, Mr

Pramod Chaudhari, Executive Chairman, has been shortlisted for this award consecutively for the 2nd year. Mr Chaudhari also received the Distinguished Service Award from IIT Bombay. With a robust international order intake, we are positive about achieving a healthy operational and financial performance in the second half.

Thank you ladies and gentlemen. Wish you all a very happy and prosperous Diwali and a Happy New Year. We will now take questions.

- Moderator** Ladies and gentlemen, we will now begin the question and answer session. We have first question from the line of Bhalchandra Shinde from Centrum Securities. Please go ahead.
- Bhalchandra Shinde** Regarding Petrobras order, are we likely to see any cost overruns or provisions in future quarters since it is on hold?
- Gajanan Nabar** No, we are not spending any costs right now. We have put cap on the cost so we are not spending anything beyond that. Whatever costs that we had spent, we had mentioned it to the investors last quarter and beyond that we are not spending.
- Bhalchandra Shinde** Deducting the standalone from consolidated performance, we find that your subsidiary's performance has dipped by around 50% and the implied losses are around Rs. 4 crore. Any specific reason for such a big dip in subsidiary's revenue and on the EBITDA front?
- Gajanan Nabar** As you all are aware, all other subsidiaries apart from Praj HiPurity Systems, are all local entities. They are local execution arms and their performance is basically dependent on what stage of project it is and it could remain little sporadic because it's very particular project-driven. As you rightly pointed out, even in this quarter we have seen some softness of invoicing in PHS, which is a temporary phenomenon and we hope that it will recover in the next half.
- Bhalchandra Shinde** In order inflows, you said there was some order from global oil and gas company. What is the value of the order inflow from there?
- Gajanan Nabar** It is below Rs. 30 crore.
- Bhalchandra Shinde** From where have we received it?
- Gajanan Nabar** Importantly, this order is from a very renowned oil and gas company. This is the first time that we contracted with them and we see that this is a first opportunity and acknowledgment that the skids offering is getting. We see it more as a milestone order rather than pure value terms and thus we have shared it with the investors.
- Bhalchandra Shinde** It is a good robust growth in the order inflow. The order inflow is largely on the ethanol front, like shown in the PPT, so would like to know is it most likely from domestic players or outside?
- Gajanan Nabar** It's a mixed bag as we mentioned. Yes, it is domestic. We already have mentioned that, because of this Expression of Interest of 2.6 billion liters, there is a good interest in both, on augmenting capacities, putting dehydration units as well as Greenfield plants, so that is contributing to the growth. In addition to that, we have also seen some impressive order wins, one in Argentina and one in Europe, which

has also contributed to the order book increase in the ethanol space. But, we are also seeing traction on PHS side and orders are trickling in on the PHS side too.

- Bhalchandra Shinde** On the order book, if we exclude the Petrobras order, what will be the average execution cycle?
- Gajanan Nabar** Between 8 to 9 months.
- Moderator** The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.
- Madan Gopal** Although first half has been subdued, you are optimistic for the full-year. Are you looking at a growth still possible in FY16 compared to FY15 on the top line front?
- Gajanan Nabar** Statement of fact is that our order book in H1 FY16 is much better than what it was in H1 FY15, there is a significant growth. Overall, there is a good velocity on order execution for whatever orders we have. If you look at the track record of Praj Industries, whether we like it or not, second half is heavier than the first half. And we had also shared with all the investors right in the beginning of the year that our second half would be better than the first half. So these are all statements of facts that I'm making instead of making any speculative comment.
- Madan Gopal** Are you assuming any portion of the Petrobras order to get executed in the second half?
- Gajanan Nabar** Currently not, no. If it happens, then it would be an upside.
- Madan Gopal** Emerging segment, in terms of order intake, has come at around Rs. 175 crore, out of which Rs. 30 crore has come in from the skids. So can you give some color on the remaining orders?
- Gajanan Nabar** It is a blend. In emerging basket, we have three businesses, PHS-Praj HiPurity Systems, CPES-Critical Process Equipments and Systems, for which we mentioned a skid order. The third is Water and wastewater, wherein we have some good wins as we mentioned, including one international order. So that's a mixed bag of three different businesses.
- Madan Gopal** Excluding the skid order, you still have Rs.140 crore in H1 FY16 as compared to Rs.70 crore in H1 FY15. So are you seeing an encouraging growth in PHS or is it coming from water business?
- Gajanan Nabar** Both.
- Madan Gopal** In the domestic ethanol, the OMCs procurement tendering has given some enquiry pipeline built-up. Can you give some rough idea of what sort of market size are you looking at when this 1.5 billion liters of new capacity gets created?
- Gajanan Nabar** I don't want to sound very speculative. Right now, we are seeing that the whole blending program is inching towards 5%, which a year ago looked like a distant dream but now we are seriously seeing that, OMCs, ethanol companies or distilleries are also moving towards that. It has moved from 1.5% to 3.5%. The price of ethanol, which is at Rs.47, is in its complete favor. The price we believe is a good price to make this whole program very viable for distilleries and the suppliers of ethanol. Now having said that, to go to 10% blending based on the

capacity available and the capacity that needs to be built, there could be easily a gap of billion plus liters of capacity to be built up and that could be a fairly large opportunity. It depends on whether there are Greenfield plants or Brownfield expansions. But it is a significantly large opportunity, we have mentioned earlier on our call that it easily could be couple of thousands crore plus opportunity but that's how it looks right now.

- Madan Gopal** As of now, the capacity to move to 5% blending is available in the market?
- Gajanan Nabar** Yes, but there are some dehydration plants being put for that. In the order book, we also have some dehydration units where you need to dehydrate ethanol alcohol to make it fuel grade and these dehydration plants are currently being taken by lot of customers.
- Moderator** The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.
- Vikram Suryavanshi** We are targeting 50-50% revenue from our emerging business and established business. But from the traction that we are seeing in ethanol side and a slightly lower traction then what is expected from orders from emerging business, are we seeing that there could be some change in what we are estimating or do you think emerging business can really pick up in terms of order inflows?
- Gajanan Nabar** There is some pleasant news on ethanol domestic side. But we should look at little more longer-term perspective and not just on one order or one quarter basis. We are still looking at and have always said that this 50% to 60% ratio is also on a growing ethanol business. Clearly in terms of growth in domestic, both in terms of profitability, because of some internal actions as well as from market standpoint, because of very strong resolve from the government for blending, we believe growth looks to be possible. So we have to look at from a longer-term perspective and not to come to a conclusion too early.
- Vikram Suryavanshi** In order book for Praj HiPurity Systems, how much is from international or export order?
- Vinati Moghe** No we don't give that break-up, we had not given it last time also. We just gave an idea about the kind of build-up that is there in the market and it remains at the same level.
- Vikram Suryavanshi** Would you like to highlight these five new technologies that you are talking in terms of ethanol side?
- Gajanan Nabar** These technologies are helping customers for a couple of things, one is to save energy and increase throughput. On waterside, to provide more sustainable zero liquid discharge or recycle reuse solutions. These are the broad solutions that we are trying to bring to the market, which would also help with incremental capital to increase their capacity significantly. So this is also helping in the current scenario, where people are looking to make more ethanol, if of course feedstock is available. With the good pricing, we believe they stand to gain from that.
- Vikram Suryavanshi** Any update on the funding for the second generation project that we are planning?
- Gajanan Nabar** No, there is no progress, as of now, on that.

Moderator	The next question is from the line of Sandeep Sabarwal from Sun Capital. Please go ahead.
Sandeep Sabarwal	We have been seeing Praj for a long time and there are specific quarters, where there is strong order booking and that's followed by a lull period. In terms of a trend indication, do you see an overall buildup of the inquiry pipeline and overall business outlook? Secondly, the Company has spent a lot of money on hiring a consultant last year, who had advised you on increasing stakeholder returns across the board, so are you seeing any value creation on that front?
Gajanan Nabar	For the first question, one of the things, which would obviously help us in panning out the order book evenly, is the expansion of all our business verticals. As the other business verticals also become stronger, there could be some ups and downs in one segment, but it gets countered by some other gains and maybe some of that has happened here. So say we didn't have much movement in the brewery segment, but we saw a pick-up in ethanol. Also, water & waste water has picked up and CPES maybe moderate, but PHS has also picked up. We see this scenario becoming more and more prevalent going forward, which would hopefully even out these certain peaks and tops that we see. But if we get a larger project in a quarter, you would see a little bit of bump and that's likely to happen in our kind of business, investors should be aware of this. On the second question, whatever help we have taken is bearing fruits. We would like to track it till end of the year and share the results that we have achieved from it, by end of this year. But we are certainly seeing that internal processes are becoming more robust and it is definitely helping on the optimization of cost as well improving the variable margins.
Sandeep Sabarwal	The second generation plant has also been on a standstill for a long time, earlier you had some plans and then you had to change them and then you were waiting for government to fund a part of it. But that's also got stuck for a pretty long time, so any alternative that you are thinking of, because that could be a big thing for you in the long run? If this government subsidy doesn't come through, then what are your thoughts on that?
Gajanan Nabar	One of the things, which is again a statement of fact is that this Expression of Interest which has come for 2.6 billion liters is the first time from the Government of India. Government is also fairly aware that beyond 5% to 7% blending, we don't have enough molasses. Even if they allow B-grade molasses, we don't have enough molasses to go to the 20% blending program. At that point in time, people will have to move to bio-masses and convert bio-mass to ethanol, which is our second generation. This time, the Expression of Interest mentions about second generation. We will have to see how that whole thing develops so I don't want to sound very speculative right now but there is definitely a data point. For the first time, we have come across where there is a government's opinion behind going for second generation.
Moderator	The next question is from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.
Sanjeev Zarbade	The level of around Rs. 230 to 250 crore of order intake on a quarterly basis looks sustainable in the current scenario?
Gajanan Nabar	Yes, given the mix that we have and the enquiry and leads pipeline, it certainly looks sustainable.

Sanjeev Zarbade	If we remove this Brazil order, then how will it impact our P&L, could there be any right-offs or any hits or something of that sort?
Gajanan Nabar	No, we are pretty optimistic that this order will go through. We have discussed that not only with our direct customers but also with Petrobras and the indication is that that the order will go through. It might just get delayed because of variety of reasons, but we are clearly looking at that.
Moderator	We have the next question from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.
Sachin Kasera	For increased ethanol blending, Rs. 2,000 crore opportunity that you mentioned is assuming 5% blending or for 10% blending?
Gajanan Nabar	It is for 10% blending, the incremental opportunity. There is obviously some opportunity in the 5% blending also. As I mentioned, it could be some debottlenecking of the existing assets, some Greenfield opportunities, some dehydration plants, and other things like that. But once we start going beyond it, although there are lot of ends to be tied, but certainly there is an opportunity there.
Sachin Kasera	Secondly on this Petrobras order, you mentioned that you are pretty confident that the order will go through and there may only be some delay. Going by the interaction that you had with the company in the last few months, any possibility that the order may start execution in the second half or you think as of now the way things are, most likely it's going to get deferred to FY17 in terms of execution?
Gajanan Nabar	The statements that we made in the beginning of the commentary is without considering Petrobras order in this year.
Sachin Kasera	Based on the interaction that you had with Petrobras and with the situation on ground, you don't see too much of scope for some execution in H2 FY16?
Gajanan Nabar	We should see some activity in the next few weeks or next month and we will share that information with our investors. Right now, I don't want to comment on it in either way.
Sachin Kasera	Now that you have a good order book and good visibility for H2, can you just give us a sense of the full year growth number, are we looking at more like a single-digit growth or some double-digit growth is also possible?
Gajanan Nabar	We don't give indications of these. As I mentioned, our executable order book remains strong. It has a good velocity and we always have seen that our second half is better than the first half, so I would leave it at those facts. There is a good mix of international orders and orders from other businesses also. These are the facts that investors should look at.
Sachin Kasera	Understand that H2 is always better than H1, but how do you see this going forward in terms of H2 FY16 versus H2 FY15? It would be more relevant from investor's perspective
Gajanan Nabar	You should look at some of the lead indicators; our order book and the cycle of execution.

Sachin Kasera	As we see today compared to the same point last year, can you give us how is the order funnel across your key segments in both domestic as well as exports? Could you give us some commentary on how is the enquiry pipeline or order pipeline looking like, as of now compared the same point last year?
Gajanan Nabar	It is difficult to share the enquiry pipeline on this call. Each business maintains its separate enquiry pipeline and it is segmented into variety of baskets, including the classification of enquiries. But order pipeline is definitely there, I have already shared it. It is also on our website so if you need some more clarification, please do call us.
Sachin Kasera	In general, at this point of time, are the enquiries better than last year? Do you think that the outlook for order inflow or the number of enquiries is looking larger as compared to the last year? Can we look at a much healthier order book in H2FY16 versus H2FY15?
Gajanan Nabar	It goes again by specific businesses. In certain businesses as I mentioned already, domestic ethanol enquiry book is pretty good so is the case in certain geographies of international business. Brewery may not be as high as it was last year, but other emerging businesses, overall, we are looking at a much better enquiry basket. More than the size of enquiry basket, the quality of enquiry basket matters. It also matters on how quickly or with how much certainty these enquiries go into the order book and all that. It could be rather misleading, if I just give you a statement saying our inquiry basket is XYZ against last year. Qualitatively, segment wise, there are various factors that are very difficult to answer on the call just like this. But overall, our approach is pretty optimistic on both order book as well as on enquiry book, and that's what we said in the beginning as well.
Sachin Kasera	Specifically, on Ganga action plan, are you seeing any uptick?
Gajanan Nabar	Yes we do but I won't call it as a big uptick. We already have started seeing some trickling orders, but definitely not in gusto.
Moderator	The next question is from the line of Khadija Mantri from Dalal and Broacha. Please go ahead.
Khadija Mantri	You mentioned about short delivery dehydration plants, just wanted to know what is the average order size for such plants and your margins on the same? And who are the customers and what is the execution period?
Gajanan Nabar	We don't share the margins on specific orders. But they are between Rs. 5 and 10 crore average size and there could be multiple such plants. And on a higher number kind of plants, it is in the range of close to Rs. 10 crore. The execution cycle is less than 6 months.
Khadija Mantri	When the sugar companies and distilleries did expansion between 2003 to 2007, Praj had almost 60% of the market share. So, at present, given that the ethanol price has been made very lucrative at Rs.47 per liter, how much prepared is Praj to capitalize on this opportunity and how have the industry dynamics changed over the years such as competitive intensity and have any new players come in the same space?

Gajanan Nabar	We continue to lead this market significantly, as you mentioned, beyond 50% as well. We continue to have this leadership not just because we are winning more orders but we are also bringing newer innovative offerings which would help customers save cost, also increase the throughput and also make it very sustainable by having sound water and wastewater treatment solutions. So that continues and we don't see any new players right now coming in the scene. So the market pretty much remains structurally in the same manner, which was there for the last several years. We are just consolidating our position and making customers aware of our offerings and what medium-term and longer-term benefits they would get out of these sustainable offerings. The situation remains in the same mode.
Khadija Mantri	How do you see the same ethanol business doing in international markets like countries like Argentina or Brazil?
Gajanan Nabar	International market, as we always mention, it is going to be sporadic because there are many countries. The good part about Praj is that we service many countries. At the same time, there are mandates around the world. At some point in time, there could be high intensity in a certain country like right now, we are seeing in Argentina or Mexico but it can go up and down. From nature of the business, international would always remain little sporadic. We are countering that by offering our PBMR, which is our modifications and retrofits business.
Moderator	Next question is from the line of Rajendra Mishra from IDFC. Please go ahead.
Rajendra Mishra	The Expression of Interest that you highlighted, so what would be the timelines? When do you think it will fructify into orders and how does it go through the process of actually translating into an order?
Gajanan Nabar	The overall tender goes down into the state level and then in state-level, bidding happens and the whole process happens and then this is panned out over a one year period. But it indicates the resolve of the OMCs to get that much volume at a pre-determined price. This allows ethanol suppliers to figure out where they would be able to play, where they would be able to supply what they owe the OMCs for blending. So this is a one year kind of a play and that constitutes to our 10% of blending.
Rajendra Mishra	The elimination of CENVAT has brought the pricing to Rs. 47, so how much is the impact?
Gajanan Nabar	There was a Rs. 3 impact, which has now been negated, so it has gone back to Rs. 47. Rs. 49 is the delivered, net off freight, so they get Rs.47 in their pockets, which is a pretty good price.
Rajendra Mishra	When you say that the second half will be better than first half, so are you referring to both execution and order inflows or are you referring to only one of them?
Gajanan Nabar	No, we are referring to both.
Rajendra Mishra	Which one will have a higher run rate?
Gajanan Nabar	We wish both would grow at the same rate but again not to be speculative on this. As I mentioned, the investors should look at our carry-forward order book. Our

enquiry pipeline is strong on different verticals and hopefully our win rate continues to improve, in the newer businesses also.

Rajendra Mishra

With respect to order inflows, this quarter was pretty good. So, do you have a pipeline where you really see that could convert at some point in the next quarter or the quarter after that?

Gajanan Nabar

I would request investors to look on a half-yearly basis, so first half we got close to more than Rs. 500 crore of orders. Second half, we are looking at doing a better performance with a good enquiry pipeline. So that's how it is but so much information is becoming speculative, so I am just making a statement of facts.

Rajendra Mishra

The Company developed five emerging technologies in H1 FY16, so does that create an additional opportunity or it just improves competitiveness within the existing opportunity?

Gajanan Nabar

If I have to classify, 2 or 3 technologies bring newer opportunities into the play and the rest could give a better offering, so our win ratio could significantly improve.

Moderator

Next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.

V.P. Rajesh

To understand this ethanol blending program a little bit better, what is the total market size that you see when the blending goes up to 5%? Is it a Rs. 500 crore incremental opportunity or Rs. 1,000 crore? What is the kind of projects that we can expect in this particular roadmap?

Gajanan Nabar

As we said, up to 5% there will be opportunities into debottlenecking some of the plants, increasing the capacity, dehydration units and maybe some Greenfield plants, which are very focused on making just the bio-fuels. It would be difficult on a call to share exactly how big the opportunity is. But you have seen this in our order book already and that's how it is.

V.P. Rajesh

Our gross margins for the quarter were quite low, so were there any onetime charges in the cost related to Petrobras or was there something in the order that got executed in this quarter, which resulted in this low gross margins?

Gajanan Nabar

Our variable margin in H1 FY16 is at 32% as against H1 FY15 at 25%, so there is a significant improvement in the variable margin. There is no onetime expense for the gross margin in this quarter.

V.P. Rajesh

You mentioned that the costs associated with Petrobras have already been taken in the P&L, so was it in Q1?

Gajanan Nabar

No, I said, we stopped spending any cost on Petrobras right now.

V.P. Rajesh

So, is it not part of the order book of Rs.1, 147 crore?

Gajanan Nabar

It is part of the order book of Rs. 1,150 crore, it is carry forward.

V.P. Rajesh

Would you share the percentage of Petrobras order to total order book?

Gajanan Nabar

Close to Rs. 200 crore.

V.P. Rajesh

What was the net cash position at the end of the quarter?

- Gajanan Nabar** Rs. 221 crore.
- Moderator** Next question is from the line of Swarnim Maheshwari from Edelweiss Securities. Please go ahead.
- Swarnim Maheshwari** What is the reason for decline in gross margins to the tune of around 600 bps quarter over quarter?
- Gajanan Nabar** On a quarter-over-quarter basis, there is a mix issue. In Q2 FY16, we had only 32% of international business against Q2 FY15, which had a higher blend of international business. But it is not representative so please don't read into it much.
- Swarnim Maheshwari** The decline of 600 bps is quite sharp given that we are talking about a softer commodity environment. So is it more to do with the product mix?
- Gajanan Nabar** Yes.
- Moderator** Thank you. Ladies and gentlemen due to time constraint that was the last question. I would now like to handover the floor back to Ms. Vinati Moghe for her closing comments. Over to you ma'am.
- Vinati Moghe** Thank you everyone for joining us for this conference call. If some of you may have queries pending, please do send them across to us and we will try our best to answer them. I wish all of you a very happy Diwali and a happy new year. Thank you again.
- Moderator** Thank you very much ma'am. Ladies and gentlemen on behalf Praj Industries Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.