"Apcotex Industries Limited Q1 FY'17 Earnings Conference Call"

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MANAGEMENT: MR. ABHIRAJ CHOKSEY -- MANAGING DIRECTOR, APCOTEX INDUSTRIES LIMITED
MR. ANAND KUMASHI – COMPANY SECRETARY, APCOTEX INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Apcotex Industries Limited Q1 FY'17 Earnings Conference Call. This conference call may contain forward looking statements about the Company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anand Kumashi. Thank you and over to you, sir!

Anand Kumashi: Thank you. Good afternoon. I welcome all of you to the Earnings Conference Call for the quarter ended 30th June 2016. Along with me I have Mr. Abhiraj Choksey -- the Managing Director and Strategic Growth Advisors Private Limited our Investor Relations Advisor.

I hope, you had an opportunity to have a look at Company's Q1 FY'17 Results as well as the Presentation which has been circulated and uploaded on the Company's website.

Before going to the financial performance, I would like to give you update on the performance in this quarter. I would like to bring to your notice that we have shut down the High Styrene Rubber plant at Taloja for few months in order to carry our major repair and maintenance job. In the meanwhile, the manufacturing and sale of High Styrene Rubber was met from our Company's wholly owned subsidiary plant at Valia, Gujarat.

Due to this, the revenue on the standalone basis has seen a drop however, the same is reflected in the revenue of the subsidiary company and is visible in our consolidated financial performance as well. I would like to share with you a few of the initiatives the company has taken to turnaround the recently acquired company that is Apcotex Solutions formally known as Omnova Solutions Private Limited. The key areas of improvement that we had highlighted are the quality of Nitrile Rubber. Our main area of focus in the acquired company is to strengthen the market share of our product that is Nitrile Rubber. We are the sole manufacturer of Nitrile Rubber in the country. We have been consistently working towards the enhancement of quality of Nitrile Rubber in order to strengthen the market share. Change in the product mix, skewed towards the high yield products, wherein another key area of improvement that was highlighted is the improvement in the margin. We are in the process of identifying the products that would yield higher. This would lead to change in the product mix which would be more skewed towards better realization and margin products. Partly the impact of this was visible in the last quarter financial of Apcotex Solutions. Towards improvement in the working capital cycle, we initiated a few steps to reduce the working capital in the business. To start with, we identify the efficiency in the raw material which was a key due to volatility in the material prices. We decided to centralize the procurement of key raw material to have a better negotiations and serving from the vendor also hedged our self from price volatility. This has also led to reduction in the raw material inventory. The supply chain management that was followed earlier had inefficiencies. There was a need to convert consignment agent to distributors. This has led to improved liquidity in the business cycle with a faster moment of the goods. Further to strengthen the distribution network we have appointed new distributors in different geographies where we felt there is a need. For reduction in the fixed overheads we would like to highlight that a lot of initiatives has been taken to rationalize the fixed cost which constitute a large part of the cost in the P&L of the acquired company. We are continuously taking initiatives to implement the best process in Apcotex Solutions to improve the productivity in the company and gain maximum from the acquisition.

Moving on to the financial performance for the quarter ended June 30th, 2016, I am pleased to inform that the Company and its AGM held on 10th of August has approved a final dividend of Rs. 4.50 per share on the face value of shares of Rs. 5 each.

Now, I would like to present the standalone results for the quarter ended 30th June, 2016. The Q1 FY'17 had a turnover of Rs. 61.13 crores against a turnover of Rs. 66.87 crores in Q1 FY'16. The profit after-tax stood at Rs. 4.56 crores as compared to Rs. 6.1 crores in Q1 FY'16 with a margin of 7.46% a decrease of 167 bps from Q1 FY'16.

The EBITDA for Q1 FY'17 was Rs. 6.48 crores as against Rs. 9.52 crores in Q1 FY'16 with a margin of 10.6% a decrease of 364 bps. As said earlier, the Company's result in the standalone is apparently a bit dull majorly because of shift of the production of High Styrene Rubber from Taloja plant to Valia plant.

Coming to the consolidated performance of the Company for the quarter ended June 30th, 2016, the Company's revenue stood at Rs. 106.45 crores with a EBITDA of Rs. 10.69 crores thus giving a margin of 10.05%. The consolidated PAT stands at Rs. 6.85 crores with a margin of 6.44%.

With this, now we are open for question-and-answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We take the first question from the line of Nishna Viyani from Prabhudas Liladhar. Please go ahead.

Nishna Viyani: Sir, just wanted to understand what has happened in terms of the margin profile in the standalone Y-o-Y when you look at that, would be the first question. So what has really impacted you there? And when you look at the effective interest cost in the standalone business also it has gone up so, it is resorting to more working capital currently?

Abhiraj Choksey: Thanks, Viyani this is Abhiraj Choksey. So, to answer your first question we have already explained that one of our main product range is High Styrene Rubber in the standalone company. This quarter we have transferred the production and sale of that to the subsidiary ie. the other plant which we recently acquired in Gujarat, because there was some structural repair work that we needed to get it done in our Taloja plant and that has resulted in sales coming down and therefore the EBITDA margins coming down. This production will be brought back into Taloja as soon as the structural repair work is over which is expected in next month or two, that was your first question. I am sorry, can you repeat your second question, something to do with interest in the standalone company.

Nishna Viyani: Yeah, so when I look at your numbers Y-o-Y interest cost has gone up in the standalone part so, I am just wondering what is taking that up?

Anand Kumashi: Due to utilization of working capital unit during the quarter. You are comparing with the first quarter of previous year, right?

Nishna Viyani: Yes, of course, yeah.

Abhiraj Choksey: So, it depends on the utilization. So, depending on the raw material prices the stocking level and the debtors and other things are higher this year, this quarter. But you know the quantum is fairly small for the size, if I am not incorrect it is about 58 lakhs, Anand?.

Nishna Viyani: No, sir, we understand that. So, just wanted to understand what is the happening to the raw material cycle for us as such, if you could give some color on that.

Abhiraj Choksey: Yeah, sure. The raw material cycle is all linked to oil, most of our raw materials are petrochemical so, all linked to oil. Of course we have seen the low under $30 and now it is somewhere settle between $45 and $50. So, it has gone up say over the last six months but between months there is always volatility up and down even within that.

Nishna Viyani: Okay. And sir, could you give some color for FY'17 in terms of what kind of turnover one can look at for your company?

Abhiraj Choksey: As a policy we have never given guidance and we do not give specific guidance. We have given a broad plan in the previous calls that we are at high market share as far as the traditional standalone business is concerned, we have acquired new company which is at low market share, the only manufacturer of NBR in India, NBR and related product. So, there is opportunity of growth in exports in the standalone business and in the new business that we have acquired there is a lot of opportunity for growth in the domestic business as well as exports.

Nishna Viyani: No, sir, my question was that when you look at Omnova sales last year say closer to Rs. 200 odd crores which directly gets added to this year sales, right? Even if you maintain as last year, of course barring where crude prices, the sales remain there, so, is the working capital cycle requirement for FY'17 going to go up?

Abhiraj Choksey: Not really, not significantly, we do not expect, unless oil suddenly picks up again we do not expect working capital requirement to go up.

Nishna Viyani: And now after the Omnova acquisition, is it clear that there is no Greenfield plant coming up in the next two years from your side?

Abhiraj Choksey: As of now we are making plans for it, but the decisions has not been taken.

Nishna Viyani: And could you give some color on how is the domestic growth happening in terms of your segments?

Abhiraj Choksey: Of course, in the last one or one and a half year we have seen muted growth overall in the industries that we cater to. Construction has picked-up again this year, Carpet has been a little lack luster because exports to Turkey has gone down because political situation there. Other then that, we have seen sort of muted growth, I would not say anything excellent growth but anywhere between 5% and 7% in most of the industries that we cater to.

Nishna Viyani: But most of your revenues would be contributed by paper and paper board industry, right? Say significant part of it, say 35% to 40% kind of number.

Abhiraj Choksey: On a consolidated basis yes, 30%-35%., yeah

Nishna Viyani: And what are the competitive environment there in terms of BASF the key guy you are competing with?

Abhiraj Choksey: Yeah, the only other manufacturer in India for these products is BASF that is correct.

Moderator: Thank you. The next question is from the line of Chirag Viktoria from Budhrani Finance. Please go ahead.

Chirag Viktoria: Sir, just wanted to get a sense from you and terms of volume of Latex, HSR and NBR for Q1.

Abhiraj Choksey: We do not give volume data.

Chirag Viktoria: Sir, in that case can you share value wise how much what would have contributed in terms of the top-line?

Abhiraj Choksey: Okay. For which products are you looking? Which products you asked for?

Chirag Viktoria: Latex, HSR, NBR.

Abhiraj Choksey: Okay. I can give you broad break-up. I do not have the exact percentages with me, but Latex would be about 50%. and then NBR and its products will be about 30%-35% and the rest is HSR. This is a broad break-up, it could be 5% share of that, but basically in the Rubber business now which include NBR and HSR, which is Solid Rubber is about 50% of our business and the Latex is about 50% of our business on a consolidated basis.

Chirag Viktoria: And so, when I am looking at the consol number, could you give me a sense on the raw material side how has the raw material behaved?

Abhiraj Choksey: I just answered that question in the previous question, it depends on what you compare it to, as I said oil is compare to the absolute lows of about $30 has gone up $45-$50 so, obviously there has been an increase over the last six months. Having said that, month on month depending on the petrochemical that we buy and depending on that petrochemical supply demand cycle, we could see up and down movements on those on a month on month basis but overall of course a couple of key petrochemical our raw material that we buy has gone up substantially compared to the lows a few months ago.

Chirag Viktoria: Okay. And sir, just lastly, the employee expenses has gone up so, could you guide us for the year what would be the scenario?

Abhiraj Choksey: On a consolidated basis yes, because of the acquisition and so, what is your specific question?

Chirag Viktoria: So, for the year what is the outlook on the employee, would this run rate be sustained or how is it?

Abhiraj Choksey: Overtime our endeavor is always to reduce the percentage of employee cost to the total turnover or even to the profit and that is what we will do. As far as yearly is concerned of course, we will try and optimize it as much as possible.

Moderator: Thank you. The next question is from the line of Suvarna Joshi from SMC Global Securities. Please go ahead.

Suvarna Joshi: Sir, could you just give some sense on how the export markets are shaping up across various industries because I understand that we would be exporting more to the Middle Eastern countries and you just mentioned, I mean Kumashi sir, just mentioned in the opening remarks that there was some issue in one of the countries due to geopolitical condition, so could you help us understand how the exports market are performing and what steps are we talking to mitigate these kind of risk, if there are to our business segments?

Abhiraj Choksey: Yeah, okay, thank you Ms. Joshi. To answer your question, actually we have seen a very good increase in export numbers in this Q1 and we export host of different products to host of different countries so, of course there is always geopolitical risks in countries like Egypt and Turkey where we export to, but because we are fairly well diversified it will not have a major impact. It is not like we have a significant portion on one industry or one country even in the export market. So, we are quite bullish about this, about the export market we have really in the last two years - three years set a good base, we feel it is a very good opportunity for some of our products and we need to exploit it. Of course, the learning curve is still there, with learning it is a different business from the India companies, cultures are different, but we have separate team in place so, we are quite bullish about the export going forward.

Suvarna Joshi: Sure. Sir, so just to understand it correctly, we are saying since we have built a good base in the export market and we are seeing good opportunity across our products and businesses how do we see competition in this context because if I recollect, FY'16 we had seen some pressure in the export market because of competitive intensity coming in from the European company. So, if you could just help us understand that?

Abhiraj Choksey: Yeah, sure. When you are working in the export market, depending on which country you are your different competitor or which regions you compete in so, last year we did see a lot of competition from the European manufacturer especially in the Middle East area. I would say in the last three months - four months' things have eased. Last year the one major issue was one of our important raw material Butadiene in Europe was much cheaper than in Asia, it still continues to be cheaper but the differential has gone down substantially. So the advantage as of today is not that much as it was last year on average.

Suvarna Joshi: Okay. And sir, if you could just help us in the export geographies which geographies would you be targeting, I mean I understand Middle East is the key focus area so….

Abhiraj Choksey: Yeah, Middle East and Southeast Asia are sort of geographies that we think are sweet spot but we are doing businesses as far as Europe, America, South America, Australia. So we go as far, but I think 70% to 75% of our business would come from these two geographies which is Middle East and Southeast Asia where there is a good opportunity and anyway they importing from far east or Europe.

Suvarna Joshi: Understand. Sir, the other question was on the acquisition that we had done so, if you could just help us understand, we see that the other expenses have gone down quite significantly in the consol numbers as a percentage of sales so, if you can just help us what exactly have we worked on in terms of reducing this as a percentage of sales?

Abhiraj Choksey: Look there were many-many things that were different with the previous company. It was an American company that held Indian subsidiary that we bought over in February. There were many costs that we believed were higher then what they should have been, we have taken steps, whether it is IT cost, manpower cost, many other sort of factors were there. I do not want to get in any of the details but across any head you take they were higher, so we have slowly taken steps and we will continue to do so over the next six months -eight months to reduce those costs and that is one of the reasons why we have been able to within five months, turnaround the loss making company into a marginally profit making company. Even if you remove the HSR sales that we have transferred so, I am not even counting that, we have transferred the HSR production from Taloja to Valia, even if you remove additional sale and profit that has gone into the subsidiary, we had a marginal profit in Q1.

Suvarna Joshi: Sir, how much the HSR revenue contributions be to the consol numbers? You mention it is a 50%.

Abhiraj Choksey: No, I said 50% is our entire Rubber business which is HSR and NBR put together. Our current business portfolio compared to last year, last year about on a standalone basis 85% was Latex and 15% was Synthetic Rubber. Now, given the acquisition, our Latex business is 50% and the Solid Synthetic Rubber is about 50% that is what I meant as far as your question on HSR I honestly, do not have the exact numbers but you know…

Suvarna Joshi: May be a percentage guideline would be helpful.

Abhiraj Choksey: We will have to get back to you. Honestly, I do not have the exact numbers so, it would not be fair for me to give you. But Anand would you…

Anand Kumashi: Yeah, I will get back to her.

Suvarna Joshi: Sure, no problem, I will get back in touch with Anand sir, then.

Anand Kumashi: Yeah, definitely.

Moderator: Thank you. The next question is from the line of Sagar Gandhi from ICICI Securities. Please go ahead.

Sagar Gandhi: What I wanted to know is, sir how will conversion of consignment agents to distributors help in increasing sales and improving working capital? And my next question is sir, last quarter from the wholly-owned subsidiary which is Apcotex Solutions, we reported top-line of Rs. 27 crores and EBITDA margins of 7.1% So, as you mentioned that there has been a turnaround, the improvement has been better so, can you give us some broad number as to how much bps the EBITDA margin has improved in the subsidiary ex your transfer of production of High Styrene Rubber?

Abhiraj Choksey: Yeah, so your first question Mr. Gandhi was about consignment agents to distributors so, you know the big difference between consignment agents and distributors are consignment agents were holding inventory at the company's expense therefore causing inventories with consignment agents godowns to be high. Now, what happens is since, we have converted the distributors which is we sell to them and they resell into the market the inventory is on their head so, they control it much better now, and therefore it has helped us to reduce the inventories and therefore reduce working capital that is one of the main reasons. And in addition, we have also increase the number of distributors already in the first three months - four months because we felt in some areas we needed more representation, the markets were quite large and the customers were not being catered and that will help the sales.

Sagar Gandhi: EBITDA margins posted by the subsidiary company, how much bps has it improved ex the sales of High Styrene?

Abhiraj Choksey: I do not have the exact numbers, what I can tell you is before we tookover, EBITDA margins were negative. So, up to around January - February the EBITDA margins were negative. After we have taken over we have at least brought it to a positive, say it is in a positive but it is obviously not massively positive, I do not have the exact numbers for you because as you said we have to remove the HSR sales, I do not have those numbers I will have Anand get back, I think this question is related to the previous question that was asked.

Sagar Gandhi: Okay. And one more thing sir, how is the competition playing out because last quarter you mentioned that there were some volume pressures that you were witnessing so, things are better now or still, I mean, have you lost any market share or how is it looking?

Abhiraj Choksey: No, I mean it has been stable I would say nothing specific up or down either way, as you know BASF which is our main Latex competitor has started their new plant in Dahej last year which what caused some competition but now I think by in large that is stabilized.

Moderator: Thank you. The next question is from the line of Anuj Choksi, an Individual Investor. Please go ahead.

Anuj Choksi: Abhiraj, I just wanted to build upon or put my query was that most of our customers are very loyal customers to you from last almost more than a decade if I am not mistaken and to what I had understood was that whenever there is a differentiation in the crude prices or the raw material prices when it is higher, the benefits have again been given to them and whenever there is a price revision probably you can pass and not may be in this quarter but in the quarter next or something can be negotiated and passed on to the customers which ultimately does not affect our EBITDA or bottom-line. So correct me if I am wrong and if this is the case, would a major fluctuation be the only cause in crude prices or we will be still able to maintain those prices to the customers?

Abhiraj Choksey: Yeah, thanks. So your understanding is by and large correct, of course there are time like sometimes when the prices go up or down. Sometimes of course there are unexpected comparative pressures as well that come in and in the past few months where suddenly we had dumping of imports coming for three months or four months so, in those cases we want to protect our market share first and so we have to react quickly so, it does not continue. In which case sometimes margins are affected but if you see overall in a period of over the last three years - four years we have consistently improved our EBITDA margin on a year-on-year basis as I said quarter-on-quarter there are sometimes some issues, you know.

Anuj Choksi: I agree.

Abhiraj Choksey: Yes, your understanding is correct. I hope that answers your question.

Anuj Choksi: Yeah, it does definitely answers my question. But going forward, do you think we will be able to do that, the competition is really building so we better maintain our customers rather than to do anything with the pricing?

Abhiraj Choksey: Look competition is it, but is not that we have had major new competitors enter so, that is certainly not the case but as I said from time to time the context sometimes changes sometimes there is a new customer that comes and we sometimes really want to get into that customer and get approval so, those kind of things happen but I do not think there is going to be a major change from the previous year's let me put it that way.

Moderator: Thank you. The next question is from the line of Kamal Sahu from India Nivesh. Please go ahead.

Kamal Sahu: This time our EBITDA margin has been contracted by 430 bps year-on-year basis as you told your cost of operation has increased due to the hike in this crude oil prices. So if the crude prices are going up by next quarter, do you think this EBITDA margin would again contract?

Abhiraj Choksey: I think I just answered the question, I am not sure what number you are talking I did not catch you on there, but overall, I would say as far as EBITDA margins are concerned on a consolidated basis they have been lower because of the new acquisition and that the new company overtime, we want to get to about 12% to 14% EBITDA margin. Today it is fairly low. That is number one. And number two, as far as the standalone business is concerned as long as we continue doing the volumes and growing at a reasonable pace I do not see any reason why EBITDA margin should contract any further.

Kamal Sahu: Okay. And my second question is when is your Taloja plant going to start again?

Abhiraj Choksey: So, we are still making Synthetic Latex in the Taloja plant, the only one product range which is High Styrene Rubber, we have moved to the Valia plant, the Valia plant is a new plant that we have acquired in the subsidiary. The repair work is going on, we expect any time in the next couple of months, within two months.

Moderator: Thank you. We will take the next question from the line of Chirag Viktoria from Budhrani Finance. Please go ahead.

Manoj: Mr. Choksey, this is Manoj here. Hi, a couple of things on the margin side I see the absolute margins are around Rs. 10 crores, right EBITDA margins which is I believe the loss of Rs. 3 crores - Rs. 3.5 crores in the standalone side which we move the products to the Omnova plant so, am I to understand that the Omnova plant is still not making any money on the EBITDA margins?

Abhiraj Choksey: Marginal, as I said, we have converted it from negative EBITDA to marginally positive EBITDA.

Manoj: Okay. So I mean if I understand correctly from the last conversations that we have had, we plant to move towards our company margins and how do we do that from now onwards, how the integration so far happened? Have we gained market share? How is the traction in last three four months, can you just give some data points if possible?

Abhiraj Choksey: Sure. So of course as we have said, we are doing many things one is improvement in the working capital cycle, the other thing is reducing the number of grades that we have, I think some of it was already covered in Anand thing but I guess I will mention a few things – consignment agents have been changed to distributors, new distributors have been appointed. We have started CAPEX and improvement projects in Valia which will reduce the operating cost which should again help in increasing the EBITDA margins. Number of grades we are reducing that will reduce the number of change over's, reduce cost, fixed cost control and optimization wherever possible. We have done a significant amount in the last four months - five months and we will continue to do that over the next four months - five months. These are some of the things. On the IT side we have implemented our new ERP going forward. So, a lot of their bloated IT cost which we felt were bloated in the previous companies will now disappear since we have implemented our ERP so, there are many things that we have done to help and improve EBITDA margins going forward. And finally, of course improving volumes because the plant is there, the capacity is there for every tonne that we sell more it goes straight to the bottom-line. So we have a real thrust on increasing volumes and increasing market share.

Manoj: Okay. And second question, how much of this turnover say for example we have moved from say Taloja to in last quarter if you could just give…

Abhiraj Choksey: I have been asked that question two times - three times and I would give you a number but I do not want to venture a guess. I just would prefer Anand to look at the exact numbers and then I will come back to you if you do not mind.

Manoj: Okay, sure. And the market share data do you have Omnova? Have we moved how much, can have data points there?

Abhiraj Choksey: No, look market share it has just been about five months, so I would say we have not significantly improved market share of volumes yet, there are many quality issues, etc., we were in the process of sorting out and we expect in the next year and a half to two year significantly improved market share but it will happen over time. It is not happened so far.

Manoj: And last question, the EBITDA margin improvement do you recognize is going to happen in another 12 months or 15 months or it is going to be a little larger?

Abhiraj Choksey: No, we expect EBITDA margins to keep going up over the next few quarters and as it has in last two quarters for example, from negative to marginally positive.

Manoj: I am saying to completely come to our levels I mean how much time…

Abhiraj Choksey: That will process over the next two years.

Moderator: Thank you. The next question is from the line of Suvarna Joshi from SMC Global Securities. Please go ahead.

Suvarna Joshi: This is in continuation with the previous question, as to what have we done with regards getting market share for the Omnova facility. Sir, it is a little different question, I am sure you would have been engaging with the customers that Omnova had earlier. So, are you seeing any kind of change of opinion in the customers' mind or how are we trying to bridge that particular gap that would have been there?

Abhiraj Choksey: Honestly, you know were quite pleasantly surprised. We have been very-very positively received by most of our customers. They are very happy that there is a management. Honestly, with all due respect Omnova is a great company but this was a non-core business for them and therefore they were not enough management focused. With us coming in this becomes a large percentage of our business and therefore the customers are quite happy that there is somebody focused on the business and coming to business them and solving some of their problems.

Suvarna Joshi: Sure. Sir, and just your outlook on the domestic front in terms of the largest industry that we cater to Paper and Paper Board how is the trajectory there in terms of growth? I mean is it growing in the same range of 5% to 7% that you mentioned earlier in one of the questions?

Abhiraj Choksey: I think there is an issue so, as far as the industry is concerned which is Paper and Paper Board, the Paper Board, the packaging aspect of it is growing quite well, the consumption of packaging, now the issue that the industry is having there is a lot of imports coming in. And since we as a Latex manufacturer cater to only the domestic industry, the domestic manufacturing industry does not do well, then obviously we are affected. Now, in the last few quarter of course they have had their issues with cheap imports coming in from China and other countries which has affected some of the players in the industry which obviously affects us but yeah, overall the growth of the industry, the growth of consumption of Paper and Paper Board is expected to be on average 5% to 7%.

Suvarna Joshi: Sure. So, sir, you just mentioned that a lot of imports are coming in from China. So, are we seeing low cost Chinese imports as a threat to our leadership position that we have in the Paper and Paper Board industry in the domestic markets?

Abhiraj Choksey: You misunderstood me. The imports are not Latex imports, the imports are Paper imports so, our customers are affected, you understood?

Suvarna Joshi: Right, I get that, sir.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Anand Kumashi for his closing comments.

Anand Kumashi: Yeah, we thank everyone for your participation on the earnings call. We have uploaded the Investor Presentation on Company's website. In case of further queries, you may get in touch with Strategic Growth Advisors, our Investor Relations Advisors or feel free to get in touch with us. Thank you very much for your participation. Thank you.

Moderator: Thank you. Ladies and Gentlemen, with that we conclude today's conference. Thank you for joining us and you may now disconnect your lines.