



“Asian Paints Q2 FY 2017 Earning Results Conference Call”

October 25, 2016



ASIAN PAINTS MANAGEMENT:

MR. K.B.S. ANAND : MD & CEO
MR. JALAJ DANI : PRESIDENT - HR, SUPPLY CHAIN & CHEMICALS
MR. MANISH CHOKSI : PRESIDENT, HOME IMPROVEMENT, INTERNATIONAL & IT
MR. JAYESH MERCHANT : CFO & COMPANY SECRETARY, PRESIDENT - INDUSTRIAL JVS
MR. R.J. JEYAMURUGAN : VP - FINANCE
MR. PARAG RANE : CHIEF MANAGER- FINANCE
MR. ARUN NAIR : MANAGER - CORPORATE COMMUNICATIONS

ANALYST:

MR. KRISHNAN SAMBAMOORTHY – MOTILAL OSWAL SECURITIES LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Q2 FY2017 Results Conference Call for Asian Paints, hosted by Motilal Oswal Securities Limited. 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 now hand the conference over to Mr. Krishnan Sambamoorthy of Motilal Oswal Securities. Thank you and over to you Mr. Krishnan!

Krishnan S.: Good evening everyone. On behalf of Motilal Oswal Securities, I welcome you all to the Asian Paints 2Q FY2017 Conference Call. From the Asian Paints Management, we have Mr. K. B. S. Anand, Managing Director & CEO, Mr. Jalaj Dani, President - HR, Supply Chain and Chemicals, Mr. Manish Choksi, President - Home Improvement, International and IT, Mr. Jayesh Merchant, CFO and Company Secretary & President, Industrial JVs, Mr. R.J. Jeyamurugan, VP - Finance, Mr. Parag Rane, Chief Manager - Finance, and Mr. Arun Nair, Manager - Corporate Communications. Over to Mr. K.B.S. Anand for opening remarks followed by Q&A!

K. B. S. Anand: Good evening everyone and welcome to the Asian Paints Q2 FY2017 conference call. The domestic economy maintained its growth trajectory of near 7% GDP growth; however, the expected pickup has not materialized and the demand environment remains challenging.

India's GDP advanced 7.1% year-on-year in the first quarter of fiscal 2016-2017 slowing from a 7.9% expansion in the last quarter of the previous fiscal year. On the positive side, rainfall in the monsoon season although lower than forecast was only 3% below normal and had a good spatial distribution.

Growth prospects for the global economy continued to be weak. Apprehensions around Brexit, Fed tightening continue to cast uncertainties in the global financial markets.

The decorative business registered a low double-digit volume growth in the current quarter as compared to the same period in the last fiscal. The prolonged monsoon has had an impact in retail demand for paints in Western and Central India. There was no price revision in this quarter with the last price revision taken in February 2016. Favorable raw material prices aided profitability in the quarter as compared to the same period in the last fiscal; however, on a sequential basis, we are witnessing an upward movement in input prices.

Reviewing industrial, the good demand conditions in the Auto OEM and General Industrial business segment led to an improved performance of the automotive coatings JV, (PPG-AP). In the Industrial coatings, JV, (AP-PPG), the Industrial Liquid Paints segment

consisting largely of protective coatings continued to do well. Raw material prices remained low compared to the previous year aiding the profitability of both these industrial businesses.

The international business reported good numbers specifically aided by contributions from Nepal, Fiji and certain units in the Middle East. Moderate growth was seen in Ethiopia, which continues to be affected by foreign exchange shortfall.

Viewing home improvement, both the kitchen business (Sleek) and the bath business (Ess Ess) continued to register good growths in the current quarter. We are continuing to work on increasing the scale of both these businesses with network expansion and product portfolio enhancement.

The **capex** for FY2017 at the standalone company level is about Rs.600 Crores. This include some spends for the two new manufacturing facilities being set up at Mysore and Vizag.

Going forward, an uptick from the rural segment on the back of a good monsoon as well as the beneficial impact of the pay commission payouts are expected to improve the demand conditions in the coming quarters. However, raw material prices have seen an upward trend in the last couple of quarters and we will need to closely monitor this trend.

In the international market, some of the units like Egypt, Ethiopia, and Trinidad continued to face challenges around foreign exchange availability and demand conditions.

Thank you everyone, we are happy to take any questions you may have.

Moderator: Thank you. We will now begin the question authorization. Our first question is from Avi Mehta of IIFL. Please go ahead.

Avi Mehta: Sir you have seen now the second straight quarter of double-digit volume growth. Just trying to understand in the environment that we are, how is that recovery because you have highlighted this recovery had spread out.

Management: We have seen low double-digit volume growth for many quarters now. As a matter of fact, we do not consider lower double-digit volume growth as recovery.

Avi Mehta: Let me rephrase this. Given that raw materials prices are starting to inch up, I am just trying to understand would you look to take price increases or how would you define that decision. Now, what is the basis on which you kind of would look at pricing, because raw material prices are now even indicated are referred to move up?

Management: We generally operate within a certain band of gross margin. In the previous couple of quarter before Q2 it was among the highest gross margins we have had in sometime and we were anticipating an increase, which has definitely occurred in Q2. We will have to see how it goes going forward into Q3 and Q4 and the impact of things like GST etc., at what rate they come in, how they will play out into the overall pricing etc. So, if prices continue to shoot up, definitely we will have to take a price increase. If they stay at the current levels, we probably won't.

Avi Mehta: Lastly Sir, just you know understanding the capex numbers, you have reiterated the 600 Crores capex, but if I look at your numbers in the consolidated, it suggests that you have only done 100 Crores capex in the first half. Am I missing something Sir?

Management: No, you are right; Both for Mysore and Vizag, a lot of capex that is towards commencement of the construction activities will come in Q3 and Q4.

Avi Mehta: Okay so that is the reason why Sir lastly, the gross margin there is no one off in the RM cost Sir in this quarter; any one off that you would?

Management: There is no exception item or one off.

Avi Mehta: In the raw material clauses. Okay Sir. I will come back in the queue for any remaining questions. Thank you very much Sir.

Moderator: Thank you. Our next question is from Amit Sachdeva of HSBC. Please go ahead.

Amit Sachdeva: Sir, thank you for taking my question. Good evening to you all. Sir very good impressive numbers despite the central and west was weak because of the prolonged monsoon. Sir, can you give us some guidance because we already now closing to almost November so has that effect now in west and central reversed and you are seeing more normal throughput as you go week by week?

Management: Obviously, retail demand has improved after the rainfall has stopped, but we cannot get back the days when it rained.

Amit Sachdeva: Sure, because you know one of the hypothesis could be since the Diwali window was very small and if it is gone, then would it mean that some people may not do paint and they may wait for the next Diwali. Have you seen that sort of effect panning out or how do you see Q3 in terms of festive demand, which would be captured in Q3.

Management: It is very difficult to forecast till we get well into November.

Amit Sachdeva: But, given you guidance that you are looking at Q3 as still again a strong quarter?

Management: We are not giving any guidance per se. We are just saying that given good monsoon; considering normal factors, demand should pickup.

Amit Sachdeva: Sure Sir, so that is very helpful., but very quickly on the mix side, is this has the mixed deteriorated little more than it usually is in this quarter.

Management: No.

Amit Sachdeva: The mix was actually.. if you look at the last year base, the mix was same. It is a fair understanding?

Management: There is some level of premiumization always happening, but there along with premiumization, there are certain low volume products like putties, which are also growing phenomenally. You have to take a mix across the category and try and compare it across the entire product profile we are selling; it can get a little confusing.

Amit Sachdeva: I totally get it because I see excise duty going up 15% if I take like-to-like and there is no price increase as in fact there was a price deflation coming from the February quarter, seems that volume growth was actually very, very strong, not just strong. I do not know whether it is my looking at through excise duty is the right way to look at it.

Management: Excise duty is not necessarily the right way to look at it.

Amit Sachdeva: Thank you so much. This is great set of results. Congratulations in that.

Moderator: Thank you. The next question is from Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir, my first question is on home improvement. The growth rate in Ess Ess is far ahead of Sleek for this quarter especially and last quarter also Ess Ess was growing faster than Sleek this time, it is growing much faster. So is Ess Ess planning much better in terms of your initial plans, what is the issue with Sleek? Could you elaborate on that?

Management: I think both the businesses are growing fairly well. Definitely, the kind of product launches etc., that we have done in Ess Ess have yielded far greater results as we moved into this quarter. Our changes in Sleek are taking are happening, but you know that business has been driven primarily by new home movement, which has been far slower. In the bath segment space, we have got a fair amount of repair as well as new home movements; so a little bit better movement in the bath business. It is also a little bit more synergy impact in terms of the kind of businesses we are in. Kitchen is a more involved category, longer sale

cycle, so it takes a lot longer whereas you know Ess Ess has been pretty good to go up the block.

Abneesh Roy: Sir, you said an interesting data point earlier, so in paints obviously 80% is repainting. You said in Ess Ess, the new home versus old home, old home is the higher percentage?

Management: No it could be 50:50 in that sense, so this is not like the paint category. You will have a lot more balanced growth between new homes and repair or replacement, the after market as it; it is normally referred; it is unlike our coatings business where we have a substantially great share in the repainting markets.

Abneesh Roy: This 50% number is for Ess Ess. What is the number for Sleek?

Management: Sleek could be different because we are into multiple businesses in Sleek. We are into full kitchen business and we are into the hardware and accessories and the wholesale business. Hardware accessories business is very difficult to predict as to how that gets impacted, but in the full kitchen business, I would suspect that it is very similar to the Ess Ess number.

Abneesh Roy: My followup question on this business is could you speak on network expansion, new products on both Ess Ess and Sleek. How many geographies are now covered versus what it was a year back?

Management: Both of them are national brands today barring some pockets where we may, will have network expansion to do. Both are available across the board. Both the Sleek as well as in Ess Ess, there will be particular pockets where we have planned network expansion, but are yet to complete it and we will do so in Q3 and Q4; but at the end of this year, I think it would be pretty much available across the country. We will have decent amount of network coverage across the country both in Sleek as well as in Ess Ess.

In Sleek, obviously the network for hardware and accessories is fairly penetrated; which means we have a fairly big network expansion that we have already done over last year and this year it continues. The full kitchen expansion takes a little more time to do because you need to find the right network partners and you need to enable their stores and get them to sell, so that is the longer sales actually to get the store ready and start with hardware and accessories business pretty much like coatings. It begins with right upper block in that sense. In the bath business it is little bit in between. You need to enable those dealers, which means they need to have stock of all your products on the shelves etc., etc. We have still some distance to go in terms of what we had planned for, which I think we will complete most of the things in Q3. I think network expansion from where these businesses are and would sort of overall size of the market we grow, we are very, very under-penetrated, so network penetration is activity which will continue year-on-year for the next few years.

Abneesh Roy: My second and last question is on newer product and newer distribution, so question is on Loctite. Again here, the question is in terms of distribution how things are versus when launch was there and similarly AP Homes in Coimbatore, what are the plans for taking it to more market?

Management: Okay, where adhesives is concerned, we are obviously selling currently through a much more limited network that is our existing paint dealer network. We definitely do not tap the entire adhesive markets, but we are still I would say learning the business. The acceptability of the products and facts etc., and that is an ongoing process. It will take us some time before we spread out to non-paint dealers. The AP Homes at Coimbatore is currently doing extremely well and we should expand into a couple of more stores by the end of the year.

Abneesh Roy: This will be in South India only?

Management: Sorry, I will not be able to disclose that.

Abneesh Roy: Sir on adhesives you said more distribution expansion, obviously currently your portfolio in terms of product also it is a very small percentage versus the market leader so on that also are you still testing grounds or are more launches planned in the medium term?

Management: More launches are planned.

Abneesh Roy: Thanks a lot. I will come back in the queue.

Moderator: Thank you. The next question is from Anshuman Aatre from Haitong Securities. Please go ahead.

Anshuman Aatre: Thanks for the opportunity. My question is regarding input cost. So is it largely the crude relative inputs cost, which has gone up or it is also the other material like titanium dioxide and has the price stabilized as of quarter exit?

Management: Across the wide range of products, I would say raw material prices has gone up whereas there are a few where it has gone down, but largely they have gone up across a wide range of products including titanium dioxide.

Anshuman Aatre: Okay, so has the prices stabilized or they are still over trend as of now?

Management: I mean they always tend to fluctuate. There are certain suppliers where we fix up quarter wise prices and then there is certain amount that goes on spot deals, so it depends on overall demand and supply to an extent.

Anshuman Aatre:

Okay, the second question is regarding the home solution. How is the progress in the sanitaryware part, which we are testing in the eastern market and how much of overlap is there between the dealers of Asian Paints network versus Ess Ess and Sleek? Are they accepting these and opening separate store nearby or has a totally different network altogether?

Management:

In terms of network,, there are dealers which are independent dealers which means they have speciality in bath, they do bath fittings as well as sanitaryware and there are other dealers who do all you know two of those categories which is paint and bath and then there are others who has aspiration who do all the categories that we are present in at this point of time, so there is not one side split. Typically the bath and the kitchen categories require a greater amount of attention from the dealers side, so it is very critical that the person be personally involved in the selling process at the store. So those dealers that have a fairly good retail customer's base are those that are more favorably tuned to doing these business as well and which is what we will try and select; so there is no statement that we will only pick Asian Paint dealers. We definitely do give opportunities to Asian Paint dealers to become dealers in the kitchen and bath business. There is no bar on retailers or any of those categories independently.

Anshuman Aatre:

Just an add on, in this home solutions going forward depending on the speed of scale, the speed at which you want to scale it what would be, how much of sourcing would be through outsourcing, imports and in house for say bath and kitchen?

Management:

These categories certainly have a greater dependency on sourcing finished products from outside. These finished products come in various forms; some of them come fully finished we then process and distribute them, some are assembled in our manufacturing locations and put together and then sold to the market; then there are others that we actually do part sourcing, part manufacturing and then deliver a finished product, so this sort of grid is in all shapes and forms. It is certainly more dependent on sourcing completed products from others than let us say the coatings category, I do not have an exact number at this point of time to give you in terms of in source process or outsource.

Anshuman Aatre:

Thank you for answering my question.

Moderator:

Thank you. Next question is from Vivek Maheshwari of CLSA. Please go ahead.

Vivek Maheshwari:

Good evening everyone. My first question is, is it possible to get third quarter of last year fiscal 2016 revenue number under Ind-AS?

Management:

When we publish the third quarter results, we will be certainly publishing those numbers, but we do not have them as of today.

Vivek Maheshwari: I see not a problem, second you mentioned about capex of Rs.600 for F2017; would you be able to share how much would be the capitalization this year?

Management: Should be in the region of around Rs. 200 Crores because the large part of it is towards the two new lants.

Vivek Maheshwari: And these two plants will get capitalized pretty much next year right?

Management: Year after next.

Vivek Maheshwari: Year after next okay and third bit is on the excise duty if I take it as a percentage of a net sales or gross sales whatever so for simplicity if I take it as a percentage of gross sales that number last year first quarter was 10% and moved to 10.7% then fourth quarter were 9.7% then 11% and 11.2% respectively why would there be a fluctuation because I thought in your case, is it just because this excise number reported is more on production and not on sales?

Management: Yes, the excise duty what is reported is on the production number and also it depends on the mix, what is produced in that particular quarter.

Vivek Maheshwari: Is there a differential excise duty in your case?

Management: No.

Vivek Maheshwari: I thought everything will be at the same rate right?

Management: There is MRP and there is an abatement rate, so that is fixed in all the quarters.

Vivek Maheshwari: No I understand, but what I am saying is the rate would be same right for whether you sell a distemper or top end emulsion right?

Management: For certain products, the abatement rate is different.

Vivek Maheshwari: Abatement rate is different, okay and lastly I know a lot of questions have been asked on gross margins, but basically 270 basis point gross margins quarter-on-quarter decline that we see here is only because of input cost, there is no significant mix changes what you are indicating right?

Management: It is only due to the material cost.

Vivek Maheshwari: It is only due to the material cost, no significant mix change right?

Management: Yes.

Vivek Maheshwari: Thank you and all the best.

Moderator: Thank you. Next question is from Mihir Shah of Deutsche Bank. Please go ahead.

Mihir Shah: Just wanted to get a comment on GST rate appears to be at about 26% for polluting industries and as per the environment ministry the paints is classified as a red category in a polluting industry, is that a correct understanding?

Management: We might be classified as red industry from an environmental approval perspective that does not automatically classify us a polluting industry is what our belief is. We do not have any clarity on the GST rate category at this point of time.

Mihir Shah: Understood, all right, thank you, that is all from my side.

Moderator: Thank you. The next question is from Ranjit Cirumalla of B&K Securities. Please go ahead.

Ranjit Cirumalla: Thanks for the opportunity. Just need one clarification on the numbers, while for reporting segment wise we are classifying adhesives, master care and everything in the paint segment right?

Management: Yes.

Ranjit Cirumalla: And while the commentary is on the decorative paint, so is it safe to assume that it also includes the adhesives?

Management: Yes.

Ranjit Cirumalla: Thank you Sir. Thank you very much.

Moderator: Thank you. Our next question is from Jubil Jain of Phillip Capital. Please go ahead.

Jubil Jain: Congratulations for the good set of numbers. I have two questions, first one is on pricing, can you just tell me about what would be your pricing strategy for second half especially since the input price have actually started rising?

Management: If it rises significantly further, we will increase prices.

Jubil Jain: What would be the target price hikes?

Management: We have not taken any decision

Jubil Jain: Sir second question is again on GST, so we are not get clear about the GST rates that is okay, but can you give us some number as you know, what will be the level of set offs, which you can get in the GST regime because if we look at excise duty we know that you pay 9% excise duty on the gross, when you look at the gross sales number and we can also assume the VAT number, but what would be the kind of set offs which you will get in GST regime which you are not getting today?

Management: Just wait for these rates to be announced and the rules to be completely firmed up in terms of how people will take credit, what is the timing difference between the two. I think by end of Q3, we should have some idea of that. We do not want to speculate at this point of time.

Jubil Jain: Thank you.

Moderator: Thank you. Our next question is from Bhavani Prasad of Narnolia Securities. Please go ahead.

Bhavani Prasad: Thanks for the opportunity. My question is that how you see the margins going forward as there is increase in crude prices, how you see the margins going forward?

Management: As we stated earlier, we do not give any guidance on margins

Bhavani Prasad: Any cost efficiency measures you are taking?

Management: The cost efficiency measures are always there. I do not think it is going to impact anything on the margin significantly. They are ongoing steps.

Bhavani Prasad: Thank you.

Moderator: Thank you. We have our question from Prasad Deshmukh of Bank of America. Please go ahead.

Prasad Deshmukh: Good afternoon. Sir one question I had if you could give an update on what is happening in the Indonesia initiative that you had planned and second in September quarter was there any increased focus on selling the ancillaries for paints, something like brushes and so on?

Management: The second one first, I think the focus on selling brushes and all has been on for the last couple of quarters, so it is continuing at the same momentum. As far as Indonesia is concerned, the manufacturing plant is under construction and hopefully it should start production towards end of Q4. Currently, we are in the process of testing out our products

in the market place. Using a OPC in Indonesia we are manufacturing some products and have launched them into the market.

Prasad Deshmukh: Thanks a lot Sir.

Moderator: Thank you. The next question is from Krishnan Sambamoorthy of Motilal Oswal Securities. Please go ahead.

K. Sambamoorthy: Compared to the March, there has been an increased in both inventories by about 32% and in debtors by about 23%. Is there an element of seasonality or would you like to call out anything on that front?

Management: It is a combination of number of factors if you compare with the March quarter, we had bumper sale towards the end, so inventory has dropped and we closed the year on low inventories. Due to the extended monsoon in the September quarter the reverse happened to an extent.

K. Sambamoorthy: Thanks a lot.

Moderator: Thank you very much. The next question is from Atul Mehra from MSOL. Please go ahead.

Atul Mehra: Good evening Sir. Just one question in terms of a broader demand outlook, largely what we have been seeing is a lot of building material categories have been witnessing significant slow down, I think primarily because they are more new construction related, so what is your experience been in largely new construction oriented painting activities?

Management: It has varied across the country I cannot say it is a uniform pattern, but overall the demand has been descent.

Atul Mehra: That is it from my side.

Moderator: Thank you. The next question is a followup question from Abneesh Roy. Please go ahead.

Abneesh Roy: One question was in terms of demand trends earlier you have been highlighting rural India growing much faster, so is rural India still growing much faster and is there any revival in the top 10 cities, you have earlier said sometimes there is a revival and then it is very unpredictable, now how is the demand trends in the top 10 cities?

Management: In all honestly I have not checked the top 10 cities at this point of time, but rural continues to grow faster, yes.

Abneesh Roy: If you are not able to comment on the top 10 cities earlier you have been commenting on the bigger cities, so my question more in terms of trend, not top 10 cities or 20 cities. Bigger cities, is there any recovery in the demand versus the one year back?

Management: All of them were growing. We are just saying rural is growing faster.

Abneesh Roy: If I knock off the impact of the floods, is South India still the laggard among the four regions and Eastern India is it growing faster for you?

Management: No, I do not think that holds true anymore.

Abneesh Roy: South has picked up you are saying?

Management: Yes.

Abneesh Roy: Thanks a lot. All the best.

Moderator: Thank you. The next question is from Rahul Maheshwari from IDBI MF. Please go ahead.

Rahul Maheshwari: Good evening. Thank you for the opportunity provided. First question is, can you give a breakup in terms of pyramid how much is contributing towards your premium segment and how much towards your value added segment. This is first and second you have entered into adhesive business and you have been studying and it will take time, so what kind of products would be there, it would be same as similar in terms of the who is the market leader or it would be much differentiated and market leader category kind of growth in terms of and what is the strategy it would be in terms of low value, premium and all those things?

Management: We do not give split between categories in terms of our share of business.

Rahul Maheshwari: Any rough estimate the most of the account?

Management: We do not share that data. Second is, we will have a mixture of products, some would be similar towards what competition has, some would be with certain deviations or product quality variations which we think the market would prefer.

Rahul Maheshwari: So what can be the timeline we expect that these would be role out into the market?

Management: We have rolled them out continuously, and you will find products rolling out in every quarter.

Rahul Maheshwari: Can you give some guidance on water proofing business, though it as compared to the leader, but how are they planning out towards the distribution channel and what is the acceptance level from the customer's point of view?

Management: We are selling waterproofing products through our existing dealer networks i.e paint dealers in the country and the acceptance has been very positive. There is the fresh construction segment to the same extent, but for repairs and prior to repainting I think we have got reasonable share today.

Rahul Maheshwari: May I estimate that it is growing into double digit right now?

Management: We cannot say that.

Rahul Maheshwari: Okay, thank you Sir.

Moderator: Thank you. The next question is from Avi Mehta from IIFL. Please go ahead.

Avi Mehta: Just the last comment. You said waterproofing I missed that, are you saying the growth has remained I mean if you could just comment I did not get to your comment?

Management: We are not giving you guidance on the growth.

Avi Mehta: Okay, that segment continues to do well, is that something that you said?

Management: Yes, it continues to do well.

Avi Mehta: Okay, secondly on the Indonesia front, just a clarification you said now it is end March instead of end January that you had indicated earlier, is that timeline or?

Management: Yes, around end March.

Avi Mehta: Around end March, okay and that is around Rs.80 - Rs 100 Crores right that spend now would be in that range or what would be the capex there?

Management: It is a smaller plant, so the capital expenditure will not be of the same order. We have bought the piece of land for the entire full manufacturing plant; but the actual capex that we are doing this fiscal is for much smaller plant of around Rs.40 Crores

Avi Mehta: Okay and lastly Sir, the other expenses have come off that is largely marketing related, is that the case or what has driven the growth rate moderation?

Management: The other expenditure is broadly linked to the topline growth, obviously Q1 had higher share of marketing spend growth that has slightly come up.

Avi Mehta: That is all from my side. Thank you very much Sir.

Moderator: Thank you. The next question is from Mehul Desai of IDFC Securities. Please go ahead.

Harit: This is Harit here. I just had two questions. Firstly if you look at the last two years in the domestic business with the lower input cost scenario, we have also seen increasing the advertising in sales promotion spends. I just wanted to understand whether that can be used or reducing the A&P spend or marketing spend can be used as the first lever to in terms of margin management in a higher input costs scenario?

Management: We do not really operate in that manner. We do not think we have significantly reduced the advertising spend or significantly increased it over the last two years and do not plan to significantly reduce it immediately either.

Harit: Because there has been like 50% increase over the last two year period?

Management: No.

Harit: You do not envisage that as a lever to manage the margin in a higher input cost environment?

Management: No.

Harit: Second question was on the distribution part, so just if you could this highlight on the dealer additions probably first six months and what we are looking at for the year?

Management: We consistently add about between 1000 and 2000 dealers every year. We are more or less on track in that pattern.

Harit: That is it from me. Thanks.

Moderator: Thank you. We have no further questions, I will now hand the conference over to Krishnan Sambamoorthy of Motilal Oswal Securities for closing comments.

Sambamoorthy K: Thank you all to the participants. A big thanks to the management for taking out time today. Over to the operator!

Management: Thank you.

Moderator: Thank you very much. On behalf of Motilal Oswal Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.