Conference Call Transcript

APAR Industries Limited

Q4FY11 Results

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Corporate Participants

Mr. Kushal Desai
Managing Director

Mr V C Diwadkar
CFO

Questions and Answers

Moderator: Ladies and gentlemen, good morning and welcome to the APAR Industries Q4 FY 2011 Results Conference Call hosted by Edelweiss Securities Limited. As a reminder, for the duration of this conference all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should u need assistance during the conference call, please signal an operator by pressing "*" and "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Rahul Gajare from Edelweiss Securities Limited. Thank you and over to you Sir.

Rahul Gajare: Thank you Marina. Good morning everybody, and welcome to the Q4 earnings call of APAR Industries. From the management, we have Mr. Kushal Desai, M.D., and Mr. V.C. Diwadkar, CFO. We will have some opening remarks from Mr. Kushal Desai after which we will move on to the question and answers. Thank you and over to you Sir.

Kushal Desai: Good morning ladies and gentlemen. Thank you for joining us on this earnings call and update. I will first quickly run through the financial performance and then get into quick segmental review. For the company on a standalone basis in the financial year 2011 net sales increased from 1998 Crores to 2718 Crores representing a growth of about 36% over the previous year. Our EBITDA grew from 138 Crores to 170 Crores representing a growth of about 23% over the corresponding period of the previous year. Our profit before tax has increased from 104.8 Crores to 159.5 Crores representing a growth of about 52% over the previous year and our profit after tax has increase from 86 Crores to about 106 Crores with 86 Crores being before the investment write-off which was taken in the previous year representing a growth of about 23% over the previous period. I have a little bit more details in terms of the tax situation that the company was facing, including post the merger for Uniflex that I will discuss subsequently in the results. Based on this on a standalone basis the EPS for the year has increased from Rs.26.64 paise to Rs.32.74 paise representing a growth of 23% over the previous year. The company has also allotted 3.6 million equity shares at a premium of Rs.210 to Templeton Strategic Emerging Markets fund in May 2011 and as a consequence the paid up capital of the company has increased to Rs.35.97 Crores. The Board of Directors has recommended a final dividend of 35% making the total year's dividend of approximately 60%, which is about 23% pay out on the retained earnings of the company on a standalone basis.

If we run through the group consolidated performance the net sales has increased from 2235 Crores to 3028 Crores representing a growth of 35.5% and the EBITDA has increased from 153 Crores to 188 Crores representing a growth of 23%. Similarly the profit before tax has increased from 100.4 Crores to Rs.154 Crores representing a growth of 54 % and assuming none of the tax benefit coming in from the merger of Uniflex the profit after tax of the company will grow from 78 Crores to 96 Crores representing a growth of about 23%. I did want to mention a little bit about the post amalgamation scenario with Uniflex Limited that should happen during the course of financial year FY'12. The draft rehabilitation scheme has been submitted to BIFR by the operating agency and we expect the scheme to be approved in the September timeframe. Post that merger and considering the incidence of the tax breaks of the company can avail of on a standalone basis the profit after tax of the tax of the company will grow from 106 Crores to 117 Crores and on a consolidated basis it will grow from 95 Crores to 135 Crores. So this would take the earnings per share up on a standalone basis post amalgamation to Rs.33.7 a share & Rs.38.8 a share on consolidated basis.

I will now run through the segmental overview. In terms of our conductor business sales revenue for the fourth quarter FY'11 increased by 71% over the previous period from Rs.241 Crores to Rs.415 Crores. The corresponding increase in volume was also 74%. For the year sales revenue increased by 34.5% and the corresponding volume growth was about 29.3%. As far as segmental level profit is concerned it was all marginally down from 10.7 Crores to about 10.6 Crores for the quarter and from 60 Crores for FY'10 to Rs.47 Crores in FY'11. The order book of the company as of April 1 stands at Rs.1259.8 Crores. Essentially the current environment continues to be a little bit challenging. There is a sharp increase in volume opportunities but there is a pressure in terms of the pricing environment, which has been resulting in some amount of margin pressures continuing for the conductor segment; however Power Grid is expected to release order of almost 2,70,000 metric tonnes of conductors in FY'12 based on the latest estimates that we have, which should be an increase of about 22% over the previous year. There is also substantial increase activity from the build own operate and manage projects as well as lot of inquiries coming in through EPC contractors for projects all over the country, so this should result in an improved sales volume for the company which has been targeted to grow by about 30% over the previous year in FY'12 even though we expect the pricing environment to remain a little bit competitive the company expects to deliver a higher profitability through a better mix of product sales and economies of scale. We are expecting more than a 30% increase in EBIDTA with the margins moving up closer to 5% at the segment level given the current prices of aluminum.

So one of the risk that the company will have to continue to face in the short-term is re-schedulement of deliveries to some of the Power Grid and the large transmission lines evacuating power from these ultra mega power projects, a few of these delays have essentially taken place due to the write of way issues; however, as the company moves into FY'12 into the second half of FY'12 and in the years FY'13, FY'14 we expect a significant raise in demand for these conductors and a lot of pressure is building up on sorting out these write of way issues which is being discussed at the highest levels within the government. We expect our company to further benefit from these large orders, which would need to be delivered in a shorter time period and this would definitely auger for better margins when a situation like this takes place. The company continues to diversify its client base, project base as well as geographic concentration so that the risk is to a larger extent mitigated over a much bigger base in case there are any troubles on right of way issues on any specific transmission lines.

During the year the company continued to focus on high temperature conductors and we have been the highest recipient of orders for these high temperature conductors in the Indian market as of today where our order inflow was approximately 25 Crores which represents almost 6.5% of the volume of orders that the company got in we expect the segment to mature over the next three to four years and our company is leading the effort to improve the transmission productivity as a write of way issues continue to remain on transmission corridors. Finally the company has followed a conservative hedging strategy both on foreign exchange as well as metal as all our fixed price orders have been hedged back-to-back. The mark-to-market losses as of March 31 stood at 28 Crores and its largely due to a single large export order which have had a delayed delivery schedule. The company at the moment is negotiating with that particular client to expedite the same.

Coming to our transformer oil and specialty oil segment FY'11 was the best year the company had for this sector. Sales revenues in the Q4 on a standalone bases increased by 42% over the corresponding period in the previous year. The total volume growth was about 5%; however, we had a substantial growth in our transformer oil sales, which I will come to you shortly. In terms of the sales revenue in FY'11 on a standalone basis it increased by 36% with the corresponding volume growth from 247000 kilo liters to 260000 kilo liters. The sales revenue on a global consolidated basis grew by 39.5%.

At the segment level profit for the Q4 FY'11 it increased substantially from 17.7 Crores to 35.5 Crores on standalone basis and for the year the segment level profit increased from 87.9 Crores to 136 Crores representing almost a 55% growth. The key in terms of the increased profitability has been from the continued focus that the company has had to sell higher value added and higher performance products. Shipment for transformer oil grew by over 22% for this financial year, but shipment for the higher performance transformer oil grew by 79% in FY'11.

The company continues to see a rise in performance product, the extra high voltage transmission lines are being built and higher and higher voltage transformers are being delivered. This focus is evident from the improved mix and profitability the company has had in this past year. With the trend in rising raw material prices and lower availability of high quality base oil, it is very crucial that the company continues to relentlessly focus on these performance-based products. The ordering cycle for transmission distribution systems has continued to be erratic as mentioned a little bit earlier; however, the company is very well positioned relative to its competition from the fact that we have the largest range of transformer oil products globally approved and we have an extremely large and diversified client base, which includes not only the top transformer companies in India, but also some of the top global transformer companies that are now participating in the Indian market. So as a strategy we would like to be agnostic to whoever the transformer supplier is and ensure that our transformer oil is supplied against that specific job. The company has also increased shipments of higher performance specialty oil and lubricants across the industrial rubber process oil and automotive range.

As far as net sales turnover of an AGIP brand, which is done through a joint venture company. The sales volumes stood at 121 Crores for FY'11 and a profit after tax was earned of 4.5 Crores. The sale of AGIP brand products grew by 34.7% and we replaced most of the loss that we had from the OEM contract of Piaggo with AGIP branded products. There has been sharp increase in the price of crude oil, gas oil and base oils and also a sharp increase in the volatility of these products. The availability of some other high quality base oils has been tight in the earlier part of FY'12, because of several shutdowns, which have been planned by large refineries between April to July, this may result in some short term pressures on the supply chain and the inventory levels, but the company expects to rise through this period based on his longer term contracting arrangements for procurement of base oil; however, due to increase in some of the base oil prices few of our products lines like our industrial automotive products and rubber process oil we may experience some short-term impact on the margin; however, the outlook in general looks still to be extremely strong through FY'12 and especially in FY'13 and FY'14.]

I now just run through a quick word on the operations of Uniflex and then open up to questions. In the case of Uniflex our net sales for the financial year increased to 311 Crores from 180 Crores; however, we still had a net loss of about 7 Crores in the Q4 this included some one time charges that were taken by the company to complete making all the provisions pre the merger of Uniflex into Apar. The actual EBITDA for the quarter without these chargers was marginally positive at 35 lakhs; however, the company has grown it's higher margin business of special rubber and communication cables which has grown from about 52 Crores to 84 Crores in the current financial year, as we go into the following year we expect to grow from 84 Crores to 140 Crores for the higher margin products. So 68% of the increased turnover that we are expecting to go from 300-400 Crores should come from these higher margin products for us and we expect to close FY'12 with the positive EBITDA of 14.8 Crores.

So with that update we would like to open up to questions that you would have.

Moderator: Thank you very much Sir. The first question is from Rohan Gala from Shubkam Capital. Please go ahead.

Rohan Gala: Sir, can you just tell me how is your order inflow coming from the Power Grid, last time when we met you said there is some delays in the tenders from the Power Grids, how is that has been last quarter and going ahead?

Kushal Desai: In the period from January to April, we have received approximately 400 Crores worth of new orders from Power Grid and there is an expectation for a fair amount of tenders, which are opened which is almost

2000 Crores post, the last quarter of 2009, which are in various stages of finalization. So we believe that there will be a lot of orders, which are getting finalized; however, in some cases the delivery schedules have got pushed back a little bit because of the write of way issues that Power Grid is having. In fact it had appeared in the Economic Times late last week, where this was highlighted by the management of Power Grid and has been taken up at the highest level within the government.

Rohan Gala: Do you expect this order to come up for execution in next couple of qtrs Q3-Q4?

Kushal Desai: The execution of the 400 Crores of orders, which we have is starting up basically from August and picking up from September and October of FY'12, but half of that order book will get executed in FY'13, I am talking about the specific 400 Crores of orders; however, there are expectation as I said of lot of new orders getting finalized.

Rohan Gala: Sir what is the order book as of now, actually I missed out that.

Kushal Desai: The order book is approximately 1260 Crores, as of April 1, 2011.

Rohan Gala: Can you just explain the margins like there are some margins pressures seen in the conductor business, so going ahead where do you see the margins to be stabilized?

Kushal Desai: If you take the numbers of FY'11, the conductor segmental margins came in 3.5%. For FY'12 we expect the margins to be at about 5%, but if you look at it on a per metric tonne basis, the margin should go up by almost 25% because the value of aluminium also is going up, but still as a percentage we expect it to be a little over 5% in this year and then closer to 7.5% in FY'13.

Rohan Gala: Thank you Sir. If I have anything, I will just come back to you.

Moderator: Thank you. The next question is from the line of Suryakant Behra from Edelweiss Securities. Please go ahead.

Suryakant Behra: Just wanted to know what is your EBITDA per tonne in conductors right now?

Kushal Desai: If you look at EBITDA per tonne, it is close to about Rs. 5000 per tonne this year. We have planned to take it up to about Rs.6800 per tonne in the following year.

Suryakant Behra: Can you throw some light on the competition because I believe a lot of competition is actually in this phase lot of new players coming into this, just throw some light on the competition there?

Kushal Desai: Actually the market still is being dominated in terms of volume by Sterlite technology and ourselves. There are few companies that have received their first set of orders from Power Grid, but still the competition as far as most of the remaining sectors which is a private sector and a build own operator and manage products are still happening fundamentally between the established players also the bulk of the Power Grid orders are still sitting with the established player. So because of this impact of some other new players trying to price a little bit more aggressively, we are seeing the margin growth taking place relatively slower, but we still expect it to grow from as we said from a little under Rs.5000 a tonne on an EBITDA level to get to Rs.6800 a tonne in FY'12 and grows by another nearly 30 odd percent in FY'13.

Suryakant Behra: If I have to just break it between the private players and the PGCIL, how is the margin difference in private players and PGCIL orders?

Kushal Desai: In the case of some of the larger private players, the margins are lower than generally what would happen is in the case of Power Grid, simply because the commercial terms are much easier with shorter delivery schedules. So as a consequence in most cases the contracts are less onerous in the case of Power Grid, but if the margins there even though they are little bit lower than Power Grid we will as time goes on should be better than what has been there in the current order book because these orders were booked at a time when it was very little, sort of ordering that was out there, as you can see our volume has grown over 25% last year and we expect a 30% growth in FY'12 with again 20 plus percent growth in FY'13 on volume terms. So the volume is really kick in, as the volume kicks then the margin improvement will definitely take place.

Suryakant Behra: In the order book, how much is from the private players and how much from Power Grid, can I just get it out?

Kushal Desai: Currenly we have approximately about 45% from Power Grid and 55% from private players and EPC contractors and exports.

Suryakant Behra: If I have to look at this 55% from the private players there the EBITDA per tonne may be less than Rs. 5000 can I roughly assume that?

Kushal Desai: No, the EBITDA is not lower than Rs.5000 it is in the same range with some other future orders being slightly higher. All the high temperature conductor business also whatever we booked in is also from the private, it is all non-Power Grid.

Suryakant Behra: This 25 Crores of order book that you mentioned?

Kushal Desai: Plus we have a number of projects, which we have already bid on for high temperature, the volume is not very higher at the moment, but we expect it to be little over 10% of our sales in this FY'12.

Suryakant Behra: Can you just explain a bit about high temperature conductors, is it in what KV ?

Kushal Desai: The issue is not on the KV. The KV is either at 220 or 400 KV, it gives throughput between 25% and 100% more current on the same lines. So as a result the transmitted power is much higher at given kilo voltage level.

Suryakant Behra: Currently it has been used by mostly private players?

Kushal Desai: At the moment, all these orders which have come in have come in basically from state electricity board for transmission into various cities, where the existing corridors are getting saturated and most of these are relatively smaller orders, which several state electricity boards are trying out in terms of proof of concepts and things. So we expect the volumes in the next three to four years to substantially grow as it has three re-conductoring entire transmission lines, which are leading into cities like Mumbai, Pune, then you have got Nagpur, in Gujarat, you got Ahmedabad, Baroda, Jaipur and some of the other major cities in Rajasthan.

Suryakant Behra: I believe the margins are better than the usual one?

Kushal Desai: The margin should be better because these are more technology advanced products and as far as our knowledge goes at the moment there is only Sterlite, Optical and Apar, which manufacture these high temperature conductors.

Suryakant Behra: Thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Anand Vyas from Nirmal Bang Securites. Please go ahead.

Anand Vyas: What was the value of conductor in the production in Q4 and same for the oil business?

Kushal Desai: The production of conductors for Q4 was close to 30,000 metric tonnes.

Anand Vyas: The volume?

Kushal Desai: We are talking about volume.

Anand Vyas: Oil business?

Kushal Desai: In the oil business, it was 63,000 kiloliters of the whole basket of products on a standalone basis.

Anand Vyas: Just one question, on quarter-on-quarter basis, you margin in oil business has shown some decline, what was the reason?

Kushal Desai: It is very difficult to track, specifically on a quarter-on-quarter basis because some of these goals based on the projects which are there, so the shipments depending on especially the margins move up and down by couple of points based on the amount of these shipments going in to the very high on the EHV transformers particularly in our transformer oil segments. So I would really just look at it purely on a sequential quarter basis.

Anand Vyas: So it was mainly attributed to the high shipment course that is right?

Kushal Desai: Yes, sometimes some fluctuations which happens in the case of raw materials, where you end up using slightly lower price raw material in one quarter versus another quarter, but otherwise if you see for the fourth quarter, we came in at 9.7% in terms of our segment level profitability, for the year it came in at 10.4%. There has also been an environment where is the rising cost of the oil, so as a percentage basis, you will see that impact to some extent as the value of the oil goes up.

Anand Vyas: Going forward we see it is the same thing around 10, between 9 and 10 volume with the margin?

Kushal Desai: We are trying to actually target similar EBITDA on a per kL basis, so the EBITDA margins on the per kL basis is something which we are trying maintain at this level.

Anand Vyas: Just one more question what was the order inflow in Q4?

Kushal Desai: The order inflow for the conductor site. It was little over 500 Crores for the quarter.

Anand Vyas: Thank you and all the best.

Moderator: Thank you.

Rahul Gajare: Sir, if I can actually ask a question. This is Rahul here. Sir you said in the scenario where the crude prices are higher, there will be some supplies and pressure. Could you tell us what are the long-term contracts that you normally enter into?

Kushal Desai: Actually the short-term pressure is not coming from the increase in just in the crude prices. As I had mentioned earlier there is some pressure coming in because the availability of these high quality base oil in the short-term given that from the April to July timeframe actually six of the largest refineries in Asia have gone in for their scheduled turnaround. In most of these refineries every three to four years they go in for a four to six weeks major of turnaround. So because of some of these coinciding there has been a slight tightness in the availability of base oil. It has not affected as so much based on our longer time contracts because those are based, they do not take into account just the spot pricing and the spot environment the spot portion of the procurement have actually been affected.

Rahul Gajare: Therefore, do you normally have a higher inventory during this quarter to tied over the crisis?

Kushal Desai: We would have liked to have more inventories than we have at the moment. If building of the inventory has been difficult because of the availability of products, but we believe that we should be able to tie over the situation with reasonably good working even coming for the first quarter of FY'12.

Rahul Gajare: Right sir thanks. Lets take the next question Moderator.

Moderator: Sure. The next question is the follow up from the line of Anand Vyas from Nirmal Bang Securities. Please go ahead.

Anand Vyas: Sir one more question, going forward what we are expecting in volume terms in oil business going forward?

Kushal Desai: This year our target is to grow the overall volume by over 10% with transformer oil volumes again growing at over 15%.

Anand Vyas: In FY'13?

Kushal Desai: In FY'13 also we would have a similar target of growth of about 13%-15% in our oil business in volume term.

Anand Vyas: You told about the 50 % growth in transformer oil business. What was in FY'11?

Kushal Desai: In FY'11, the transformer oil business grew by 22%.

Anand Vyas: So can we share the volume path?

Kushal Desai: I think we would restrict ourselves to that percentage increase, which is about 22% in terms of volume over the previous year.

Anand Vyas: I have one last question from my side, sir could you show some light on the CapEx plan that you have got and our plans in Orissa.

Kushal Desai: Actually our CapEx plan in total is about 85 Crores, which is spread across the oil business, conductor business and the cable business. As far the Orissa project is concerned we have identified land and have placed orders on some other long lead item machinery. So we expect production of the to starts by the end of FY'12, early FY'13.

Anand Vyas: What would be the break down of 85 Crores in terms of your three segments that you mentioned?

Kushal Desai: Our oil business is approximately 15 Crores. The cable business with new projects coming up on this electron beam curing is about 35 Crores and 40 Crores is likely to go into the conductor business including for the new plant coming up in Orissa.

Anand Vyas: Thank you Sir.

Moderator: Thank you. The next question is from the line of Sudhir Swami from Nova Star Fund. Please go ahead.

Sudhir Swami: Hi good morning. Just wanted to know the competitive landscape on the transformer and specialty oil segments?

Kushal Desai: Our competitive landscape, it varies across the product range. In terms of transformer oil our main competition is from Savitha Oil Technology and followed by Raj Lubricants. As far as the white oil and pharmaceutical oil is concerned the largest player in that category in India is Savita Oil and we along with couple of others as the second largest players though we export more products then we sell domestic in that particular segment. When you come to the industrial and automotive products is basically we have to compete against Castrol and some of the other MNCs, which are Shell and Total Elf Valvoline and then you have large public sector companies that would include IOC, HPC etc. As far as rubber process oil is concerned our competition is again largely with PSU companies such really IOC and HPC.

Sudhir Swami: For which one.

Kushal Desai: For our rubber process oil.

Sudhir Swami: Thank you.

Moderator: Thank you. The next question is from the line of Rishi Goswami from the Locus investments. Please go ahead.

Rishi Goswami: Hi good morning. Just couple of questions, one on if you could tell us about what the DEPB withdrawal impact is going to be on your numbers now?

Kushal Desai: Can you come again?

Rishi Goswami: I just wanted to understand if this is going to be any impact with the DEPB withdrawal that have been proposed now?

Kushal Desai: Actually we factor into our operating plans this year the withdrawal of DEPB taking place, so we have not really factored in additional DEPB margins in our projection for FY'12, when you look at importing on the DEEC versus DEPB, there is a benefit of approximately on 1.5% to 2%, but in the projection, which we have given, we have assumed that DEPB will not get extended beyond June 30, 2011.

Rishi Goswami: Let us put it this way what was the benefit that you received in FY'11 in terms of your consolidated EBITDA how much would that have been?

Kushal Desai: About 3 Crores, in our oil business, the DEPB has no impact at all. It is only on the conductor side where you know there is a benefit on the DEPB versus DEEC.

Rishi Goswami: So the conductor margin that you are assuming of about 5% for next year that already factors in the DEPB?

Kushal Desai: It already factors in the DEPB scheme having a sunset on the June 30.

Rishi Goswami: Thank you and just one more question on your order book volume in terms of so what is the total volume of order book that you having the conductor space?

Kushal Desai: Conductors order book volume is about 1260 Crores.

Rishi Goswami: That is the value right?

Kushal Desai: Yes.

Rishi Goswami: I was just asking about in terms of volume the metric tonnes that you have?

Kushal Desai: I unfortunately do not have that number handy with me.

Rishi Goswami: Sure, not a problem and what percentage of this order book is purely for exports?

Kushal Desai: It is about little over 20%.

Rishi Goswami: Thanks and just one last question on how much volume did you do in AGIP this year?

Kushal Desai: Our AGIP volume this year was approximately 13 million liters and actually in the previous year also the volumes were close to 13 million liters, but we had almost four million liters which was done through the Piaggo network, which was a Piaggo owned brand whereas this year the entire 13 million liters have all been already AGIP brand. This was no carry forward of Piaggo, so that is why the AGIP products volume itself has grown by over 30% as I mentioned earlier 34.7 %.

Rishi Goswami: I did not get the Piaggo thing that you are talking about in the?

Kushal Desai: We had a two-year tie up, which was a part of our global OEM tie up between Piaggo and ENI of Italy, which actually got over in FY'10. So in FY'11 we had to operate the full year without the Piaggo volumes so all of it was based purely on AGIP volumes and to our distribution set up.

Rishi Goswami: So that would not be there again in FY'12?

Kushal Desai: That would not be there in FY'12.

Rishi Goswami: What kind of volume growth expectation you have for this?

Kushal Desai: We are targeting to increase volumes on 13 million to about 16 million.

Rishi Goswami: At similar profitability levels?

Kushal Desai: May be higher profitability levels because the mix of product again is improving with a larger range of synthetic products being sold, which are the higher range it is either runs into some of the high-end commercial vehicles as well as some of the higher end passenger.

Rishi Goswami: Sale that you have in AGIP is it purely through the retail distribution network or some of it is also going into the OEM channel?

Kushal Desai: 85% of it is going through the retail network and 15% of product is being sold actually through industrial distributor or directly through end commercial/industrial users. But all over remaining in the form of distribution none of it is going to really OEM contract it is all market sales.

Rishi Goswami: So the growth that you are expecting here that will be through in terms of just wanted to know drivers so it is going to be retail network expansion?

Kushal Desai: It is actually more penetration through the existing retail network as well as further expanding the retail network.

Rishi Goswami: Currently what would your network be in terms of let us say geographical presence across the country?

Kushal Desai: We have a pan national presence but if you take the concentration of volume the higher volume come from southern states followed by the north and Gujarat particularly in the west. We have a presence in the east and we have also created a presence in the last financial year in the 7 northeast states as well as Jammu and Kashmir. This year we expect volumes to grow and in those areas also, where we introduce our product in the last financial year.

Rishi Goswami: Thanks Kushal.

Moderator: Thank you. The next question is from the line of Anand Raghvendra from Allegro. Please go ahead.

Anand Raghvendra: Good morning Sir, you recently raised 80 Crores new capital right? So how do you plan to utilize this?

Kushal Desai: All over it has been earmarked essentially for the CapEx projects, which we have largely to focus on these CapEx projects so we have about an 85 to 90 Crores CapEx planned and so that is where we intend to deploy it.

Anand Raghvendra: Sir you mentioned that you also gave this split in different business segments? When you see the capacity coming up on production?

Kushal Desai: As far the oil portion is concerned it will happen in FY'12 itself and as far as the conductor business is concerned it is consisting of two parts. One is the Brownfield expansion in Silvassa facility, which will be commissioned in this quarter and the Greenfield we will start seeing production starting up from the end of FY'12 and early FY'13 onwards. The new cable project production will start only in the second half of FY'13.

Anand Raghvendra: Okay so this 85 Crores that it will happen in the next two years?

Kushal Desai: 18 months is bulk of the deployment will take place.

Anand Raghvendra: Is there any capacity utilization number that you have for oil business or conductor business as of now?

Kushal Desai: Our oil business if you take gross capacity utilization it is a little over 70% with this investment of 15 Crores we should be further able to debottleneck that. As far as our conductor business is concerned our gross capacity that we have available is about 135000 tonne before the Orissa expansion takes place and before the Brownfield expansion happens. With the Brownfield we will go to approximately 150000 tonnes with the first phase of Orissa we will have another 30000. We will get 171000 the CapEx is done.

Anand Raghvendra: Current utilization rate Sir?

Kushal Desai: We last year produced 102 and about 120000, which was a place through most of the year. At every stage we are ensuring that we are putting in CapEx ahead of growth. These are timing the growth on the CapEx cycle.

Anand Raghvendra: That is from my side. Thank you.

Moderator: Thank you. As there are no further questions I would now like to hand the floor over to Mr. Rahul Gajare for closing comments.

Rahul Gajare: I would like to thank the management for their time on this conference call and I wish well for the following quarter. Sir would you like to have some closing comments over here?

Kushal Desai: Thank you for being on the call. Just as closing remarks we expect basically as you have been mentioning in our guidance even last year that this year both the conductor and the oil segment should grow in terms of volume particularly in our conductor segment you will see margin expansion takes place in this year, but I think the real benefit on the conductor business will come in FY'13 and FY'14, where we expect margins to go up to closer to the historical levels we have had of 7% to 7.5%. There are few short-term challenges but longer-term scenario continues to remain fairly attractive with lot of CapEx that has been lined up for the power infrastructure. So with that I would like to sign off and thank you once again ladies and gentlemen for being on our call.

Moderator: Thank you. On behalf of Edelweiss Securities Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.