"APL Apollo Tubes Limited Q4 and Full Year FY15 Results Conference Call"

May 12, 2015

MODERATOR: **MR. SALIL UTAGI – SYSTEMATIX INSTITUTIONAL EQUITIES**

MANAGEMENT: **MR. ASHOK GUPTA – MANAGING DIRECTOR, APL APOLLO TUBES LIMITED**
MR. DEEPAK GOYAL – CHIEF FINANCIAL OFFICER APL APOLLO TUBES LIMITED

Moderator: Ladies and Gentlemen, Good Day, and Welcome to the APL Apollo Tubes Limited Q4 and Full Year FY15 Results Conference Call hosted by Systematix Institutional Equities. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Salil Utagi from Systematix Institutional Equities. Thank you and over to you sir.

Salil Utagi: Good afternoon everybody. Welcome to the Q4 and full year FY15 Earnings Call of APL Apollo Tubes Limited. We have here today Mr. Ashok Gupta – Managing Director and Mr. Deepak Goyal – CFO of the company. I now hand over the call to Mr. Deepak Goyal for his opening remarks and then we can take Q&A session. Mr. Goyal, over to you sir.

Deepak Goyal: Hello everyone. Good afternoon to everyone and welcome to the Q4 and FY15 earning call of the APL Apollo Tubes. I hope all of you have received the copy of the Press Release and operational matrix of the performance of the company. In case you have not got it, we request you to write to me at deepakgoyal@aplapollo.com and I will have them sent to you.

Now coming to the performance. I will first talk about the yearly result. The performance of the company was pretty good. This year particularly coming from back of the weak demand environment that industry has been witnessing. We closed the year at about Rs.3,103 crores as compared to Rs.2,497 crores of the last fiscal. Please note that these numbers are net of excise duties and are net sales, this corresponds to a growth of almost 21% year-on-year basis.

Absolute EBITDA increased from Rs.166.6 crores to Rs.186.2 crores which corresponds to 6.2% EBITDA margin. This margin percentage is slightly lesser than last year, but there is an important reason for that. You would all appreciate that price of HR coil, which is the main raw material for our industry has been very volatile this year. The prices have been consistently falling since the beginning of this year. The company carries an inventory of about 30 to 40 days to ensure the smooth operations of the production, and hence the fall in price resulted in inventory carrying loss of about Rs.45 crores and a larger percentage of it happened in the last quarter. If the loss due to the inventory were added back to the margin, we would have been at a much healthy level of profitability this year itself. We believe that the price of HR coil have bottomed out and we do not see this trend repeating for this year for sure.

The highlight of the performance despite the industry trend has been strong volume growth that the company has shown both on the quarter basis and year-on-year basis. The volume growth for the quarter has been over 26% and for the year it is close to about 25%. The demand has been driven by the increased traction for the black and square pipes. We have seen a good demand for export also in this quarter with the same increasing over 29% on year-on-year basis.

On other operating highlights, the company launched color coated pipe for the first time in India with the setting up of a state-of-the-art manufacturing line in its Murbad Plant. We also launched other innovative products like single door frame, double door plane, hand drills, and window L sections during the year. We believe that the same range and innovation of the product that APL Apollo has in its portfolio is one of the main reason that we have been able to buck the trend and a lot of players in the space have been grappling with.

The outlook for the year going forward looks promising and we are confident that our margin revenue will kick in the given the worst of the past is behind us. With this, I would like to hand over to Mr. Ashok Gupta, our Managing Director who will speak about the company performance before we start for the Q&A.

Ashok Gupta: Yes, so I was saying that we are happy that we have been able to continue our march and we have been able to get 25% growth, but there was a small set back, the set back by way of prices. If the setback was not there we would definitely achieved what we have always been promising you, we have been telling you that our margins would improve and this year really the margins were improving but for the stock loss. Going forward, we have done much more hard work now, we are trying to even take care of the eventuality then some problems can occur on the way and we're taking steps to ensure that even if the problems come margins will go. So we hope that despite any other setbacks that we may have this year, the margins should be more than 7.5% to 8%, we are planning more on 8% this year, and we are very hopeful that we will achieve it.

Having said that, I'll welcome your questions on any aspect.

Moderator: Thank you very much sir. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Giriraj Daga from Insync Capital. Please go ahead.

Giriraj Daga: Sir, my first question is like, what was the inventory loss in the quarter four?

Ashok Gupta: It was around 19 crores Giriraj, actually the prices are coming down continuously but fall was maximum in last quarter. So out of around Rs.50 crores around 20 crores came only in last quarter.

Giriraj Daga: Out of 50, 20 crores came from last quarter, okay. And if I have to, you are guiding about margin improving to 7.5 or is that more than 8% we will achieve in FY16, so where is this confidence coming from, what had changed in the last basically six months guiding 8% plus margin for FY16?

Ashok Gupta: See, if I exclude that stock loss of 50 crores, my margins for this year would have been around 7.4% to 7.5%. So already I am nearing that level. Plus, in addition to that I am continuously to trying to improve my margins, so let us say there is slight reduction and also the prices being low the base level also goes down. So the effect of three things, that is A) no further stock loss hopefully; B) my operational efficiency efforts and C) lower base. If I combine all the three then it's actually already coming more than 8%.

Giriraj Daga: Okay. And so per ton it would be more or less similar compared to this year per ton wise?

Ashok Gupta: Per ton wise, I am trying, Rs 100-200 improvement, but I'm not taking that into account in my calculations.

Giriraj Daga: Okay. In terms of our volume guidance, are we sticking with 8.5 like kind of a volume number?

Ashok Gupta: Oh yes, we have planned 894, we have to cross it, we have no room for any failures.

Giriraj Daga: Okay, so 894. And now we have also acquired one unit, so are we done with our capacity of going up to 1.05 million ton, so is there any CAPEX in the offing?

Ashok Gupta: Now , the increase which has taken place from last time it is 8.5 lakhs to around 10.5 lakhs now, see 8 to 10.5 has taken place not by acquisition of any unit per say, this is mostly from organic development and mostly, but for a small parcel which we have used of existing land it is all brownfield. So there is no significant acquisition at all. Going forward, we are again investing in our current facilities, we are not doing an acquisition and we are not going to do any Greenfield in this year. We have plans investing around 100 crores in FY16 and perhaps another 100 crores in FY17, capacity to go up to around 12 lakh tons by the end of this year and further let us see how much by FY17. So growth will not be stopped so long as we are able to sell whatever we are producing, we will continue to grow.

Giriraj Daga: So we will be investing 100 crores in both the years, FY16 as well as FY17?

Ashok Gupta: Yes, it is certain for this year, for next year it might be a little early, tentatively it is there.

Giriraj Daga: And this 100 crores investment will take our capacity to 1.2 million ton?

Ashok Gupta: About, yes.

Giriraj Daga: Okay. And mostly our CAPEX will also be towards the pipe sector only, we are not looking to go…?

Ashok Gupta: As of now pipe sector only basically, we have introduced some new products within pipe itself, like we have introduced door frames, window frames and have also introduced wielding rods. So within pipe itself we are doing almost all the work, there is no diversification plan as of now.

Giriraj Daga: Okay. So that will lead to our margin expansion going forward also?

Ashok Gupta: Yes, see for these products the margin is better, but what happens is you may not get very high volumes in this. So overall impact maybe limited.

Moderator: Thank you. Our next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Sir, wanted to know a little bit of macro commentary from you, you are talking about demand, everybody is talking about that demand is not picking up, but many companies have now started talking about that it's just a matter of time, in fact some companies are saying within three to six months, I mean one to two quarters we'll see good demand. And in last two con-calls you had given a commentary that there was a demand of restocking, but what you think in that channel that is the actual demand, real demand is picking up or not?

Ashok Gupta: Thank you. Actually I'll tell you what happens, we have three factors working for us, first factor is that demand itself grows, demand grows when infrastructure grows, demand grows when private income grows, and demand grows when households start spending. Our product that is steel pipes is dependent on both infrastructure spending by the government as well as household spending on their own constructions that is growing. Our second factor, which impacts us is the market share we are able to get from others. So what happens, because of unorganized market not able to compete, so that demand is coming to us. And also as you know we have very strong distribution network and very big campaign for branding, so these are helping us in taking market share from others, that's where the demand is coming from for us. Thirdly what is happening is, for steel pipe is also something on a substitution, substitution for wood, substitute for cement. So there is a natural demand increase by way of economic growth which is very limited, maybe around 5% to 7%. And the third is, the market share we are able to garner. So we are confident about the 25% growth target for the coming year.

Agastya Dave: Okay, I understand sir. Sir, you just said that we could have got 7.4% margin if inventory losses would not have been there, so here you are talking about EBITDA margins or operating margins sir?

Ashok Gupta: EBITDA margin. What happens because of EBITDA margins, our turnover is around 33,000 plus. Now our stock loss is 50 crores. I cannot really say whether it could have been 1% 1.5%, it could have been in that range, because 50 crores by 3000 is more than 1%. So hopefully, we can never say whether prices would be going up or not going up or going down or not going down would have been helpful. But one very simple mathematical formula is saying that the EBITDA margin would have been better by around 1% to 1.5%.

Agastya Dave: Okay. And sir, last question from my side then I'll go back in the queue. Sir, have you reclassified something in the P&L, my numbers are a bit here and there, the total numbers are adding up in terms of total expenses. But I was just wondering has some line item been reclassified?

Deepak Goyal: Yes. This year we have, sales are net of the outward freight, we rearranged the figures of last year also.

Agastya Dave: Okay. So sir till when will this annual report will come and, I will have to balance everything because individual cost items have moved quite a bit, the numbers kind of add up but there is a gross number which I cannot really figure out.

Ashok Gupta: Within 40 days our Annual Report will be available, we have already given for printing, it will take 40 days.

Agastya Dave: Okay. So that is the only reclassification, right?

Deepak Goyal: Yes.

Moderator: Thank you. Our next question is from the line of Devrat Mata from Fidelity. Please go ahead.

Devrat Mata: I just wanted to know, first and foremost, what was your volume number for this quarter, the blended overall volume number for the full year and for the quarter?

Ashok Gupta: You see, our volume number for the whole year was around 6.8 lakhs. And I think for the quarter was around 180,000.

Devrat Mata: Okay. So basically on a blended basis you all have done an EBITDA per ton of, for the full year you've done EBITDA per ton of about Rs.2,700. So going forward how should we think about, I mean the way to think about your business is probably it's more like a converter where you all convert it into the pipes. So going forward how should we think about this EBITDA per ton and what will drive an improvement here?

Ashok Gupta: You see, normally we target an EBITDA of around 3500,that is our normal target. We look for EBITDA from 3500 and if you see into the stock loss, then you see the EBITDA would have been very close to this figure or maybe even more to this figure.

Devrat Mata: Yes, it was about 3400 then.

Ashok Gupta: Yes, normally that is what we are targeting, it will be slightly lower, slightly less depending on the market sentiment and some of the other factors. And going forward, every now and then we try to inch it slightly higher. So 3500 will be 3600, 3700, we hope to achieve it. And even if we don't achieve 3600, 3700 definitely we will cross 3500 because we have done so many activities, some of the activities which are giving us this EBITDA confidence to crack this EBITDA is the branding. So in branding we are going from village to village, we are going from town to town and we are talking to the people who are using our pipe, for example the farmers, for example the fabricator, these are our target audience. And this is giving us wonderful results, beyond our expectation. We never believed that just a small meeting with fabricators or a small meeting with farmers can translate into such a big loyalty. So this is what is helping us to ensure, see, currently we started this exercise only six months back, so we cannot show up in terms of the margin results. But what you are seeing on the ground is that people wherever we have gone and we cannot cover whole India in one year, it may take us four five years to cover the country, but whichever district we have covered, whichever towns we have covered we're getting good response and this is permanent because once we create loyalty it stays. The farmer and the fabricator, they are not the rich people, they don't change their loyalty very fast. Our focus is on farmers, on fabricators and small traders, small dealers. These are the things which are helping us in ensuring, that's why you see the whole country is passing through difficult phase, business passing through difficult phase but we are ensuring that our Rs.3,500 EBITDA and our growth is maintained. Even in this year, that is current year also almost our trend is same.

Devrat Mata: Sure. And one more question was, can you tell us what is your exact capacity now, how is that changing over the next two three years and how should we think about volume growth going forward?

Ashok Gupta: See, last year our capacity was around 8.5 lakhs, we had spent some money last year so capacity has gone up between 10-10.5 lakhs. Now what we are planning is that normally we are able to use 80% - 85% capacity because of different dimensions and all that, we have kept our target that we will grow every year at least 25%. Our capacity also has to go, if I have to grow 25% capacity has to grow proportionately. So this year I am spending 100 crores to make it around a 1 lakh, next year again I am planning to spend 100 crores so that it goes to 14 lakhs. I don't see a visibility for more than 2 years now, 2 years I think is good enough time, more than that it will be difficult for me to project now.

Devrat Mata: Okay fine. So CAPEX for FY16 and FY17 would be roughly 100 crores plus whatever maintenance CAPEX you have?

Ashok Gupta: Maintenance is very less than 15 crores.

Devrat Mata: So basically about 120 odd crores every year for FY16 and FY17?

Ashok Gupta: Yes.

Devrat Mata: And correspondingly 200,000 tons will be added every year to your capacity.

Ashok Gupta: Yes, yes both.

Moderator: Thank you. Our next question is from the line of Ankush Mahajan from Edelweiss. Please go ahead.

Ankush Mahajan: Just wanted to check, what would be the working capital requirement for this full year sir FY16?

Ashok Gupta: See, typically we have a working capital cycle of two months.

Ankush Mahajan: Two months, 60 days?

Ashok Gupta: Yes, 60 days. So if I am trying to increase my production, my sales rather by around 1.6 lakhs this year, this will mean an additional turn or around 700 crores which would be in fact would mean that my working capital will go up by around 100 crores. So my working capital requirement goes up around 100 crores, now some of it I will try to control by having lower increase in our stocks, but still my working capital requirement as a whole will increase by 80-100 crores.

Ankush Mahajan: So sir I just wanted to check one thing, since our EBITDA is 186 crores and 120 crores CAPEX and 80 crores to 100 crores working capital, so that can increase this year?

Ashok Gupta: See, fund requirement would be of the order of around say 100 crores for fixed assets and the 70-80 crores for 180 crores. My EBITDA next year should be, if I take even 8%, 9%, it should be of the order of, I think if you calculate out of 3700-4000; 8% is around close to 300. I think I don't see much of a requirement for additional loan, additional loan may be only 40-50 crores, rest all we will be manage with our internal accruals.

Moderator: Thank you. Our next question is from the line of Megha Hariramani from Pi Square Management. Please go ahead.

Megha Hariramani: My question is regarding the exports, currently we are at 3.3%, what is your export target for next two years if you can just guide us on that.

Ashok Gupta: Exports, have not been increasing in the same way as we had planned broadly because Europe is having problem, Europe is one of our big markets. So what we have done now, we have started exports to Australia, Australia as you know is a very big consuming destination for steel pipes and recently last month you might have heard that we have launched color coated pipe, the reason is that in Australia all the square and rectangle which are used are color coated, they don't take anything uncoated. So we have bought a facility and this facility should help us in increasing our exports to Australia. Plus, also we will be focusing on some more in Middle East, Middle East is again one market which we only tapped last year, we have got very good results, this year we will be increasing our presence. Going forward, we are targeting that at least 5% of our turnover should come from exports.

Megha Hariramani: How much, sorry?

Ashok Gupta: 5% of turnover, that means out of 8.4 lakhs at least 42,000 should come from exports.

Megha Hariramani: Okay. And the current 3.3% has all come from Australia for the color coated?

Ashok Gupta: No, Australia is nothing, Australia we started only in the month of May, first consignment has gone only one week back. They are very happy with our product, the customer came to our place before dispatch, they saw the quality, they were very happy with it, and they have already said that they will book 50% capacity directly. And if we get one or two more such customers, actually I had feeling that this year we will be crossing 50 crores.

Megha Hariramani: Okay. And on the GST part sir, how much of margin improvement will we see if GST will come in play, I mean it's of course going to be there, so any improvement on that front if GST can help?

Ashok Gupta: Two things it will help us – margin improvement will be marginal because even today we pay CST significantly, our payment of CST is not even on 20% of our sales. However, it will help us in making the business convenient. Today there are so many hiccups, when we supply material from one state to another state there is a problem of whether that person can further sell it or he has to sell within a state and then there is also a problem of CST form and so many formalities. The sales will get elevated. If GST comes, flow will be easy, I will definitely do some saving, it may be 0.25%, it maybe 0.5% that I have to see if it comes the way it comes. But more important than that, my freight will be easier, business will be convenient.

Megha Hariramani: Okay. And as we understand, your majority of the portion comes from infrastructure, the growth that you see. Any other sector that you are currently mainly focused on or you would like to focus going forward?

Ashok Gupta: Yes. Actually in addition to infrastructure, household sector is a big user of our goods plus the new power plant, the solar energy, the wind energy, the green houses, these are new sectors which are opening up. So these are the new applications which are developing, which are giving us much more growth.

Megha Hariramani: Sir this was present in last year as well?

Ashok Gupta: Last year, it was present but because these are new sectors growth is faster and of course we are getting benefitted because of that.

Megha Hariramani: So if you can give a breakup, revenue wise how much each sector contributes infra, power?

Ashok Gupta: Not much. See what happens, in our industry each sector contributes less than 2% to 3% of our total revenue, so a growth in any sector does not impact us significantly, neither the de-growth.

For example solar sector, the solar sector goes double, my business may increase only by 0.5% or 1% because of the robustness the pipes are going in solar sector only 1% to 2% of my total place.

Megha Hariramani: Okay. And how about automobiles?

Ashok Gupta: Automobile, my sale is limited. In automobile my sale may not be even more than 2% of my total sales. So here again any change will not have any significant impact on us.

Megha Hariramani: So it's all on infrastructure?

Ashok Gupta: Infrastructure and household sector, these are the two main sectors.

Megha Hariramani: Okay. So how much does each of them contribute?

Ashok Gupta: You see, of my total sales around 80% goes through distributor and around 10% - 15% goes to large projects like metros, like firefighting, out of that 80% around 30% to 35% goes for household sector, another 30% goes for infrastructure sector and balance 20%, 25% would be for miscellaneous things like commercial ads and all that.

Moderator: Thank you. Our next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Sir, you mentioned Rs.3500 per ton EBITDA margin targets, sir I wanted a little bit of breakup because what I was projecting and what I was estimating you have saved quite a lot on the employee cost. Earlier your employee cost used to rise fairly substantially from 2010 to 2013 when your volume was going up massively, so this time around there has been at least for what I was thinking that you will do your save quite a lot. So I was just wondering sir, instead of giving that Rs.3500 EBITDA per ton number, can you take us through the gross profit per ton and then the other fixed line items and what kind of savings we can see, because I guess the 8% margin will be achieved through operating leverage also, right?

Ashok Gupta: There is an EBITDA target we have, in addition to that our normal expenditure on manufacturing is on an average about Rs.2000 per ton, it varies from Rs.1500 to Rs.2200 depending on the product, depending on the plant, but another you can say is around Rs.1800 to Rs.2000.

Agastya Dave: This is included in employee cost?

Ashok Gupta: No. Now so far as the employee cost is concerned because we are doing brownfield expansion now, so last year the addition to the employee was limited, we did not increase number of hires very much and because of that our per ton expenses have come down for employees.

Agastya Dave: So will this continue for the subsequent capacity expansion and then utilization till 1.4 million?

Ashok Gupta: See, the per ton cost of whether it is employee or total will not vary much. Now as I told you my per ton cost varies between 1800 to 2000 and even if I increase my volume, the benefit may not come to more than Rs.100 to Rs.150 per ton. A marginal impact will come even if I increase the capacities.

Moderator: Thank you. Our next question is from the line of Salil Utagi from Systematix. Please go ahead.

Salil Utagi: Sir, can you tell us about the new product that you have launched in the last few months like color coated pipes or door frames, how has been the response especially in urban areas or rural areas, can you elaborate on this?

Ashok Gupta: Yes. You see, couple of months back, we launched door frames, both single door frame and double door frame, a product which was totally new to the industry and new to us, it took some time for the market to understand it and picked up as you know we have mentioned last time also that we got design patented for this. Now, the product has stabilized, three months we are producing around 500 to 600 tons so volumes have started coming in. And we hope that in days to come our volumes will reach around 1500 per month level in another one year, one and half years. Similarly, we have now launched window frames that of course are yet to stabilize, railings again it will take some time, color coated pipes we launched only last month, but here again the response is faster, as I mentioned that Australia has already agreed to pick up a lot of quantity, some architects have also shown interest, but it will be another six months to one year before we know the real results. So in short, I must say that whatever products we have launched, we have got good results in those and good results in color coated pipes, other products are still picking up.

Salil Utagi: Okay. Sir and what about the traditional business of the water transportation, means is it stable or reducing now?

Ashok Gupta: Water transportation business is stable, there is not much happening there by way of either increase or decrease. And so our volumes are almost growing slowly there, we are now trying to work on a strategy to focus on firefighting segment. So this year in traditional business water transportation, our focus will be on water transportation for the firefighting purposes, there we hope to see an improvement. Other than that, the growth of around 4% to 5% is only what we are achieving in that segment.

Moderator: Thank you. Our next question is from the line of Megha Hariramani from Pi Square Management. Please go ahead.

Megha Hariramani: Sir I just wanted to know about the debt that we currently have on the books and are we planning to raise it further next year onwards?

Ashok Gupta: You know, we are scared of debt, so we don't want to raise it further. Maybe we'll need some of working capital slightly, 40 crores 50 crores or so but in general there is no need for a long-term debt per se, and even working capital requirement which will go up around 80 crores to 100 crores, part of it we will finance through internal accruals and maybe small quantum may have to be taken from outside. Otherwise, the debt level may not change much.

Megha Hariramani: And what is the current on the books now?

Ashok Gupta: I think Deepak, can you answer it?

Deepak Goyal: Current short-term borrowings will be 292 crores and long-term borrowings is 141 crores.

Megha Hariramani: Short-term is 292 and long-term is 141?

Ashok Gupta: Yes.

Moderator: Thank you. Our next question is from the line of Ankit Gupta from Christensen. Please go ahead.

Ankit Gupta: Yes. I just wanted to check, where do you see the prices, the selling prices going forward for our product?

Ashok Gupta: Yes. See, our prices are closely related to the steel prices, the steel price of HR coil. For last one year they have been following internationally and to also in India. Currently, I think the room for further fall is not much, still I feel the prices may go around in the short run by around 1% or 2%, but later half of the year I think they will again have a U-turn and will go back. So my expectation is that in next one or two months there will maybe direction of 1% or 2%, but by the end of the year they will increase by at least 3% to 4%.

Ankit Gupta: Okay. And sir are we targeting any new geographies?

Ashok Gupta: We are looking at Eastern India, we are not there in Eastern India at all till now. So we are making a small beginning this month by finding out if we can do some marketing in East India. So maybe small beginning will be there but not a major change will take place. Our territory is currently is only Southern India, Northern, and West India, that will continue. Our focus will be on further penetration in the eastern markets, we are by way of new markets within the country it is only slightly Eastern India. Internationally, Australia is going to become a big market for us.

Moderator: Thank you. Our next question is from the line of Ujwal Shah from Quest Investments. Please go ahead.

Ujwal Shah: Just wanted to understand the rural psyche, you said you have been meeting a lot of farmers and people down there and we all know how the situation for them currently is. So when the pockets are so light on the farmers' side, what kind of marketing strategies are we adopting to further penetrate in this segment, and in general are we seeing the pain that all other companies are also seeing on the rural side? What is your take on it sir?

Ashok Gupta: You see we supply two type of products, one is a hollow section which are square and rectangle. Other is the round pipe which are used for irrigation purposes also. Now, even though there are lot of hardships being faced by the farmers, but that is more or so in pockets particularly in the northern and the central India, and I think there is a lot of adaptability and the courage shown by the farmers. And you see when it comes to their main profession that is farming, they try to at times even go beyond their means and try to do the right kind of investments. And our pipe is required only when they want to invest in the underground boring. So the business of underground boring has slightly reduced, but it has not drastically come down. Our attempt is that today whatever business is there, we want to increase our market share. To increase our market share we are communicating more with them. So suppose they are having a business x, and our market share was let us say 10%, 5%, we are only trying to make sure that we can increase it from 5%to 6% to 7%, for that we are increasing the communication. As so far as demand is concerned, demand for steel pipe for irrigation purposes had come down slightly because of the unseasonal rains, but again, since the rains have stopped, so I think again the demand is slowly picking up. Currently, the demand is at the normal level what it used to be in this season and hopefully we will be able to increase our market share marginally in this sector.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Ashok Gupta for his closing comments.

Ashok Gupta: Okay. I must thank you for your patience and for time given. I just want to assure that things are good.

Moderator: Mr. Salil Utagi, would you like to add any closing comments.

Salil Utagi: Thanks Mr. Gupta, thanks Mr. Goyal for coming on this call. Thanks everyone.

Moderator: Thank you very much sir. Thank you very much members of the management. Ladies and Gentlemen, on behalf of Systematix Institutional Equities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.