V-Guard Industries Y 2012 Earnings Call 31 May'12

Operator

Good afternoon, ladies and gentlemen. I am Daniel, moderator for this conference. Welcome to the conference call of V-Guard Industries hosted by IDBI. At this moment all participants are in listen-only-mode. Later we will conduct a question-and-answer session. Please note, this conference is recorded. I would now like to handover the floor to Mr. Arun Baid from IDBI Capital. Go ahead, sir.

Arun Baid

Good afternoon, ladies and gentlemen. On behalf of IDBI Capital, I welcome you all at the post results con-call V-Guard Industries for the quarter ended March 2012.

Today we have with us from the management side, Mr. Mithun who is the Managing Director and Mr. Jacob who is the CFO. I request Mr. Mithun to give his opening remarks and then the floor will be open for question-and-answers. Over to you, Mithun.

Mithun K Chittilappilly, Executive Director

Thank you, Arun. Good afternoon and thank you very much for taking time in participating in this post results analyst con-call of V-Guard Industries. We had an exceptional year and quarter with the robust top line and bottom line growth. For the full financial year, our net sales have grown by 37% to 993 crores and PAT has grown by 28% to 50.08 crores.
For the quarter, for the Q4 net sales have grown by 25% to 277 crores and PAT has grown by 17% to 19.17 crores. We're also happy to announce that despite an inflationary environment and macroeconomic concerns, we have been able to improve our EBITDA margins. This has been mainly driven by improved product mix, price hikes across product verticals, deduction and discounts offered to the trade and cost controlling and value engineering activities to bring down the overall cost of production on almost all products.

If you look at the product wise sales growth, almost all products have done well. Stabilizer has grown by 15%, wires have grown by 15%, pump has grown by 12%, water heater sales have grown by 28%, UPS and battery segment that is the inverter segment has grown by 260%. Electric fans has grown only by 4% and solar water heater sales has also been flat at 4%. This has contributed to an overall sales growth of 24% for the quarter.

If you look at the geographical spread of turnover for the whole year, then the non-South market has grown by 40% to 227 crores and the South markets have grown by 38% to 517 crores. The reason for slowdown in the non-South has been mainly due to adverse climatic conditions - sales of air conditioners, stabilizer, pumps and electric fans, which not remain moving products in this particular sales. The extended winter and rains have also been - of sales growth in most of the non-South sales.

Having said that, we have focusing on making these branches profitable and going forward we expect in the next year most of these branches will be profitable at the net level even after absorbing all the promotional expenses. On the working capital front, we have made significant improvements in the operational efficiency.

We have been able to reduce our working capital to 74 days in Q4 that is the working capital cycle that is the cash conversion cycle to 74 days in Q4 when compared with last year's Q4 when it was 93 days. This has been mainly achieved by reduction in inventory and also sundry debtors and also negotiating better terms - applied and thereby improving the number of payable days.

So thank you once again for participating in this conference call. And my CFO, Mr. Jacob and I am here to answer any questions you might have. Over to you Daniel.

Questions And Answers

Operator

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. [Operator Instructions]. Our first question comes from Jagadishwar Pasunoori from Karvy Stock Broking.

Jagadishwar Pasunoori

Hello, Mr. Mithun.

Mithun K Chittilappilly, Executive Director

Hello.

Jagadishwar Pasunoori

Congratulations on a good set of numbers. Just a bookkeeping question. You said like growth rates, these are the quarterly growth rates, right?
Growth rates for the sales, yes, these are other growth rates, yes.

Jagadishwar Pasunoori

Adding something that would be great.

Mithun K Chittilappilly, Executive Director

Excuse me, any comment please?

Jagadishwar Pasunoori

Hello?

Mithun K Chittilappilly, Executive Director

Yeah, please repeat the question.

Jagadishwar Pasunoori

Can you please repeat these growth rates as... and if you can give us some EBITDA margins by products for Q4, that would be great?

Mithun K Chittilappilly, Executive Director

Yeah so, I will just first go through the sales growth rates.

Jagadishwar Pasunoori

Yes.

Mithun K Chittilappilly, Executive Director

So, growth rate for stabilizer has been 15% sales growth.

Jagadishwar Pasunoori

Okay.

Mithun K Chittilappilly, Executive Director

Wires has been 15%, pump has been 12%.
Okay.

Mithun K Chittilappilly, Executive Director

The water heater 28%. UPS systems 83%.

Jagadishwar Pasunoori

Okay.

Mithun K Chittilappilly, Executive Director

Inverters and batteries 260%.

Jagadishwar Pasunoori

Okay.

Mithun K Chittilappilly, Executive Director

Electric fans 7%.

Jagadishwar Pasunoori

7?

Mithun K Chittilappilly, Executive Director

7.

Jagadishwar Pasunoori

Yes.

Mithun K Chittilappilly, Executive Director

Solar water heaters 4% and the overall growth was 24% for the quarter.

Jagadishwar Pasunoori

Okay. And can you please provide the EBITDA margins also?
Yeah. The EBITDA margin for stabilizer is 18% for Q4 vis-à-vis 13.88% last year. The pump EBITDA margin is about 9%, vis-à-vis about 4% last year. The wires EBITDA is about 8.2%, vis-à-vis 8.3% last year. The LT cables EBITDA is about 12%, vis-à-vis negative 6.71% last year.

Jagadishwar Pasunoori

Okay.

Mithun K Chittilappilly, Executive Director

Electric water heater EBITDA is about 10.5%, vis-à-vis 11.5% last year. Solar water heater is 6%, vis-à-vis 12% last year. UPS segment EBITDA is 12.5%, vis-à-vis 14.6% last year and electric fan is 5%, vis-à-vis negative 3% last year.

Jagadishwar Pasunoori

Okay.

Mithun K Chittilappilly, Executive Director

And digital UPS that is inverter segment EBITDA 16%, vis-à-vis 5.6% last year. Overall EBITDA is 12.26%, vis-à-vis 10.68% last year.

Jagadishwar Pasunoori

Okay. 12.2%, right?

Mithun K Chittilappilly, Executive Director

Yes.

Jagadishwar Pasunoori

Okay, sir. I see some improvement in some of the products like LT cables and other stuff. So is it like you foresee like these improved margins are going to be maintained going forward or is it like it's one off thing in Q4?

Mithun K Chittilappilly, Executive Director

I think this 12.26% margins what we've achieved slightly on the higher side that has also been driven by some increases -- decreases in discounts given to the trades and also decreases in advertisement and promotion spend. But I think we can not go on by reducing the advertisement and promotional spend for every quarter, but on the whole year for the current we are projecting an EBITDA of 10% I think which is achievable.

Jagadishwar Pasunoori

Okay, okay. And I see some your long-term loans going up year-over-year and short-term loan going down year-over-year and overall I think your loans went down it looks like. Can you tell me like, you have reduced these loans just because of the working capital reduction or any other reasons?

Mithun K Chittilappilly, Executive Director

Yeah, mainly the reduction in loans has become has been due to the improvement in cash conversion cycle. So our cash conversion cycle last year for Q4 was 93 days, whereas in the current year Q4 when we're looking at it, is only 75 days. So there has been roughly about 20 days reduction in the cash conversion cycle. So the working capital drawings have come down. We were having an average drawing of 140 crores, 145 crores last year, which has come down to over 130 crores in the current year. So, we have managed to bring down our working capital bank drawing by improving the cash conversion cycle.

Jagadishwar Pasunoori

Okay, okay. That's great, that's great. So, is it going forward we can expect these 75 days to be continued or are going to be any improvements or was this an exception in Q4?

Mithun K Chittilappilly, Executive Director

We are targeting at least five days improvement in -- five to six days improvement in every quarter in the coming three of quarters. We will do that by better management of inventories and debtors and also negotiating better terms with our suppliers. So, I think at least 10 to 12 more days of improvement is possible from the figure by the time we reach the end of the current year.

Jagadishwar Pasunoori

Okay. So, if I -- is it to safe say that you made free cash flows in FY12?

Jacob Kuruvilla, Chief Financial Officer

Yeah we had free cash flows during during the year.

Jagadishwar Pasunoori

I am sorry I didn't get you.

Jacob Kuruvilla, Chief Financial Officer

Yeah we had free cash flows, yes.

Jagadishwar Pasunoori

Okay sir. That's it from me now and if I've questions I'll come back.
Yeah sure.

Operator

Thank you sir. The next question comes from the Rajeev Agarwal from SKS Capital.

Rajeev Agarwal

Sir, can you give me the -- like you have given the quarterly rates for various products. Can you give me the yearly growth rate --?

Mithun K Chittilappilly, Executive Director

Yearly growth rate on all the products, right?

Rajeev Agarwal

Yeah.

Mithun K Chittilappilly, Executive Director

Okay. One minute. Yes, the yearly growth rate is -- I have wires that have grown by 36%.

Rajeev Agarwal

Wire, 73%?

Mithun K Chittilappilly, Executive Director

No, 36%.

Rajeev Agarwal

Pardon?

Mithun K Chittilappilly, Executive Director

36.

Rajeev Agarwal

Wire 36%, right?
And stabilizers, 20%.

Rajeev Agarwal

Stabilizers 20%.

Mithun K Chittilappilly, Executive Director

Pump, 23%

Rajeev Agarwal

Okay.

Mithun K Chittilappilly, Executive Director

LT cable, 40%.

Rajeev Agarwal

LT cable, 40%.

Mithun K Chittilappilly, Executive Director

Electric water heater, 44%.

Rajeev Agarwal

Electric water heater, 44%.

Mithun K Chittilappilly, Executive Director

Solar water heater, 20%.

Rajeev Agarwal

Solar water heater, 20%.

Mithun K Chittilappilly, Executive Director

UPS systems, 55%.

UPS systems, 55%.

Mithun K Chittilappilly, Executive Director

Inverter and battery systems, 333%.

Rajeev Agarwal

Inverters and batteries, 333%?

Mithun K Chittilappilly, Executive Director

Yes. Electric fans, 20%.

Rajeev Agarwal

Electric fans, 20%.

Mithun K Chittilappilly, Executive Director

Totally, the overall growth is 27%.

Rajeev Agarwal

Okay, okay overall growth --. And sir, second question is regarding this raw material, when I see the raw material on a Y-o-Y basis the absolute number has come down, so what has been the reason cost of raw material consumed?

Mithun K Chittilappilly, Executive Director

I think you are looking at the manufacturing goods data, where there is the consumption of raw material, right?

Rajeev Agarwal

Yeah. Expenses, cost of material consumed on a Y-o-Y basis it has come down, on a quarterly basis it is flat 70 crore figure?

Mithun K Chittilappilly, Executive Director

One minute. Yeah, on cost of -- COGS --. Our cost for Q4 is 72.49% and last year Q4 we had a cost of 74%, so there has been almost 2% reduction and 1.5% reduction in cost. Our business -- so I think that is the overall picture, maybe I think you are talking about the -- I think probably it is due to the fact that the prices of let's say copper and other items which have managed manufacturing of wires which is a main component of manufactured items, have probably remained flat or slightly in the Y-o-Y figure. So, it's probably the reason. I'm actually -- I actually didn't understand the question.

Rajeev Agarwal

No. Actually what I'm saying that, when I'm looking at the quarterly results, in expenses there is a cost of material consumes, 70 crore figure which is almost Y-o-Y and sequentially also it is near about the same, that's what I'm asking.

Mithun K Chittilappilly, Executive Director

Okay.

Rajeev Agarwal

Okay, I got it. Because of the -- mainly because of the copper thing, right?

Mithun K Chittilappilly, Executive Director

Yeah. Cost of the material consumed, yes. It's totally fine.

Rajeev Agarwal

Okay.

Mithun K Chittilappilly, Executive Director

Okay fine. Okay, you are saying that --. Okay. So -- yes, Y-o-Y there is a reduction from 71 crores to 70 crores, right?

Rajeev Agarwal

Yeah.

Mithun K Chittilappilly, Executive Director

So that, cost of materials consumed like I mentioned that is mainly due to the reduction in prices of copper and aluminum, which are the main components of this particular item.

Rajeev Agarwal

Okay. So how much cost reduction we are seeing in these two materials?

Mithun K Chittilappilly, Executive Director

I don't have the figure with me right now. The issue is that we manufacture only 40% of the total production in-house, only that is reflected here in terms of cost of materials consumed. And the main products that are manufactured now are electric wires and aluminum underground cable. So, the reduction in these two raw materials must be the reason for reduction. I don't have the exact -- the copper average rates and aluminum average rates with me right now.
Okay, okay. That's right. And sir the last question is, on that purchases of stock and trade what is that sir actually?

Mithun K Chittilappilly, Executive Director

Purchases of stock exchange.

Rajeev Agarwal

Stock exchange what is it -- we do some outsourcing of some of the products?

Jacob Kuruvilla, Chief Financial Officer

Of course we are doing outsourcing also. Our about 60% of our items is outsourced, about 25% to 40% of our material, our traded goods are being manufactured by us.

Rajeev Agarwal

Okay. Okay, sir. I got it. Thank you, sir.

Operator

Thank you, sir. The next question comes from Bhargav Buddhadev from Ambit Capital. Go ahead.

Bhargav Buddhadev

Yeah, good evening, sir.

Mithun K Chittilappilly, Executive Director

Yes, good evening Bhargav.

Bhargav Buddhadev

Sir, is it possible to share the CFO and FCFF figure for FY12?

Jacob Kuruvilla, Chief Financial Officer

FY '12 we got CFO of 8 crores.

Bhargav Buddhadev

CFO of 8 crores.
Yeah.

Bhargav Buddhadev

And FCFF?

Jacob Kuruvilla, Chief Financial Officer

What do you mean by...

Bhargav Buddhadev

Free cash flow because you highlighted free cash flow was positive for FY '12.

Jacob Kuruvilla, Chief Financial Officer

Yeah.

Mithun K Chittilappilly, Executive Director

So if you could share the figures FCFF?

Jacob Kuruvilla, Chief Financial Officer

I am not immediately having that figure with me. I will just check.

Bhargav Buddhadev

Okay, okay. Fair enough. Second question sir would be on cash conversion Sir would it be possible to break down your cash conversion which you mentioned 74 days into South and non South. I mean how has the improvement been is it your North South region which has contributed to cash conversion improving or your Southern region are contributed?

Mithun K Chittilappilly, Executive Director

That's an interesting question. I don't have the figures with me. Between South and non-South, only we have the consolidated figure. But all I can tell you is that the reduction in debtors has come from both the regions, not only South but even non-South. We have been able to be more stricter with the payment terms with distributors and we've reduced the payment terms for many products. So that is one of the reasons why the average outstanding has come down.

So, generally the improvement has come from the sides I would say more improvement from non-South rather than South.

In terms of inventory also there has been a considerable betterments in management of inventory across all branches. And we are quite -- we are monitoring inventory levels at various warehouses very thoroughly every month.
Okay.

Mithun K Chittilappilly, Executive Director

And also I think the improvement for this particular figure has come from both South and non-South, although I don't have the breakup.

Bhargav Buddhadev

Okay. Thirdly, sir you mentioned that going forward there could be some pressure on EBITDA margins because of two reasons; one is ad spend and second you intend to increase the commission rates of your distributor. Sir on increasing the commissions of the distributors I was a bit perplex time I mean why is it that you are again contemplating increasing commission rates of your distributors?

Mithun K Chittilappilly, Executive Director

I didn't mean increasing discounts for distributors.

Bhargav Buddhadev

Okay.

Mithun K Chittilappilly, Executive Director

Because we were just in the of process of reducing lot of discounts which has improve the margins.

Bhargav Buddhadev

Right.

Mithun K Chittilappilly, Executive Director

Margin reduction from 12.2% to 10% will come due to two reasons; One is I foresee there will be an increase in ad spends in the current year for Q1,Q2 and Q3 just like we did in last year.

Bhargav Buddhadev

Okay.

Mithun K Chittilappilly, Executive Director

But year end margins should be around 10%. Second reason is another reason why I feel that the margins also might come down about 3 to 4 -- around 5% of our total sales the products are imported.
Okay.

Mithun K Chittilappilly, Executive Director

Due to the depreciation in rupee and increase in dollar prices, there will be some impact in terms of increase in costs of these products, which may not be immediately pass on to the market, maybe there will be a lack of 40 days or one month. So these are the two reasons why we it's -- we are not planning to increase discounts to distributors.

Bhargav Buddhadev

Okay.

Mithun K Chittilappilly, Executive Director

The reduction in EBITDA margin mainly will come due to increase in ad spends.

Bhargav Buddhadev

Sir, what was your ad spend in FY12 and what's your budget for FY13?

Mithun K Chittilappilly, Executive Director

Yeah. If you look at the whole year

Bhargav Buddhadev

Yeah.

Mithun K Chittilappilly, Executive Director

If you look at the whole year, the advertisement and sales promotion been about 38 crores for the current financial year and we will be increasing this to about 46 crores in the current -- coming year.

Bhargav Buddhadev

So, 8 crores in increase ad spend?

Mithun K Chittilappilly, Executive Director

Yes.

Bhargav Buddhadev Mithun K Chittilappilly, Executive Director

That is one thing and also traditionally we spend the lot more money in Q1.

Bhargav Buddhadev

So which means your guidance for 10% is mainly for Q1 and not for FY13?

Mithun K Chittilappilly, Executive Director

Well, I have said that for the entire FY13, because I do feel that there is a certain, I do feel that this rupee depreciation will effect in almost all products. For example, most of the cabinets, plastics everything is priced and plastic prices are controlled by crude prices which are in dollar.

Most of the metal prices are dollar base even though we are procuring from India. So, I do feel that this will post us a challenge in at least the next one or two quarters, but I think 10% EBITDA margin on --.

Bhargav Buddhadev

And lastly sir, you highlighted cash conversion reduction by another 10 days, so would it be on the back of some of the initiatives like vendor financing, channel financing or possibly once you launched these initiatives you could see further reduction in cash conversion.

Mithun K Chittilappilly, Executive Director

I think the main reduction in cash conversion will come from more the use of vendor financing. This is the system which we are not currently using much, but going forward we will be bringing more vendors under vendor financing schemes. So, our average payable days is roughly 35 days currently when compared to -- with many of our peer companies at 120 days. So, it is definitely a vendor financing scheme that is done by many of our peers that we are not doing.

Bhargav Buddhadev

Okay.

Mithun K Chittilappilly, Executive Director

So, we will freely bring more vendors into this scheme. So, this 10 days reduction will mainly come from vendor financing, although I do feel that there is more scope for reduction in inventory levels going forward.

Bhargav Buddhadev

So, sir with that, is it that your net debt to equity will fall down and possibly to some extent, the EBITDA margin loss could be more compensated by lower interest enhancer by merging won't be considered?
I think by doing vender financing, there might not be a significant difference in our EBITDA margins, because what will happen is there might be a reduction in interest cost, but there might be an increase in cost of goods sold because of the delayed payment we are making to venders.

Bhargav Buddhadev

Right.

Mithun K Chittilappilly, Executive Director

So, there might not be much of a reduction.

Bhargav Buddhadev

Okay.

Mithun K Chittilappilly, Executive Director

In the EBITDA margins -- increase in the EBITDA margin, sorry.

Bhargav Buddhadev

Okay, sir. Fair enough. All the best. In case I have any other question I'll come back to you.

Mithun K Chittilappilly, Executive Director

Okay.

Operator

Thank you, sir. The next question comes from Tejas Shah from Spark Capital. Please go ahead sir.

Tejas Shah

Hello?

Mithun K Chittilappilly, Executive Director

Yeah, hello.

Tejas Shah

Hi Mithun. Congratulations on good set of numbers.
Thank you.

Tejas Shah

Mithun, a couple of questions. You mentioned that we took a price hike in this quarter across all the products I believe.

Mithun K Chittilappilly, Executive Director

Yes.

Tejas Shah

So, can you just mention -- can you just tell us what would be the weighted average price hike on the products portfolio?

Mithun K Chittilappilly, Executive Director

I think I didn't even increase prices across different products in a different manner, but I think -- on an average we have done about 2% to 3% increase in price hike in the last quarter in many of the products apart from wires, because for wires the price hike is not restricted to once in a quarter, it is done probably once in 30 days or once in 40 days depending on how the copper behaves.

Tejas Shah

Okay. And this would be first price hike in this whole year or we actually --?

Mithun K Chittilappilly, Executive Director

No. We have done, we have affected price hikes earlier also. It's just that Tejas this time I think we have probably been able to time the price line little better in terms of managing our cost of goods sold as well.

So, if you look at the cost, we have been able to bring down cost of goods sold by 2% when compared with previous year's Q4. That is one of the reasons, it's apart from - some cost control activities in various vendors and our own plans. We have been able to affect the price hike. So this is not the first price hike we have done, but we have -- there is one of the reasons why the cost of goods sold has come down.

Tejas Shah

Okay. And past we have seen that whenever there is some correction in copper aluminum prices, you give the -- you pass on the benefit to consumers, so would it be case this time also in the company?

Mithun K Chittilappilly, Executive Director

If there is a reduction, yes, but the good thing is we are not holding much of inventory in this particular product like wires, we are operating with the inventory of, finish goods inventory of even less than 30 days. So if there is a huge So, it won't be huge hit even if there is a -- it will only a matter if it's a huge correction like maybe 7%, 8% correction.

Tejas Shah

Okay. And now coming to your working capital, I believe last time you mentioned that we are working very actively on channel financing and we tied up with Axis and Yes Bank. So, can you throw some light on where we have headed in that direction?

Mithun K Chittilappilly, Executive Director

I think right now we've done about... we are availed the facility of 20 crores from two of the banks and currently about 10 crores are being operated under this channel financing scheme. However, we find that this scheme the roll out of channel financing maybe taking a little longer, because many more people are involved in terms of distributors the number of distributors are more -- they are all in various geographical locations. So this is -- it is going to be a slower process to move into channel financing. We feel that for improvement in cash conversion cycle, more prudent method would be for supplier financing and channel financing is probably what we will be doing is to using this method of channel financing is mainly to support our distributors who are not able to bring in more money into the business when the business is growing. So I think we will be using both these methods but supplier financing is something we are looking at doing more extensively rather than channel financing.

Tejas Shah

Okay. And have we started vendor financing?

Mithun K Chittilappilly, Executive Director

Yes, we have started vendor financing in a small manner about two months back. We will now be -- we are right now in the process of evaluating the vendors which can be broad under this scheme. I think going forward like I mentioned we are looking at at least 5% -- 5 days reduction in cash conversion cycle every three or four months going forward.

Tejas Shah

From discount only?

Mithun K Chittilappilly, Executive Director

Yes.

Tejas Shah

And any headroom in inventory days to help on squeezing cash conversion cycle?
Yes. Inventory also there is a scope for improvement, but we are in the business of selling some products which are seasonal. So right now our inventory days is roughly 70 days, that is including both raw materials work in progress and finished goods. With

finished goods inventory, about 45 days. So we will be trying to... I think June end we should see a little more less inventory number of days, because it will be almost towards the fag end of the summer season.

So hopefully the inventory days also will come down, by I don't see a huge room for improvement.

Tejas Shah

And any plan of new launches?

Mithun K Chittilappilly, Executive Director

We are launching two new products the current financial year. One is domestic switch gears and induction cook tops. Both these are in the pilot phase so early. Switch gear segment will be handled by the same team, that is marketing buyers because it's going to prior only to the similar kind of channel. And induction cook top of course is a new segment for us in the kitchen appliances segment for us and which we will be marketing through our team that does market appliances like stabilizers and electric water heaters, that channel.

Tejas Shah

Okay. What is the our current count of distributors?

Mithun K Chittilappilly, Executive Director

We have roughly -- roughly 300 distributors now, little less than 300.

Tejas Shah

Okay. Thanks Mithun and all the best.

Mithun K Chittilappilly, Executive Director

Okay. Thank you.

Operator

Thank you, sir. The first question comes from Prashant Kutty from Emkay Global. Go ahead, sir.

Prashant Kutty

Thank you for taking my question, sir. Congratulations on a very good set of numbers.

Mithun K Chittilappilly, Executive Director Prashant Kutty

Sir, my question is regard to the distribution network. So what's our strategy going forward as far as expanding and distribution network is concerned.

Mithun K Chittilappilly, Executive Director

Yeah. So as of now roughly 24% is the -- 22% is the sale, 24% of sale is coming from non-South markets where we have roughly about 70 distributors. And in South we have about 210 distributors who are contributing roughly 70%, 75% of the sale.

And going forward we will look at bringing, adding more distributors in the new markets. We are quite confident and each of these distributors while we feel that each -- for the distributor to run widely a minimum of 5 crore on an average should be the revenue per year. So given in the current quarter 280 or 290 distributors, it can -- at a full potential can generate a revenue of 1,500 crores.

So, my thinking is that that was adding more number of distributors, I do feel that we right now have distributors located at key place areas, key strong cities in the non-South market and our penetration in the South market is nearly full. So the more addition of distributors will come in non-South market. And if you look at increasing the revenue per distributor in non-South market, right now may be an average of 3 crores on an average to 5 crores to 6 crores. So that will be the strategy going forward.

And the other thing is till last year we have just finished, we are happy to note that almost all the branches in the non-South markets, they are already contribution - is positive and - net profit level about 50% to 70% of them are already making money.

So going forward also, we would like our operations which are not profitable to become profitable in the next year.

Prashant Kutty

Okay. Sir, which is the other non-South market which we are looking at apart from the currently which we are having?

Mithun K Chittilappilly, Executive Director

Currently the only place where we have not had entry towards the Northeast, so we have recently opened an office in Guwahati, marketing office in Guwahati so in the Northeast we will be adding some distributors. And we have been expanding to the east market, specially West Bengal, Chattishgarh and Northeast belt of India. We have reasonably good presence in Orissa, but beyond that our presence is very limited. So we will be focusing this year also to improve the penetration levels of our products in these East market this year.

Prashant Kutty

Okay. So among the non-South markets, which markets have been witnessing healthy growth?

Mithun K Chittilappilly, Executive Director

We have been doing very well in NCR, that is in National Capital -- that region has been doing quite well. We have been also doing around, getting good responses from places like U.P and Punjab. The North belts is actually doing quite well, including Jaipur, including Rajasthan - sorry Rajasthan, NCR, U.P and Punjab are doing quite well. We are also doing recently well in Maharashtra and Orissa. So these are the places I think initially we have been able to major good mark and we will now start trying to enter the other under penetrated market as well.

Prashant Kutty

Okay. Sir could we have the industry growth rate numbers for these various segments?

Mithun K Chittilappilly, Executive Director

Okay. I think we are expecting the industry growth rate for wires to be in the region of about 8% to 10% in the current year. Stabilizers, we are expecting an industry growth of about 15%. Pumps, growth rate has been about 7% to 8%. Electric water heater in the industry, I think again around 10% has been the industry growth rate. Solar water heater in industry might -- we are expecting to go at 30%, 35% in the industry because of lot of incentives schemes which have been given by the government.

The fan industry, I do feel in the last year it has de-grown, so I don't think there has been much growth in the fan industry last year. The UPS segment has been growing at about 15%, the UPS industry is growing at about 15%.

Prashant Kutty

Okay. Sir, and what are expected to be in this coming year?

Mithun K Chittilappilly, Executive Director

In the coming year, overall our expectation is, we will be able to do about 25% growth in the top line.

Prashant Kutty

25%?

Mithun K Chittilappilly, Executive Director

Yes.

Prashant Kutty

Okay. Thank you sir. I'll come back for any questions I have. Thank you very much.

Operator

Thank you. The next question comes from Amol Rao from Antigue Capital. Go ahead sir.

Amol Rao Jacob Kuruvilla, Chief Financial Officer

Good evening.

Amol Rao

Yeah. Sir just a couple of questions. Actually I remember sometime back that you all had mentioned that inventory of fans in the system was a little high, because last year wasn't particularly good climate wise. Do you think that this summer has been little better in sense of movement of inventories for our end of the dealers?

Mithun K Chittilappilly, Executive Director

I think even in the Q4 our fan sales has been relatively muted, our growth in fan sales has been only I think about 10% or 15%. But we continuously we have been expecting I mean we have corrected the inventory issues in fan segment and right now we are sitting on very comfortable levels of inventory. So that way we won't be -- but the sales in Q1, the current year has been reasonably good, the sales have been reasonably good. So I don't foresee a problem with the inventory in fans in the current year.

Amol Rao

So basically we are -- the old stocks are currently liquidated and basically we will be move in new materials say somewhere in Q2 or Q3 basically in time for the next season?

Mithun K Chittilappilly, Executive Director

Yeah. The old stocks there where we started with the old inventory has been already liquidated.

Amol Rao

Okay.

Mithun K Chittilappilly, Executive Director

Right now we are having very manageable inventory levels. I think the finish goods inventory level of fan is only about 45 days right now, which is really good. So I think we will be ending this season of fans that is in June with the reasonably lower level of inventory.

Amol Rao

Okay.

Mithun K Chittilappilly, Executive Director

And we have planned accordingly. Even the current year, the fan segment has been challenging in terms of there has been again -- rains during both April and May. There has been some pickup in summer and towards the end of May, but still it is not as good as we have expected because last year also the fans were not that great and most of the retailers also this year were most skeptical holding a much inventory. So we have recognized this issue and we have not planned for a huge inventory. So we will be safe with the fan inventory. We will be able to improve margins in this segment also by focusing on some higher margin products.

Amol Rao

I see. Thank you so much for that. Another question that I had was we have a planning for kitchen appliances sales where we wanted to outsource in China, how are far we having any progress in that is....

Mithun K Chittilappilly, Executive Director

Yes. So we like I mentioned earlier, some one had asked about new products, we had launched the induction cookers. Last month it has been a very successful pilot launch. We will be launching this product in South India in the next 12 months time.

Amol Rao

Okay.

Mithun K Chittilappilly, Executive Director

And in the current year we are looking at selling about 50,000 units of induction cook tops in the current year.

Amol Rao

Okay.

Mithun K Chittilappilly, Executive Director

And we will be going forward we will be also looking at few more other products in the kitchen appliances segment.

Amol Rao

Okay.

Mithun K Chittilappilly, Executive Director

Maybe in the next six months we should have more product in the kitchen.

Amol Rao

Alright. Would this also like as you mentioned earlier will be sourced in China?
The induction cook tops are sourced from China.

Amol Rao

Okay.

Mithun K Chittilappilly, Executive Director

Like most players in the industry.

Amol Rao

Absolutely.

Mithun K Chittilappilly, Executive Director

Whereas the other product we're looking at will be manufactured in India.

Amol Rao

Okay. The recent underlying to me asking this is because with ForEx the way it is I mean it exposes a lot of our profitability to this kind of movements. So, it's definitely comforting to know that you are going to be souring incremental production from India. But just as a after that, how much do we import from China as a percentage of total...

Mithun K Chittilappilly, Executive Director

Our import percentage from China is roughly 6% to 7% of total sales.

Amol Rao

Oh, okay. Thank you so much Mithun, all the very best.

Mithun K Chittilappilly, Executive Director

Thank you.

Operator

Thank you, sir. The next question comes from Sandeep Raina from Edelweiss Securities. Go ahead sir.

Sandeep Raina Mithun K Chittilappilly, Executive Director

66 days. Yes.

Sandeep Raina

So quarter-on-quarter basis we have increased, right?

Mithun K Chittilappilly, Executive Director

Yes. It has increased. It is mainly increased because when we entered Q3, we were just entering the selling season. And so the inventory levels are usually lower in December quarter. But as we enter the summer season that is March and April are crucial months for us. We will be sitting with higher inventory of certain products like pumps, fans, inverters et cetera.

This inventory figures will again come down and I think it is possible to come back to those levels once we finish the quarter.

But having said that, also I would say that in Q3 we were having some top optimal inventory in certain products. So I think like I mentioned earlier, 70 days of inventory in the North maybe not much of inventory headroom in the -reduction in those -- that particular inventory number of days reduction maybe not possible, not much.

Sandeep Raina

Okay, okay. And second thing is on the growth front, we have done 24% this year and for the year we are 37% up. Just want to understand how much is volume out of the that, it's purely volume or the value increase because I know this quarter we have taken the increase, but overall for the year?

Mithun K Chittilappilly, Executive Director

I think maybe for the entire year we have affected price hikes of may be on an average of 7% to 8%. Maybe more in some products like wires and cables have been more and less in some other products. So we can say that may be the volume growth is roughly for the year is about 25%.

Sandeep Raina

Okay. I just want to confirm the South growth and non-South growth. So is the non -South growth 24%, I just lost that figure. How much is non-South growth and how much is the South growth?

Mithun K Chittilappilly, Executive Director

Yeah. The South growth has been 38% and non-South growth has been 40%.

Sandeep Raina Mithun K Chittilappilly, Executive Director

More or less equal.

Sandeep Raina

Okay. And also on the working capital side, you have - because I also wanted basically South working capital, non-South working capital conversion ratios? And so that

we can get --?

Mithun K Chittilappilly, Executive Director

I know some one have asked that earlier, I am sorry I don't have the break up between those two states, but I would assume that it is more or less on the same side, because we are working with roughly the similar levels of inventory days across branches and even the payment terms right now are almost same across the country. There is no additional -- there was some additional schemes and discounts and payment relaxations, terms given earlier. But I would say right now it is more or less equal.

Sandeep Raina

Okay. That's fine. And one more thing is basically on the working capital front. Sir, that's it from my side. Thanks.

Operator

Thank you sir. The next question comes from Sunil Jain from Nirmal Bang Securities. Go ahead sir.

Sunil Jain

Good evening sir.

Mithun K Chittilappilly, Executive Director

Good evening.

Sunil Jain

Sir, your growth was comparatively twice fast in first nine months, almost around 40% and in last quarter it has come down to 25% year-on-year.

Mithun K Chittilappilly, Executive Director

Yes.
And for future also, you are talking about 25% growth and all. So, do you see this growth scaling down on account of macro-environment or you are not pushing up sales right now too aggressively?

Mithun K Chittilappilly, Executive Director

I think we are also like you said we are not pushing for a lot of aggressive growth, because that growth will come as a cost of margins. So one of the reasons is that, one of the reasons we are not really, very - about the current year.

Also, like you said the demand situation maybe affected, things are not very, you don't read a lot good news these days in the papers. So generally the consumer sentiment that it has been affected, so definitely in that scenario I felt asking, expecting a huge growth in sales may not be realistic.

The second thing what happened in Q4 also is that we had moved over to a new ERP, that is SAP system. So, what happened is we have to take a compulsory shut down of operations for almost 10 days to 14 days in February. So there that has laid to some loss of sales in terms of, these are not able to -- we started the system by 14 days, but definitely there was some lag, also there were some plant maintenance issues in Q4 which has affected the inventory for products like wire, so we have lost some sales in those products in Q4. So these two are the factors that has resulted in the later pace of growth at 24% when compared with the whole year growth.

Sunil Jain

And sir for next year, where you see the growth is coming from, which product line will show good growth as compared to others?

Mithun K Chittilappilly, Executive Director

I think we have an exceptional start to the year, reasonably good start in the year in the first two months. I think the inverter segment will continue to grow at a very fast pace, because we are having a good network in that particular products we have done during the last three, four years in South India. The products has gained acceptance. So the inverter segment will drag some growth. We have also seen a good demand for solar water heaters because of various schemes announced by the government and we are in fact unable to supply or meet the demand in this product. We have also seen reasonably growth of wires.

So wires, solar water heater, inverters will grow. The sale of stabilizers will depend on how the general appliance sales were. The AC sales have been little bit muted, but it has been offset by the sales of refrigerators and LCD televisions. So I'm expecting good, reasonably good sales on these products.

Sunil Jain

And sir last, how you see the tax rate for the next year, sir?

Mithun K Chittilappilly, Executive Director

How do we... tax rate?

Sunil Jain Jacob Kuruvilla, Chief Financial Officer

Yeah. We will continue to have that tax assumption in our Kashipur plant. And next year we are going not giving the '12-'13 but the subsequent year we are going to double our capacity in Kashipur. So, definitely the profit will increase and our tax rates may come down in coming years. Currently, our tax rate has been at 29%, against 28.5% last year. We hope that at the current year also this

29% of tax rate will continue.

Sunil Jain

Thank you very much.

Operator

Thank you, sir. The next question comes from Milan Wadkar from Indsec Securities. Go ahead sir.

Milan Wadkar

Good evening, sir. Sir, just couple of questions just wanted to know the growth what we have seen over the past one year. So, just wanted to have the market share how the company has improved in the respective segment? That's number one. And second you have already thrown light on which are the key segments think would grow would it be able achieve the 25% growth which you are targeting. But just wanted to have a sense that how the competition is behaving in that segment and whether there would be any kind of pressure on margins if at all the 10% guidance which you have given?

Mithun K Chittilappilly, Executive Director

Yeah, our market share in the stabilizer category, we are currently having about 15% to 16% market share.

Milan Wadkar

Okay.

Mithun K Chittilappilly, Executive Director

In the electric water heater category, we have a roughly 10% market share. I think we are the number four player after I would say number three or number four after Bajaj and Draco. In the solar water heater industry, we have roughly a 10% market share. In the pump segment in the single phase pump segment which is a market of about 2,000 crores. We have roughly about 7% market share.

Milan Wadkar

Sure.
And wires is a very large industry, roughly about 6,500 crores. So our market share is about 4%.

Milan Wadkar

Sure. See if you can just throw light and how this market share has behaved in last one year?

Mithun K Chittilappilly, Executive Director

I think if you look at... okay let us take one-by-one. In stabilizer, we have probably had a market share of about 12% which is now probably improved to 16% in the last not one year, about three years.

Milan Wadkar

Okay.

Mithun K Chittilappilly, Executive Director

And in the wires, I think our market share has significantly improved because we were a very small player about three years back I mean only about maybe 1% market share that has improved significantly. In the electric water heater segment also in the last three years we have I think Improved our market share from roughly 3.5% to 10%.

Milan Wadkar

Okay.

Mithun K Chittilappilly, Executive Director

We have grown very rapidly in this space in the market and are now one of the largest players in this segment.

Milan Wadkar

Right.

Mithun K Chittilappilly, Executive Director

Solar water heater we were always last player, because along that would be one of the large companies to start in this product. In Solar water heater is currently we are number three in India after Tata BP and one more company.

Milan Wadkar

Okay.

Mithun K Chittilappilly, Executive Director Milan Wadkar

Okay. And how about pumps?

Mithun K Chittilappilly, Executive Director

In pumps, our market has share been I think I would say, it had roughly 5% three years back is not improved to 7%.

Milan Wadkar

Okay, sir. Sir, about that second question that you have already given a guidance of 45% and already mentioned which are the key segments we are looking this growth to come from. Sir, just wanted to have a sense that how do you see the competition heating up in this space if at all and if any kind of margin pressure you would see in the segments?

Mithun K Chittilappilly, Executive Director

I think definitely the competition scenario is going to get probably more intense. There are many multinational companies now eying India as a potential market. We have recently seen Schneider Electric buying out Luminous to enter the inverter segment where we are present. We have also seen Legrand buying out numeric UPS systems from Chennai.

So definitely the competition is going to be there. But having said that, we have also seen that some of our peers are facing margin pressures and have announced price hikes. So we are welcome to that move so that it is a -- it will definitely give us more headroom for us also to see if there is also more price increases in those segments.

So, definitely I think I collectively realize that - are also. So, definitely I think most companies are planning to pass on the increases to the consumers. But how the consumer will react and whether the demand will come down is something we have to really see. As of now, we are not expecting such a scenario, it's been pretty good in first two months of the current financial year, that is as far as the competition scenario is concerned.

Milan Wadkar

Sure sir. Thank you sir. That's is from side.

Operator

Thank you sir. The next question comes from Jagadishwar Pasunoori from Karvy Stock Broking. Go ahead sir.

Jagadishwar Pasunoori

Yeah. Sir this is Jagadish here. What is our CapEx plan for FY13 and FY14 sir?

Mithun K Chittilappilly, Executive Director Jagadishwar Pasunoori

And this is mainly used for what are the reasons?

Mithun K Chittilappilly, Executive Director

Right now the current year is -- majority of 25 crore will be going for doubling of expansion at our Kashipur plant, which is right now running at nearly full capacity. And we will also be doing this to make sure that the advantages of excise duty and the incentives are also -- we have these advantages till 2018. So, we will be doubling the capacity at the Kashipur plant.

So, that will roughly involve about 14 crores to 15 crores and the other CapEx is going for some incremental expansions and other CapEx plan from warehousing facilities, extension of existing factories et cetera.

Jagadishwar Pasunoori

Okay sir. You said industrial cookers going to be outsourced from China and switchgears are manufactured in house sir?

Mithun K Chittilappilly, Executive Director

Yeah. Switchgear, it's not manufactured in our plant, we have three vendors right now manufacturing, we've identified three vendors who will be manufacturing the product for us.

Jagadishwar Pasunoori

Okay, sir. And in terms of copper inventory, sir you said in Q4 you maintained 30 days to take care of these price decreases, and in Q2, I think you had to undertake lot of cost cuttings and you also had a lower margin just because of the copper prices went down.

Mithun K Chittilappilly, Executive Director

Yes.

Jagadishwar Pasunoori

And what is the inventory level that you are maintaining at this copper and aluminum in Q2?

Mithun K Chittilappilly, Executive Director

I don't have the Q2 inventory work-in-progress and raw material figures, but I can tell you --.

Jagadishwar Pasunoori Mithun K Chittilappilly, Executive Director

Okay. I think our inventory level of finish goods at Q2 was good. Our inventory levels in Q2 for finish goods for wires would have been somewhere around 40 days, which has now probably come down to 25 or 26 days.

Jagadishwar Pasunoori

Okay sir. That's it from my side sir. Thank you.

Operator

Thank you sir. [Operator Instructions]. The next question comes from Sandeep Raina from Edelweiss Securities. Go ahead sir.

Sandeep Raina

Yeah. Sir just a follow up question on the new launches basically. We are gearing to switchgears and induction cookware. I just want to understand it will be purely outsourcing, right? So --?

Mithun K Chittilappilly, Executive Director

Initially, most of these products will be outsourced.

Sandeep Raina

Okay. And therefore we will be not be spending any money on that. Just the -, that's it?

Mithun K Chittilappilly, Executive Director

At least from the first two years, I'm not expecting any CapEx for these products.

Sandeep Raina

And is there arrangement between you and the vendors that you will take ex-amount as a off take or something like that?

Mithun K Chittilappilly, Executive Director

No. Actually the as far as induction cookers are concerned, this product is manufactured by the same vendors, who are right now manufacturing fans, some of the fans and some water heaters. Part of the fans and water heaters are also imported like the pedestal fans are also imported to India. So we already have a reasonably good relationship with these vendors. We don't have any quantity commitments with the vendors as of now. We just have a quarterly plan with them. We don't have any -- of course we have some commitment, but it's not a huge quantity commitment. In the current year, we are looking at selling 50,000 units of induction cook tops.

Sandeep Raina

Okay. And similarly in switchgear?

Mithun K Chittilappilly, Executive Director

Switchgear, yeah switch gear is of course the vendors we are dealing with are not as big as the vendors we are dealing abroad. So there also we don't have a huge quantity commitment or anything with them. And in switchgear also we are actually -- we were using switchgear at in some of our pumps for the last seven, eight years and the same vendors who have been supplying to for the pump has been we've adopted those vendors for our switchgear. So, we already have existing relationship with them.

Sandeep Raina

I have just basic doubt, sir. Right now if I just look at my product portfolio, there are already nine to ten products and every year we just want to add one or two products. Why we are not just focusing on few big opportunities, product and just getting into all the products categories?

Mithun K Chittilappilly, Executive Director

We're not going to add new products every year. We have not launched new products in the last three and half years. And we've been working on this switchgear and induction cookers for a while now. We were just waiting for the existing new products to stabilize. So as soon as we were able to turn our businesses, the new businesses that we launched about four years back, like fans, inverters and LT cables all these three were launched almost at the same time. It is now doing reasonably well growing very fast and also delivering decent margins. So of course there is an opportunity for us to focus on a few products and probably there is definite strategy within us where we want to become a number top three player in at least four of these categories. In water heaters we are already number four, three or number four in solar water heaters, we are already number three. We will also look at the couple of other opportunities like wires and inverters where we will probably want to become the top three players.

So we will definitely have a plan to do that but having said that, we will also continue to look at new opportunities. And I don't think that will distract us from achieving the other goal of becoming a top two or top three player in some of the products.

Sandeep Raina

Okay. Because my sense is switchgear is a very difficult market with all the players who are there in the market are very, very strong. So to basically get into those markets and make margins would be little challenging. Okay, at the same time, just want to understand what is the margin we are expecting in these two categories?

Mithun K Chittilappilly, Executive Director

See, right now our margins are -- for electric switchgear will be in EBITDA of at least 12% to 13% is what we are expecting and the induction cook top will be slightly higher about 15% EBITDA. Of course this will not happen in first year or second year, because there will be lot advertise A&P spends on these products in the first two or three years. So definitely, the reason we are also doing this is that we are finding that in many of the product categories we are already become a dominant player in the Southern region and those growth opportunities for these products are limited in south So definitely each products adds to I mean so that is another reason we are getting into newer territory. And also these are not completely unrelated sectors. For example, we have almost a 95% overlap of distributors and dealers for wires and switchgears. So, for us wires and switchgears will form a single -- it will operated with a single team of marketing and it will be under the same group, whereas the induction cook tops is primarily going to the appliances dealers and again it will be under similar channel of the stabilizers has almost huge overlap of these champs. So, definitely for us channel building effort is not required, the only effort will require from our back end will be for some development work and for A&P spend. And then switchgears, like you said, there was a lot competition, but if you see the domestic switchgear segment, there are still, many of the MNC players are not that active. They are only more or less less present in the industrial switchgears and even in the domestic switchgear segment most of them are concentrating only on project sales not the retail standard. So this is the reason we have decided to enter this phase.

Sandeep Raina

And you will be targeting home switchgears, right?

Mithun K Chittilappilly, Executive Director

Specially domestic switchgears. Yes.

Sandeep Raina

Domestic, yeah. Okay. So, just switchgears still fits into the product category, induction cook top is little different because you are then getting into kitchen category, so that was the --.

Mithun K Chittilappilly, Executive Director

Yeah. Definitely kitchen category is entirely different. We are aware of it. Of course, we do believe that there is also an opportunity for the market to grow at a much faster pace than that normally should, driven by shortages in LPD and restrictions that are coming by way of government restrictions on LPG.

So, definitely the market of 1,200 crores, which is currently in respect to that will definitely grow at a much faster pace and even with many players competing in that category. We are confident of gearing a good share in the market.

Sandeep Raina

Surely. And one more question on the cash flow from operations. I just want to understand, what is the current cash flow from operations?

Jacob Kuruvilla, Chief Financial Officer

Yeah. For the full year, the cash flow of operation actually was 84 crores. I said that --.

Sandeep Raina

Okay. 84 crore. I heard 80 crores, so I was just very confused, because last quarter we were somewhere close to 80 odd crores.

Jacob Kuruvilla, Chief Financial Officer

Yeah.

Sandeep Raina

So, in this quarter we have not made much money on the cash flow side, because our -- this thing, cash credit cycle has increased.

Jacob Kuruvilla, Chief Financial Officer

Yeah, definitely.

Sandeep Raina

Yeah, sure. Thanks very much sir. That's from my side.

Operator

Thank you, sir. The next question comes from Pankaj Kumar of KJMC Capital. Go ahead sir.

Pankaj Kumar

Yeah, good evening sir. Thanks for taking my question. Sir I wanted to have this breakup among these products which we are into for the full year?

Mithun K Chittilappilly, Executive Director

I am sorry, can you repeat your question again?

Pankaj Kumar

Sir what the sales break up in percentage terms for the full year ramping?

Mithun K Chittilappilly, Executive Director

Yeah. One minute. Sales break up for the full year?

Pankaj Kumar

Yeah.

Jacob Kuruvilla, Chief Financial Officer Pankaj Kumar

Sorry sir, how much it is?

Jacob Kuruvilla, Chief Financial Officer

28%, wires -- PVC wires.

Pankaj Kumar

Yeah.

Jacob Kuruvilla, Chief Financial Officer

And for the cables - which was just 20 percentage. We have a single phase pump about 14 percentage. LPD cable is 6 percentage. Water heater is 9 percentage. Solar water heater 3 percentage, UPS 4 percentage, electric fans 7 percentage, digital UPS and battery combined 7 percentage and we have also repaid from which contributes at around 1.5 percentage.

Pankaj Kumar

Okay. And sir what was the debt figure for the end of the year?

Jacob Kuruvilla, Chief Financial Officer

Debt rate?

Pankaj Kumar

Sorry sir?

Jacob Kuruvilla, Chief Financial Officer

You asked for debt rate?

Pankaj Kumar

Debt figure.

Jacob Kuruvilla, Chief Financial Officer

That is a long-term pressure of around 23 crores and working capital that is also 128 crores.
Okay, sir. Thank you.

Operator

Thank you sir. The next question comes from Sandeep Raina from Edelweiss Securities. Please go ahead.

Sandeep Raina

No. My questions have been answered. Thanks.

Operator

Thank you, sir. [Operator Instructions]. There are no further questions at this time. Now, I hand over the floor to Mr. Arun Baid for closing comments. Go ahead sir.

Arun Baid

I would like to thank the management of V-Guard for giving me the chance to host this concall as well as all the participants for participating in this. Thank you.

Operator

Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's Conference Call Service. You may disconnect your lines now. Thank you and have a pleasant day.