"Dixon Technologies (India) Limited Q1 FY19 Post Results Call"

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IDFC LIMITED

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MODERATOR: **MS. BHOOMIKA NAIR – IDFC SECURITIES**

Moderator: Good day, ladies and gentlemen, and a very warm welcome to the Dixon Technologies Limited Q1FY19 Post Results Conference Call hosted by IDFC Securities Limited. 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 call, 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 Ms. Bhoomika Nair from IDFC Securities. Thank you and over to you, ma'am.

Bhoomika Nair: Thanks, Ali. On behalf of IDFC Securities, I would like to welcome you all to the Q1 FY19 earnings call of Dixon Technologies. Today, with us on the call we have the management being represented by Mr. Atul Lall – Managing Director and Mr. Saurabh Gupta – CFO. I will now hand over the call to Mr. Lal for his opening remarks post which we will open up the floor for Q&A. Over to you, sir.

Atul B. Lall: Good evening, everyone. This is Atul Lall from Dixon. Thanks so much for joining the call.

To start with, just to share the numbers, the revenue that we have clocked in Q1 is Rs.594 crores. On a standalone basis, there is a growth of 33% because there is a significant drag in the revenues on the Mobile side, there is a degrowth of 15% as compared to Q1 last year. On the EBITDA side, we have grown by 26% and the EBITDA of this quarter is Rs.27.47 crores. On the margin expansion side, we have expanded the overall margin from 3.1% to 4.6%. On the PAT side, we have grown by 18% from Rs.1,083 lakhs to Rs.1,276 lakhs. These are on the numbers side on a consolidated basis.

On the business side, the Lighting as a vertical, is on a very robust note. We have very significant mix of customers in our product portfolio. In this quarter, we have added Syska and Orient to our customer portfolio. So, we have with us in our customer portfolio apart from Phillips, we have Bajaj, we have Panasonic, we have Wipro, we have Syska, we have Orient, Jaguar Control and Switchgear, Eon, Usha, Luberr, all the brands, Tier-1 and Tier-2 brands are in Dixon's portfolio.

Also, on the product portfolio side, we have added Wipro, ID, Meridian Bulbs. Now, we are extremely bullish on the pattern and the downlighter illumina side. In Home Appliances segment, our capacity expansion has taken place from 7.6 bags in financial year '17-18 to 1.2 mt.,

The latest customer addition on the Washing Machine side, we have Lloyd as our customer now, whom we start executing business in this particular month. On the LED TV production side, we have added a very large customer, details I will be sharing after sometime. We have already expanded our capacity in Tirupati plant of 2.4 million sets. Further expansion plan to 3.4 million sets is on and we should be competing that by Q3 this fiscal. This is a complete backward integration of LCM, also the SMT line installation will be done by September.

On the Reverse Logistics side, the legacy issues are over. We had some data issues with Reliance, so we have taken the write-offs in this particular quarter of that. Our anchor customer, the order book now with Airtel is extremely strong. So, I would not say that we are going to be generating an EBITDA of Rs.11, 12 crores but we are going to be back to the run rate of Rs.60, 70 lakhs a month.

The commercial production of CCTV business in our JV with Aditya Infotech is already on and the commercial production has started and last month we delivered around 1.4 lakhs digital cameras and the DVR production has also started. There the expansion from 1.5 lakhs to 5 lakhs would be completed by September. The order book is very healthy. On the Mobile side, there has been issue on the demand from the customer. However, our backward integration plan for PCBA is on and should be completed by August end-mid-September. Also, Xiaomi, which was our major customer is back with us and now our partner is the brand S&C for Xiaomi. That production should start sometime in Q3. This was on the financials and the business update.

You are most welcome on the questions and I will answer…me and Saurabh are there.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: A couple of questions; first, just on the Washing Machine segment, the volume growth was broadly as expected. Our margins have seen some compression. So, if you can help us highlight whether it was the cost increase on fixed price projects or what were the elements which led to contraction in the EBITDA margins from our earlier guided 13, 14% levels to about this 10.7% margins this quarter?

Atul B. Lall: Renu, as we have explained to you earlier that we are working, we have agreements with most of our customers of passing on both exchange rate impact and the commodity price impact; however, there is a lag in it. So, we take the previous month average for next month costing. In both exchange rate, and the Polymer pricing, there has been a continuous increase month-on-month. When that happens, there is an impact. That has led to this. One of our major customers, this pricing is decided on a six-monthly basis. So, that has led to this erosion of this thing. Now, we have already got some cost reductions on our component side. So, not to the extent that the numbers that we are mentioning but I am confident that this EBITDA levels are going to be restored.

Renu Baid: This large customer which we added recently, for whom it is six-monthly?

Atul B. Lall: It is going to be implemented from 1st of September.

Renu Baid: Probably still more of a timing mismatch and probably second half of the year as the season also kicks in ahead of Diwali, margins then should be back at the 13.5% which you are guiding or you think for the full year basis obviously the margins also happening in first quarter, it might be difficult to recoup.

Saurabh Gupta: Renu, it is not 13%, we are very confident that the margins can potentially go back to 12-12.5% level and of course how does the Q2 go will, we will update you, whether we are on course to achieve 13% margins or not.

Renu Baid: Sir, just two quick questions here; one, on the Reverse Logistics if you can help us quantify what was the write-off that we have taken against Reliance? Second, on the Lighting side, it is good to see that now the entire basket of offerings is there with us. So, how was the performance of conventional light in this quarter – are you seeing a significant drop in your portfolio as well, the way the OEM companies are seeing or probably it is reverse for you? Some insights on the margins on the Consumer Electronics part of the portfolio?

Atul B. Lall: On the Reverse Logistics side, total hits that we have taken is around Rs.1.4 crores, this quarter we have taken a hit of around Rs.65 lakhs, so that complete Reliance thing too that we had with has been written off in this particular quarter. As I shared with you in my opening remarks, anchor customer is back with much better order book. The Reverse Logistics look significantly better in the forthcoming quarter. On the lighting side, the order book now as I shared with you, is extremely robust and business looks very-very good. The numbers also if you see, the margins have expanded from 4% last year to almost 7.6% this year. So, there is a significant volume. The value growth is 9% but the operating margins and the EBITDAs have significantly increased. And the conventional lighting part is declining and declining pretty rapidly; however, we are very confident on the lighting side that it is going to be more than compensated through the LED solution. At present, what we have been able to do in the LED bulb side, we are very confident of doing that on the illumina side, that is both the patterns and the downlighter. So, the order book looks healthy.

Renu Baid: That is the higher margin portfolio that we have within the LED basket?

Atul B. Lall: That is right. On the Consumer Electronics side, if you see, there is a significant increase in the revenue; however, the margins have been under pressure. This I shared with you in the last earning call also, this is primarily because that we have been running two units, both in Dehradun and in Tirupati. So, the fixed cost expenses were higher because of this kind of operations which is coming to an end in end August. Also, now in Tirupati, the backward integration of their LCM is already on. So, from this quarter you will see a significant jump in the margins. In September, the surface mount lines are also going to be operational which will further increase the margins. So, both on the order book side and also on the backward integration and depth of manufacturing side, you will see a significant increase in the margins.

Renu Baid: Because my only perspective here was that if we see the ODM sales in the consumer electronics has seen a substantial jump and if the OEMs broadly have remained flattish QoQ, despite that the margins have been lower, so my perspective was, has there been an increase in the fixed overheads in Tirupati because of the expansion and the improvement on the backward integration side in the short-term or it is purely again a mix issue here?

Atul B. Lall: One is the mix issue and second is the ramp up cost which is now stabilized. So, we have done a large production of LCM, also the PCB production is going to start off in a month's time. So, you will see the whole thing coming back to what it used to be on the cost structure side with the much larger volume at the backward integration phase.

Moderator: Thank you. We will take the next question from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: You indicated that we have added a new customer on LED TV. Would be helpful if you could share some more insight and what kind of order flow visibility we have from the customer?

Atul B. Lall: This is a large customer who has been known for his disruption in the other spaces. They have already been doing that in television to start with. Now, the order book is very healthy because obviously when the customer sells a significant amount through the domestic manufacturing. So, we feel that in this year we should be doing around 300 cases.

Aditya Bhartia: This would be done over the next three quarters as the production would start from second quarter itself?

Atul B. Lall: Yes.

Aditya Bhartia: Earlier sir, we had spoken about having around 30% kind of volume growth in LED TV sets this year. But we are speaking about doing 300,000 sets for this customer, that alone kind of explains that 30% growth. So, should we be now looking at a much stronger growth coming from this division coupled with margins expanding as well?

Atul B. Lall: Last year we were around slightly lesser than a million sets. We feel that we should be somewhere around 1.4, 1.45 million sets.

Saurabh Gupta: Aditya, to answer your question, that was partly built into our guidance that we had given; 2% addition was built into that guidance, so we think we will continue to deliver somewhere between 30-40% growth over last year which is around 1 million sets that we delivered last year, we should be within 1.35-1.4 million this year.

Aditya Bhartia: What kind of margin expansion should we be expecting coming because of backward integration in LED TV sets?

Saurabh Gupta: Of course, it will take some time to ramp up but we think it can easily expand our margin by 60 to 70 bps but that will happen only when that completely gets stabilized. So, gradually I think so in the mid of Q2, it will start to get stabilized.

Atul B. Lall: Finally, it is going to come to around 2.7%, 2.8%.

Aditya Bhartia: Similar would be the case with the mobile phones as well as in we have bit of ramp up period in the first three or four months and then maybe towards the second half of this fiscal, we should start seeing margins expanding?

Atul B. Lall: Once the FMP lines are installed and operational which is expected by August-end-early-September margin expansion will take place there.

Aditya Bhartia: Even on the lighting side, you mentioned that we have added Sysca and Orient, what kind of volumes would we be expecting from those customers and is it fair to assume that CFL revenues would almost come to a nil, and if I remember correctly, that contributed almost a billion rupees of revenues last year?

Atul B. Lall: In these two customers, we feel it should be somewhere around 2 million bulbs and we feel that we should grow by around 12-15% in spite of the conventional lens coming to an end.

Saurabh Gupta: This should come to an end from October and that will be compensated by adding few customers and also diversifying by increasing the capacity into that as downlighters and LED bulbs.

Aditya Bhartia: If you could also tell me what were the revenues derived from conventional bulbs last year and what is the current run rate as in what would have been the quarterly revenue that will drive in this quarter?

Atul B. Lall: Last year, the revenues would be somewhere in the range of around Rs.108 crores a month, in this particular quarter, the total revenue from the conventional that would be at the run rate of around 3, 3.5, 4 crores per month. It has already been reflected in the Q1 numbers.

Moderator: Thank you. We will take the next question from the line of Nitin Gosar from Invesco. Please go ahead.

Nitin Gosar: Just wanted to understand on the washing machine comment which you made, you talked about inability to pass on price hikes immediately.

Atul B. Lall: What we have in our agreements is that in the pricing to our customers we take the average exchange rate the previous month and average commodity rate the previous month, that has to be built into the current month's pricing. Now, in case month-on-month, the exchange rate and the commodity prices keep on increasing, which normally does not happen but it happened in the last quarter that every month on the exchange rate the Indian rupee has been depreciating and the Polymer prices have been increasing because of crude with a lag comes into the system, that is what I was trying to explain. In this particular month, the Polymer prices have come down and exchange rate at least as compared to the last month has been stable, will become slightly better but that was not the case in the last quarter.

Moderator: Thank you. We will take the next question from the line of Anshuman Baid from ICICI Securities. Please go ahead.

Anshuman Baid: Just to reiterate one of the things that you said earlier was regarding margins in the consumer electronics segment, which has come down to 1.2%, is entirely because of the mix and the ramp up issue, right, so steady state of 2.7% margin that we said maybe attained in FY'20 and in the remaining quarters, it would grow to 2.5 which was our earlier level, is the understanding right?

Atul B. Lall: That is right.

Anshuman Baid: Another question I have regarding the write-down that you took in the Reverse Logistics is that built in our EBITDA number?

Saurabh Gupta: Some bit of write-up was taken in Q4 and the balance write-up was taken in Q1, so that has completely been taken off and now we will have normal business, as mentioned earlier, now we should look at a run rate of 50-60 lakhs of operating profit every month in this business.

Anshuman Baid: One last question I had a little bit strategic in nature, in the sense that the increase in capacity that we have from 1 to 1.9 and 2.5 for the Consumer Electronics division and similar expansion in the Washing Machine segment, do we hear these kinds of growth that Panasonic and other companies target for FY'19 or FY'20… so the volume utilization is a bigger challenge or the margin maintenance in terms of our operations, if you could highlight the bigger stress – is it the capacity utilization because of a sharp run rate of volume expansion or the sustaining the margin levels that we have?

Atul B. Lall: You very correctly mentioned. This question is strategic in nature. Now, Dixon's whole strategy is based on four premises: One is the scale, because that gives us operating leverage and across all the verticals that we are having, there is a great opportunity, for example, let us say in televisions, the capacity that we are creating is 3.4 mt and the kind of customer addition that we have, we feel to book this capacity is not a challenge at all, it might take a couple of quarters here and there. Please appreciate that we have already been able to do that in lighting. Today, every brand major or not-so-major is in our customer portfolio. One is the capacity expansion to give us the operating leverage advantage. Second is the backward integration. So, as I explained you, that in Consumer Electronics, the backward integration of LCM is already over. Third, the backward integration for SMT is going to be executed by September. Same in the case in Washing Machines that today we have a capacity of almost 1.2 mt which is more than 13% of the Indian requirement and the order book is very healthy with complete backward integration. Same thing is happening in lighting. The scale is too large. The next to might that we have is migrating more and more to ODM. The same is the case going to happen in LED television. Washing machine again is absolutely ODM. The fourth is that we keep on expanding the customer base. So, the whole strategy is based on these four premises which one has been sharing with you right through. We are sticking to the same and we are confident that this is going to give us the revenue increase, which is going to lead to us operating margin improvement which has already happened we have seen, the margins have significantly improved in lighting and the same thing will be replicated in all other verticals.

Saurabh Gupta: So, basically every business needs a critical mass and dipping point. So, that has happened in lighting, that has happened in washing machine, washing machine of course has been led by foreign exchange and the commodity price increase. That exactly has happened in lighting from Q2 onwards as the margins moving up on account of that scale and size.

Anshuman Baid: Regarding this front load washing machine, which you had a plan and were a part of our R&D, any kind of development from that?

Atul B. Lall: What we are planning is top load fully automating machine, the team has been working on it and we are hopeful that by Q3 next fiscal we will be ready with the production and the moderate churn out from our Tirupati plant.

Moderator: Thank you. We will take the next question from the line of Prtiesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, first, just wanted to get a perspective on the volume growth that you would have seen in this quarter on a blended basis and when I was just listening through the conference call, our business model is value addition over bill of material. So, I was just curious to know the comments which were shared on raw material related hit on margin, so if you could throw light on the concept of value addition over bill of material and if there are any changes therein the unit value addition margins of the business?

Atul B. Lall: We have two revenue streams: One revenue stream as we were just sharing is on an absolute cost curve basis, that is where what we call in our EMS revenue stream, in that there is no impact of commodity price or of exchange rate, the complete costs are passed on to the customer. Here the question that I was answering was in our ODM business, in which we are the owners of design. In that we have a mechanism of passing on to the cost, but it is not the exact cost-plus model. There is an element of variability there which I tried explaining in my explanation. So, there are two business models: In the cost-plus model, complete cost is passed on to the customer, namely our businesses of mobile, namely, our businesses of EMS LED TV, our business of security surveillance system, this is an exact cost plus.

Saurabh Gupta: On the volume side, if you go segment-by-segment, I think so Wash Machine we have the quantity of almost 1,75,000 units as against 78,000 units same period last year, TV, we have done units of almost 9 lakhs and Lighting also we have delivered a good number, I can give specifically on the lighting numbers to you.

Pritesh Chheda: So, just on the first question, I could understand now the extent of margin erosion or the case for margin erosion in washing machine, but the other electronics segment is where the value addition concept would prevail, which is our second business model. Is there anything worth highlighting for the reason for drop in margins in the other electronics?

Atul B. Lall: That is primarily as I shared with you that we have twin cost structures running, that now the complete production facility has been set up in Tirupati; however, we were forced to kind of run our Dehradun plant, so there were two cost structures running parallelly and Tirupati is an absolutely new plant. So, there were certain ramp up cost which is now stabilizing. So, the margin erosion has taken place because of enhanced cost structure which should normalize now from this quarter.

Pritesh Chheda: So, there was no erosion per unit value addition?

Atul B. Lall: The value side no erosion on the gross contribution side.

Saurabh Gupta: As explained, the Consumer Electronics business is majorly the EMS business where the currency and the commodities is completely passed on to the customer immediately. There is no erosion on account of realization.

Atul B. Lall: From this quarter onwards, the value-add portion in Consumer Electronics is going to increase significantly because in Q1 what we were doing is only first level of manufacturing of assembling the sets. From Q2, the LCM assembly has already started. By September the PCB assembly would also start and also we have got a larger order book of ODM. Now from various customers namely, Lloyd, wherein even the plastic tooling is odd. So, injection molding, the plastics, the LCM, the PCBA and the final manufacturing has already started. So, if you see on a gross side, a much larger contribution number coming now.

Pritesh Chheda: Can you throw light on the extent of the value increase of what is it today -- if it is Rs.100 today for the same set, it would be what, 130, 140, 160?

Atul B. Lall: It is going to increase by almost 80-90%.

Pritesh Chheda: My last question was on the scale and size of the business. So, we had certain numbers in ’17 in terms of TV, Washers and Light, so these are the three main areas. The scale and size of the business versus ’17 or versus ’18, whatever you think is a reference number should be what in FY’20?

Atul B. Lall: We feel that we should be growing at around 25-30% year-on-year, we are very confident about it. If you see washing machine itself, last time we did around 525. Or have we shared with you the Q1 numbers of ’18-19 as compared to the Q1 numbers of ’17-18. There is a growth of almost 80%, 85% and against 530k odd last year, we are confident of doing almost 730, 740 this year. We shared with you in the opening remarks that almost a billion sets we did in color television last year. We should be closing at around 1.4, 1.45 million. Similarly, on the lighting side, in spite of the degrowth or significant decline on the conventional lamp side, we will grow significantly on the LED Bulb side and Lighting side and there will be an overall growth in the revenues. So, that is the kind of outlook we have. We are extremely confident about this.

Pritesh Chheda: Just one clarification, sir. In that value addition in lights, even if you sell the same volume this year, because of the rise of value addition on account of LCM and PCB assembly, the overall value addition rises by 80%, that …?

Atul B. Lall: That increased by almost 80%.

Pritesh Chheda: For the same volume?

Atul B. Lall: That is right.

Moderator: Thank you. We will take the next question from the line of Bhoomika Nair from IDFC Securities. Please go ahead.

Bhoomika Nair: Sir, just wanted to understand a little bit on the working capital side. While the net working capital is still at negative two days, but if I look at the gross side there has been an increase in both receivables and payables as also inventory days both from September and March '18 level. If you could kindly explain the reason behind this given that the scale of business on QoQ basis pretty much remains the same?

Saurabh Gupta: In a way our Mobile business is structured, the debtors and the creditors has increased. So, at aggregate level nothing has changed but in the way, it is reflecting the mobile business debtors and creditors have increased and which is kind of reflecting in our receivable and payable days.

Atul B. Lall: Bhoomika, if you see receivable days increased primarily from 38 to 57-days and inventory days has gone up from 41 to 52; however, the payable days has also increased from 81 to 111. So, the cash conversion cycle is (-2) days. This is primarily happened because of the mobile business. Debtors and creditors there increased correspondingly.

Bhoomika Nair: But sir, if I look at the mobile segment, QoQ, the revenues are more or less flattish or slightly lower; Rs.77 crores gone down to Rs.73 crores. So, any other segment which is seeing this thing because otherwise not too clear on why mobile would be driving this?

Saurabh Gupta: The working capital has increased at company level in each of the businesses, on account of the growth that is happening in the businesses, it is a growth in additional business and additional investments in inventory. Of course, there is internal focus to bring down those inventory days and the debtor days which month-on-month has been coming down. So, some of the working capital has increased with the growth in the business and majorly the growth has happened on account of the mobile business only.

Atul B. Lall: If you see the revenues, without the mobile business, it has grown by almost 33%. That is a normal increase in the working capital which has happened in the other vertical. This increase is mainly because of mobiles which is netting off.

Bhoomika Nair: That is the reason one would have seen an increase in interest cost as well because there has been a sharp increase in interest cost?

Atul B. Lall: Interest cost increase is primarily because of increased discounting of the debtors.

Bhoomika Nair: Sir, also coming to the two segments which is Reverse Logistics and the security systems, as you mentioned there was some bit of write-off that took place in the current quarter, as we go ahead and see some improvement with our key customer coming back and improvement in that business, where do we see the margins settling down in the next two or three quarters in this segment and what is our plans going forward?

Atul B. Lall: In Reverse Logistics business, Bhoomika, we feel that from the current quarter we should be at a level of creating profit of around Rs.50-60 lakhs. This is not as per my guidance, which I had given of around Rs.10-11 crores but we are going to be add Rs.50, 60 lakhs a month, so we should generate around Rs.5, 6 crores operating profit in this business. This is primarily on account of Airtel coming back to us in larger volumes. On the Security Systems, we are extremely bullish, because our customer is doing very-very well plus also there are other brands. Combined they have more than 35% share of the Indian market. They are the second largest brand in Asia. So, we are making a huge capacity expansion. Last month we delivered around 140,000 cameras, capacity expansion to almost 450k would be completed by September. We are going in for another round of expansion there by which the capacity will be expanded from 450k to 900k and the DVR capacities being expanded from 25k to 150k and order book is very-very healthy. So, we are extremely bullish on that business. Again, in that business, there will be no working capital deployment from the company side.

Bhoomika Nair: So, when do we start seeing the ramp up and scale up in the segment sir visible in the P&L?

Atul B. Lall: We are already profitable from July… there is a marginal profit, from September you will see a significant ramp up because September order book is as high as 300k.

Bhoomika Nair: On the Washing Machine side, just to clarify, you mentioned that once the September pass-through of the increase in raw material and FOREX impact happens, then we will revert to the 13, 13.5% margin but because of the dip in 1Q, we are looking at a more flattish margin at about 12-12.5%, is that understanding correct?

Saurabh Gupta: That is right, and I also mentioned that we will update you once we are over with the Q2, that what are the margins looking like, but as of now it is looking like 12-12.5% because internally we are also focusing on reducing our raw material cost as well. So, let us see how does that pan out and so we will have better visibility once Q2 is over. On Reverse Logistics, to answer your question, I think we can go back to 10-11% kind of margins from July onwards because older issues have now been completely taken care of and the CCTV business will come to profit from Q2.

Moderator: Thank you. We will take the next question from the line of Nayan Parakh from IIFL. Please go ahead.

Nayan Parakh: Could you share the updated guidance for the year on revenues and EBITDA margins and also on the segmental front?

Saurabh Gupta: What I had given as the guidance in Q4 of the last financial year, we continue to maintain that guidance. If any change in guidance needs to be done, that will be evaluated once Q2 is over. So, we delivered Rs.2900 crores of revenues last year. We think we can continue to grow by 20, 25% in terms of revenues. If you look at my Q4 numbers, and if you look at my Q1 numbers, margin has seen an expansion both in Q4 as well as Q1. So, we think the margins will continue to see an expansion year-on-year. So, we are hopeful that this 4.6% margin that we have done in this financial year can potentially better Q2 and Q3 can go to 4.8%, 4.9%, so the margin expansion would be there, the growth in profitability would be higher than the revenue growth, so the revenue growth is 20, 25%, 300, 400 bps higher would be profitability growth. Segment wise, we had already mentioned that TV, we have a strong healthy order book, from 1 million, we are looking at 1.35 to 1.4 million. In terms of revenues it may not look like 35, 40% growth, it may look like 25, 27% growth because the prices have come down of all the LED TV sets. In your Washing Machine segment, we did 5.3 lakh washing machines last year, we are looking at almost 35%, 40% growth in that. So, we are looking like at a number of around 7.2-7.25 lakh washing machines. So, that would again mean a growth of 30, 35%. Lighting despite the degrowth in the conventional CFL business, we think we can still deliver 16-18% growth this year because the H2 after our expansion in downlighters pattern takes place, we will have better H2 as compared to H1, that visibility is there. Of course, I have given guidance on Reverse Logistics and security surveillance business. Now we will have better 7-8-months to follow. So, we think overall our revenue growth at a company level should be 20, 25% and EBITDA growth can be 30, 35%, basically 400, 500 bps higher than the revenue growth.

Nayan Parakh: What would be the estimated CAPEX for the year?

Saurabh Gupta: CAPEX would be around Rs.55, 60 crores but we have got some excellent credit terms from some of our vendors on some of the bigger machinery items. So, in terms of cash outgo, it should be somewhere around Rs.45-odd crores.

Nayan Parakh: I was actually reading one of the footnotes in the result release. You have mentioned that we have deposited around Rs.24 crores in FD. In the earlier question you had also mentioned that we had higher discounting for receivables. So, just wanted to understand are the receivable discounting rates better option as in are there more preferential terms to us?

Saurabh Gupta: Rs.24 crores has an year mark purpose, that money is lying with us as part of the IPO proceeds, so we raised Rs.60 crores, Rs.36 crores has already been utilized, Rs.24 crores is pending with us, so that has an year mark purpose, which can only be utilized for that particular purpose. So, till the time that money gets deployed, we have parked that money in mutual funds and we withdraw that money as and when we have a purpose which is defined in the prospectus. That money we cannot use for any other CAPEX apart from the one which we have already disclosed to the stock exchange or in our prospectus.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: On behalf of IDFC Securities, I would like to thank all the participants for being on the call and particularly the management for answering all our queries and giving us an opportunity to host the call. Thank you very much, sir and wish you all the very best.

Atul B. Lall: Thanks a lot.

Saurabh Gupta: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of IDFC Securities, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.