"Century Plyboards India Limited Q3 FY2019 Earnings Conference Call"

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Moderator: Good day ladies and gentlemen and a very warm welcome to Century Plyboards India Limited Q3 FY2019 Earnings Conference Call hosted by SBICAP Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" followed by "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Lakshminarayana Ganti from SBICAP Securities. Thank you and over to you Sir!

Lakshminarayana G: Thank you Ali. Good afternoon everyone and welcome to the third quarter fiscal 2019 earnings conference call of Century Plyboards Limited. I would like to thank the management for giving SBICAP Securities this opportunity to host the call. From the management team, we have today Mr. Sajjan Bhajanka, Chairman; Mr. Sanjay Agarwal, MD & CEO; Mr. Keshav Bhajanka, ED; and also Mr. Arun Julasaria, the CFO. After the opening remarks from management we can have the Q&A. Thank you.

Sanjay Agarwal: Thank you Lakshminarayana. Good afternoon, friends. I am Sanjay Agarwal, Managing Director of the company. I have with me Mr. Keshav Bhajanka and our CFO, Mr. Arun Julasaria and Nikita Bansal, one of the directors. I welcome you all on the third quarter results call of CenturyPly. Friends, I think the third quarter was also quite challenging and the challenging times of India in corporation are not yet over and it seems that the election mode has totally set in, in India now. The GST also has done better, but a long way to go. Even in our product we see that yes that tax avoidance has improved, but not to the level we have been expecting or we desire.

The MDF capacity utilization in our company has improved and that is why we are contemplating an expansion, but decision is not yet taken. Sometime back actually we had spoken about expansion, but we had put it off for some time, but now that we have achieved about 80% to 85% capacity utilization, we are now quite positive about the future expansion plan and probably very soon we will be back to you all about with a determined clear-cut plan.

Now we find that the particleboard is also doing quite well and the sales and EBITDA both have grown. We are growing in our Prelam Particleboard percentage also, both in particleboard and MDF that is a very positive sign and that is why the EBITDA has also a little bit improved as far as particleboard is concerned. We are also looking at some new expansion plan in particleboard in Northern India.

With that, I again welcome all of you and hand over to our CFO, Mr. Arun Julasaria to talk to you with key financial data for current quarter and after that we will be open for question and answer session. Thank you.

Arun Julasaria: Good Afternoon Ladies and Gentlemen

First of all I will like to mention customary disclaimer that this con-call is just to discuss company's historical numbers and future outlook. In no way this should be construed as invitation to invest in the company.

Results for the quarter along-with detailed analysis is already mailed to you and also hosted on stock exchange and company websites. So I will not take much of your time and take you through only basic numbers and macros.

Comparing 9M results, overall net revenue including other operating income increased from 1423.09 to 1680.60, with a growth of over 18%. Out of such 18% growth 12% growth came from MDF and balance from other businesses. Blended EBITDA margins declined from 16% to 14.3%. EBIT margins remained flattish at 12%. PBT declined from 10.9% to 10.1%. PAT reduced from 8.5% to 7.4%

For Q3, On YOY basis overall net revenue including other operating incomes increased from 509.93 to 578.89, with a growth of 14%. Out of such 14% growth 8% growth came from MDF and balance from other businesses. Blended EBIDTA margins are now 13.4% compared to 18%. EBIT is now at 11% compared to 12.9%. PBT is now at 10% compared to 11.7%. PAT is now at 7.2% compared to 9.2%.

Also for the period of 9 months ended 31.12.18, total adverse forex movement was 19.86 crores as against favourable 1.34 crores in corresponding period of last year. Total forex impact therefore was 21.2 crores on our PBT. Out of total 19.86 crores 10.34 was taken in borrowing cost and balance 9.52 crores has impacted EBITDA margins. Out of total 19.86 crores 10.05 crores was realized and balance 9.81 is mark to market loss. In order to de-risk ourselves from forex adverse movements we have continuously reduced our foreign exchange exposure which now is at only 142.43 crores against 209.44 crores on 30th Sep 2018 and 364.57 on 31st Mar 2018. Out of total exposure around 83% was in USD and balance mainly in EURO. As on date almost all of our exposure is either naturally hedged or forward booked. In Q3 we had shown a forex gain of 4.07 crores.

Now coming to segments:

While the volume of Plywood for Q3 increased by 7% YoY basis, the value growth was flat. The difference is due to change in product mix. We are now focussing more on mid segment products where growth potential is better. Overall Plywood segment is showing de-growth because of substantial lower sale of commercial veneer. Traditionally we have been operating in prime or upper segment of plywood market. Now with continuing subdued real estate market specially in big ticket houses, the prime segment growth is almost flat or bare minimum. Focus of Government is now on affordable housing & middle class which irrespective of any political outcome in 2019 will continue. So now our strategy is to maintain our position in prime segment and look for growth in mid-market and affordable segment. We are penetrating and creating our position in this segment, for which we are expending a lot on creating required infrastructure etc. Here our priority is creating our position in this untapped market rather than high profitability. The strategy is long term with bit short term compromise on profitability.

On YoY basis volume growth in laminates was 10% and value growth was 29%. Major input cost of laminate is imported design paper and crude based chemicals and cost of both have sharply gone up in last six months, due to rupee depreciation and upward crude prices. With introduction of new capacities in market this increased cost could not be passed on but now with stable rupee and downward crude prices profitability will start to improve.

During Q3 MDF has operated at 78% capacity and for 9 months at 64%. Reduced prices in the market have lowered the realization and profitability in this segment. We are likely to operate at above 80% capacity in Q4. MDF has shown significant jump in revenue with growth of 85% YoY and 44% QoQ basis. EBITDA margins for the quarter was 16%. However we expect further price correction of around 3-4 % in coming quarter. In MDF market we are almost 8 years late entrant but still could capture market equal to our 8 year old peers. Our quality is now said to be best quality MDF in the market. As such MDF market is fast growing very fast and very soon demand supply gap will narrow down. This will lead pricing power to all MDF players.

YoY basis Particle board has also performed significantly well with revenue growth of 58%. Despite bit lower realization, EBITDA margins were at around 21%, better than Q2.

Logistics business has faced issues of lower volumes though average realization has increased per TEU. Lower volume is attributable to new competition in the eastern region CFS businesses.

The net worth of the company stood at 935.67 crores as on 31.12 2018

On debt side, even after taking major capex, company is still very low geared with long term debt/equity ratio of merely 0.20 against 2 accepted by the bankers. All other ratios are stable.

As I said we are now focusing on mid-market where raw-material also is bit different. Okume specie of Timber from Gabon is almost 35% cheaper than timber of Myanmar which effect almost 5% of total cost of plywood. So in order to assure raw-material linkage for our affordable products we are setting up a timber peeling unit in Gabon. Planned investment is around 30 crore and expected commencement after 6 months.

With these words I open this conference call for questions and answers. As promoters of the company are on call I will request you to focus more on quality questions. Queries related to numbers etc. can always be made to myself or Mr Rathi separately.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: My question is related to the MDF. As you had already mentioned that 80% of utilization you had reached and also you explained about further expansion in that as well as also you had mentioned about the realization to correct for 2% to 3% further so as an industry and also there is a lot of capacity coming in the MDF sector, as a sector at what level of realization to get it stabilized on if the mismatch in demand and supply will continue, are we expecting a further correction in this profitability to go down sustainability of 14% to 15% of margin, would that be a challenging way forward?

Sanjay Agarwal: Yes so actually, we see that the prices had gone down if you really look at the realization also you will see that the prices have gone down by about 10% in about nine months and in about a month’s time there has not been any further discounting or special pricing in the market by any of the peers. We believe that typically it has slowed down the slide, it has also slowed down since October and I think in the month of December now it has come to a standstill, so we do not think that there will be further slide down number one. Number two because of all this price slide down, all those people who are not in the industry and were trying to come into the industry have thrown away their plan for coming into MDF industry so that is a very positive point for us that is number two. Number three people like us who are in the industry we know that everything is dynamic, the prices are dynamic, the capacity is dynamic, the market is dynamic and that is why we need to actually have vision that what will be the scenario say two years from now, so two years from now absolutely whatever capacity we have built in will be short and if we do not come up somebody else will come up. We should be ready with more capacity so that we do not give chance to others to come into the industry and we are ready with the capacity whenever the prices improve or the consumption improved. Otherwise, somebody else will come in so that is the reason we want to go in for expansion and as far as the pricing is concerned the pricing will only improve once the supply-demand scenario improves. This is a very common cycle, I think, in every industry. It will happen with MDF also, when this Greenply or Action came they made a lot of profit, a lot of money, but slowly when we came even after that it was valued, but after that when the new expansion of 1100 and 600 came by Action and Green the prices went down. Now that everybody I think you must be getting from others also, everybody utilization is improving and improving actually dramatically, very frankly so with that scenario in a year's time we expect that it will be proved

Praveen Sahay: And to maintain this 14%, 15% of margin in the segment is quite achievable?

Sanjay Agarwal: I do not think there is any problem as far as maintaining the systems and because we have done two more things actually. One is that we have installed a very expensive machine, which has actually reduced our glue consumption by about 20% and glue and electricity these are the two main things, which actually are a very big, big cost as part of MDF. The second thing, which has happened the glue costs have gone down. In about a month's time the glue costs have come down so that will also impact our profitability in times to come. And the third thing is we had a problem regarding the pricing of electricity so that also has been reduced to Rs.5 a unit now and that will also help us in improving our profitability in times to come. There was a dispute between us and the electricity department that has been now resolved.

Praveen Sahay: Great and coming to your main segment that is plywood, there also we had seen some pressure in this quarter and also as far as your commentary to more if you move in the mid-segment definitely to sustain the historical high margin would be challenging so what level of you are actually expecting the way forward with this focus more on affordable things and medium range of ply?

Sanjay Agarwal: The top market is actually maybe 7% or 8% or 10% of the total market is at the top so we are actually having 25% to 30% market share in that department so to grow in that heavily yes, the growth is possible and it will happen, but to grow there heavily is not possible that is why last year we have identified these lower segments, the second segment is about 45% of the total market in India, but for this actually now we have to actually go into a completely different kind of selling, marketing, we have to go to the contractor. Earlier we used to go to an interior designer now we are going to a contractor. Earlier we used to go to the top 10% or 20% dealer of the city we are not going to Tier-3 towns, now we are going to Tier-2 towns and the Tier-3 towns and all the other retailers even in Kolkata kind of a place if you were represented by 60 people now we want to go to 1000 or 1200 or 1500 people only in Kolkata, so all these are taking time, so in that actually to make this growth we are compromising with our profit also a little bit at times and it is taking time, but the things are growing. The numbers we are seeing the way the work is happening in our market, everything is very positive. Yes, all this work takes time it is not so easy so we believe that in maybe a year's time, maybe in nine months' time we will be able to see the results in numbers, but till then yes we will have to keep our patience.

Moderator: Thank you. The next question is from the line of Sholani Salgaonkar from Jefferies India. Please go ahead.

Sholani Salgaonkar: Sir thank you for the opportunity. Sir my first question is again with reference to your comment on focusing on midmarket segment, Sir firstly, what is the kind of average price differential between the premium segment and the midmarket segment currently that you are targeting?

Sanjay Agarwal: In premium segment, the price is about Rs.120 per sqft and in the midmarket segment it is about Rs.95, so the price is down by about 25%.

Sholani Salgaonkar: When you said that you want to grow and focus on increasing your presence in midmarket segment, how much do you think it will impact your average realizations and actually will it impact your EBITDA margin in the medium term?

Sanjay Agarwal: You see how much will depend and how much we are able to sell the midmarket material. The more we sell it may impact because if you grow even a 10% volume then the value growth is not equivalent the value growth is much lesser, but as far as profitability percentage is concerned in our company we always fix the profitability percentage for every products and we maintain that, so we are trying to keep it same, but because we are now trying to enter the market and very aggressively we want to go there and we are actually not recognized into the customer for influencer of that segment, we have to compromise a little bit here and there so that is why the profitabilities are a little bit hurt at the moment, but all those things we know very, very well, all will be recovered. When we started plywood we were selling about 11% it was the price leader at that time and today we are selling probably I do not know how much higher to everybody else so all these things are just a cycle and to give you a quantum that how much adjustment in the value will happen it is only when the quantum of the mid-markets and we expect mid-market segment for us to grow by at least 20%, 25% every year that is what we are looking at.

Sholani Salgaonkar: Sure. Sir and you also mentioned that probably it is a new channel as compared to the premium segment that you have right now so do you envisage expanding your channels and will it affect your ad spends to any extent?

Sanjay Agarwal: You see the working in channel as far as CenturyPly name is concerned, this is CenturyPly and Greenply, these two names across the country are known to probably every channel or every person technically we can say so I do not think we need to advertise or spend on advertising for that reason, but we have to work very hard because you have to convince each and every person sitting on there at the top because he is the boss there and to convince him and convert him to our product has been even earlier was a very, very big task. I have personally gone to many, many shops across the country maybe 10 times, 20 times in over a period of year or two and then I have converted them to Century Plywood, but now because Century is a name, but still it takes time to convert them, but it will not ask for much of an advertising yes, initially when we reaching at the time we asked for a board or we will ask for a staff meet and all that so all those are within the system.

Sholani Salgaonkar: Sure Sir and my last question is what will be your distribution touch points right now Pan-India?

Sanjay Agarwal: For laminates, it is I think about 18000 and for plywood, which could be around 5000, 5500 or 6000 like that, but we are looking at both reaching the plywood crossing maybe 15000 and laminates maybe crossing 30000 in the next about 1, 1-1/2-years time, so absolutely the whole energy of the organization is now invested in one big single task that our reach must be the highest and we should become kind of an FMCG across the country and that is why it is taking that much of time.

Sholani Salgaonkar: Sure. Sir this is helpful. Thank you.

Moderator: Thank you. The next question is from the line of Shriram R. from Sundaram Mutual Fund. Please go ahead.

Shriram R: Thank you for the opportunity. Sir just a couple of questions from my end, so this veneer facility in Gabon if you could elaborate on the thought process behind setting it up because I believe there is some coup, which is happening and there is some coup going on and all those things are there and also Sir if you could elaborate us on the MDF unit, which is going to come up, what is the capex and at what point of time we can expect because in one sense you were just mentioning that somebody else will put up the plant or something like that, but then Sir on ROCE front it is clearly dilutive for the organization so we will probably end up with say 10%, 12% kind of ROCE if this current realization sustains. We also are seeing about 3% degrowth in terms of realization going further, please elaborate on the idea behind these things, Sir?

Sanjay Agarwal: First, I will take the Gabon and I will request our chairman, Mr. Bhajanka to take the Gabon question next.

Sajjan Bhajanka: Yes, your apprehension about the coup. The last coup took place in Gabon in the year 1964. After 1964 that was the first attempt maybe after 50 odd years and it was contained within a few hours so even the present wise out of Gabon the absence only in loyal, they controlled the coup within a few hours, and the people involved were either captured or killed so this is absolutely normal and one of the noticeable country in African region and again we reviewed the situation and we were assured from all the angles and our main idea behind putting up the unit in Gabon is raw material security because even if Myanmar restored to old level and even if Laos they allow export of veneer again, but it would be carrying veneer and carrying timber, carrying veneer it is competitively very costly in comparison to Okoume from Gabon so in that situation also for certain products and now onwards we shall use Okoume only, which will reduce our cost and the cost of the timber in Gabon is competitively low and the yield in Okoume is very high so that way this would be a unit, which would partially meet our raw material requirements and if like Laos do not resume then it will be main stay of our veneer requirement and about MDF, suppose today we decide to put another unit or expand capacity in our existing Hoshiarpur unit it will take more than a year and the way we are seeing the market is growing, the growth in the market was very healthy, so we are apprehensive that if we do not initiate now then we may be a little late and as Sanjay already explained to you we do not want the other people entering this area now, so from industry now and presently that is overcrowded there is a surplus capacity so most of the people they have abandoned their plan to enter MDF and in this situation we do not want or would be either expansion in the existing unit like our Hoshiarpur unit we have a capacity of 600 cubic meters, so we may add 300 to 400 cubic meter another capacity with this investment. For this we have spent around Rs.350 Crores plus for existing plant, but the new capacity cost would be Rs.125 Crores to Rs.130 Crores and which will add another 60% capacity so that way it would be cost effective also, but we are very, very careful and we have got another license for UP, for MDF also and for particleboard also, so for time being we have decided to go ahead with particleboard only. MDF for UP for time being we are keeping in hold and after seeing the situation, seeing the market for another one year, so first, only existing plant capacity we may take decision very soon and about the greenfield expansion that we will decide later on.

Shriram R: Sir, what is the capacity for the new particleboard plant and what will be the capex for that?

Sajjan Bhajanka: Particleboard we have not yet closed, but if it is not continuous press then it could be around 400 cubic meters per day.

Shriram R: And the indicative capex, Sir?

Sajjan Bhajanka: Then it will be around Rs.100 Crores. For 400 cubic meters it will be around Rs.100 Crores.

Shriram R: Fine Sir. On the plywood space, if you could bifurcate in terms of volumes like currently what is the portion of premium, mid-market and affordable and how do you see it say three to four years down the line?

Sanjay Agarwal: Presently, a little more than 50% quantity is actually the top premium-grade quantity, quality and about 10% to 15% is the second level, which is actually complementing the premium grade. The rest of it is actually either MR grade or the Sainik 710 grade, which is the mid-market segment and going ahead of course we feel that the market is at least four times so maybe in few years time we should be seeing that this mid-market segment would be at least double the premium quantity.

Shriram R: That would mean we are probably shifting our focus away from the premium segments, that would mean that the margins that we have enjoyed before may not be sustainable is that correct?

Sanjay Agarwal: No. The company's policy is to keep the percentage of profit in most of our product is same. For the moment, for our aggressive inclusion in the market we are compromising a little bit with the medium segment, but ultimately in our company we have always fixed the margins and worked with them so I do not think that it will hurt our margins in times to come whether it will augment a lot because our selling expenses are not going to increase, we have already 700 people strong team across the country so we do not need to increase these people. I need the sales totally doubles. You have to understand that actually our profit has to increase. Our cost in every other respect will come down.

Shriram R: No Sir, the reason why I am asking is, Sir, for this quarter, your EBITDA without forex is about at 13%, sequentially it was at 15.7% for September 1, 2018 so what is the change this is why I am asking you that question that whether you would see this kind of 13%, 14% as a sustainable margin going forward because of your focus getting shifted?

Sanjay Agarwal: I think you must have seen our company for now at least three to four years so all this little bit up and little bit down are industry phenomenon and I think nobody has a control, no industry or no management can have a control. Sometimes one particular area like our Assam factory the prices have gone up for few months, the cutting has been slowed down because of some local movements, the politics took some kind of a turn. Right now you are going to have elections in the next three months. You do not know what is going to happen and what is going to be impacted so I do not think we need to be perturbed about these small changes in all these things, but we are sure because we have actually proved in so many years that we have come down and we have again climbed up because basically the fundamentals of the company or our sales and our brand are very, very good. Our quality is recognized across the country. It has to come back and anybody else, any other competition to take up and come near this brand is very, very difficult. We will have to invest maybe not only money, but a lot of years behind it to reach this level so there is no reason for us to come back actually and if you want me to give you a data on this I can always give you a data, but all the data will be in the perspective of tomorrow, which are assumptions.

Shriram R: One last question Sir what is the debt level long term and short term together?

Arun Julasaria: Yes. Total debt level including long term and short term, is around Rs.468 Crores.

Shriram R: And Sir, the capex, which are coming up, how would be the funding internal accruals?

Arun Julasaria: In fact frozen capex is only around Rs.30 Crores this year, balanced capex and around Rs.89 Crores in next financial year so for that we do not need funding.

Shriram R: Fine Sir. Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Shrenik Bachhawat from JM Financial. Please go ahead.

Shrenik Bachhawat: Thank you for the opportunity Sir. My first question is relating to plywood so going forward what will be the sustainable margins in FY2020?

Arun Julasaria: For plywood sustainable profit margins we cannot say at the moment because it will depend upon what product mix we are going to have of prime and affordable. As we said we are focusing more on affordable segment, and at the moment we are compromising on profitability I mean to say projecting EBITDA for FY2020 is a bit difficult at this juncture because a lot of dynamism are there.

Shrenik Bachhawat: On MDF the realizations have dropped 3% Q-o-Q, but our gross margin is up by 800 bps to 33% so is there a drop in raw material cost for MDF or I cannot understand the change?

Sajjan Bhajanka: Yes. In MDF, there are two, three positive factors took place. One thing is that the price of glue has come down. We are buying glue at Rs.20 now it is come down at Rs.15. Then as Sanjay explained we have installed some very advanced glue technology, and which is reducing our glue consumption by around 20% and then there are three major cost factors in MDF, there is timber, electricity and glue, so timber again because it was our first venture so we have assumed that this much timber would be consumed, but later on what we found we have around 5000 plus tonnes of timber surplus. That means what we were booking, actual consumption was much less than that so now we have calibrated the consumption of timber accordingly as per our past experience so there is also saving of 10% to 15%, so on timber we are saving and the price is flat and at what rate we started buying that thing and the same rate we are paying now so timber is flat and consumption is around 10% to 15% less. Glue prices have come down. Electricity initially we are paying Rs.6.50 per unit, but there was a policy declaration by Punjab government that to industry they will give at Rs.5 so they did not implement it initially, but now they have implemented it so our cost has come down to Rs.5 per unit and we are getting exemption for the electricity duty so it would be available up to 70% of her freight cost along with the GST exemption for the straight part for the sales in the Punjab, so those benefits are there, so that way cost has come down a little bit on glue, on electricity and on timber, so like overheads and others, with increased utilization of the capacity the overheads are coming down.

Shrenik Bachhawat: How has the MDF industry grown quarter-on-quarter basis, how is the MDF industry done overall?

Sajjan Bhajanka: At the moment I do not have data for the industry as a whole.

Shrenik Bachhawat: Are you having a peak in demand?

Sajjan Bhajanka: Yes. The demand is better and we are now catering to many sectors. Now we are making waterproof MDF, Exteria grade MDF and thicker and thinner and in between where we started using both MDF, so we are like wherever we have commissioned our laminating plant in Hoshiarpur, so through laminated this thing would add further value so that way wherever possible we are trying to improve our realization and capacity utilization.

Shrenik Bachhawat: Thank you so much.

Moderator: Thank you. The next question is from the line of Madhav Marda from Fidelity Investments. Please go ahead.

Madhav Marda: Good afternoon Sir. I had two questions, one on the plywood and one on the MDF side. On the plywood segment, as the early participants have already asked on the shift towards the mid-segment plywood from the premium segment, could you just help explain on a gross margin basis just assuming raw material is cheaper for the mid-segment plywood compared to the premium one just on a gross margin basis how much is the differential between premium and the mid-segment plywood?

Sanjay Agarwal: Are you asking about the price or on the margin?

Madhav Marda: Gross margin, Sir, adjusted for the raw material cost because existing raw material is cheaper for the mid-segment plywood?

Sanjay Agarwal: Yes, but accordingly, the prices are also lower.

Madhav Marda: Correct so if you adjust for both the low price and the lower raw material cost per unit basis are the gross margins similar for both or is it lower for the mid-segment plywood?

Sanjay Agarwal: I have explained earlier also that the company policy is as far as percentage gross margin or percentage net margins are concerned we always try to fix it up and maintain the same for all the products. Sometimes depending upon the lifecycle of the product and the market situation we have to adjust somewhere, sometimes we get a little bit higher, sometimes in some things we get a little lower, but the policy is actually to maintain it equally for all. For mid-market segment for us, at the moment we are compromising with the profitability a little bit.

Madhav Marda: And how much is the difference broadly?

Sanjay Agarwal: The differential will be not much maybe actually whatever I say will be wrong because I do not have the perception right now that how much it is actually, but you can ask it later and I think Abhishek Rathi can tell you.

Madhav Marda: Sure and just secondly Sir if I understood correctly you said selling expenses will not go up as we scale up the mid-segment plywood because our sales team is already in place, but in my understanding given that you are saying you need to expand the number of retailers go into Tier-3 towns, etc., your sales force will have to go up right because the same number of people who cannot cover the high number of areas?

Sanjay Agarwal: Right now what is the job of my sales team? The job of my sales team is basically to meet my direct dealers, but these shops I am talking are actually not direct dealers they are indirect dealers or they are retailers. They are actually buying for my dealers, so what I am doing is actually now connecting with them and actually joining him with my dealer and now my dealer gives me a report on a monthly level or a weekly level that how many of them have bought so I go to a dealer now who actually is not buying. Try to understand so we have reversed the game totally, so I do not have to go to the whole area or everybody in that area actually. We are able to find out or pinpoint exactly who is not buying and then we try and pursue him first over telephone and after that if you find that the telephone is not working then we go because before we join in already two to three visits have happened and that is why you see it is taking so much of time. We have to go, we have to meet, we cannot meet all the 50000, 60000, 70000 retailers across the country so soon with these 700 people and even if I increase the number of people I have to train them, I have to have a quality manpower, which is again not possible. Then I have to increase my supervisory.

Madhav Marda: Sir, which is why I say that you might have to increase your sales staff at some point right because if you have to expand into new towns and dealers you need more people to handle them?

Sanjay Agarwal: People are there. Like if you go to Banaras or even if you go to Erode or you go to Jammu or even if you go to Srinagar my people are there everywhere. That is what I am saying that we have actually tried our best earlier and now because of this mid-segment we are able to get into a shop, which was earlier not interested in CenturyPly because CenturyPly is perceived to be a product, which is very highly expensive, but now we have seen that yes it is possible they have come out with a mid-segment. Mr. Bhajanka wants to say something.

Sajjan Bhajanka: I would like to add one point. So far we are underutilizing our marketing force, so now we shall utilize them a little better.

Sanjay Agarwal: Yes absolutely.

Madhav Marda: Just on the MDF, my second question, just on the industry side, just think, of course, early participants have been asking this question, but just fundamentally if I look at an industry do not you think this is a low barrier to entry industry for new players, they may not come in for the next six months if CenturyPly comes in and puts a big capacity, but this threat will always be there right because there is no big barrier to entry?

Sanjay Agarwal: Which industry does not have a threat?

Madhav Marda: Exactly Sir, but more so for MDF, right?

Sanjay Agarwal: This industry also has a threat, but then look at it that before they came up they were trying so hard to take away my people. The person I was paying Rs.40 lakhs rupees they offered even Rs.70 lakhs rupees and told him that if you come tomorrow and I am signing an agreement with him, all of them have stopped calling, just by because 4%, 5% or 3% prices drop so by announcing further capacity we are actually putting the last nail in the coffin. All these people will now say oh my god now the Century Plywood is coming. Already the existing capacity is unsalable and these guys are mad. Why are they putting up more capacity and so that is what they will think and let them think. That is what we want them to think.

Madhav Marda: Just one followup on this, Sir, but given that at some point if you take back the margin say 20% if that is a view say two years once advanced supply becomes more favorable then again this threat will come back right, I am just saying can we go back to the 25%, 30% margin that we had like 1-1/2 years back or it is going to be a 15%, 20% business?

Sanjay Agarwal: At that time we will get at least 2 years' time because anybody coming in into the business will take at least 2 years to 2-1/2 years to get into this business and we will enjoy those 2, 2-1/2 years.

Sajjan Bhajanka: Amongst the big players we are the late entrant or the latest entrant and in spite of that our capacity utilization is better than all the existing players so to some extent our dealers network is helping us and our methodology and mechanism, which we are applying in CenturyPly that is helping us so for a player in the industry fortunately or unfortunately there is vast gap between #1, #2 and after that #3 is far behind so amongst plywood industry Century is #1, Green is #2. Suppose our turnover is Rs.1500 Crores for plywood segment then the #3 turnover is less than Rs.200 Crores so there is vast gap between the top 2 and then the next player and similarly, like Action, so they were big player and some other this things and they were already big industries, but apart from them all the existing players in plywood they come in the small and medium range so for them to like decide for a big investment of Rs.400 Crores, Rs.500 Crores, it is not that easy and the new people for them there are many more industries where the profitability is very high, other thing is that challenges are less, so they will go to those industries. They will refrain from coming to MDF if we are not creating any space for them. If we are keeping the market fully fed, in that case, for new people there would be less incentive to come into the MDFs.

Madhav Marda: Got your point Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Ronil Dalal from Ambit Capital. Please go ahead.

Ronil Dalal: Sir, so I had a few questions on MDF. You had mentioned that glue, electricity and timber were major costs would you be able to tell me what percentage of the total cost that would be for MDF specific?

Sanjay Agarwal: Around 50%. These three together is around 50%.

Ronil Dalal: And timber out of that would be how much of the 50% or of the 100% rather?

Sanjay Agarwal: Timber maybe around 50%. Power would be 20%, glue would be 30%, timber would be 50% of the cost and together they are 50% of the total cost.

Ronil Dalal: Got it. Also that like this we have done a different type of technology we are using. Similarly, are there any other technological differences that you all have been stressing on or may be focusing on versus some of the unorganized players like say like a dry and dip, or say core veneer composers I have been hearing these things since last few months, are there any such technological advancements or steps, which we are taking to be ahead of the unorganized players and some of our competitors and could you specify some?

Sanjay Agarwal: Here, like MDF, so at the moment, there are two technologies in work, one is continuous press, conti press and another is daylight press, multi-daylight press. So only three of us, Century, Green and Action, we have conti press and rest other players they have daylight press, so conti press quality is better. Conti press like the wastage is less, like sending wastage other things are in comparison to daylight press is less, but cost wise conti press units are costly like installation cost or the capital cost for the conti press technology per unit of production is competitively higher and multi-daylight, so they put a plant for Rs.100 Crores, which may have around 200, 250 CBM capacity whereas for 600 we have to spend Rs.350 Crores to Rs.400 Crores and like Green I think they have spent more than Rs. 700 Crores for their new line in South and similarly Action they have also purchased a new land that is again relatively more costlier than their earlier land, which was the earlier type of technology they were using were multi-daylight press. So this new addition is the Conti press and like in plywood there is no rocket science involved so far it is more or less the same technology, same press and the core composer and these things are mostly to improve the quality. So if we are composing the core, we are jointing it then composing, then there would not be any gaps in the plywood, so this endeavor is mainly to improve the quality, so which in Century we always try to improve the quality with some better management without cost is preferable, but sometimes incurring higher cost also we try to improve the quality.

Ronil Dalal: Is MDF eating into or cannibalizing into, say for example, a lower end ply or are you facing any cannibalization from the MDFs?

Sanjay Agarwal: There would be even if we are not facing much now, in future there would be because China last year the total like their capacity was around 50% was in plywood in million tons, so their 60 million tons was the plywood capacity, 60 million cubic meter and 40 million cubic meter was their capacity for MDF and 20 million was the capacity for particleboard. So MDF and particleboard was almost equal to plywood. In India plywood capacity is around 10 million and MDF and particleboard together now it is less than 2 million, so there is long gap if you compare with China and in Europe this is further lower the plywood capacity, so their ratio is 75-25. The engineered products like MDF, particleboard, OSB, those are occupying 70% space and plywood is less than 25%. So India would not be exception to this in future, but there is one difference because our overall capacity the consumption per person is very less. Whereas in Europe, Japan, other countries per capita panel consumption is more than 50 square meters whereas in India still it is 2 square meters, so there would be vast growth and that growth will come mostly in the engineered product like MDF and particleboard and plywood would also grow. So there would be that growth rate in plywood would be slower in comparison to MDF and particleboard. MDF and particleboard for a couple of years would grow at 40%, 50% on the capacity term and whereas the plywood would maintain 5% to 10% growth.

Ronil Dalal: Last year in 2018 40% of MDF was imported despite all the capacities that have been added, so international prices of MDF versus India how much cheaper would they still be and the second one is that what I was understanding that Okoume has become very poplar since the introduction of dry and dip technology. And because of that the prices of Okoume have also gone up little bit and also the supply disruption at Gabon, so just anything on these two points?

Sajjan Bhajanka: Until 2010 India had only 200 cubic meter capacity. Then 2010 to 2013, a fresh capacity of 1200 cubic meter was added and that entire 1200 cubic meter was absorbed versus market and in spite of that imports were growing at the rate of 50% per annum, so there is the vast appetite for these products in India and now also prior to Green's commissioning, which they have commissioned in the late 2018, prior to that there was only one MDF unit in South India and one particleboard unit that was not functioning, now it is closed down due to NCLT that associated décor, so there were only two major units, so particleboard, yes, we have entered and again in entire Tamil Nadu we are the only particleboard manufacturer so that way and the entire except the North India you start from Kolkata go down then Kanyakumari and then come up to Gujarat every 1500 kilometers there is a port, so importing is much more cost effective and much more convenient. So all the coastal cities they are still resorting to import and after Green entered the South Indian field, yes, there is enhancement in the capacity, but prior to that in South India capacity was very less and material moving from North India to South India was not cost effective and the import was comparatively cheaper in comparison to material moving from North India to South. And Okoume, yes, it is cheaper. Okoume is cheaper than Keruing, so it will replace Keruing to a big extent and there are many units in Gabon. Many Indians they have gone there and with multiple lands and there the timber supply is mostly by one company that is Olam, so it has established an industrial estate in Gabon, so they have vast lease from the government and the best part is in favor of Okoume is that the concentration of Okoume in the forest is very high. You can say this is a country, which is rich in the single species. If you take the Keruing, in Myanmar there are so many other timbers, in Laos there are so many other varieties and in Indonesia, Malaysia, so it was not that Keruing was more than 25% of the total species, but in Gabon, Okoume is more than 75%, 80% of the total number of species available there.

Ronil Dalal: Thank you so much.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Edelweiss. Please go ahead.

Sneha Talreja: As we said that we are focusing more on the mid-end segment, wanted one clarity that despite we say that we will be compromising on the prices and we would be focusing more on the volumes why is our volume growth in this particular quarter only 7% compared to in the previous two quarters we had grown at a much higher rate?

Sanjay Agarwal: I have already detailed this actually. This requires a completely new effort in the market because we have to now reach out to new dealer, new geographies totally and for our people to really convince them, initially, yes, few of them were known to us, so it was very easy to make inroads few of them and later on it became very, very difficult. So initially, it was because our people knew we are dealing with 60, they knew another 20, 30, 40 people, so it was very easy to introduce to those 40, 50 people, but now going beyond this 100 people to reach this 800 or 900 people is not that easy job because those people have a docket in their mind that Century is very expensive, so now going to them, talking to them and convincing them is a task and number two we have to go to the next level also because the contractor who is a decision maker also must know and understand that now Century Plywood is a company, which is producing and marketing the products, which can be used by them. It is no more a product, which is very, very highly expensive. So convincing you see, informing is a different thing, you can send an SMS, but nobody reads an SMS. We can just advertise it. Today, there is so much of advertising, nobody would actually even hear or really have that perception and basically conviction in their mind. So we have to really meet each and every contractor not once but maybe twice to make this point in his mind. So that is why it is taking time, but the road we have seen that the results are very good wherever we are doing this the results are very good, but yes it will take time. The initial phase it is faster, it is now slower then next time when it goes faster it will go much faster, but yes that will take some time and I think Mr. Bhajanka wants to say something.

Sajjan Bhajanka: I would like to throw light on one another angle that is GST. So prior to GST there was vast gap between them and us. There is Indian -- like the market divided mostly in favour of unorganized. They earlier had around 70% capacity and we had only 25% capacity, the organized market and the cost only for one factor that is taxation, there was additional burden of around 30% on us for the taxes and excise and sale tax and mostly the unorganized units were in the exempted sector. They were in SSI out of 3300 or 3200 SSI units 2500 were totally exempted and 700 were partially exempted. So this GST has reduced our tax burden from 30% to 18% and now there is not a single exempted unit. All unorganized units are now paying tax. They are in the ambit of GST. They have all been registered. They are issuing GST chalans and they might be cheaper or they are like undervaluing, but still not even 18 they are paying at least 10% duty, 9% or 10%. So for us, it is reduced from 30% to 18%; for them it is increased from 0% to 10% and this has narrowed the gap by around 20% between us. So we have become more affordable. Earlier, it was difficult for us to play in the mid-segment due to the vast cost difference. We were minimum 50% costlier than the unorganized player, but now this gap is narrowed down, and you can take the liberty to create a new segment, which is in between to unorganized and the organized, so that is mid segment, which Sanjay was contemplating now.

Sneha Talreja: Got that Sir and second question was relating to the CFS segment, in the last two to three quarters we have seen volumes on this particular side dipping a lot, can you specify what has been the reason for slower growth in this particular business?

Sajjan Bhajanka: You might have heard about this thing, earlier, there was lot of congestion in Kolkata and particularly in the port area, road conditions were very bad and due to that lot of accidents took place, so this Kolkata Police they have restricted traffic of containers in the port area, and due to that there was huge congestion and lot of imports shifted from Kolkata to Haldia, and our catchment area is only Kolkata port, because our both the CFS are located at Kolkata port area. That was one reason of reduction and then there was a bridge connecting the South Kolkata and North Kolkata, Majerhat Bridge that collapsed. After that, again, there is tremendous pressure on the traffic and then one new player has entered, that Allcargo they have also started operation in Kolkata. So some like container cargo, some load they have taken and so these all are the factors less import, new players and this new player this will continue, this factor it will hound in future also and maybe now we have to compete, so we are losing on volume and value both as well.

Rohan Garnaik: You have been in plywood and running the business for such a long time and you are seeing that the journey which you are going now from premium-end plywood to now getting into mixed segment. Sir, in this journey, probably most of the consumer items we are seeing that dealers are moving upward and premiumization, plywood is a segment probably you are seeing that they are getting into lower-end segment or overall realization for the dealers will be coming down. Before you, he was probably dealing with the unorganized sector where margins he was enjoying was even higher, maybe 30%, 40%, 50%. I understand probably your margins will be much lower than offering to dealers than what he was enjoying with unorganized. Sir, in this all scenario in the journey, what is happening to the dealer, how he is able to survive and are you seeing that there is a continuous pressure on a dealer and a closing down happening in the street?

Sanjay Agarwal: It is very difficult question you have asked me. There is one thing I would like to make clear that the growth, which we are envisaging in the mid-segment it is not at the cost of the premium segment. Premium segment we sell-grow, maybe the growth would be limited to say 5%, 6%, 7%, and mid-segment growth would be much higher and much faster. So that is our strategy. We are not compromising with that. We are not giving up the premium sector. That will grow. That is our like, there are many dealers, they take pride in dealing with our premium products and they cater to the premium like architects and the premium customers, so that will continue and as rightly said by you the market is moving towards premium grade also. There was a time that share of the organized, unorganized was 10-90. Organized was only 10%, unorganized 90%. So from there, we are moving and now I am sure that already we have crossed a threshold of 30%, the organized player and then reached 50% of the total market and where the vast of the growth will come from the mid-segment, but the premium segment would also grow. I think I can clarify this. We are not looking at increasing the market, the total universe or the total market in mid-segment what we are only simply doing is there is a market, all these dealers are dealing in those products, we are only elevating them a little bit, whatever the customer was buying, suppose a Rs.70 or Rs.75 item, now we are telling them you buy an Rs.85 or an Rs.87 or a Rs.90 item. The guy who was buying Rs.85 item he can buy a Rs.95 or a Rs.97 item and so we are saying that because the difference between branded and unbranded earlier was too high, so a person who was buying an unbranded could not even think of buying a branded product. Now because of the GST and we coming into a mid-segment it is possible for him to upgrade. Earlier the thought of upgradation was not possible. So actually as far as the business of the retailer is concerned that is not under any threat at all.

Moderator: The next question is from the line of Yash Gupta from VP Enterprises. Please go ahead.

Yash Gupta: My question is related to MDF. Does we have started any additional capacity in Punjab unit and is there any additional capacity in overall industry of MDF this quarter?

Sajjan Bhajanka: This quarter is not to my knowledge and even in the next quarter there is no new capacity is I think coming up and ours still we are at the discussion stage about the Punjab. Earlier when we started that time we were willing to go for the expansion immediately, but after Green started this new plant South India and the Action started new plant and there was huge surplus capacity, so we like sold our project at that time. So we are taking it from there only. At that time, we planned everything, we did the engineering, we did listing, whether it is possible to install another 400 capacity in our existing plant, so that is positively concluded, so that we are now like contemplating to just go ahead with that, so that is at that stage and like in UP we got the license and there is now 2-1/2-year time allotted to us to start construction. So that way we will take decision at the appropriate time and to my knowledge only one plant big plant, Conti press has been ordered from India that is by Rushil Decor and that is somewhere in the Hyderabad side or Vijayawada side of the Andhra. So that side they are planning, but they will take minimum one more year to complete the plant. So anything would come maybe it would be beyond FY2019-2020 or in the fourth quarter of FY2019-2020.

Moderator: Thank you. The next question is from of the line of Ravindranath Naik from Sunidhi Securities.

Ravindranath Naik: Sir, my question is pertaining to this plywood business, so your overall realization as per the presentation has gone up by 0.7% and you are saying that you are concentrating more on the mid-segment, so whereas this is lower realization and secondly there are news that the poplar prices have gone up in the year by December, so whether that is the one reason that there is a 500 basis points decline in the gross profit margin in plywood business, Sir, please explain this in terms of the product mix because the realization is actually overall realization has gone up by 0.7% and gross margin has declined by quarter-to-quarter declined by 500 basis points?

Sanjay Agarwal: Yes. So just one thing, the first part of the question was that the realization has increased by 0.7% and the second part is that why is there a 5% gross decline, right, you see the cost of the raw materials has increased. As we already mentioned, the cost of all phenolic resins, anything that is crude-related has jumped up. While this has a much higher significance in the case of laminates, it also plays a role in the case of plywood, so in the case of plywood as well, the cost of certain raw materials has jumped. Alongside that, like we have already mentioned, our Guwahati unit earlier had various tax exemptions, etc., which are now over and as such the profitability from the Guwahati unit is slightly reduced, coupled with an acute shortage of raw material there, which is a temporary phenomenon, that has led to lower profitability from Guwahati and a higher tax burden on us for this quarter. Alongside this, like you said, poplar prices have gone up and as a result what has happened is the material that we were trading or the lower quality, the Sainik that we are procuring from the market, I think, MR, the cost of that product has increased, so all 3 of these put together have reduced our profitability. So we are looking at ways and means to increase profitability. Immediately hiking the prices is something that we decided against because right now we are trying to gain market share and trying to ensure that we are in first position in the market. So right now, for the short term, margins could continue to look a little lower, but I am sure that in the near future maybe over the next 2 or 3 quarters we will again be able to keep margins high.

Moderator: Thank you. The next question is from the line of Manoj Bahety from Omniscient Capital. Please go ahead.

Manoj Bahety: Yes. So I have couple of questions. My first question is like in the industry significant investment is now happening on the MDF side, which is much more capex intensive and as of now not ROCE accretive, so how do you see the ROCE trajectory of the company as well as I also wanted to understand that what is the hurdle rate, which you consider while approving the investment in the MDF segment?

Keshav Bhajanka: You see typically for any new investment we look at an ROCE of 20% plus. Having said that it must be realized that the market is dynamic. Today we talk of the expansion of MDF the earlier plant cost us goes to Rs.350 Crores for a capacity of 600 cubic meters. Now we are talking augmentation of capacity of 67% that is 400 cubic meters at a cost of Rs.125 Crores, so the ROCE for the business will be determined by market forces, but as per us within the next year, year-and-a-half, as this capacity gets absorbed we will back to ROCE of 20% plus.

Moderator: Thank you. The next question is from the line of Pranav Mehta from Equirus Securities. Please go ahead.

Pranav Mehta: Sir, just wanted one clarity. Have you dropped your capex plan for the door project because it was not given in the presentation?

Nikita Bansal: Yes. Actually, for now, we have sort of put the doors on hold because we have realized that we tried to do a pilot round and we found that the current demand for this is not as much as if we would be able to put a plant right now, so we are considering with some imports, but plant we would probably take a call by the end of next year.

Moderator: Thank you. The next question is from the line of Prateek Poddar from Narnolia Financial. Please go ahead.

Prateek Poddar: Sir, I have a question with regards to capex, so as I can see in the balance sheet provided for nine months we have shifted around Rs.110 Crores from capital work in progress to fixed assets, so can you just help me on what does Rs.110 Crores relates to?

Arun Julasaria: This is basically for the corporate building we have constructed.

Prateek Poddar: Corporate office building?

Arun Julasaria: Yes for corporate office building and laminate expansion mainly, this is for two.

Prateek Poddar: Just in continuation to it, the rise in the depreciation run rate is because of these two right?

Arun Julasaria: Yes.

Prateek Poddar: And we expect this to continue?

Arun Julasaria: This will continue of course.

Prateek Poddar: Another thing Sir I was just looking after the working capital scenario and our cash conversion cycle has increased a little bit, so can you just help us to understand?

Arun Julasaria: It is mainly due to decrease in payable days. In order to derisk ourself from foreign exchange risk we are constantly reducing our liability on account of foreign exchange risk. So we are availing less Usance credits, less buyer’s credit because foreign exchange scenario now in last three months unstable, so instead of hedging we are paying upfront. You got my point?

Prateek Poddar: Yes Sir. Another question that I had is with regards to the plywood facility that you were planning at Punjab and I have seen that it has been shifted to FY2020 the whole capex has been shifted from FY2019 to FY2020, so can you just help me?

Arun Julasaria: In fact we are going slow on it. Mr. Bhajanka will like to answer this.

Sajjan Bhajanka: Actually we have taken another strategy. Like in our old existing plants we are upgrading them by installing core composer and like big glue traders to improve the quality and to make the plywood core gap less that is one thing and at the same time like earlier the technology available and utilized in India was 10 daylight presses. So mostly 99% presses in India were only 10 daylights and in all the factories, which we were established, say, 7, 8 years back or prior to that we had only 10 daylight presses and now 20 daylight presses are available, so at the same space with the same labour you can operate 20 daylight press instead of 10 daylight press, so we are now like replacing 10 daylight press in our factories, existing factories by 20 daylight presses, so that way that is releasing lot of capacity and new capacity we are getting amongst in the existing plants and Punjab we have licensed for plywood and earlier we thought of using like putting up new capacity then very near to Punjab in Karnal we have a factory. In Haryana, that is Karnal is almost Punjab-Haryana border and that side at Roorkee we have a factory. So for the time being, we have hold project of plywood in Punjab and like all earlier enhancing capacity in all our existing plants.

Moderator: Thank you. We will take the last question from the line of Ashish Poddar from Anand Rathi. Please go ahead.

Ashish Poddar: My question is regarding your ply mix, so are we saying that we are going to increase outsourcing and when we are saying mid-segment is it pertaining to the Sainik segment or it is a different segment?

Keshav Bhajanka: Sir could you just repeat that once?

Ashish Poddar: Yes, Sir. My question is when we say mid-segment, is it Sainik segment or it is a different than Sainik segment?

Keshav Bhajanka: Mid-segment is the Sainik segment. We are categorizing this within three segments. The very top end would be Century Club Prime, below that would be Bond, Bond would be lower end of the higher segment and Sainik would be the lower segment.

Ashish Poddar: So we are not thinking of going below the Sainik segment or we are talking about that?

Keshav Bhajanka: No we are not.

Ashish Poddar: Okay.

Keshav Bhajanka: You are going to the higher product within the mid-segment of the market.

Ashish Poddar: So why I am asking because looking at your competitor who has gone below that segment, the Jansathi and Bharosa and my sense is that they are not getting good volume there. So I just thought to clarify whether we are going to focus on that segment or not?

Keshav Bhajanka: Our problem is that any segment lower than Sainik to guarantee quality would become a very difficult task for us because at that price to produce a quality product for us at least it is impossible. I do not know what people who are partaking in tax arbitrage, etc., being able to give out, but as for the quality of the material is not up to scratch, so we are not present in that segment of material at all. We are restricting ourselves to the Sainik segment, which is a high-quality product that we can guarantee at that price.

Ashish Poddar: So what is the outsourcing mix as of currently and how do you envisage in next 1 to 2 years' timeframe?

Keshav Bhajanka: Within all our products, Sainik MR is the only product that we extensively outsource. All the other products within the Century basket are being manufactured in-house. Going forward, with Sainik MR I think we will increase the exposure in terms of outsourcing because this is a fast-growing product and in the future also we are looking to outsource most of Sainik MR. Whereas with Sainik PF we are going to be manufacturing most of it in-house. For exact volumes Mr. Julasaria can update you better.

Ashish Poddar: Thank you so much.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Sanjay Agarwal for closing comments.

Sajjan Bhajanka: Sanjay I think somehow disconnected. So I am Sajjan Bhajanka, Chairman of the company. I thank everybody for participating in this telecall and I thank SBI Capital for organizing this conference and it is very nicely organized, quality of voice and the conduction was very good. Thank you very much. Thanks to all the investors and analysts. Thank you.

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