“Subros Limited

Q1FY '2025-26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to Subros Limited Q1 FY '26 Earnings Conference Call hosted by Batlivala & Karani Securities Private 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities. Thank you, and over to you, sir.

Annamalai Jayaraj: Thanks, Subham. Welcome to Subros Limited 1Q FY '26 Post Results Conference Call. From Subros Limited management, we have with us today Mr. Parmod Kumar Duggal, Chief Executive Officer and Executive Director; Mr. Hemant Kumar Agarwal, Chief Financial Officer and Senior Vice President, Finance; and Mr. Sukhbinder Singh Gill, AVP, Finance. I'll now hand over the call to Mr. Parmod Kumar Duggal for the opening remarks to be followed by question-and-answer session. Over to you, sir.

Parmod Kumar Duggal: Thank you, Mr. Jayaraj. Good morning, ladies and gentlemen. Welcome to Subros' Investor Call for Quarter 1 FY '26. The Indian auto industry is experiencing a mixed performance in April to June '25 with some segments seeing the growth and other faced the slowdown.

Overall, passenger vehicle domestic sales were slightly down with 1.4% negative year-on-year, while two-wheeler domestic sales has saw a dip of 6%. This is partly in line with the seasonal pattern as manufacturing typically offer discounts in the final month of the fiscal year to push inventory, followed by the natural slowdown in the new quarter.

However, there are positive trends in certain areas such as export for passenger vehicle grew by 13% and two-wheeler exports grew by 23%. Overall export reached to the record high in quarter 1, which is a testimony for our global competitiveness.The transformation towards electrification and high-value segments such as EVs and hybrids continue to accelerate the growth prospects. Subros has stayed committed for driving innovation and growth, which was crucial for challenging these industries shift.

Subros has registered a growth of 8.4% in quarter 1 FY '26. In this growth journey, CV segment trucks, which has again played an important role with a growth of 34% in quarter 1 due to the new emerging notification implementation for aircon in the last mile connectivity as well as N2, N3 category.

CV segment bus has also played an important role in the growth, which has registered 21% sales growth in quarter 1 FY '26 as compared to the corresponding quarter of last year. There is 15.43% improvement in quarter 1 profitability as against corresponding quarter. This is because of our aggressive push on improving internal efficiencies and localization, which are constantly resulting into our results.

The results for quarter 1 FY '26 have been shared with the Stock Exchange yesterday and posted on our website also. Let me elaborate the summary of the results one by one. Subros has performed better than the industry in quarter 1 with revenue growth of 8.45%. The company has achieved a revenue of INR 878 crores during the quarter 1 FY '26. The share of business in passenger vehicle air conditioning market is 42% in this quarter and share of business truck AC has improved to 44% and bus AC segment is now improved to 16%.

Related to operational performance, the company has realized EBITDA of INR 87.70 crores in quarter 1, which is 10.02% of the net sales as against the EBITDA of 80.42%, which was 9.96% of the net sales in corresponding quarter of last year.

There is an improvement of EBITDA by 9.05% as compared to the corresponding quarter. Profit before tax in quarter 1 is INR54.44 crores, which is 6.22% of the net sales. PBT margin with the corresponding quarter has improved by 15.43%. PAT in quarter 1 is INR40.66 crores, which is 4.65% of the net sales. PAT margin with the corresponding quarter of the last year has improved by 16.48%.

Now on the business update. Over the past few quarters, we have demonstrated a strong and consistent performance trajectory driven by the robust financial indicators, including the growth in EBITDA, PBT and PAT due to our sustained top line expansion. This momentum reflects the disciplined execution and sharp market alignment, and we are confident that we will carry this momentum further.

In the EV space, we have started aligning to the customer SOPs. Last quarter, we have done SOP for Maruti Suzuki EV model also. And before that quarter, we have done for Mahindra & Mahindra. So both the projects now at a ramp-up stage, and we are expecting the results coming quarter.

From the green mobility for CNG, hybrid and EV component, our contribution to total sale is right now around 20%, and we are expecting this to grow further. During the quarter, we have started production for Y17, that is the new project coming in from Kharkhoda Maruti Suzuki supplied from our Manesar plant. So that SOP has also started.

It is at a ramp-up phase. In anticipation of the Government of India's mandate for air conditioning cabin in all trucks starting from June, all our preparation is complete, and we have started the production from 8th June. So the impact will come for full quarter in quarter 2 this year. On the railway side, we are becoming stronger. We are now participating in large tenders. So once these tender results will be released, we will update to all of you.

Our project at Kharkhoda is progressing well. We have taken all regulatory approvals now to start the full swing construction activities. This project will start with 0.5 million of capacity, which will be scalable to 1 million as per the customer requirement. This project will be operational between April to June quarter '26. And this will be a substantial investment for us in green mobility as well as in green factory.

Before I conclude, let me summarize the overall results. Revenue from operations, INR878 crores with a growth of 8.45%, EBITDA of INR87.7 crores with a growth of 9%, PBT of INR54.44 crores with a growth of 15.43% and PAT of INR40.66 crores in the quarter with a growth of 16.48%. Thank you very much. Now we can take the questions.

Moderator: The first question comes from the line of Vijay from Nuvama.

Vijay: Sir, I wanted to check with you, can you share what will be our revenue share segment-wise, so basically for passenger vehicle, commercial vehicle, railways, etcetera. If you can just give us a broad highlight how should we look into it? And what is your expectation probably in 2 years, 3 years down the line? How should it shape up?

Parmod Kumar Duggal: Okay. So two questions you have first on the revenue by segment. So passenger vehicle segment has contributed around INR700 crores out of INR875 crores. Engine cooling module has contributed around INR106 crores. Bus segment in quarter is INR12 crores and truck is around INR45 crores. Railway is INR9 crores and the rest is contributed by other segments.

Now on the second part on expectations. So right now, a lot of disruption, geopolitical, are happening in supply chain disruptions as well. So we are watchful for the industry, how it moves, including the rare earth availability and the model level plans of all the OEMs. So this quarter would be very crucial now to observe the market trend. And based on that, we will align our production plans also. But overall, I think throughout the year, we'll have a very moderate progress on automotive sector.

Vijay: Okay. Okay. And have you also seen any impact because of the production cut on e-Vitara from Maruti Suzuki because of rare earth magnet?

Parmod Kumar Duggal: We don't have any direct reflection of any production cut, but there are volume fluctuations. We don't know what are the exact reason for that because this rare earth is not directly impacting to our products. So if OEM is changing schedules, that may be because of the availability of component or maybe because of the market fluctuations. So we are just following their schedule.

Vijay: Okay. And sir, generally, these types of fluctuations, do they result into increased operational inefficiencies like in terms of starting and stopping the production or delay the scheduling of the delay in site scheduling or anything like that? Or is it just a normal course of business?

Parmod Kumar Duggal: I'll say it is normal course. Yes, due to frequent model change, there would be some impact on the operational efficiencies, but it is not very significant. So it is part of our normal business transition.

Moderator: The next question comes from the line of Arjun Khanna from Kotak Mutual Fund.

Arjun Khanna: The first question is now that N2, N3 AC cabins have been made regulatory compulsory, what would our market share be? Because earlier, there would just be SOPs, now we would have a complete sense. So what would you believe our market share to be?

Parmod Kumar Duggal: So in N2 truck segment, N2, N3 and also in some cases, N1, which is having a tonnage of 3.5 also require aircon. So our market share would be in the range of 44% & 45%.

Arjun Khanna: Sure. And in terms of key customers, if you can mention who are the OEMs you work with? Or do we work with all OEMs and our share of business is slightly lower?

Parmod Kumar Duggal: So we have taken businesses from Ashok Leyland, Tata Motor, SML Isuzu, Mahindra Trucks and Buses and also Daimler.

Arjun Khanna: So effectively, we work with most players in that sense. So is it generally 100% of a model? Or is it that there are certain models assigned to us and certain to competitors?

Parmod Kumar Duggal: So in thermal business, normally, one model is dedicated to one body or one engine model is dedicated to one thermal supplier. So it is by model.

Arjun Khanna: Okay, sure. That helps. And essentially, do you believe this to be the stabilized market share? Or is there a scope for winning further orders because we seem to be supplying all the OEMs. So given their diversity targets in terms of number of suppliers, do you believe this to be closer to peak market share for us?

Parmod Kumar Duggal: Yes, there is opportunity available because this transition was from where as is cabins, we need to introduce something as part of aircon. So as the model change will happen, as the cabin quality will improve from the OEM, then there is a possibility that we can introduce better technology products, more features. So that opportunity always available.

Arjun Khanna: Sure. So that would be once the platforms change, etcetera, we could look at gaining share?

Parmod Kumar Duggal: Correct.

Arjun Khanna: Okay. Sir, on the second question in terms of margins, I just want to understand, so we have seen an inflation in the cost of rough gas prices. I understand that charging will be a very small number of it in the overall price of the overall AC blower condenser, etcetera, compressor, etcetera. But is that a factor also in margins coming off?

Parmod Kumar Duggal: What is the reference of inflation you said?

Arjun Khanna: So refrigerant gases. So I understand 134a prices have moved up of late in the past 1 year, if I look at inflation in key raw materials. So is that a factor? Or what would you believe to be the key factor for EBITDA margins sequentially falling off, sir?

Parmod Kumar Duggal: So normally, our commodities and critical alloys are compensated by customer in a quarter lag time. So whatever inflationary rates are there, they are compensated in subsequent quarter. But if it continues to increase, that the impact will be there on the bottom.

But overall, if you see, as compared to the previous quarter, our EBITDA margin has improved, not previous but corresponding quarter. But previous quarter, because of the revenue number, that operational cost apportionment that will have some impact. But from the previous quarter, the revenue is different because quarter 4 in this industry is always a peak quarter.

Arjun Khanna: Sure, sure. So that operating deleverage, I get that, sir. And going forward, we were on a trajectory where we believed that double-digit margins would be sustainable. And eventually, we would like to go to 12%. Does that target yet remain given this volatile environment?

Parmod Kumar Duggal: Our hopes has to be always positive. So we are still maintaining that, and we have to strive for that because these disruptions sometimes will become a new normal. So we have to deal with that.

Arjun Khanna: Right. Right. And are we being able to price on these disruptions?

Parmod Kumar Duggal: So this is all part of the negotiation with the OEMs. Some cases, they are willing to, but some cases, they are trying to wait for the stabilization because right now, disruptions are too many.

Arjun Khanna: Sure. Fair enough. And lastly, just if you could touch upon capex for this year. How do you see this year pan out in terms of capex that we are anticipating?

Parmod Kumar Duggal: So our regular capex for new product development and maintenance would be in the range of INR120 crores, INR130 crores. That is as is, and we are consistent every year to spend these kind of money to replace maintenance capex or so. This is other than the new greenfield project, which we are coming up with Kharkhoda for that INR150 crores is allocated done for greenfield projects.

Arjun Khanna: Sure. And a decision has not yet been made on electric compressors?

Parmod Kumar Duggal: Not yet.

Moderator: The next question comes from the line of Mayur Parkeria from Wealth Managers Private Limited.

Mayur Parkeria: Yes. So sir, a decent set of numbers, but on the margin side, slightly lower than what we were hoping for in terms of based on the commentary and we were looking for double digits and finally, 12% so slightly lower and the kind of growth. So you partially mentioned that March quarter was normally high was normally better than other start of the quarters. But from that perspective, just some more color.

Is it also a function of kind of product mix and we believe we'll be back to the incremental improvement in EBITDA margins again what we were hoping for? Or do you believe it is on track based on the seasonality? And we'll be able to recover as we go ahead during the year?

Parmod Kumar Duggal: So that is what this industry is always first quarter, third quarter is lower than second and fourth. So this is how the trend is in past maybe 10, 15 years. So margin improvement, of course, one major element is the material cost and any fluctuation in our material cost because of any commodity and economic indicator.

But the other part is on the operational efficiency. As the revenue will grow, operational efficiencies will result better into the overall contribution. So we are hopeful as our quarter will be comparable to quarter 4, we'll be able to achieve that level of EBITDA margin.

Mayur Parkeria: Okay. Sir, I'm trying to just understand a little more time line specific, sir, we have been maintaining 12% as our endeavor for some time. Do we think from a modeling perspective fairly that by FY '27, we can look at that kind of number? Or is it going to be earlier or later? Sir, just qualitatively, your understanding because it's been a while since we have that aspiration and given the disruption, how do we see that number -- time line? Is it fair to look at that time line?

Parmod Kumar Duggal: So from 8% to around last quarter, we did around 10.9% or so. That's how our last 3-year journey was. And our aim for 12% within next 2 years is still intact, provided any disruption is not negative for us. But so far, our plans are aligned to that target.

Mayur Parkeria: That's great to hear, sir. Sir, final question from my side on railways, what kind of order sizes and some qualitative, if you can you mentioned that we have we are participating and we'll see some positive news from there or development from there. What kind of order sizes do we normally work with there and the execution cycle there? What -- some understanding from that?

Parmod Kumar Duggal: So normally, railway is a tender business. So there is no regular month-on-month business is available. Once tender is received, there is always a time line between 6 months to 9 months to execute that. So that large tender, which we received last year, which was to the tune of around INR28 crores to INR30 crores, that is within next 2 months, we'll be completing the execution of that.

So next 2 or 3 tenders, which are again similar or larger than the last tender are in pipeline. So we are just waiting for the tender release time and the completion time, maybe between quarter 2 to quarter 3, they will be concluded.

Mayur Parkeria: And post that, within 2 to 3 months, we have to deliver?

Parmod Kumar Duggal: So normally, time is if a tender is large, then 6 to 9 months is the delivery time normally allocated. If tender is small, then it is within 1 quarter.

Moderator: The next question comes from the line of Mihir Vora from Equirus.

Mihir Vora: So sir, my question was basically on the passenger vehicle side, wherein, yes, we are strong with Maruti. But in terms of other companies like, say, Mahindra and Tata Motors, how are we gaining more traction there? Like we are already there into the for Mahindra. But is there some more RFQs in process where you see Mahindra's part of business share increasing for us?

Parmod Kumar Duggal: Yes, of course. The engagement with Mahindra is now going multifold. We are in the process of handling a few RFQs with them. Maybe quarter 2, we'll be able to conclude that. And next conference call or maybe before that, we'll be able to release the new snippet on that.

In addition to that, our engagement with other passenger vehicle manufacturer also is ongoing. So maybe next 2 quarters, we'll be able to conclude. Passenger vehicle segment definitely is very important, especially when the transition is happening in hybrid as well as on the EV space. So that's why we need to tap on new businesses so that there is a consistency and we can grow along with the market opportunity.

Mihir Vora: Sir, in terms of ICE vehicles with Mahindra, were we there we had a presence there or we were negligible into the Mahindra ICE products? Like what would be our share of business there?

Parmod Kumar Duggal: So in Mahindra ICE, we had a share of business of around 22%, 23%. And still we are maintaining that. Now our next drive is to increase that share of business in ICE beyond 20%.

Mihir Vora: All right, sir. Sir, and in the last few calls, we had mentioned that Maruti will be doing the hybrid production in Kharkhoda. So and we were on a view that supplies were going to start from Q1. So are we on track on that? Or has there been a delay on that front?

Parmod Kumar Duggal: Maruti Kharkhoda has already started production during this month. That is end of June or July, July is, I think, official SOP. We started supplying for two models, which are getting produced there from our currently Manesar plant, where we have some surplus capacity available. But going forward, when the peak volume at Kharkhoda will happen for 2 or 3 models further, our new plant, Kharkhoda will be ready by next quarter 1 of FY '27. So we'll start ship production to that location.

Mihir Vora: All right. Okay, sir. So entire INR150 crores for the Kharkhoda capex will be deployed in this year or it would be in phases?

Parmod Kumar Duggal: So it would be partially in this year, partially go to the first quarter of next year.

Moderator: The next question comes from the line of Kush Shah.

Kush Shah: I just had a couple of questions. So I wanted to ask you about the content in vehicle with regards to our EV hybrid. So if we consider our ICE vehicles as a base of 100, what would be our increase in content for hybrid and EVs?

Parmod Kumar Duggal: So I think we had discussed this subject in a couple of calls before also. We need to see ICE versus EV without compressor because that would be more comparable. If the base for other than compressor of ICE 100. So in EV, it would be between 120 to 130 based on the different models. Compressor is completely a different product because the application is not through the engine, it is through the battery. So that would be between 3x or 4x of the compressor of ICE.

Kush Shah: Understood. All right. And what would be your current localization?

Parmod Kumar Duggal: In EV space, other than compressor, I think we are comparable to the ICE, maybe the localization percentage would be between 60% to 65%.

Kush Shah: Okay. All right. And any target to increase our localization?

Parmod Kumar Duggal: That all depends upon how the volume of EV will grow, how rapidly it could be because right now, the base is very small. Investments will not be viable to go for localization at this scale.

Kush Shah: Understood. Understood. All right. And coming to our exposure to the yen currency, what would be any impact if there would be a depreciation in the yen?

Parmod Kumar Duggal: Hemant?

Hemant Kumar Agarwal: So since the currency is back-to-back reimbursed by the customer with a quarter lag, so we do not see any impact of the currency fluctuation. However, we have a very prudent hedging policy, which we book through the forward covers.

Kush Shah: Understood. All right. And sir, one last question regarding the home ACs. What would be our expectation for the home ACs going forward?

Parmod Kumar Duggal: So home AC, as I mentioned before also, we were muted on very aggressive push to the market because of the volatility of commodities and the pricing was not supported by the customer. We went slow on that. And this I think this time, the season was spoiled because of excessive monsoon or flood situation in some part of the country. We are now preparing for the next season. And still, we have another two quarters to conclude our business engagement with the customers. So next meeting, I think we'll be able to clarify better.

Moderator: The next question comes from the line of Puneet Javeri from Javeri & Co

Puneet Javeri: Congrats on a decent set of numbers. Just one -- couple of questions. You mentioned bus revenue is INR12 crores in quarter 1. Is that correct?

Parmod Kumar Duggal: Can you repeat your question on the last part?

Puneet Javeri: Just wanted to understand the bus revenue you mentioned for this quarter is INR12 crores. Is that correct?

Parmod Kumar Duggal: Yes, bus is INR12 crores.

Puneet Javeri: And sir, you mentioned in the previous quarter that roughly about INR 2,700 crores was from passenger vehicle and truck revenue you had given as INR125 crores. So is the bus part included in that? And if not, could you give the last year's number for the bus revenue?

Parmod Kumar Duggal: Last year, bus was around INR44 crores.

Puneet Javeri: And sir, do you expect that this is going to increase substantially this year? Or is it that we go in a normal course of business? And where do you see the truck revenue as well this year, if not a number, any kind of range that you can provide given that for trucks with the new regulations for in-cabin ACs, do you see a substantial increase in the truck revenue business as well? I think last quarter, you mentioned that the truck revenue was roughly about for last year, about INR125 crores.

Parmod Kumar Duggal: Correct. So 2 aspects. One is on the bus side, since there is no regulation driving the thermal product in buses, but it is mainly because of the AC penetration in bus. So last year, we did around INR 44 crores. This year, we will be very hopefully crossing around INR50 crores plus. On the truck side, last year, we did around INR125 crores. And with the regulation starting from 8th June or the middle of June, we are hopeful that we will be crossing I'm just giving a guesswork of INR150 crores to INR165 crores or so.

Puneet Javeri: And sir, is it any kind of and pardon me for this, is there any kind of difference that you have in realizations and margins compared to passenger vehicles? I'm sure that there will be some. If not a number, if you can provide any kind of quantification or any kind of output on that aspect?

Parmod Kumar Duggal: So margins will be comparable. We have not compromised while growing in this segment on the margin side, it would be comparable through PV segment to the truck segment. So there is no differentiation for us.

Puneet Javeri: And in terms of buses, you did mention that largely since there's no regulation, it's more AC led. But for are you already a key customer for all the other EV makers specifically because we have seen that also increasing and for the bus makers within the new the PM's e-Sewa schemes amongst others, it's become a little easier for them to participate in their bus tenders as well. So are you already a customer for the likes of the start-ups like JVM as well as switch mobility amongst others?

Parmod Kumar Duggal: So we are in the process of because each EV product requires a formal approval from the OEM, aligning to the ECU and other alignment to the other components. So we are participating in the tenders coming in next 2 years' time, which is majorly for EV, 9-meter and 12-meter. And our engagement with our existing customers to penetrate into EV also is ongoing.

Puneet Javeri: And sir, just one final question. You mentioned about Mahindra & Mahindra, you're already present in the EVs. So congratulations for that. And you mentioned 22% to 23% share in their ICE portfolio. Is there anything that you can give for Tata Motors as well? Or is it that you're developing that business in this particular year and going forward as well?

Parmod Kumar Duggal: Tata Motors, we are engaging with them for their forthcoming model transition. So still, it is at an initial stage at RFQ and a technical specification being included in the RFQs.

Puneet Javeri: And will that be largely similar for Hyundai as well because they also have their own supply chain coming from outside. So is that similar for the likes of Hyundai and Kia models in India as well?

Parmod Kumar Duggal: Will not be able to comment as of now because it is highly competitive scenario. Right now, we are in participation of RFQ, how the business decision will happen, we'll leave it to the customer.

Moderator: The next question comes from the line of Sanket from Ashika Stock Broking Limited.

Sanket: Sir, my first question is on AC mandate. As government has already started this AC mandate from June itself. So what is our contribution on N2 and N3 truck in Q1 out of this INR45 crores revenue, which we are having from commercial vehicle segment?

Parmod Kumar Duggal: So we don't differentiate revenue by the notification because this notification started on just middle of June only. So it has impact of only 15 days as of now. So next quarter, we'll see a large impact of this. But as I mentioned before that of this incremental opportunities, we have already secured a business share of around 44%, 45%. So I think next quarter, you will have a better clarity on this.

Sanket: Okay, sir. Sir, and how confident are we in achieving market share above 50% in N2 and N3 truck segment as and I want to understand like how are we differentiating with respect to our competitors in this particular segment?

Parmod Kumar Duggal: So when this notification came, the time available was very tight for the OEM to transition into AC cabin because we got hardly 8 to 9 months only. So based on the workload distribution, the OEM has decided different suppliers. So it is not by the competitiveness, it is mainly by the resources and the time line available.

So as I mentioned before, right now, our focus is whatever models are allocated to us, we need to service them. When the transition of any model change or the cabin change happen at the OEM end, that time, we will have more opportunity to increase our share of business.

Sanket: Sure, sir. Sir, my third question is on our capacity utilization. So as of quarter 4, our utilization was somewhere around 80%, 85%. So how are we planning to fulfill our near-term demand backed by this tailwind as well?

Parmod Kumar Duggal: So capacity utilization, of course, is around 85%, and it has now reached to 90% also. That's why I did mention before that new project, which is at Kharkhoda, we are setting up 0.5 million of new capacity and also debottlenecking the capacity at our existing plant also.

So we are able we would be able to increase the capacity in line with the customer demand by next year. And subsequent to that, whenever there would be further delta required, the projects means the plant size are enough to take care of the additional capacity expansion in the next 3 to 5 years.

Sanket: Sure, sir. That's great. Sir, my last question is on our long-term goal. So I want to understand like what is the long-term goal with respect to outperforming the industry? So do we look to add any further products in our existing portfolio? Or we are looking for any further JVs or acquisition in order to sustain this kind of growth?

Parmod Kumar Duggal: So market is good enough for us to realize the opportunities. And I believe market this year will be moderate, but the next 3 to 4 years, much more opportunities are available. Existing product expansion, adding to the new features, aligning to the new platform of the OEMs definitely would be add-on opportunity for us.

We are also working on increasing the content per vehicle by adding a few more products. We'll let you know as and when we finalize our arrangement for the new products to be introduced. Right now, there is no plan for further JV or acquisition, but we will update you as and when there is any progress on it.

Moderator: As there are no further questions, I now hand the conference over to the management for closing comments. Thank you, and over to you, sir.

Parmod Kumar Duggal: Thank you. I think we are in the mid of a very disruptive era, and we need to be watchful of how this geopolitical and economic scenarios happen across the globe. Definitely, any disruption in any part of the world will have impact on India, but it will not be very severe because India domestic consumption is very high.

So that is a point of insulation for us, but we need to be watchful on that. But on Subros side, our efforts on improving our operational efficiencies, margin growth are intact, and we are confident that we'll be able to sell it through. Thank you so much. Thank you to all.

Moderator: On behalf of Batlivala & Karani Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you