



## DCM Shriram Limited

### Q3 FY20 Earnings Conference Call Transcript

#### January 29, 2020

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**Moderator:** Ladies and Gentlemen, good day and welcome to DCM Shriram Limited Q3 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on the touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you and over to you, sir.

**Siddharth Rangnekar:** Thank you. Good afternoon and thank you for joining us on DCM Shriram Limited's Q3 & 9M FY20 Earnings Conference Call. Today we have with us Mr. Ajay Shriram – Chairman and Senior Managing Director, Mr. Vikram Shriram – Vice Chairman and Managing Director, Mr. Ajit Shriram – Joint Managing Director, Mr. KK Kaul – Whole-time Director and Mr. J.K. Jain – CFO of the Company.

We will begin the call with opening remarks from Mr. Ajay Shriram and Mr. Vikram Shriram. Following which, we will have an interactive question-and-answer session. Kindly note that some of the statements made on today's call could be forward-looking in nature and a note to that effect has been included in the conference call invite circulated to you.

I would now like to invite Mr. Ajay Shriram to give us his views on the performance of the company and the outlook going forward. Over to you, sir.

**Ajay Shriram:** Thank you, Siddharth. Good afternoon, Ladies and Gentlemen, and a very warm welcome to this quarter's earnings conference call. I will share my thoughts on the developments in our businesses and progress in taking forward our strategic direction. After that, Vikram will take you through the financial highlights.

As shared earlier, our strategic business direction includes enhancing scale and integration, strengthening cost competitiveness, increasing share of value-added products in our business portfolio and enhancing customer engagement. We have planned initiatives in all these directions while ensuring financial prudence and strengthening our execution capabilities. We have made satisfactory progress in all areas during the quarter.

In the sugar business, we commissioned our second distillery taking the total distillery capacity to 350 kiloliters per day. We can now convert the entire molasses produced to ethanol. We have started diverting B-Heavy molasses for producing ethanol at both the distilleries. For the ongoing sugar season, we expect to divert almost 5-6 lakh quintals of sugar to ethanol through this route. The 5,000 tons

crushed per day refined sugar plant commissioned in January 2019 will have full season this year and will provide us value-added sugar. The company is studying options for enhancing scale and value addition in the sugar business and we will take a view about the same going forward.

The chemical business has focused on increasing capacity utilization after enhancing capacity from 1,345 tons per day to 1,845 tons per day. We have achieved a capacity utilization of about 82% during the quarter. The project to add 700 tons per day caustic capacity and 120 MW power plant at Bharuch is progressing well. The aluminum chloride business started last year has stabilized. We are planning to progress this further by developing new markets and enhancing scale at the appropriate time. We have also shortlisted few value-added chemicals and are engaged in tying various ends to take some of them forward.

The PVC business has added further 40 tons per day capacity to take the total capacity to 220 tons per day production. This would enable us to convert almost the entire carbide into PVC based on the relative economics of PVC and carbide. We have also commissioned the 66 MW new power plants at Kota, which has started operating at partial load. The plant will start operating at full capacity very soon and will replace the old and inefficient 50 MW power plants. This would improve our cost competitiveness by lowering the cost of power.

Shriram Farm Solutions is now focusing exclusively on value-added agri inputs. It has introduced several differentiated products in the market and plans to accelerate this going forward. The products introduced so far had good acceptance even in the tough agri-input markets that is prevailing today.

In Bioseed, we decided to exit from Indonesia and Vietnam. The company had executed an agreement to sell to this effect and expect to complete the transaction by March 20. Fenesta is also focusing on expanding the product offerings, enhancing customer service and geographical presence to achieve healthy growth on a sustained basis.

I will now share the industry scenario and developments in some of our key sectors.

#### Chemicals:

As you are aware, the Indian caustic prices are fully integrated with global prices. The global caustic prices continue to be soft with a downward bias. The problem is further aggravated because of low price exports from some of the Middle East countries. The global caustic supplies continue to be strong due to strong chlorine prices. This has put pressure on global caustic prices. We expect the chlorine demand in India to remain positive. The caustic demand in the country has grown 2% in the current year due to low growth in all consuming sectors. The low growth in demand, increase in imports and addition to the installed capacity has led to decline in overall operating rate in India to about 82-83% from 84.7% last year. The total capacity in the country went up by 10% in FY19 and expected to go up by about 7.5% more in FY20. The imports during 9 months FY20 have been 2.31 lakh tons versus 2.16 lakh tons last year. The domestic manufacturers focused on increasing exports which went up to 0.53 lakh tons in Q3 FY20 versus 0.3 lakh tons last year and 0.57 lakh tons in April to September 2019.

We expect the domestic ECU realizations to remain soft primarily driven by soft caustic prices globally. In this situation, we are focusing on increasing capacity utilization through strengthening domestic sales and increasing exports particularly on caustic flakes. We also expect commissioning of expanded capacities by some

of our chlorine consumers, which would help us in achieving higher capacity utilization going forward.

The commissioning of our 66 MW new power plant at Kota will reduce our power cost and help in replacing the Power Grid power purchase. This will help us in improving margins in chemicals and PVC businesses at Kota.

#### Plastics:

The domestic PVC industry has seen flat growth this year. The prolonged monsoon affected PVC pipe demand in particular which accounts for 70% of total PVC consumption in India. The domestic PVC prices are moving in line with international prices, which were at 8-month low in November 2019. The prices have been range bound since then. The global ethylene prices had also been soft because of oversupply. This may keep the PVC prices soft for some time. The carbide prices were lower during Q3 in line with drop in international prices. However, the prices are likely to revolve during next quarter on expectation of improvement in demand. We had commissioned the 40 tons per day additional capacity of PVC, which will lead to higher volumes going forward.

#### Sugar:

India continues to have big sugar surpluses. Sugar stock as on 30<sup>th</sup> September 2019 was 14.5 million tons that is approximately 7 months consumption as against the norm of 5 million tons, which is 2.5 months consumption. The sugar stocks as on September 2020 are expected to be 10 million tons, twice the normal level. The production in sugar year 2020 is expected at 26 million tons and exports at about 5 million tons versus 3.7 million tons last year. Also, it is expected that about 1.5 million tons will get diverted to ethanol vis-à-vis 0.5 million tons last year.

The central and state governments need to carry on steps taken by them in the sugar sector. This includes push for exports and ethanol production particularly from B-Heavy molasses and from sugarcane juice. This will enable the industry to better manage the sugar surplus over the medium to long term. However, Uttar Pradesh government's two recent announcements will have a contrary impact on the industry. First, the government decided to reduce the power tariff, purchase price of power tariff by Rs. 2 per unit for all existing power purchase agreements. This severely lowered the profits of the already stressed sugar industry and will discourage further investments in the sector. Secondly, the government decided to reserve for country liquor 18% of all molasses produced by sugar mills. Up to last year, this stipulation was not applicable to captive consumption of molasses by sugar mills and the reservation percentage was 16%. At the time, when central government is promoting production and use of ethanol, such actions send contrary messages.

We have contracted 12.3 lakh tons of sugar export in the current year. If permitted, the company will work on exporting more sugar in the coming months. We will also maximize the diversion of sugar to ethanol through B-Heavy molasses route. These steps will reduce the working capital requirement also.

#### Agri Inputs:

Which include our SFS business, Bioseed business and Fertilizer business. In this Agri input sector of SFS and Bioseed, they have seen positive movement in Rabi 2019 with growth in almost all categories. The positive movement in prices of farm produce if continued will provide support for better performance in Kharif 2020. Both SFS and Bioseed are focusing on product and market developments to benefit from

this. The fertilizer industry continues to engage with the government for a rational policy framework for this sector. We are hopeful for positive movement in this direction.

Fenesta:

The real estate sector continues to be challenging. Both the fresh order booking as well as execution of orders already booked remain under stress. The retail household sector is also recording effect of lower discretionary spend. Fenesta has introduced system aluminum windows to expand its product offerings and is also expanding geographical reach to sustain the growth momentum.

This concludes my remarks. I will now request Vikram to take you through the financial highlights. Thank you.

**Vikram Shriram:**

Thank you. Good afternoon. I shall take you through the financial highlights for Q3 FY20.

The net revenues for the quarter at Rs. 2,195 crores, are up 4% YoY. Sugar exports, SFS and Fenesta registered growth in turnover. Chemicals had volume growth of 11%. The drop of 35% in prices in the quarter led to the Chemical revenue de-growing by 22%. PBDIT in Q3 FY20 at Rs. 323 crore recorded a decline of 9% YoY. SFS, Plastics and Fenesta profits grew by 43%, 54% and 20% respectively. Bioseed registered lower losses. Together, these businesses led to increase of Rs. 38 crore in the PBDIT that is at Rs. 103 crore for Q3, FY20.

Overall sugar PBDIT is at Rs. 113 crore versus Rs. 53 crore in Q3 FY19. The results of last year included a loss of Rs. 65 crore related to sugar exports as against Rs. 6 crore loss in the current quarter. The 150 KLD distilleries had 26 days maintenance shutdown in November 2019. Power profits went down consequent to Rs. 2 per unit reduction in power tariff by UP government. The Chemicals PBDIT was down 50% YoY at Rs. 124 crore due to sharp drop in ECU prices.

The company has entered into an agreement to sell its subsidiaries in Vietnam and Indonesia leading to a loss of Rs. 14.6 crores during the quarter. The finance costs are higher at gross level with higher gross borrowing. The net finance cost after considering the income from investments and subventions by government, both of which are appearing as other income, are Rs. 8.6 crore versus Rs. 1.5 crore last year. The tax rate for the year is expected at 21.8%. The company has decided to continue with the earlier regime of corporate taxation instead of availing the new regime of 22% corporate income tax after considering the implication regarding MAT credit and income tax exemptions. The PAT for the quarter stood at Rs. 175 crore as against Rs. 226 crore in Q3 last year.

Let me now also share highlights for a 9M FY20 performance.

Revenue stood at Rs. 5,850 crore, marginally down 1% YoY. SFS registered 15% growth in sales of value-added inputs at Rs. 618 crore. Fenesta's revenues grew at 16% to Rs. 334 crores. Overall, sugar revenue is at Rs. 1,683 crore, were down 2% YoY. The domestic sugar sales volumes were down 20% YoY after the government stipulated sales release mechanism. Power volumes are down 18% YoY as sugar season 2018 was an unusually long season leading to higher power generation in April-June 2018 versus April-June 2019.

Chemicals revenues are marginally down 1% YoY in spite of ECU going down by 19% YoY, made up by volume gains of 18.9% YoY.

The PBDIT at Rs. 940 crores versus 1,017 crores in 9 months FY19. SFS, Plastics and Fenesta recorded PBDIT growth of 38%, 33% and 41% respectively YoY. The total PBDIT of these businesses moved up to Rs. 221 crores during this period. Overall sugar PBDIT at Rs. 242 crores, was up 53% YoY. Improvement in domestic sugar prices and earnings from distillery contributed to this improvement in earnings. Chemicals PBDIT at Rs. 553 crore, is down 22%YoY. Fertilizer PBDIT at Rs. 15 crore versus Rs. 58 crore in 9M FY19 due to lower volumes and shutdown cost. The plant had a shutdown in April 19, which happens once in every two years on a planned basis.

The finance cost net of investment income and interest subvention was at Rs. 43.4 crore versus last year Rs. 57.6 crore.

Our cash generation remains robust. The cash generation during current 9 months was Rs. 816 crore, vs last year of Rs 575 crore. Our capital expenditure 9-months stood at Rs. 523 crore and balance cash generation was used to reduce net debt by Rs. 294 crore. Our balance sheet continues to remain strong. The net debt as on 31<sup>st</sup> December 2019 is Rs. 971 crore versus 754 crore as on 31<sup>st</sup> December 2018 and Rs. 1,265 crore as on 31<sup>st</sup> March 2019. We do expect this to go up on 31<sup>st</sup> March 2020 due to the seasonality pattern.

The return on capital employed on trailing 12-month basis as at December 2019 stood at 22% as compared to 24% for the same period last year. It may come down marginally in March 2020 with capitalization of 200 KLD distillery, 66 MW power plant and 40 TPD PVC plant in December 19 to March 20 and only 2-4 months of profits accruing within the balance period of this year while the whole debt would have come on the books. The Board has declared second interim dividend of 210% taking the total interim dividend for the year to 410%. Last year was also 410%. The total outflow including taxes with respect to second interim dividend will be Rs. 79 crore. That brings me to the end of the financial discussion and we will be happy to take questions that you may have.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Sanjay from ICICI Securities. Please go ahead.

**Sanjay:** This is Sanjay. Sir, I have a few questions. I think last year you had a sugar production of 6.6 lakh tons and you mentioned that there would be somewhere around 0.5 lakh tons of sacrifice with respect to ethanol. So is it the right number, 0.5 lakh tons which you have mentioned or it could be more than that?

**J.K. Jain:** 5 lakh quintal.

**Sanjay:** Fine. And sir you have mentioned that on industry level there would be 1.5 million tons of divergence at an industry level, but what I understand, the first contract which has been done with the OMCs has somewhere around 170 crore liters and out of that there is only 10 crore sugarcane juice and around 50 crore for the B-Heavy. Now, if I just take that number, then the sacrifice comes somewhere around 0.6 million ton but you have mentioned 1.5 million tons. So how this number you see?

**Ajit Shriram:** Basically in the first tender, the ethanol that has been offered is 11 crore liters from sugarcane juice, 62 crore liters from B-Heavy, 80 crore liters from C and 5 crore liters from other raw materials and this is only first tender. The second round of first tender will close in early February and there will be a third round sometime in April or May, which will have two more rounds to go to offer more ethanol for supply in this year.

- Sanjay:** So do you expect there will be more millers doing B-Heavy?
- Ajit Shriram:** Yes.
- Sanjay:** And what about DCM, are we doing fully B-Heavy in both the plants or we are doing some C-heavy and some B-Heavy?
- Ajit Shriram:** See, between our four plants, we have made a balance of doing B-Heavy and C, because we cannot store too much of B-Heavy in the off season. So in that case, for ensuring the distilleries run at full capacity in the off season, we have to use C molasses. That's why we are producing in a balanced way between B and C to optimize the full utilization of our two distilleries.
- Sanjay:** And sir, in terms of recovery rate, what I could see from your presentation that your recovery rates are down by 1% and whereas sacrifice towards B-Heavy is just 0.7. So on like-to-like basis, are your recovery rates down this season?
- Ajit Shriram:** Recovery is partly down this season because we started a week earlier, number one. Number two, between 1.5%-1.6% of sugar is diverted to B-Heavy. So on an overall basis, our recovery is down as compared to last year.
- Sanjay:** Is it the trend across this state or it is just for our mills?
- Ajit Shriram:** This is the trend across the states. In fact in West UP, there was a bad period of recovery couple of weeks ago, because of prolonged rains.
- Sanjay:** So sir, in that respect only, ISMA's estimate of UP sugar production at 11.8 and Maharashtra sugar production at 5.5, how do you see these numbers? Do you think that there would be further reduction from these numbers, means the production being much lower than this or how do you see that?
- Ajit Shriram:** I think overall these numbers are okay; however, there is an industry meeting in the third week of February, then we will get to know the numbers from the other states, when people from the other states participate and we will have some more accuracy.
- Sanjay:** Just two more questions on the export and expansion what you have mentioned, you have mentioned 1.3 lakh tons of exports, is there any additional export will be asking from the government?
- Ajit Shriram:** Yes, the government wants to export 6 million tons of sugar. Out of 6 million, I think we anticipate about 5 million tons should be physically exported and many millers are not coming forward for exports. So in about a month's time, we anticipate that the government will offer the unsold or unoffered sugar exports to the people who are physically exporting. We have also given our preference for exports and we do hope that the government does the allocation quickly.
- Sanjay:** So what is the quantity you have asked for?
- J.K. Jain:** We have asked for anything between 50,000 tons to 1 lakh tons, but let us see what government announces, it will depend on that.
- Sanjay:** Considering the divergence towards B-Heavy and its additional export and the exports, how much inventory reduction will happen from March 19 to March 20, do you have some sense? You probably may have the sense of monthly sales of Jan and Feb?

- J.K. Jain:** For our company?
- Sanjay:** Yes sir.
- J. K. Jain:** No, I don't think we are expecting a reduction. We are seeing, we should not increase because like Ajit ji said we have started crush earlier, so there is no reduction expected but we shouldn't increase.
- Ajit Shriram:** And also the 5000 ton refinery was commissioned in January last year, so that has begun production from early November, so that will also add to the production.
- Sanjay:** Sir, is there any other expansion on the distillery side?
- Ajit Shriram:** No, we don't have any plans to expand on the distillery side. However, while producing from B-Heavy molasses, there is a higher output, which comes out, number one. Number two, once our new plant stabilizes, we will see how to debottleneck the plant going forward.
- Sanjay:** You are not expected to do anything from the sugarcane juice?
- Ajit Shriram:** Not yet.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Good evening. Congratulations on the detailed description provided in the presentation and time you are taking to explain everything. Sir, the first point is regarding this power tariff revision, so in absolute terms what has been the change, the Rs. 2 reduction?
- J. K. Jain:** At an average level, about Rs. 1.7 per unit.
- Saket Kapoor:** How much it translates into a lower profit? I am talking about the number.
- J. K. Jain:** About 45 crore a year.
- Saket Kapoor:** Rs. 45 crore will be the difference? Sir, if we take the sugar segment breakup sir, how much will it be from the ethanol and how much will be from the cogeneration sir?
- J. K. Jain:** See, we had explained that last time also. Since there is lot of transfer pricing involved here, we don't have separate profit. It is better to look at integrated profit of this sector.
- Saket Kapoor:** Just for a better understanding sir, is sugar on a standalone making profit or it is the cogeneration and the ethanol only that is contributing to the bottom line in a big way?
- J. K. Jain:** This is what we are saying, we are looking at it as an integrated business and not individual segments because the objective is to utilize all the byproducts and generate returns maximum.
- Saket Kapoor:** Now coming to the point about, this Himachal Pradesh project, the power projects, just if you could dwell more about it sir. I think our subsidiary Shriram Infrastructure this project got cancelled, so what are its implications sir?

- J. K. Jain:** This project has been cancelled, we are now asking government to refund whatever money we have deposited and whatever cost we had incurred, so there is clause for arbitration which is what we have asked government to appoint the arbitrator and if the government doesn't do, we will approach the court for the same.
- Saket Kapoor:** And how much is the amount sir?
- J. K. Jain:** The amount that we deposited was 22 crore but that is all provided, we are not carrying forward as an asset.
- Saket Kapoor:** This we have already taken?
- J. K. Jain:** Yes.
- Saket Kapoor:** Because if we look at the Himachal Pradesh power website, they have in their report mentioned that as per the MOEF and CPC developer is not responding, I am talking about Chhatru Project of 126 MW and they have given the date of concurrence at 15/01/2015 wherein they have given the status that ET recommended by EAC on 24/02/2015, letter will be issued and the details will be mentioned and they had mentioned the word developer is not responding, so that was my point, where do we stand here when the government on their part themselves informing that we have not responded?
- Ajay Shriram:** I think we will also check it out, but we have been very much in touch with the state government and our letters are on record with them on what is the status and as Mr. J. K. Jain mentioned, we asked them to appoint an arbitrator, so we are in communication with them.
- Saket Kapoor:** Sir, coming to your PVC and the caustic soda segment, especially for the caustic soda, the data which we shared for the import and the export one, if there was only a bump up in export for the last quarter, if I am not wrong. Generally, what has happened that there has been a change in the pricing over the year? What has attributed to it, sir?
- Ajay Shriram:** Actually, the international price of caustic soda is the lowest we have seen in the last 15 years, I think it is the geopolitics, it is the economics and the international growth went off many countries outside, so prices are really the lowest we ever had. So that is what is impacting the Indian industry also and the consumption also is not moving because lot of the aluminum people, they are getting different quality alumina where the requirement of the caustic soda also fluctuates between 50 kg per ton of alumina to 200 kg per ton of alumina. So I think that variation also reduced the consumption of caustic, so because of that there is tremendous pressure on the pricing for all manufacturers in India and actually all over the world because the prices have come down quite a bit. It is now delivered is about \$250-\$260 which was running normally in the range of \$350-\$400, it has now come down quite dramatically.
- Moderator:** The next question is from the line of Riju Dalui from Quantum Securities. Please go ahead.
- Riju Dalui:** My question is that I think we are at around 80% capacity utilization for caustic soda, so what is your expectation for the Q4 and beyond that like for H1 because the aluminum demand is not there in the industry, so what is your view on that?



- Ajay Shriram:** Our view is that the prices will be under pressure. We think it is not going to fall too much more but there is pressure on the prices, but with this commissioning of 66 megawatt plant at Kota, our production in Kota has also gone up by approximately 70- 80 tons a day which we want to keep it up, but this has led to a cost reduction because this power cost is much lower than when you are buying from the state electricity board, so that is giving us advantage on the cost side. But our attempt is going to be increase our production volumes so that we are able to at least reduce or share our fixed cost for the larger production base, so that is our strategy going forward.
- Riju Dalui:** I can understand that Y-o-Y for Q3, your volume growth for caustic soda was 11%, so this trend will continue for next 1 year or like it will further increase? Volume growth?
- J.K. Jain:** It is difficult to say in commodities because there are new capacities getting added in this quarter and the next year. It will depend on what overall demand goes up, I don't think we will be able to give a future estimate on this.
- Riju Dalui:** One clarification for that chlorine side, so how was the realization for chlorine this quarter and I think it has been one month for the Q4, so how is that chlorine realization?
- J.K. Jain:** It is almost breakeven, sometimes 1000 negative, sometimes 1000 positive but it is fairly stable around this.
- Riju Dalui:** So is it in the positive side ?
- J.K. Jain:** Negative, positive both, it keeps fluctuating between that.
- Riju Dalui:** And sir, any update or like any expectation from the government side that like in next 2 years we will have good amount of capacity addition in domestic market, so any expectation from government side imposing of import duty for caustic soda?
- Ajay Shriram:** I think the industry is studying this matter and seeing what is it is the dumping going on because the prices have fallen so dramatically, so I think it is going to be a little studied, which is ongoing by the Alkali Manufacturers Association. We are looking at what can be done.
- Riju Dalui:** You said earlier that you are looking to expand some kind of value-added chemical going forward, so which kind of chemical you were looking for like to invest further?
- Ajay Shriram:** We actually have a team working on this; we have 3-4 different products, which are under evaluation study right now. So unless we are able to get the clarity and take a view and take it to the board, we are not in a position to share because we are looking at various issues, it is a long-term business for us. Our objective is to get into value-added products in the chemical line and expand and roll it over the next 5, 10, 15, 20 years, so we are studying various products and we will definitely come to you when we are more concrete on what we are getting into.
- Riju Dalui:** So it would be different from caustic soda value chain or like chlor-alkali value chain or like new product, it will be you are venturing into that?
- Ajay Shriram:** No, it is going to be a value-added product of the caustic or chlorine, one of the two.
- Riju Dalui:** So chlorine downstream product you will invest?

- Ajay Shriram:** We are looking at, yes you are right.
- Riju Dalui:** And sir, in Bioseed business, if I look at the Bioseed business profitability for last couple of years, so that business is not actually adding much value, so what is your view on that business and how you are looking at the future of this business?
- J.K. Jain:** Bioseed business actually got affected when the cotton price control came in which led to our inability to introduce new products when cotton volume went down. The environment on cotton price hasn't changed much, so that is the reason why it hasn't registered any growth either. There has been no introduction of new technology or new products. What we are doing is we are now building up portfolio of non-cotton products, which is called seeds and paddy. This is a little longer-term gain. It takes time to develop the product and the market. Our expectation is as the non-cotton business develops, this business should start performing well over medium term.
- Riju Dalui:** So for this strategy, when we can see some kind of result from this business like say, from FY21-22, any guideline for this?
- J.K. Jain:** See I just said we don't give any future estimates, but yes we do expect it to build up reasonably well in medium term of 3-4 years.
- Riju Dalui:** If cotton prices will remain in the same range, then like Bioseed business will perform in the similar range like what we have seen in the last 4-5 years?
- Ajay Shriram:** No, I think there is a change, what has mentioned is that we are expanding the range of products which I was telling in Bioseed, beside cotton like getting into other types of seeds, vegetable seeds and other seeds will change etc., so we are looking at expanding the range to move away from cotton, the percentage of cotton. We are looking other products also, so that should add to our growth going forward.
- Riju Dalui:** But that exercise will take around 2 to 3 years' time?
- J.K. Jain:** It will postpone results yes, but it will start showing some results over a period.
- Ajay Shriram:** We have the strong R&D and the R&D is already working on many of these products, so they are being sort of try it and then injected in the market on a continuous basis, so we expect it to grow over the next couple of years.
- Riju Dalui:** So the small part of the result may come from next year onwards that may not affect the current financial year, but the result will come from next year?
- J.K. Jain:** Possible.
- Moderator:** Thank you. The next question is from the line of Aman Sonthalia from AK Securities. Please go ahead.
- Aman Sonthalia:** Sir, my question is that next year we expect a bumper sugar production again, so how do you foresee the next year future of sugar industry?
- Ajit Shriram:** We do hope that this entire issue of diversion of B-Heavy into ethanol and also there are some trials going on of cane juice into ethanol and thirdly, a larger number of ethanol factories are just coming up. So once this is commissioned, a larger proportion of sucrose get transferred to ethanol, that is one and second is

that we do hope that the government comes up with another export policy by which exports can happen from India to the other parts of the world.

- Aman Sonthalia:** Sir, my next question is that there are some mills in Karnataka which are not making B-Heavy or sugar but directly they are making ethanol from the sugarcane, so what is the economics of that at the current prevailing ethanol prices?
- Ajit Shriram:** Actually, there are large number of mills in Karnataka and Maharashtra which have very low quantum of cane, so I am really not certain about whether they are actually making ethanol from cane juice or sugar, I am not up to date on this front.
- J.K. Jain:** And in any case, the cane price system etc. varies from state to state, therefore the economies will also vary state to state.
- Aman Sonthalia:** And sir, what about in UP as we are sacrificing sugar for B-Heavy molasses, so what is the arbitrage price of ethanol compared to sugar?
- J.K. Jain:** The breakeven price is anywhere between Rs. 32 - Rs. 33 of sugar, actually it make sense to produce ethanol in sugar prices below this.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.
- Sachin Kasera:** Just one question regarding the new power plant that has got commissioned, from what I understand we already had a captive power plant at Kota, so this will supplement this or is it that this being a more efficient plant will gradually reduce the production from the old power plant?
- Ajay Shriram:** In the Kota complex, we at the moment actually got 5 power plants, so they have been put at different periods of time. So what our plant now is going to be that with this commissioning of the 66 megawatt new plant which is much more efficient plant compared to the other, we are going to decommission 3 plants, one is the 30 MW, one is the 10 megawatt and the third one is 10MW. We are going to decommission these 3 which are older plants, less sufficient plants and we have added 66 MW in that place so that gives us additional 16 MW of power. So this will give us an additional production of caustic soda and we have enough power available to maximize manufacturing of all our products, so we are actually going to decommission 3 old power plants.
- Sachin Kesara:** So sir, what would be the cost per production difference between this 50 MW power plant that you would be retiring versus the new 66 MW?
- J.K. Jain:** About 80-90 paisa per unit of power.
- Sachin Kesara:** Secondly sir, this farm solution business has shown lot of promise, I know that we have been quite bullish on the long-term potential of the company, finally started to show good number. So is this sort of, it is a trend change that we are seeing and from here structurally we can see this business doing well for the next 3-4 years, if you could give some comment on that?
- Ajay Shriram:** As mentioned in our speech earlier that we had the businesses of SSP, MAP, DOP over the last couple of years. We have closed those businesses, we have got out from that trading business because we found in that business, our return on capital employed was running from +2% to -15%, so we thought it better not to sync funds into a business which doesn't make sense, so we have gone out of that. Our focus is to get on to value-added products where we actually are looking at the seed

quite actively independently and we got a research outlet for seeds also in Ludhiana and we are doing at other seeds. We are looking at the value-added fertilizers, we are looking at soft care chemicals, so there is a whole range of products because the farmer's requirement of inputs is very varied and of course, we are simultaneously selling our Shriram urea fertilizer through our Farm Solutions division. So they are looking at new products all the way.

**Sachin Kesara:** Sir, value-added product you mentioned, these again are basically products we trade in or what is the type of sourcing arrangement we have and eventually we look at manufacturing them?

**Ajay Shriram:** At the moment, in trading, except seeds where we are growing some seeds also, but I think down the line we are evaluating various options of how we can get into back-end if necessary, does that make sense or not, so these are studies which are being done at the moment.

**J.K. Jain:** It is just that is little more than trading in the sense that we are developing differentiated products and getting it manufactured for us, so we don't have manufacturing facility but these are products being manufactured specifically for us.

**Sachin Kesara:** So we have lot of value addition in terms of development of the products, that is why we are getting at extra margin if not...?

**J.K. Jain:** Yes.

**Sachin Kesara:** Are you also looking in terms of getting into the agrochemical side in this part of the business sir?

**Ajay Shriram:** We are studying various options of whatever we can look at, but the focus is on these 3-4 verticals within Shriram Farm Solution and work is going on in all directions.

**Sachin Kesara:** Sir, on Fenesta side, how are the things, is it that you are starting to see some signs of stabilization on the real estate side and things should gradually improve or they are still very tough on the real estate side?

**Vikram Shriram:** I think the real estate sector, everyone as aware is undergoing a very severe stress. The retail sector is standing Fenesta in good stead. We are the market leaders in the country and it is the retail sector, that is keeping the growth and the bottom-line growing. Whenever the developer sector or the project sector picks up, then things will really see a different complexion altogether. Right now, that is very subdued. What used to be 70:30 ratio projects versus retail is now probably a 70:30 ratio or 80:20 ratio, the other way around, retail versus projects. So whenever projects comes back plus the new products of aluminum, system aluminum, etc., that are being introduced. All this will broaden the range and enlarge the market going forward, so we are expecting things to pick up in the future as and when the projects picks up. In the meantime, we are planning to grow our business in retail with the system aluminum and UPVC and select selection of doors, so the growth plans are continuous.

**Sachin Kasera:** And sir, on the sugar side, are we now fully integrated in terms of molasses and bagasse or we still have some surplus left in the sense we can look at adding some capacities going forward?

- J.K. Jain:** No, on molasses side, we are fully integrated. On bagasse side in one of our factory, we still don't have power for export, rest 3 are fully integrated.
- Sachin Kesara:** And sir, can you give us some sense on what is going to be the CAPEX for FY21?
- J.K. Jain:** We have sanctioned project of Rs 1070 crore in chlor-alkali business which is capacity expansion as well as power plant that we are putting up, so that is the major project which is supposed to be commissioned in first quarter FY 22, so that will take major expenditure next year.
- Moderator:** Thank you. The next question is from the line of Chirag Singhal from First Water Fund. Please go ahead.
- Chirag Singhal:** Sir, I just wanted to know, you mentioned that the exports from Middle East has increased and if I just go through your last concall I saw that there was a huge increase in the imports, but on a 9 months number if we see then there is only 7% kind of increase YoY basis, so going forward do you see any huge increase in imports amidst this Middle East exports going up?
- Ajay Shriram:** You know there is Middle East material is coming from Iran, from Qatar and couple of other countries and Iran is under lot of pressure they have very heavy stocks. So there export sale prices are very low so that is what is putting pressure now and also as was mentioned earlier domestic production has gone up for caustic soda in the country. So both these factors combined and has been impact on the prices.
- J.K. Jain:** And in the first 6 months last year, there was pretty low import because there was this requirement of BIS approval. Its only towards the end of second quarter people started getting BIS approval therefore there was not that much import in the last year of first 4-5months.
- Chirag Singhal:** If we exclude the impact of BIS and actually the imports have gone up substantially?
- J.K. Jain:** Yes.
- Chirag Singhal:** Another question sir, you have mentioned right now the prices are hovering around \$250- \$260 a ton and I am seeing a presentation it mention \$316 a ton as of December CFR South East Asia, so this \$250 -\$260 a ton are you saying that the prices have declined from \$316 to this levels in the current month?
- Ajay Shriram:** There was a contract that came in from Iran and that one contract prices were very low.
- Chirag Singhal:** Which was around \$250 a ton?
- Ajay Shriram:** 265 or 270 like that.
- Chirag Singhal:** But the general price in the International market is still around \$300 to \$320 a ton?
- Ajay Shriram:** Yes it is a little around 300, sub-300.
- Chirag Singhal:** Sir, last question just on the aluminum side, you mentioned that there are different grades of alumina as in aluminum producers are using different grades of alumina which has different requirement for caustic soda, so right now we are seeing that in the aluminum industry, the aluminum producers like the secondary market is

exponentially growing vis-à-vis the primary market as in the aluminum scrap is now increasingly used to manufacture aluminum, so are we actually seeing that in our volumes because right now we mentioned that our volumes have increased which has actually supported the margins, but going forward do you see any problem for the volumes?

**Ajay Shriram:** Unfortunately, the growth of the caustic industry last year was just about 2%. People are feeling that going forward the export should come back to 5%- 6% growth and the industry was working with government also to see how we can get better prices as well as simultaneously we are expecting that couple of quarters economy prices wanted to pick up so demands will also pick up. So that should help in terms of little higher demand coming in and India is working very actively on exporting flakes and Lye they are studying both these factors. So all these combined and there is a continuous ongoing effort to see what all can be done to get a better domestic realization for majority of their products and how do we saw get a better average realization for everything. So I would say it is ongoing activity I think it is not one off. It is an ongoing thing, which keeps changing from time to time.

**Moderator:** Thank you. The next question is from the line of Harshal Shah an Individual Investors. Please go ahead.

**Harshal Shah:** Just had a quick question on PVC, is there any plan for expansion on the PVC business going forward considering a lot of these PVC pipe manufactures are setting up huge expansion plans and there could be ready demand?

**Ajay Shriram:** As you mentioned earlier we have just commissioned two months back for expansion of PVC. So we are now at 220 tons a day, so we just commissioned that just about two months ago.

**Harshal Shah:** And other than the recent commissioning, has it been running at close to full capacity?

**Ajay Shriram:** We have actually balanced out between PVC manufacturing or selling calcium carbide because we work out what is the better net back on the cost of power. So based on that, we take a view and swing between PVC and carbide.

**Moderator:** Thank you. The next question is from the line of Navneet Bhaiya, an individual investor. Please go ahead.

**Navneet Bhaiya:** I wanted your guidance on capacity additions in FY21 and FY22 in the caustic soda business you know some 5% this year so what say for the next two years?

**J.K. Jain:** See to the best of our knowledge no major capacity addition announcement has been done for FY21, but FY22 we are coming up with 700 tons plant and GACL has also announced equal addition. Whether it will happen in that year or not we will have to wait and see this..

**Navneet Bhaiya:** So cumulatively, it should be about 12% yours and GACL?

**J.K. Jain:** So 1.5 would mean about 5 lakh ton which is about 11%-12%.

**Navneet Bhaiya:** What is the breakeven price in December I think your realization was at about 23,954 for your caustic soda, what is the breakeven price at which people will stop making money?

- J.K. Jain:** PBDIT cost I think for people who have captive power because lot will depend on what is the power cost for different people for us it should be anywhere between 18,000 to 20,000 at PBDIT levels.
- Navneet Bhaiya:** And the current prevailing domestic price would be how much in rupee terms?
- J.K. Jain:** You yourself said December was 23,500.
- Navneet Bhaiya:** I said, basically for right now. is it lower?
- J.K. Jain:** So, right now we do not know, we will come to know at the month end what has been that month price so right now we do not know.
- Navneet Bhaiya:** What is your debt guidance for FY21? Are we looking at similar levels of debt or increase or decrease or given the new CAPEX is also coming in?
- J.K. Jain:** We have said that we will keep our debt between 1.5 to 2 times EBITDA so we will maintain within that norm.
- Navneet Bhaiya:** Lastly, on the farm solutions business you know this is in addition to what one of the previous participant had asked, so there is a sharp increase in your turnover as well as profitability in Q3 you did 62 crore in Q3 versus about 47 or 41 crore in the entire FY18 and FY19, so how should we look at this business going forward as in is this the trend that we should look at or is there some one-off in this quarter how should we look at while projecting your farm solutions?
- J.K. Jain:** See there is no one-off in this quarter, but I think we would just like to highlight these are seasonal businesses. So it is not that you can multiply any quarter by 4 and say that would be the yearly number. This is the period when all the Rabi inputs seed etc get sold right. So, it would be better to look at year as a whole rather than individual quarter being representative and take that as the base for the other quarters.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor and Kapoor Company. Please go ahead.
- Saket Kapoor:** Sir you were explaining me that different aluminum producers have started there is a big variation between the uses of caustic soda so has that resulted in a big deviation, diversion in the consumption pattern for caustic soda?
- Ajay Shriram:** There has been a swing I do not know the figure exactly how much aluminum has been sold, but yes because of the quality of alumina the requirement of caustic goes up and down.
- Saket Kapoor:** This is likely to deteriorate going forward or any technological disruption is that going into it?
- Ajay Shriram:** That depends on what sort of material the aluminum manufacture will get.
- Saket Kapoor:** Sir in the coming quarter what will be the value of project that will be capitalized any more project are going to be capitalized in the Q4?
- J.K. Jain:** Yes we are capitalizing the power plant of 66 MW which is about 250 crore.
- Saket Kapoor:** And that will result in an additional depreciation of 5% of the value.

- J.K. Jain:** Yes, on an annualized basis 5% so which means for the quarter about 2-3 crore.
- Saket Kapoor:** Sir, could you explain sir what is the reason for the pledge of shares by promoter?
- J.K. Jain:** No, there is no pledge of shares it has already been informed to the stock exchange and to the investor that there is no pledge. All the loan agreements of all the companies put a non-disposable clause that you cannot do anything to change the control. So what we have informed to the stock exchange is that this kind of clause exists in our agreements also whereby if there is any change in control it has been done with the permission of lenders, but there is no pledge otherwise.
- Saket Kapoor:** But sir when you look at the shareholding pattern the number of shares pledged or otherwise encumbered shows a promoter holding being encumbered at 7 crore 95 lakh share, so there is non-disposable agreement, but still these are with the lenders only in the shares?
- J.K. Jain:** That is what I am explaining; the non-disposal is in that form that the lenders of the company put this condition that if the promoters want to change control it has to be done with their permission.
- Saket Kapoor:** And sir no drawing limit or drawing power or anything has been done on account of the value of that shares?
- Vikram Shriram:** There is no pledge. These are absolutely clean.
- J.K. Jain:** This clause that I am saying exist in all companies which avail loans limits from the banks that if there is change in control at any stage it has be done with the permission of the consortium or lender.
- Saket Kapoor:** Sir, just technical understanding as the sugarcane juice direct production of ethanol what will happen to the molasses in that case I am not an industry person if it is directly done then the molasses part will also be, is there change in the quantum of molasses generated or what happens there?
- J.K. Jain:** So if you take the cane juice to ethanol there will be no molasses left.
- Vikram Shriram:** There is no sugar, there is no molasses, there is only ethanol.
- Saket Kapoor:** In that case then the molasses quantity will fall the commitment which the government has asked for UP government asked for 18%?
- J.K. Jain:** Sugar and molasses both will be lower.
- Ajay Shriram:** There will be lower sugar and molasses production there will be zero molasses production, zero sugar production and cane juice goes directly to make ethanol.
- Saket Kapoor:** So if that happens then it will be hit on the people who are depended on the molasses industry?
- Ajay Shriram:** No that depends on our own economics. It is our decision not from someone else is. We have to decide what we want to do with our juice, what we want to do with B-Heavy, what we want to do with this. So I am saying frankly from that point of view we are as it is saying that we can consume our entire molasses from ourselves we do not need to sell it outside in any case because of our distilleries. There are two distilleries or 350,000 liters per day capacity, which can consume the



entire molasses manufactured by us. So, we do not need to sell molasses outside to anyone.

**Saket Kapoor:** Sir one more point, when we think that the nature of the varieties of business we are doing, if we divide into the two major categories Chlor-Vinyl is complementing each other with chlorine being the bye product from the caustic soda and then we going for carbide or PVC depending upon market conditions, sugar the other sector the distillery the Cogen get articulated, but how is farm solutions bioseed and fertilizer gels with the business vertical meaning just wanted to understand sir if there can be idea of value creation by having separate entities altogether or it is not in the annual?

**J.K. Jain:** We are not evaluating any hiving off or the separation of the business right now we want to keep it together.

**Saket Kapoor:** Because that is one of the reason that we are getting a very low enterprise value also if we take the price earnings ratio also there has been decrease of commodities also, but it was a suggestion and secondly sir on the fertilizer front urea has been a businesses where it has been extremely difficult for private players even public sector companies are also being making money there is lot of money stuck with government agencies, so what is being our rationale to continue in this urea business for us how it is complementing to us sir?

**Ajay Shriram:** See it is one is still giving some profits. Secondly, we are also discussing with the government about the new policy for urea depending what comes out of that we will get in a better what is a situation of the urea industry and we are an agri inputs companies, so urea is one of the products along with 15 other products, which they are selling to the farmers. So if we can provide a basket of product to the farmer. So as of now we are running with the urea business also. As I mentioned earlier that there is a discussion on the new policy for urea, which we should get to know in a couple of months' time hopefully then we will see, but urea has been a business with us for the last 50 years. Fertilizer plant was set up in 1969 and is still working well since then so we are in the business right now.

**Saket Kapoor:** Traditionally we have seen you have very well explained to us that the farm solutions and bioseed are seasonal in nature. So generally the last quarter does not contribute this segment will not be contributing to the bottom-line in anyways so there should be the ways things will happen this year also there will be no change the seasonality factor will it be in place for the fourth quarter?

**J.K. Jain:** Fourth quarter is a pretty short quarter small quarter for these business so turnover will be much less.

**Vikram Shriram:** But sugar contributes substantially.

**Saket Kapoor:** It is a good trend that you are continuously giving interim dividend, this shows that your attitude towards minority shareholders like us and a great job done and we will be expecting a muted sentiment only in the prevailing, since you have very well articulated that the prices of the major product, chemical product are still hovering at lower levels so there would not be any big deviation as such and our plants will be running above the utilization levels of what we have done for the quarter that should be the sum up?

**Vikram Shriram:** That is the benefit of the capitalizations and capital expenditure. We got commissioned ethanol and power and PVC between December and January the benefits will start flowing in mainly from the next quarter going forward. The benefit

of these capital expenditure will start reflecting in the coming quarter and then in the full next year.

- Saket Kapoor:** UP government has up the molasses contribution towards the alcohol industry, for the greater tax generation, so if the sugarcane start deciding to go directly to make ethanol from the sugarcane juice itself then there would be a dent on the tax collection in terms of the IMFL that goes from the molasses, so how will this equation works out? In one way government is asking the producers to produce ethanol directly from sugarcane juice and on the other side they are trying to garner more revenue from allocating more molasses to the liquor industry, how will this both point jell together?
- Ajit Shriram:** So this is a dichotomy which was there in the opening remarks also that the two things which the State government has done one is cutting the price of co-generated power and second increasing this allocation of 18% molasses for country liquor. This is contrary to what the Central Government wants to do that is increasing the ethanol production.
- Saket Kapoor:** So this is the dichotomy that needs to be resolved from there end only. But any major changes we have to do in our distillery for which the cane juice can be directly converted into ethanol?
- Ajit Shriram:** No.
- Saket Kapoor:** And then what stop sir from directly consuming juice to ethanol? What is the delta that is allowing us to go for first molasses and then into ethanol?
- Ajit Shriram:** So we have just commissioned our second distillery. We are new into manufacturing ethanol from B-Heavy. Some other people are older in the distillery business they are experimenting with cane juice. We want to see what the outcome is and then we will take a call going down the road.
- Moderator:** Thank you. The next question is from the line of Yash Kapoor from Kapoor and Company. Please go ahead.
- Yash Kapoor:** Sir, on enhancing our company in the due course of time, is there any plan for getting shareholder value in form of demerger there are so many businesses.
- J.K. Jain:** We just replied that we are not looking at separation of any business or hiving off to any company.
- Yash Kapoor:** You just sold out your Indonesia subsidiary.
- Vikram Shriram:** Selling out is separate.
- J.K. Jain:** You are right we just sold off which is not a very large component, but yes, we wanted to exit those businesses we sold it out.
- Yash Kapoor:** If I compare your company with Rallis India, if we compare these two companies our company commands are lesser PE ratio as compared to such companies which are totally farm-based company, farmer specific company, sir is any specific reason why market is not giving us that type of premium?
- J.K. Jain:** I thought you would be able to answer that better why are you not giving premium.

- Yash Kapoor:** I agree with your sir, but one of the reason maybe the high promoter shareholder in pledge in spite of low finance cost?
- Vikram Shriram:** We just explained there is zero pledge.
- Ajay Shriram:** Just to clarify to you I want to make it very clear we have not pledged a single share of the promoter shareholding to anyone. There are no shares pledged at all.
- Yash Kapoor:** But in the disclosure, this has been shown that is why this question is raised.
- J.K. Jain:** See we just explained this that as a part of company taking loans from banks they put a condition that any change in the control or management has to be done with the approval of those lenders. Now as per the new definition of SEBI this amounts to creating otherwise encumbrance. It says SEBI asked us to disclose pledge and otherwise encumbrance on the share. So this amounts to an otherwise encumbrance that is why this disclosure has been done. We will have filed a clarification also with the stock exchange which is available explaining this particular thing.
- Yash Kapoor:** Sir one thing regarding Himachal Pradesh Project that you have been given a note on it, if you can give more clarification, is there any amount we have invested that the government has cancelled we can throw some light on it?
- J.K. Jain:** Yes so you are right we had invested about Rs. 22-23 crore as the initial premium. Government has cancelled the project because it was not viable, government also agrees that it is not viable in its present shape. So we are now requesting government to refund that particular amount for which we have asked as per the contract for an arbitrator to be appointed. So, that process is going on for appointment of arbitration.
- Yash Kapoor:** How hopeful are we should we take a as per prudent accounting policy some provision on it will it be prudent?
- J.K. Jain:** That has been already fully provided sir.
- Yash Kapoor:** Sir, if you can throw some light on this one policy, which we are seeing in various good corporate like DCM Shriram the very respected corporate Shriram Group similarly this one concept I want to compare with Kirloskar Group now whatever power they are generating, they want to be net powered free like the concept of net-debt free. Are we in this regard planning? I am from Kolkata, one of company like ITC they command a very high premium to go straight back to my first question where I asked about low premium. Sir, these are certain factors where we work out for 4 or 5 years, we have a vision then I think our PE can very well expand to twice what we are today, we are today commanding a PE of 7-8. Whereas, our profitability is very high and one gentleman also asked about a very low enterprise value which has been commanded. In fact, in the market the amount of net profit which you are generating hardly very few listed companies are been able to earn such a handsome amount. So that is why this suggestion has been made are we planning this regard that we are going to be a net debt free say suppose by 5 years or 7 years down the line and be net power surplus say suppose 7 years or 8 years down the line are we thinking that regard?
- K.K. Kaul:** You are talking about Green Power?
- Yash Kapoor:** Sir, the total carbon which we are consuming and the total Green Energy we are producing the net equation is that we are net carbon positive or energy positive.

**K.K. Kaul:** Since we are generating Green Power and they are surplus in Green Power their own consumption, which is the renewable sources power.

**Ajay Shriram:** I will just clarify you can be net power exporters, net water exporters, you can be net on these provided one works on source of generation. Second what is the captive requirements in our case at Kota a requirement of power as of today is approximately 155 MW, in Gujarat factory we already generate 120 MW. We are putting up another 120 MW coal based power plant. So that we can then totally in Gujarat produce about 2,000 tons per day of caustic soda. So this net power issue does not come into our case because for us power is a raw material. Without power, we cannot manufacture any products. What we are very conscious about ,is ensuring that the emission standard we are adhering to are well within the standards laid down by the government so that it is the most efficient power plant on a world scale that is our approach, but our approach is because of our raw material which is power is needed by us we had to generate power from coal and bagasse.

**Moderator:** That was the last question sir would you like to add any closing remarks.

**Ajay Shriram:** Ladies and Gentlemen we thank you for your participation in our Q3 & 9M FY20 Earning Conference Call. We have outlined the strategic direction and the steps being pursued for the same. As we achieve our milestones for these initiatives, we are confident of sustained overall growth in financial performance underlined by strong business, enhanced cost competitiveness, multiple earning streams and stronger balance sheet. We are simultaneously adopting contemporary technologies and engagement tools and upgrading our processes and practices to strengthen our value proposition to the customers has deepened the employee engagement within the company. Once again, we would like to thank you for joining us today on the conference call. Good bye.

**Moderator:** Thank you. Ladies and Gentlemen, on behalf of DCM Shriram Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.