



“Seya Industries Limited
Q2 and H1 FY2019 Earnings Conference Call”

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MANAGEMENT:

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- SEYA INDUSTRIES LIMITED**



Moderator:

Good day ladies and gentlemen and welcome to the Q2 and H1 FY2019 Earnings Conference Call of Seya Industries Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees for future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amrit Rajani, COO, Seya Industries Limited. Thank you and over to you Sir!

Amrit Rajani:

Good afternoon ladies and gentlemen. A very warm welcome to the Q2 and H1 FY2019 earnings call of Seya Industries Limited. Along with me on this call, I have SGA our Investor Relations Advisor. The results are uploaded on the Stock Exchange and on the Company’s website. I hope everybody has had a chance to look at it. Let me give you a brief update on Seya industries limited so far.

Seya over the years has emerged as most competitive and low-cost producer of Benzene based specialty products. We are completely backward and forward integrated across the Benzene value chain at a single location. Our key product portfolio as on date consists of 3,3'-dichlorobenzidine, 2,4-dinitrochlorobenzene, and para-nitro aniline. Our products find applications in printing inks, personal care & hair dye segment, pharmaceuticals, dye intermediates, agrochemicals, etc. We have built strong relationship with our customers, which are mostly long-term in nature and nurtured with our innovative product offerings in terms of highest purity products along with technical sale support given to them.

Currently, we have a manufacturing capacity of 56400 metric tonnes per annum of which about 32400 is captively utilized and the balance 24000 metric tonnes is in terms of end product sales to the market. We are currently operating at optimum capacity utilization and therefore we had envisaged next phase of our capacity expansion. Currently, we are in the process of doubling the capacity of one of our key product that is para-nitro aniline, which is a high value and high margin product. We expect this to operationalize this in the fourth quarter of the current financial year.

We are also in the process of upgrading and debottlenecking all product plants by setting up parallel capacities for select products and replacing machineries for the same to align the production plant and processes on new technologies. In addition to this, the company is



upgrading its effluent treatment plant to support these capacity expansions. The benefits of the debottlenecking activities are expected to be witnessed in FY2020 whereby the operational efficiency is expected to be increased and contribute to higher margins. Apart from these expansions, the company has envisaged a vision to be an integrated global producer of speciality chemicals.

Moving forward with this vision, the phase 2 of our expansion will cost us about Rs. 735 Crores of which we will hold an unused land of Rs. 100 Crores with all environmental clearances in place for future use. We expect to operationalize the phase 2 of the expansion in the second half of the financial year 2020. The financial closure for the same has been achieved and we have completed 67% of the work till date. With phase 2 expansion our company would be growing by way of integration and will help us to unlock the value within our business.

Backward integration shall be providing us with cost savings, derisk material sourcing and reduce the risk of handling hazardous materials. The forward integration will help us to have high value products, which would be served to our existing customers as well as new customers. The horizontal integration will provide the opportunity to enter into new product categories and move up the value chain. In the overall integration process, we will be having free captive power generation from process waste heat, which will be generated within the process, which will result in further cost savings of Rs.60 Crores per annum. Phase 2 will have an additional capacity of ~527900 metric tonnes per annum of which ~259000 tonnes per annum will be utilized captively and ~149000 of finished product volumes would be generated and sold in the market. The entire project is expected to contribute additional Rs.10 to Rs.12 billion in terms of additional revenues.

Now coming to the H1 FY2019 financial performance, our revenue grew by 32.5% to Rs. 212.7 Crores in H1 FY2019 as compared to Rs.160.6 Crores in H1 FY2018 led by higher volume sold of value-added products and better realizations due to environmental changes and product disruptions in China. Our EBITDA grew by 57.4% to Rs. 72.3 Crores as against Rs. 45.9 Crores in H1 FY2018. The EBITDA margin for H1 FY2019 stood at 34%, which is a growth of 540 BPS largely led by higher volumes of value-added products and better realizations. Our profit before tax grew by 85.5% to Rs. 54.9 Crores as against Rs. 29.6 Crores in H1 FY2018. Our profit after tax grew by 77% to Rs. 41.9 Crores in H1 FY2019 as against Rs. 23.7 Crores in H1 FY2018. The PAT margins for H1 FY2019 stood at 19.7%, which is a growth of 500 BPS.

The company is protected from any volatility in rupee as its 100% of the supply contracts are in domestic currency and domestic market demand and pricing is in parity with the



international market. During the quarter, our other expenses had an additional expense of Rs. 5.05 Crores incurred on account of increased fuel and power cost due to operating of furnace oil fired boilers as we had a maintenance shutdown of the coalfired boilers. Our current long-term debt including the current maturity stands at Rs. 361 Crores of which Rs. 285 Crores is towards the phase 2 expansion. Our current debt to equity stands at 0.42.

To conclude Seya operates in profitable segments at a single location, is a composite fully backward and forward integrated manufacturer having fully automated process plants, which results in lower manpower cost and Complete integration is resulting in value addition by way of recycling and reuse of byproducts. With, this I would now like to open the floor for the questions and answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Anubhav Sahu from MC Research. Please go ahead.

Anubhav Sahu: Thanks for the opportunity. I have a couple of questions. You mentioned that the end market 49% is from the printing ink, could you elaborate more on what constitutes this in terms of subsegments and what are the products, which are into this and does it constitute the product as an industry like paper and all?

Amrit Rajani: No, when we talk in terms of printing ink, these are more towards the application of the Laserjet printers, Deskjet printers, Inkjet printers as well as the inks, which are used for printing on Tetra Pack, on vinyl flex sign, so it is wherever yellow as a colour will be used in printing there 3,3'-di chloro benzidine shall be used for manufacturing the pigment yellow coating.

Anubhav Sahu: You have mentioned 3,3'-di chloro benzidine right?

Amrit Rajani: That is right.

Anubhav Sahu: Thank you. Post the capacity expansion we are looking at what could be the tentative change in market contribution?

Amrit Rajani: Presently, we are having 49% of our revenue coming from the printing ink segments. This would be then coming down to 25%, we would be catering to the road marking segment that will be contributing to almost about 22% to 25% and the other segments would be increased like we would be having the pharmaceutical segment, which currently contributes 6% to 8%, this would be increased to about 20%.



Anubhav Sahu: A significant jump of pharma end market and Sir, you mentioned about thionyl chloride as one of the products, which you are looking at, so what is the capacity we are looking at this one and how is the opportunity here in terms of market price and all and also if you can elaborate on what is an application, one of them, which is for the dye intermediate is there any other application for thionyl chloride, which we would be looking at?

Amrit Rajani: So, first of all, we are setting up a capacity of 36000 tonnes per annum of thionyl chloride, Two is that the major application of thionyl chloride is in manufacturing of lithium thionyl chloride batteries, so it is used in the manufacture of lithium thionyl chloride salt, which is used as an electrolyte for these rechargeable batteries and when I say rechargeable batteries, so whether it is laptop, mobile, drones, tablets, the batteries which are used for UPS, for electronic parts anywhere with any battery, which is rechargeable in nature would be consisting of lithium thionyl chloride.

Anubhav Sahu: Got it, Sir. In terms of industry, how much would be the thionyl chloride capacity already in market and this new application, which you are talking about, is probably not elaborated or mentioned by us, so this was the first time in India that such application we are looking for the thionyl chloride or something?

Amrit Rajani: Yes, because if you would have been keeping track of the electronic car market, now the new announcements have come in that the lithium thionyl chloride batteries and the cars would be manufactured in India. See all these years thionyl chloride was being converted to lithium thionyl chloride salt and the batteries were made in China and other countries and not in India, but in the last six to eight months projects have been announced by Government of India wherein these batteries will be manufactured now in India, so the domestic consumption of thionyl chloride will be increasing and this is with respect to the lithium batteries. But when we also look at the other speciality chemicals like your dye intermediate segments we are talking about wherein also thionyl chloride is used, the pharmaceutical segment also, all these segments are expanding and because of the production disruptions in China, there are capacities, which are being now built in India, so your domestic consumption would be increasing. I would just like to add here that thionyl chloride is neither exported nor imported, so anything, which is produced out of thionyl chloride will be produced here in India and then only it would be either exported or imported.

Anubhav Sahu: I mean is it because it is difficult to handle that kind of product?

Amrit Rajani: That is right, it is very difficult and hazardous to handle and that is why reason people preferred domestic conversion of thionyl chloride into a forward integrated product.

- Anubhav Sahu:** That is very helpful. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Varendar Bansal from Pantomath Fund Advisors. Please go ahead.
- Varendar Bansal:** Thank you for the opportunity. I just wanted to know this expansion as you mentioned will come on stream by March 2020, right?
- Amrit Rajani:** Yes, we are expecting anywhere between October to March.
- Varendar Bansal:** What will be the highest debt would the company will be having even post expansion?
- Amrit Rajani:** The post expansion debt at peak would be Rs. 375 Crores because we are also undergoing repayment of our existing debt, but at any point of time the maximum debt will be Rs. 375 Crores.
- Varendar Bansal:** I think you also have cash, which is there on the books right, which you have raised from the promoters and some of the investors as well?
- Amrit Rajani:** That is right.
- Varendar Bansal:** So, our debt equity ratio will be comfortable right?
- Amrit Rajani:** As of now we are at 0.42, on the higher side this will be going to 0.45.
- Varendar Bansal:** Given the current state of a lot of capacity is coming up in the chemical sector and with the way you know the crude oil is behaving, you mentioned that you do not get impacted by imported raw material because a lot of sourcing is done in the domestic only, do you believe that the current margins are sustainable because your margins are really, really good compared to other players in the industry, so with the 30% to 32% EBITDA margins, 20% after tax margins even after the expansion and currently the way the industry is placed do you think that those kind of margins are sustainable?
- Amrit Rajani:** See, currently we are moving at quite a good above average margin and which we are also highlighting that small part of this is also contributed due to production disruptions in China, now while we expect that this production disruptions would continue for the next two to three years till the time their environmental issues and policies are sorted out. What we think that even if China is having relaxation or gets managerial relaxations on this environmental policy the maximum correction, which would be coming in the margins would be not more than 10% to 15% and that would be 10% to 15% of our existing margins



and secondly, any kind of these raw material fluctuations be it in terms of any of the raw material prices this basically works on a pass through mechanism with all our customers, so we have pricing contracts wherein any increase or decrease in raw material prices is immediately passed on to the customer. We feel that the overall sustainable margin would be in the range of Rs. 33000 to 35000 per tonne post phase 2 integration and this is irrespective whether China is back with its capacities or whatever and presently whatever we are having it is more in terms of the production shift from China to India.

Varendar Bansal: Sir, can you elaborate a bit on this because as you mentioned that EBITDA per metric tonne right now is around Rs. 75000 in first half, so in your presentation also it is mentioned that when you commission phase 2 and you mentioned as well this right now, so that the sustainable EBITDA per metric tonne will be Rs. 33000 to 35000 per tonne?

Amrit Rajani: Right.

Varendar Bansal: That is 50% lower than what we are doing right now?

Amrit Rajani: I will explain to you. First of all, this Rs. 75000 to a tonne is coming in from products, which are catering to the printing ink segment to the hair dye segment and to the pharmaceutical segment. Now, these products are being completely replaced or they are import substitutes and these products will always be having much higher margins as compared to the products what we are setting up in phase 2. Phase 2 is a blend of backward integration and forward integration. Now, we are setting up almost 12 products in phase 2. Out of 12 products, three products would be having EBITDA margins in the range of say Rs. 1.5 lakh to Rs. 2 lakh a tonne, but there would be another six to seven products, which would be more of backward integration in nature or a horizontal integration in nature, which would be having EBITDA margins ranging from Rs. 20000 to 50000 to 80000, so what we have represented is basically blended margins in terms of per tonne basis. So, that is the reason we make a statement that today we are at Rs. 75000 per tonne this is for select products, but when we are expanding into phase 2 our product portfolio expands, the volume expands, there would be certain products, which would be having higher margins, but those are backward integration products in which case we are setting up for our captive consumption as well as whatever is the surplus capacity will be selling in the market, so we are representing blended margins when it comes to post phase 2 expansion.

Varendar Bansal: No, I understand that the blended margins we are talking about the blended margins have beautifully worked for us in the last four years right from 22000 to 75000?

Amrit Rajani: Right.



Varendar Bansal: So, I was just a bit perplexed at looking at this number when you mentioned that after expansion the EBITDA per tonne margins may come down by half, so I was just thinking whether it is the competitive intensity also because what happens after one-and-a-half years or the raw material side or anything else?

Amrit Rajani: This is one that whatever the numbers we have given these are on conservative basis. They do not take into account the today's pricing that we are realizing to be very frank because prices, which are there today are above average, as I mentioned because of production disruptions in China, so whatever these numbers, which we are talking about Rs., 33000 to 35000 to a tonne, this is on highly conservative basis assuming that if China would be operating in market there would have been a competitive market then these would be the margins on the worse case basis.

Varendar Bansal: With the expansion we are very confident about the volumes coming up that is no brainer whether that comes in March 2020 or whatever it will delay for one or two quarters that no one guess, but in terms of margins okay you are saying worse case will be between 33000 to 35000 and we will see how it goes going ahead?

Amrit Rajani: Yes.

Varendar Bansal: And are you confident about the timeline that you mentioned that 65% of the work has already been done?

Amrit Rajani: Yes, we are confident on the timeline, we are as of now moving on schedule.

Varendar Bansal: Thank you so much. I will come back.

Moderator: Thank you. The next question is from the line of Jigar Shroff from Financial Research Technologies. Please go ahead.

Jigar Shroff: Congratulations Amrit. First, of all on a great set of numbers and a continuing good performance. I had a couple of questions. I think you have rightly mentioned that the China situation is sustainable even if capacities come back in China over the next three years you do not see any hazard, am I right?

Amrit Rajani: That is right.

Jigar Shroff: Secondly, Amrit you have mentioned that after the capacity expansion the peak revenues would be an additional Rs. 1000 to Rs. 1200 Crores at 80% capacity utilization, so my first question was can this capacity utilization be increased to something 90% to 95% that is one



thing and the peak revenues would reflect in the company's book in which year, would it be 2021-2022 or 2022-2023?

Amrit Rajani: First of all the capacity utilizations could be increased to as high as 90% that is normally the levels that which we have been operating presently also this is one, but in terms of our estimates we always take a very standard industry approach of 80% that is why we always put it at 80% capacity utilization, not that our plants are designed to operate only at 80%, the plants are designed in fact to operate at 110% utilization in terms of technical part this is one. Two is that in terms of the peak revenue we expect 2022-2023 to be the year to have the peak revenues at 80% capacity utilization.

Jigar Shroff: And what would be the key risks to our assumptions, what we should look at?

Amrit Rajani: From a company perspective, the key risk would be more towards the integration part of it since, we would be fully integrated backward, forward manufacturer, any of the supplied disruption due to any technical snag in any of the plants could force us to buy the raw material or an intermediate product from the market, which would be at that particular point of time bought at high rates, higher than our production cost and this could marginally affect the profitability.

Jigar Shroff: That would be a kind of one off, which would be even out eventually right?

Amrit Rajani: That is right, second is in terms of environmental pollutions we are already at good decent environmental policies, however, if things are further again increase it is only that our cost of production could go up by may be 4% to 5% this is if at all there is a complete condition of zero effluent discharge and absolutely controlling all types of pollution, which presently are allowed as per the industrial zones following the normal practices, so this could marginally affect again margins, but then see what happens at any increase in the production cost or any of these things over a period of time ultimately it could be for not only for Seya this would be for all the players across the industry, so it would only be increasing the prices of products.

Jigar Shroff: Who would be our key competitors after entire expansion is completed?

Amrit Rajani: After the expansion we would be having close to about 20 to 25 odd products, now there would not be a single company would be manufacturing all these 25 products on like-to-like basis, but nearest peer comparison would be Aarti Industries.

Jigar Shroff: And you mentioned the peak debt would be Rs. 375 Crores and what would be the interest cost?



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- Amrit Rajani:** This would be approximately in the range of 10% to 11%.
- Jigar Shroff:** And would you like to talk anything about the export opportunity as far as our products are concerned?
- Amrit Rajani:** As of now we are quite comfortable in servicing all international customers who have their setup in India and offices in India, so presently we are focusing on more of these international customers and giving them supplies based on pricing contracts in the domestic currency with the way the rupee depreciation has been going on and since the prices are in sync with the international pricing presently we are focusing more on more the supplies in the domestic market because we are interested more in terms of volumes and it is not giving us any incremental incentive as of now to have exports. had it been a case wherein we are making much more margins or getting better realizations and I would be focusing, but just to highlight when we are selling it to these international customers also we provide them all the benefits, which are there are provided to a normal exporter, so you can say very safely almost 27% to 30% of our domestic sales are also classified as being exports.
- Jigar Shroff:** Would you like to share what would be the contribution of clariant in your sales?
- Amrit Rajani:** You have to pardon me on this
- Jigar Shroff:** Great that is helpful and all the best Amrit. Thank you.
- Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** Good afternoon Sir. A couple of questions, the first question is on for the additional Rs. 1000 to Rs. 1200 Crores of revenue, which we get from phase 2, could you give us a breakup of organic and inorganic chemistry revenue roughly?
- Amrit Rajani:** So, on a very rough estimate basis the organic would be contributing to almost 55% of the revenues and inorganic would be contributing to 45% of the revenues.
- Aman Vij:** And similarly, EBITDA per tonne roughly organic and inorganic?
- Amrit Rajani:** Organic chemicals EBITDA per tonne would be on an average in the range of Rs. 125000 to 175000 to a tonne and in terms of inorganic, it could be varying from Rs. 15000 to 40000 to a tonne.



- Aman Vij:** The second question is on basically all our organic products are using monochlorobenzene as a base?
- Amrit Rajani:** That is right.
- Aman Vij:** What do we do with the higher level of benzene like monochlorobenzene, dichlorobenzene and trichlorobenzene and may be what is the proportion?
- Amrit Rajani:** See, presently we operate our plants in such a manner that one we do not produce any trichlorobenzene, two is that since we are maintaining certain process parameters, we are in a position to manage the dichlorobenzene as low as 5% to 6% of our total monochlorobenzene production. This dichlorobenzene is being sold to downstream processes who separate out this dichlorobenzene into paradichlorobenzene and dichlorobenzene, so there are small companies who pick up this dichlorobenzene and they process it further and sell it in the market.
- Aman Vij:** Sure, Sir. The next question was on, could you give us the split for H1 FY2019 as well as FY2018, the split of what was the unit of electricity that we consume than the coal that we consume?
- Amrit Rajani:** It would not be handy with us right now, but in terms of we have highlighted one thing that our fuel consumptions. we were operating on coal fired boilers because of the maintaining shutdown we had to switch over to our standby boilers, which are oil fired and because of which the incremental cost of Rs. 5.05 Crores has been borne by us.
- Aman Vij:** Sure that part I understand may be I will drop in the mail. Next question is on you had mentioned we are utilizing mostly sulphuric acid for neutralizing while some of the other players use the HCL basically?
- Amrit Rajani:** No, this, you are talking about our own process plants because this sulphuric acid for neutralization is typically used by the textile industry instead of HCL. So normally because HCL is available cheap in market so people buy HCL from market as a neutralizing agent, now who would be buying these acids, this would be bought only by a manufacturer who would be having alkaline effluents under production, so only they need to be buying acids for neutralization. For us, we have a different type of effluents, we have acidic effluents also, we have alkaline effluent also, so we do not need to be buying sulphuric acid for neutralization.
- Aman Vij:** Basically, we were talking about the advantage that we need to get lesser amount of sulphuric acid as it has higher volumetric weight compared to?



Amrit Rajani: I think there was a little confusion, so this is purely with respect to sales of sulphuric acid in Boisar itself since, there are lot of textile companies, which are having alkaline effluents in Boisar there was a mention by us in any of these conferences that since people were inquisitive that we are setting up sulphuric acid and we would having some surplus quantity to be sold in the market and if yes then where it would be sold so that is where we had mentioned that the sulphuric acid is used by these textile industries to neutralize their alkaline effluents instead of buying HCL because sulphuric acid has a higher molecular weight as compared to HCL, so that was a mention not with respect to our own effluent treatment.

Aman Vij: Sure, the last question from my side is, out of a nitration and chlorination capacity, how much is batch and how much is continuous?

Amrit Rajani: First of all, nitration is continuous, chlorination is also continuous, certain product plants like 3,3'-di chloro benzidine that is semi-continuous, para nitro chlorobenzene is purely batch and 2,4-di nitro chloro benzene is continuous.

Aman Vij: What is the rough capacity of chlorination and nitration?

Amrit Rajani: Our present chlorination capacity is 18000 tonnes per annum, our present nitration capacity is 21000 tonnes per annum.

Aman Vij: Thanks.

Moderator: Thank you. The next question is from the line of Prasad Kumar an Individual Investor. Please go ahead.

Prasad Kumar: Could not understand something about the equity. You have mentioned in the investor presentation regarding infused equity, converted equity and private placement of equity, whether it will increase the current equity capacity of like equity of Rs. 7.82 Crores, if it is yes, then when will it happen?

Amrit Rajani: No, whatever equity is there it is fully allotted there is no further equity allotment to be done.

Prasad Kumar: The total such equity for Rs. 242 Crores at Rs.180 is like 1.35 Crores share is coming, so will it be added to the base equity?

Amrit Rajani: This has already been done. We have just highlighted. I think you are talking about the last slide in the investor presentation?

- Prasad Kumar:** Yes, that is right Sir.
- Amrit Rajani:** This is already allotted, what we have just highlighted that this has already done and completed. There is nothing further to be done.
- Prasad Kumar:** Sir, one more question, in the capacity expansion you spoke about thionyl chloride under the capacity, what about the capacity of dimethylaniline and all other products, can you have a small layer?
- Amrit Rajani:** See, there are 12 products, it is difficult to talk about each and every product. I just answer about your dimethylaniline, dimethylaniline will be having a capacity of close to around 1000 tonnes a year.
- Prasad Kumar:** You are considering out of the 12 to 15 products?
- Amrit Rajani:** Sorry.
- Prasad Kumar:** Out of the 12 to 15 products, which are there in the expansion you spoke about thionyl chloride, which is one, what are the other major products you are considering?
- Amrit Rajani:** This project is blend of backward and forward integration, so we are setting up capacities for sulphuric acid, we are setting up also ortho nitro chloro benzene, para nitro chloro benzene, then in the forward integrated product side we are having ortho anisidine and fast red b base and on the horizontal integration side we would be having chlorosulfonic acid, dimethyl sulphate, dimethylaniline, thionyl chloride, then we have liquid SO₂, liquid SO₃, OLEUM 24, 65.
- Prasad Kumar:** Sorry for interrupting, I do not want the product, I just wanted to know, which are the main products?
- Amrit Rajani:** On the revenue contribution side of it the major revenue contributors would be ortho anisidine, fast red b base, paranitrochlorobenzene this would be the highest contributors.
- Prasad Kumar:** One small question, you were talking about the capacity expansion of paranitroaniline, which is going to happen in may be one or two months or almost done when it will be showing in the sales?
- Amrit Rajani:** This would be reflected in Q4 FY2019 in the last quarter of the current financial year.
- Prasad Kumar:** Thank you.



Moderator: Thank you. The next question is from the line of Varendar Bansal from Pantomath Fund Advisors. Please go ahead.

Varendar Bansal: Sir, just a followup question, I am just curious about one small thing, you mentioned about Aarti Industries being one of the competitors of yours, please help me to understand this, I was checking number for last three to four years, our employee expenses seems to be very, very less if I compared to Aarti or any other player, it is only 1% of the sales what we pay as employee expenses with the selling expense are only 1% for the last three to four years whereas other people or other players they have 4% to 5%, why is the employee expenses, selling expenses so marginal compared to any other player as a percentage of revenue?

Amrit Rajani: Mr. Bansal I would like to highlight, so it would have gone through our presentation slide number 22, we have tried to highlight the average employee cost, which is per year, now if you compare this to our peers there is not much of a variation it is not more than 10% to 20% difference in the cost and that is primarily because Aarti or any other players, since you mentioned about Aarti, so I will talk about that. They have got various manufacturing units as compared to us, we are at a single location this is point number one. Point number two, we are having fully integrated and automated process plants, so the number of employees, that is considerably reduced. Three is that even for packaging systems we have automated systems wherein a lot of unskilled manpower is required, so is that when we talk about the employees, which are on a contractual basis or which are supplied by agencies we do not factor them under the employee category, we are going towards the other expenses side of it.

Varendar Bansal: And what would be selling expenses that is again only 1% compared to 5% to 6%, which are normally over the peers?

Amrit Rajani: This is selling expenses in terms of purely selling expense or just the other expenses part of it?

Varendar Bansal: Only selling expenses.

Amrit Rajani: Because, we normally do not have any bifurcation, so selling expenses for us is more towards the commissions, which is being paid to the commission agents, now in our case we are having all majorities direct sales, it is pricing contracts so at such we do not incur any major commission cost as such.

Varendar Bansal: So, you are saying the way we sell our products is all via direct right?

Amrit Rajani: That is right.



Varendar Bansal: So, hence we do not incur any selling cost?

Amrit Rajani: Yes, we will be engaging any agents or any traders then in those cases there would be the selling expenses, in our case, it is all direct, so as such we do not give any commission payouts to any of the people.

Varendar Bansal: Thank you so much.

Moderator: Thank you. Ladies and gentlemen, due to time constrains that was the last question. I now hand the conference over to Amrit Rajani for closing comments.

Amrit Rajani: We are happy with our performance of H1 FY2019 and believe the momentum in the sector would continue. I would like to thank everyone for joining on the call. I hope we have been able to respond to your queries adequately. For further information we would request you to get in touch with SGA our investor relations advisor. Thank you so much. Have a nice day.

Moderator: Thank you. On behalf of Seya Industries Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.