



## Aarti Industries Limited Q3 FY19 Earnings Conference Call Transcript February 4, 2019

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**Moderator** Ladies and gentlemen, good day and welcome to Aarti Industries Limited Q3 FY19 earning conference call. As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shiv Muttoo from CDR India. Thank you and over to you, sir.

**Shiv Muttoo** Thank you. Good evening everyone and thank you for joining us on Aarti Industries Q3 FY19 earnings conference call. We have with us Mr. Rajendra Gogri – Chairman and Managing Director; Mr. Rashesh Gogri – Vice Chairman and Managing Director and Mr. Chetan Gandhi, CFO of Aarti Industries. We will begin this call with the opening remarks from the management following which we will open the forum for Q&A.

Before we begin this call, I would like to point out that some of the statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the results presentation shared with all of you earlier. We will begin the call with opening remarks from Mr. Rajendra Gogri who will take you through the performance of the company during the quarter under review and his outlook for the business. We will then open the forum for an interactive Q&A session. Now, I would like to invite Mr. Rajendra Gogri to share his views. Over to you, sir.

**Rajendra Gogri** Good evening and a very warm welcome to all of you. We are happy to report that the consistency in our performance continues. We have delivered yet another strong quarter recording 28% growth in revenue, 39% growth in EBITDA and 47% growth in profit after tax. Our PAT for the first 9-months, this financial year is already 9% higher than last financial year's full year PAT. Growth was driven by Y-o-Y volume expansion in the speciality chemicals business in addition to the positive impact of an optimized value-added product mix. We are seeing healthy demand from direct export, which contributed 40% to revenues during the quarter. We are also benefiting from our deep relationship with domestic customers who are setting up or expanding capacity in downstream products. As the structural shift of global demand continues to favour Indian suppliers, many of our domestic customers are also creating facility to manufacture products that substitute imports into the country with related demand benefits to us.



Revenue grew 28% in Q3 FY19 to Rs. 1268 crore and 37% in 9-month FY19 to Rs. 3646 crore. Our absolute EBIT from operation which is the key metric to track our performance, net of raw material cost that are broadly linked to the global crude oil prices, grew 44% Y-o-Y in Q3 FY19 to Rs. 206 crore and 48% Y-o-Y in 9-months FY19 to Rs. 560 crore. As part of our strategy to safeguard business against currency rates, we had entered into forward contract to hedge our export contracts. Q3 FY19 saw a positive EBIT impact of Rs. 4.79 crore. Company had further provided for revaluation gain for long-term borrowing to the extent of Rs. 6.12 crore as at December 31, 2018. PAT grew 47% to Rs. 133 crore in Q3 FY19 and 49% in 9-month FY19 to Rs. 345 crore. Given the strong performance and cash flow generation, the Board of Directors has declared an interim dividend of Rs. 4 per equity share.

Q3 growth was spread across our three businesses; specialty chemical, pharmaceutical and home and personal care that grew by 31%, 23% and 8% respectively. The specialty chemical business, representing approximately 80% of our overall revenues, continues to see margin expansion from higher CAPEX utilization of capacity. Improving product mix has also allowed us to expand margins in the backdrop of increasing raw material cost, which are typically built into as pass-through mechanism in our selling price. Volume in specialty chemicals grew by 4% in Q3 FY19.

The product mix for the segment has been suitably optimized for high margin products resulting in the higher EBIT despite the lower volume growth. Thus the company has been able to use this competency in fungible and large product offerings to optimize the product mix, thereby delivering high returns.

We clocked production of about 17,700 metric tonnes of Nitro-ChloroBenzene during Q3 FY19 as against 18,350 metric tonnes per Q3 FY18. The Board of Directors has approved an investment to the extent of Rs. 150 crore for expanding the NCB capacity from 75,000 metric tonnes per annum to 108,000 tonnes per annum. This expanded capacity would be coming up in two phases, phase I in FY20 and phase II in FY21. These capacities will help the company to cater into the increasing demand in domestic demand and also for downstream captive requirements. We achieved 80% capacity utilization for our unit Dahej SEZ. Our nitrotoluene facility at Jhagadia, which became operational last year has reached 53% utilization.

Moving into the pharmaceutical segment, we continued to sustain our momentum in this business. Revenue grew by 23% Y-o-Y in Q3 FY19 to Rs. 171 crore and 34% Y-o-Y in 9-months FY19 to Rs. 513 crore. EBIT expanded 79% Y-o-Y in Q3 FY19 to Rs. 30 crore and 72% Y-o-Y to Rs. 85 crore. So pharma business has also delivered improved profitability based on higher capacity utilization and our focus on high-growing product basket such as Xanthene derivatives and pharma intermediates in regulated markets.

Coming to the home and personal care segment, the segment margins were impacted due to increasing input cost and change in product mix. As communicated earlier, with an eye on creating a value for all stakeholders, the demerger of the home and personal care product business is on track.

We continue to execute on our capex plan and we invested about Rs. 528 crore during the 9-month FY19. The current ongoing projects include specialty chemical complex and chlorination plant at Jhagadia in Gujarat, acid reconcentration plant, capex for two long-term contracts at Dahej, API and pharma intermediate



debottlenecking and expansions at Vapi and Tarapur. We are also in the process of setting up our 4<sup>th</sup> R&D and scale-up unit at New Mumbai that will facilitate further enhancement of the product portfolio and also help to further improve our manufacturing processes.

We believe we are now at the inflection point. Higher capacities thus operationalized will allow us to optimally position ourselves within the growing framework of opportunities as India continues to gain scale as a leading provider to global chemical supply chains. We plan to expand capacities of Nitrochlorobenzene, Dichlorobenzene and certain downstream products and pharma capacities. Based on these plans, we expect the company to sustain its growth momentum with greater contribution from value-added products. We are planning this incremental growth investment in areas that provide long-term visibility and has the potential to deliver better returns.

To close, I would like to say that we are tracking to our plans of driving profitable growth and value creation. Aarti industries' presence across the integrated product chain, our diversified customer base, strong manufacturing capability, timely deliveries and adherence to the specification and cost plus pricing model are enabling us to deliver consistent performance and become a partner of choice with global chemical leaders.

On that note, I conclude my opening remarks. We would be happy to give you our perspective on any questions that you may have. I would request the operator for this call to open question and answer session.

- Moderator** Thank you very much sir. Ladies and gentlemen, we will now begin question and answer session. The first question is from the line of Surya Patra from Phillip Capital. Please go ahead.
- Surya Patra** Sir, couple of queries. See, the Benzene price correction what we are seeing, I think it is a couple of or few years low point that we have witnessed by now, so in such a scenario do you see any kind of impact on the demand growth or have you ever seen in the previous cases when the Benzene prices corrected in the similar patterns?
- Rajendra Gogri** We have told you in the past also that volume of our product generally are not impacted with the Benzene prices because the finished pigment, paint or agrochemicals, the impact of volatility in Benzene prices gets very small. In general, crude or Benzene price going up and down is not impacting the volumes.
- Surya Patra** So it is only the price translation whenever that happens to that extent, the impact would be there? That is, it?
- Rajendra Gogri** Yes.
- Surya Patra** And sir, is there any specific reason this quarter the employee cost is meaningfully or slightly higher compared to the general trend?
- Rajendra Gogri** We paid the variable pay after the first two quarters, so that is why the third quarter, part of the variable pay component has been paid, so that has increased in the jump.



**Surya Patra** So that means this is a quarter specific kind of thing and possibly it will normalize again in the subsequent quarter, is it right sir?

**Rajendra Gogri** Generally, it may go on because we are paying on a 6 monthly basis, so this will occur twice in two of the four quarters.

**Surya Patra** Any two it could be?

**Rajendra Gogri** Yes.

**Surya Patra** Sir, is it possible to share whatever the incremental number that is visible, it is because of that?

**Rajendra Gogri** There is additional manpower also, so it will be combination of both.

**Surya Patra** In regards to that capex, so what is currently so far in the 9-months period, what is the capex that we have already executed and for the full year what is the plan, considering the fact that the first long-term supply project that is to be commissioning next year, so by now you would have done meaningfully there also, so all put together what is the capex that so far that you have already done? And what is the plan for this year?

**Chetan Gandhi** The current 9-months, we have capex of almost Rs 520 crore, running roughly at an average of around Rs 160 to 170 crore a quarter.

**Surya Patra** So annually accordingly it would be and how far we progressed on the first project front sir for the first multiyear deal that we had signed and are we on track to supply second half of the?

**Rajendra Gogri** We will be commissioning the plant in second half of FY20.

**Surya Patra** Okay, so we are on track on that front?

**Rajendra Gogri** Yes.

**Surya Patra** And sir, this capacity expansion for NCB that you are indicating, is it possible to share what portion of our external revenue from the NCB that should be coming for us, annually if not quarterly?

**Rajendra Gogri** So we don't have that data right now with us. We are working on that. What happened is NCB is in starting process for the NCB value chain and the sort of our production is also captively consumed for the downstream products what we manufacture from this, but anyway nevertheless, we don't have the number right now. Probably next time, we may have some.

**Surya Patra** Why I was asking about it, see we are now expanding, I think possibly till last quarter we have been saying that the Nitrotoluene project that we are having, but Nitrobenzene activity can be done there and these facilities largely are fungible that what understanding we have, so till that time there is no visibility about Nitrotoluene progress, so possibly the capacity expansion at NCB may not be required, but since you are announcing that, so is that mean that there is a strong visibility that you are now having for your Nitrotoluene project?

**Rajendra Gogri** Yes, basically we have already indicated, our progressive ramp up of Nitrotoluene capacity will be there. This first half, it was around 40% and Q3 utilization is at 53%, so progressively it is going to grow and down the line, we may have to go for expansion also in future.

**Surya Patra** And sir, just last one question. On the Nitrochloro project, when is that likely to be there operational sir?

**Rajendra Gogri** It will be divided in two phases, one will be, first phase in FY20 and another one in FY21 because it is a brownfield debottlenecking.

**Moderator** Thank you. The next question is from the line of Sarvanan Viswanathan from Unifi Capital. Please go ahead.

**Sarvanan V** Sir, can you share the volume growth that we have recorded in the speciality chemical segment in the Q3 as well as 9-months?

**Chetan Gandhi** Q3, the volume growth was 4% and the 9-month volume growth would be around 7 to 8%, so here as it was communicated by Mr. Gogri, probably what has also happened is that the volume mix, I mean the product mix in the specialty chemical has been optimized to look at more products at higher value addition and margin coming out, so that is where, probably volume growth may not be the perfect parameter of comparing the EBITDA growth.

**Sarvanan V** So in the last conference call, Mr. Gogri had guided for 15% volume growth in FY20 as well as FY21, so is it on the new base where the product mix has changed?

**Chetan Gandhi** That would be based on the earlier base, so we will have to work out the new base and see how it would look at.

**Sarvanan V** And this Rs 240 crore?

**Rajendra Gogri** As you have more value-added products, absolute EBITDA growth tends to be even more higher than the volume growth. I think one of the good indicators is the volume growth, but in addition to that the product mix in the value-added content also gives the impact on an EBITDA increase.

**Sarvanan V** So given the current product mix, is this Rs 240 crore plus EBITDA the new normal in terms of EBITDA? Is it the new base?

**Rajendra Gogri** Yes, overall basically, as you know we are expanding our capacity, utilization has increased in new projects, continuously, it is going to grow.

**Sarvanan V** Are there any one-offs in these numbers, either in terms of currency or in terms of one-time opportunity or progressively the business mix has changed?

**Rajendra Gogri** No, generally I have told in past also, some Chinese impact is there, so that is kind of giving some extra margins, which we don't know which product will last for how long, but still because of the overall volumes increasing, we expect that the growth will continue, even if whatever part of the margin expansion is happening because of the abnormality in China settles down.

**Sarvanan V** And in terms of equity raise, any update you would like to give us?

**Chetan Gandhi** We are still evaluating various terms, so we will be able to come out with certain communications more in terms of the regulatory and the legal requirement at an opportune time.

**Sarvanan V** And you had mentioned about Q4, there will be a plant shutdown, right?

**Rajendra Gogri** Generally, we will have our acid plant shutdown.

**Sarvanan V** How will it affect the numbers?

**Chetan Gandhi** We will still have to look at it because the volume mix is also dynamic and lot of data crunching will have to be required to be able to look at it.

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

**Sneha Talreja** Sir, as you mentioned that the company is also benefiting from certain Chinese shutdowns and that is why we are facing higher margins, can you at least specify in which areas are we getting this higher margins and which end-user segments?

**Rajendra Gogri** Generally, this is more happening, basically we are in the intermediates. So these intermediates, whether it is in dyes, pigment, agrochemical, but more is towards dyes and pigments and some pharma also there is some impact, but across the board in general, all the intermediates have been impacted, but our case is more of dye, pigment and coming from pharma side.

**Sneha Talreja** The growth that we have seen in the volumes which is 4% that would be majorly coming in from the dyes and pigment segment?

**Rajendra Gogri** We don't bifurcate the growth coming from which particular segment, it is more on our own product base, so end-user wise growth rates are not tracked.

**Sneha Talreja** Sir, can you just give your outlook regarding the agrochemical segment? How is it performing? Are we seeing some kind of pickup in volumes in that particular segment?

**Rajendra Gogri** In general, I think for the Indian industry and agrochemical sector for downstream exports is good. We are seeing a lot more agrochemical intermediate consumption happening and further companies are expanding the capacities, but lot of them may be for export purpose also.

**Moderator** Thank you. The next question is from the line of Abhijeet Akella from IIFL. Please go ahead.

**Abhijeet Akella** First, just on the China question again. Since last quarter, we have been seeing this strong pricing environment. I just wanted to check whether you are seeing any signs of some softening coming in any of the segments, especially because when we look at your 3Q EBITDA compared to 2Q, if we adjust for the foreign exchange gains that we had this quarter compared to the foreign exchange loss we had last quarter, there is a little bit of correction in the quarter-on-quarter EBITDA. I just wanted to check whether that may be because some of the product prices have

softened or is there some other reason for that and how you see that trending forward now?

**Rajendra Gogri**

Yes, some correction has already taken place and that has shown as an impact.

**Abhijeet Akella**

So, going forward, would you expect some further softening likely to come in or you think prices are stable at current levels?

**Rajendra Gogri**

Yes, some softening may take place, but as you already pointed out that part of the softening has been done from Q2 to Q3, there is some further scope of some softening may take place.

**Abhijeet Akella**

And the price increases that you have seen in the last two quarters, they have not really led to an increase in our margins, the margins are still stable. Is that because of the pass-through mechanism we have? Is that the main reason?

**Rajendra Gogri**

Basically, it is the pass-through mechanism, but some products we have flexibility where we can get the higher prices.

**Abhijeet Akella**

So basically, just trying to understand the very strong revenue growth a little bit more like this quarter again, 30% odd revenue growth. Out of that, only 4% is volume. I know you said that the mix has shifted, but is it possible to give us some ballpark sense of how much is due to mix or how much is due to higher product prices?

**Rajendra Gogri**

The raw material prices has also changed. Benzene last year Q3 was Rs. 54, this year Q3 is Rs. 60, toluene price was Rs. 93 has become Rs. 97, so the raw material price also has increased compared to last year. Chlorine price is also higher. It was negative last year, it is higher this quarter, so some raw material price increase also has taken place.

**Abhijeet Akella**

So finally in the context of all this, last year you had spoken, I think about 30% profit growth for this year, any revisions you would like to make on that or you would still stick with that?

**Rajendra Gogri**

Basically, this first 9-months, we have crossed last year's 12 months, so that is where the situation stands.

**Moderator**

Thank you. The next question is from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.

**Chetan Thacker**

Sir, just wanted to get the volume numbers for hydrogenation, PDA and Nitrotoluene and also the gross debt number at the end of the quarter and what would be the asset turn on the incremental Rs 700 crore capex that we are doing this year?

**Chetan Gandhi**

So the hydrogenation volume was close to 17,60 tonnes per month. PDA, we were at around 350 tonnes per month and the gross debt was around Rs 2400 crore.

**Chetan Thacker**

Sir, on the incremental capex that you are doing, what will be the asset turn there?



**Chetan Gandhi** Asset turn, as you know the turnover is also linked to raw material prices and other factors, so it becomes a difficult number to comment on. I believe it could be somewhere between 1-1.5 over long term.

**Chetan Thacker** But even this capex will have similar ROCs that we have currently or will there be higher than the current ROC?

**Chetan Gandhi** We would be targeting similar levels.

**Chetan Thacker** And sir, just the number on the Nitrotoulene volume?

**Rajendra Gogri** Nitrotoluene, we were at close to around 4000 tonnes for the quarter.

**Moderator** Thank you. The next question is from the line of Dipesh Mehta from SBICAP Securities. Please go ahead.

**Dipesh Mehta** Sir, couple of questions. First is about the forex MTM gains, which you indicated. Generally, it would be part of which line item in our P&L?

**Chetan Gandhi** It will be part of the revenues from operations.

**Dipesh Mehta** So we net it off against revenue book?

**Chetan Gandhi** Yes , it is towards our revenue on the export side of the business, so that is why.

**Dipesh Mehta** And sir second question is about the volume outlook. I think last quarter we indicated closer to double digit kind of volume growth, do we maintain it or because of the product mix change focus, we are looking slightly lower kind of revenue?

**Rajendra Gogri** Yes, because of this product mix optimising, the volume growth is impacted in this quarter and overall also, this year also, it would become lower than originally anticipated.

**Dipesh Mehta** Sir, when Benzene price corrects sharply in a given period, do we have any kind of inventory loss because of the product price we take mark-to-market at the end of quarter, if you can help us with this arithmetic, how it plays out in our business?

**Rajendra Gogri** Generally, there will be an impact if there are changes in the Benzene price, but on a run-rate basis, as the value-added products are increasing, the impact as a percentage goes down. But, obviously it would always have an impact on both the upside as well as downside when there are changes in the Benzene prices.

**Dipesh Mehta** And sir, the last question is about the realizations. Now you indicated we have a cost plus business model, now if I look at the difference between the revenue growth and volume growth, it is sizable and if it is largely linked with the raw material price increase, which we have witnessed, considering the softening which we are looking in this year and presuming it sustained for next year, are we expecting any kind of headwind on revenue growth because of the softening in commodity prices?

**Rajendra Gogri** Generally, we are not bothered about absolute turnover, it is more of a volume. We will be happy if the price are lower and volume turnover is less as always we make



the product and sell, it is better. So that way, it is not an issue, which is of too much concern.

**Dipesh Mehta**

Sir, some of the expenses would be slightly better, right?

**Rajendra Gogri**

It will help us if the Benzene price is lower, so it will reduce our working capital even though it may impact the top-line. Obviously the point is correct, if the Benzene prices half, the volume of the top-line is not going to grow.

**Dipesh Mehta**

Sir related question is when it is deflation environment because of depreciation in some of the expenditure are fixed in nature, even in other expenses, to some extent, even employee expenses. Does it result into lower profit, even though we are looking similar volume growth, similar business opportunity, but it could have some implication on profit or you don't think that is right way to look at it?

**Rajendra Gogri**

Actually, it will increase the profit rather decrease because of the reduction in working capital requirement.

**Dipesh Mehta**

Working capital related interest cost benefit would negate depreciation and other expenditure kind of offtake?

**Rajendra Gogri**

Yes.

**Moderator**

Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

**Nitin Agarwal**

Sir, you have been talking about the increasing proportion of high value products, is there a metric that you track that you can share with us? What is the proportion of these higher-value products in this quarter, in this 9-months versus what has been in the previous year?

**Rajendra Gogri**

No, we don't have any definitive metrics as such. There is a number of products and all are very high in that sense. It is more on between different products where the margins are higher because of the demand supply situation and all. That is how the product gets optimized.

**Nitin Agarwal**

And sir, in terms of the capex that we are doing, at what point of time over the next few quarters, do we see material impact of that incremental opportunity that we are seeing on the various synergies you talked about, Indian guys setting up incremental facilities to take advantage of the Chinese situation and everything? Basically, a lot of the positive impact of the macro, by when do you see it start getting reflected in our numbers in a meaningful way going forward? So in terms, as output of our capex?

**Rajendra Gogri**

No, basically we are continuously tracking what the Indian other manufacturers are planning and we are also adjusting our expansion capacity based on that and this is helping us to plan better and then also giving us a better growth visibility.

**Nitin Agarwal**

And sir, lastly this year, I guess the way the 9-months have gone, we will have one of the best growths, both on EBITDA and PAT that we have had in a pretty long time. Given this backdrop, given the base that you will create in FY19, will that have an impact in terms of how we grow in the next 2 to 3 years or this is the new normal base for us to grow on to going forward?



- Rajendra Gogri** Basically, as lot of capacities and volumes are going to increase, there is going to be growth across the board for all the parameters, the topline, EBITDA, or bottomline.
- Nitin Agarwal** The base that we created this year, the high growth of this year will not create a problem for us in terms of high base in the immediate sort of FY20 or thereabout?
- Rajendra Gogri** We expect growth to continue and year to year, sometimes, depending the exchange rate and all, but overall we will continue to have a sizable growth. Macro factors are quite strong, so we see in the next few years continuous expansion as well as demand growth.
- Moderator** Thank you. The next question is from the line of Dhawal Shah from Girik Capital. Please go ahead.
- Dhawal Shah** Sir, just have couple of questions. First is given the specialty nature of your business, we have been able to grow quite well and our product prices are also, especially in this quarter, when you compare the results of many other companies, we have suddenly seen a drop in the margins. Now, our prices have grown and so is our profitability, but going forward, I understand that you will maintain a margin and reduction price will also help you, but which are those 2 to 3 key variables which can impact the prices in the international market? If you can just help us understanding the situation which is there is China which led to the increase in prices, what is the current state right now because we are hearing some activity again restarting there, what is the situation related to your business? And what gives you confidence, you just mentioned that macro environment is there because every 2 to 3 months, we hear new news coming out of there, though we can't cross check it very properly, so just guide us a little bit on this?
- Rajendra Gogri** We have told in past also that impact of the Chinese environmental related disruption is happening on different products in different ways and the correction is also going to take place at a different time, so in our case, some correction already has taken place and some further may take place in coming quarters, but overall the new normal itself has increased and the consumption in India has also increased, so that is the big benefit what we are seeing for us also and for Indian industry. The new normal is definitely going to be better and the volumes in India will increase.
- Dhawal Shah** In Q1, you had revised your guidance for the entire year, there were certain variables which would assume regarding price increase of your end product plus rupee depreciation, but the actual number has been far higher than what you had guided, so what is the additional things which changed again after Q1 and over the past 6 months which led to 40 to 50% growth in your bottomline?
- Rajendra Gogri** Yes that is what I am saying, the multiple impact of this Chinese situation that more demand has come up in India which is giving a better margin and second thing is some of the shortages in China thermal product, the price has also increased, so these are 2 to 3 factors which has changed.
- Dhawal Shah** So any guidance would you like to give on your EBITDA margin front factoring if there is a fall in the prices, what could be your new normal margin for your business?

**Rajendra Gogri** No, actually our margins will continue to improve. The first project what we are going to commission in the EBITDA margin is going to be 40%. Thus we move towards more and more value-added products in general over the next few years, the EBITDA margin will improve.

**Dhawal Shah** So that means we should assume that at least for next one year, your 19% what you have done in this quarter could be the base?

**Rajendra Gogri** Yes, I think depend on the Benzene prices. If the crude price is half or crude price double, so we are again on that sector will always with a constant raw material prices, we expect that going ahead this should improve further.

**Dhawal Shah** And do you revise your PAT growth guidance for FY20-21 from 20% which you had shared earlier?

**Rajendra Gogri** No, but the situation is still emerging and we have to work out the numbers, but overall, we are seeing a continuing good robust growth for coming years.

**Dhawal Shah** And sir, any kind of competition you see given the kind of profits, as also you will be nearing a Rs 500 crore profit now. Are any larger players looking at you, trying to compete with you with their large scale, any thoughts on that? You have always maintained that kind of integration you have across different stages. There are hardly any companies in the world offering such wide basket. So will that keep you hedged towards the new competition. What is your thought on that?

**Rajendra Gogri** We are not seeing any new competition which can disrupt us in any significant way.

**Dhawal Shah** And last question was the gross debt as on 31st December?

**Chetan Gandhi** Marginally, it is around Rs. 2400 crore.

**Dhawal Shah** Gross?

**Chetan Gandhi** Yes.

**Dhawal Shah** And by when will you share, any updates on the QIP which you have planned?

**Chetan Gandhi** Basically, we have just taken at enabling resolution, so we are yet to work out various details, so based on the regulatory and legal compliances we will be following the process.

**Dhawal Shah** And have you shared the size of the QIP or not yet?

**Chetan Gandhi** No, not yet.

**Moderator** Thank you. The next question is from the line of Dixit Mittal from Shubhkam Ventures. Please go ahead.

**Dixit Mittal** Sir, my question is on the two long-term contracts that you have tendered, so what will be the timeline for starting of these two contracts?

**Rajendra Gogri** The first one will be commissioning in this second half of FY20 and the second one will be in Q1 FY21.

**Dixit Mittal** First one means the agrochemical contract that you mentioned, right? Rs 4000 crore?

**Rajendra Gogri** Yes.

**Dixit Mittal** So for FY21, can we assume full revenues at least from first contract to flowing?

**Rajendra Gogri** Yes, I think substantial portion will come in.

**Dixit Mittal** And sir secondly, just to get a sense of this 42% growth for the 9-months in EBITDA, so you mentioned one is the volume growth and second is the product mix, but third one that you mentioned is the abnormal situation in China, so just to get a sense how much of that growth is because of this high commodity prices that has flowed through?

**Rajendra Gogri** In this quarter may be more around Rs 10 to 15 crore range will be an impact of the Chinese situation.

**Dixit Mittal** Okay, so for 9-months, we can assume around Rs 30 to 40 crore one-off profit that may not sustain?

**Rajendra Gogri** Yes.

**Moderator** Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.

**Rohan Gupta** Generally, as our model earlier was that we work on per kg margin, which were generally fixed irrespective of input prices.

**Rajendra Gogri** Yes.

**Rohan Gupta** Now, we are talking about that this year we have seen a significant improvement in EBITDA that is not in line with the volume growth, it is much higher than that. The reason you are citing it driven by improvement in product mix.

**Rajendra Gogri** So basically, in the same plant, we can vary different products and even though the individual product per kg remains more or less stable, but the different product will have different per kg margin.

**Rohan Gupta** It means a journey in which we have given up on some products and have gone ahead in a value-added or improvement in overall product basket, right?

**Rajendra Gogri** That is already an ongoing assessment on a month to month, quarter to quarter business, which are the products we should make, which will give you higher return in a plant.

**Rohan Gupta** Sir, in a business model like ours where we cater so many such large product basket, probably when we started with Q1 that our guidance was also much lower than what we have achieved in last 9-months, so is that so far that every month the

situation has evolved much dynamically than what we have anticipated because of China and that is why the margins or profile or the product portfolio improvement which you are talking about is just a function of some product being closed in China and that may not sustain going forward the product mix change which we are talking about?

**Rajendra Gogri** No, what I have been saying that the consumption in India, that movement that where we might be selling to China that getting shifted to India, then it will become a long-term phenomenon in that also. So the Chinese market, we would not have made that product, but now it is consumed in India, we started making that product, so it will not be very short-term phenomenon also.

**Rohan Gupta** So it means that the product basket which we are catering now is much more resilient and sustainable margins we are looking at from current level, right?

**Rajendra Gogri** Yes.

**Rohan Gupta** So, if whatever happens in China, probably we will remain untouched by that and because you were saying that demand itself is in India for those products and there we remain the key manufacturer?

**Rajendra Gogri** Yes.

**Rohan Gupta** And with this now margins remaining here, how much scope you see is further for improvement in value-added product basket, so like if we leave aside that whatever the input prices or Benzene prices happen to that in a like to like basis, how much improvement in margins you foresee is still further possible only because of change in product mix?

**Rajendra Gogri** There is our new contract, where there will be substantially huge margin, so it will depend on the how much value-added product you make, so we are seeing across the board in the entire our business centre, the volume increase and substantial increase in value-added component, that is going to push up the percentage margin at constant raw material prices.

**Rohan Gupta** For new product, you already mentioned that definitely our new project will give you higher margin. I am looking from the current business itself, how much more you can extract from the current portfolio or your current set of infrastructure by just only improving the product mix. Is there any further scope for that?

**Rajendra Gogri** I don't feel much scope any further, I think, more or less we are quite optimized in that.

**Rohan Gupta** The second question is that when we are talking that improvement in product mix, but you are seeing that higher growth has come from pigments and acids and colours and pigment, so I believe that segment is a low margin segment, so why we are driving our growth from that portfolio which generally offers the low margin?

**Rajendra Gogri** This Chinese surge in pricing is helping those products more, so that was the point basically, we have been making that product and we continue to make that product. It is not like we have started making that product, but certain products tend to have international pricing trend, certain products have a more stable pricing trend.

**Rohan Gupta** Sir, this volume growth which we have seen in this year has been much lower than what we have initially envisaged, like 15 to 20% volume growth like this quarter itself has been 4%, so is that because we don't have capacities for the volume growth or the product optimization can only offer than much volume growth?

**Rajendra Gogri** Volume growth itself also generally cannot be the criteria within the plant, product optimization will also be equally important.

**Rohan Gupta** So with the optimized product basket, this is the growth probably which we could have achieved, right.

**Rajendra Gogri** Yes.

**Moderator** Thank you. The next question is from the line of Chirag Dagli from HDFC. Please go ahead.

**Chirag Dagli** For these products which you have seen price hikes, what exactly has happened in China?

**Rajendra Gogri** China, generally what happened is certain plants are impacted, then it create shortages for those products and that pushes up the prices and sometimes actually, the precursor price goes down because our consumption is impacted, so depending on which particular plants and which particular locations are impacted and capacity is lower than the demand.

**Chirag Dagli** It is not like some large capacity shutdown has happened, it is just that there has been some supply disruptions?

**Rajendra Gogri** Yes, there are so many chemicals and so many manufacturers, so this is case-to-case disruption which has happened.

**Chirag Dagli** And sir, how big is the China business for us in terms of our exports to China?

**Management** Our exports to China have actually been reducing. It used to be around 9 to 10%. This year, it is closing at close to around 6 to 7% kind of numbers.

**Chirag Dagli** 7% of exports which is roughly half of the overall topline?

**Management** Yes.

**Chirag Dagli** So about 3% to 3.5%?

**Management** Yes.

**Chirag Dagli** And sir, this HPC business, by now our independent valuation report must be out, what is the valuation of this business?

**Rajendra Gogri** Actually, there is no separation valuation.

**Chetan Gandhi** It is mirror image demerger, so there is no valuation of this.

**Chirag Dagli** There is no independent valuation done for this?

**Chetan Gandhi** Yes.

**Moderator** Thank you. The next question is from the line of Ranjit Cirumalla from B&K Securities. Please go ahead.

**Ranjit Cirumalla** Again, a little bit more on the product mix which has been the key for the company's profitability for the last couple of quarters. With the commentary, there is more of a structural in nature and it is not an opportunity that would face out in next couple of quarters?

**Rajendra Gogri** Yes, certain product mix impact is more structural which will last longer.

**Ranjit Cirumalla** And there on the product mix in our series of value chain, which exactly the value chain it would get captured. I don't want the specific names but just to get an idea whether it would be an early stage reaction or it is more of later stage reaction products?

**Rajendra Gogri** That would be more of a later stage.

**Ranjit Cirumalla** To that extent, then the capacities would be ideally utilized, so we would not be having the ideal capacities, so would that be a fair assumption then?

**Rajendra Gogri** Yes, right now those plants are fairly utilized, there is not much ideal capacity. That is why we have to rejig the product mix.

**Ranjit Cirumalla** It is also the reason why the volume growth has been low, had it been more early-stage reaction product, the volume growth would have been that much high?

**Rajendra Gogri** Yes.

**Moderator** Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.

**Dheeresh Pathak** Sir, again just following up on the last few questions. Can you be more explicit and share your thought process in reasoning on why you are saying that this extra spread that we are making will be sustainable because it is not coming out very clear to me because you have not shared any details of which downstream leg you are seeing this extra spread, why it will be sustainable because what exactly has happened, it has been asked by many participants, but it is not coming out very clearly why you think this extra spread is sustainable?

**Rajendra Gogri** Some of these, lot of agrochemicals, etc which were not manufactured in India, which are our downstream products, and some are on the optical brightener side and all also and some of our pigment intermediates which we make those products and have started more in India, so these are the products where that movement has taken place.

**Dheeresh Pathak** Sol when you say they are more sustainable, then you must be very sure about capacities which have gone out, right, which have led to this supply, demand imbalance and higher spread, so can you give us some examples of where these capacities have gone out and why do you think they will not come back?

**Rajendra Gogri** What is happening you know, there is a lot of macro events and there is a global company, ultimately lot of these products are exported like agrochemicals to the multinationals and then they export worldwide, so they want more Indian sources. We don't see that our Indian consumer's production will get impacted because customers have told to put the plant, like they are telling us to put the plant. It is more customer driven and we don't see those volumes going away and some of the products where there is even overall global growth also.

**Dheeresh Pathak** And sir, 9-month volume growth is 7%, so for the full year, what is the outlook and next year what is the volume growth outlooks?

**Rajendra Gogri** On this product mix and overall new base, we are working out the numbers.

**Moderator** Thank you. The next question is from the line of Aman Vij from Astute Investments. Please go ahead.

**Aman Vij** My first question is on, could you give me the contribution of sulphuric acid and derivatives to Q3, 9-months as well as FY18?

**Chetan Gandhi** We would not have that number ready with us right now.

**Aman Vij** Ballpark, what was for it, can you give the ballpark number?

**Chetan Gandhi** We will have to look at it. I would prefer to look at it before I commit.

**Aman Vij** And the second part of the question, we have said in our presentation and annual report that we are the global leader in dimethyl sulphate, so can you give the contribution to our sales of that product as well as diethyl sulphate?

**Rashesh Gogri** None of our product is more than 7 to 8% of overall sales, so dimethyl sulphate is among top three products, time to time depending on the Benzene and other prices and overall, we have seen good ramp up of production of this product in this year.

**Aman Vij** What will be our capacity in both dimethyl sulphate and diethyl sulphate? Or utilization both?

**Rashesh Gogri** We have large capacity, ultimately utilization depends on the orders.

**Aman Vij** Capacity which we knew is 61,000 metric tonnes, have we increased it beyond that?

**Rashesh Gogri** No, that is the number.

**Aman Vij** Capacity, and for diethyl sulphate?

**Rashesh Gogri** Diethyl sulphate, our capacity is 6000.

**Aman Vij** And are we in top 3 or top 5 also in the world?

**Rashesh Gogri** DES, there are only 5 manufacturers.

**Aman Vij** And what about DMS?



**Rashesh Gogri** DMS that could be more in China and India also.

**Aman Vij** Could you name some of these players?

**Rashesh Gogri** They are not in listed space.

**Aman Vij** Both DMS and DES?

**Rashesh Gogri** Yes.

**Aman Vij** The second question is, in inorganic chemistry part only, what is the contribution of sulfones to our revenue.

**Rajendra Gogri** There are no sulfones.

**Aman Vij** We have a subsidiary, Ganesh Polychem which manufactures sulfones, right?

**Rajendra Gogri** Yes, so that comes only in consolidated, that does not come in standalone.

**Aman Vij** And we disclose it only annually, numbers?

**Rajendra Gogri** Yes.

**Aman Vij** But has it grown very well this year?

**Chetan Gandhi** We have to wait for the consol numbers for that.

**Moderator** Thank you. The next question is from the line of Tejas Sheth from Reliance Mutual Fund. Please go ahead.

**Tejas Sheth** Sir, just one question, of this dedicated plant which we are putting up for large contract, you were supposed to receive some advances for plant sector, which was supposed to be adjusted against the revenue. Have we received any of that?

**Rajendra Gogri** Yes.

**Tejas Sheth** Can you just quantify the amount?

**Chetan Gandhi** We will not be able to quantify the value sir.

**Tejas Sheth** So I think 50% of the plant capex was supposed to finance in terms of advances, right?

**Rajendra Gogri** No, actually that is going to be 100% advance.

**Tejas Sheth** Why I am asking this because despite of the advances which you received this year, our debt has gone up and we have grown substantially this year, still our debt has gone up, so I was just wondering that if the advances have not come.

**Rajendra Gogri** The advances relatively will be spread over the entire project this year.

**Tejas Sheth** Because you are starting the project.

**Rajendra Gogri** This is for the second project.

**Thejas Sheth** The first project, you are not getting any advances? Is it?

**Rajendra Gogri** That we cannot comment.

**Moderator** Thank you. The next question is from the line of Tanmay Mehta from SBICAP Securities. Please go ahead.

**Tanmay Mehta** Sir, just a question on the two long-term contracts. Is the customer obliged to take the whole quantity or the offtake will depend on the customer's requirement?

**Rajendra Gogri** No, basically we have a proper structure in place and the way the business is set up, we see that there will not be any issue in the lift up of the product, so there will also be buying of the finished product, we expect our intermediate to be consumed in their own plant.

**Tanmay Mehta** Sir, any guidance on the capex for the next two years?

**Rajendra Gogri** That we are still putting in the numbers on that, what the annual guidance will be.

**Moderator** Thank you. The next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.

**Kishan Gupta** Basically, can you tell me how much of your specialty chemical revenues come from products where you can say you have strong pricing power?

**Rajendra Gogri** Generally, lot of products are structurally products where the pricing are more visible and stable and certain products, the pricing depends on the global pricing movement on that and generally in the chemical business, the pricing tends to be, it is not arbitrary pricing, it is more of how much value addition is done in that sense.

**Kishan Gupta** So basically, I want to understand where you have strong pricing power in the sense that it is more value-added in nature?

**Rajendra Gogri** Sometimes we have, but generally we tend not to exploit those because then long-term issues there, even if the short term you can get pricing power, you do not tend to utilize them.

**Kishan Gupta** Despite value-added products, you are saying that in long term, you cannot say for certainty that there would be a strong pricing power, right?

**Chetan Gandhi** Basically, we would cooperate at a fair and transparent structure, so we more committed on a long-term business other than looking at some short-term opportunity.

**Rajendra Gogri** In general, I think chemical business, either is how much asset you are putting and how much knowledge you are putting into that. That gives the margin. So it should not like pharmaceutical where there is USFDA and there is astronomical prices and

all that. Chemicals is more on a core assets and core technology and yield and all you have on that basis, so our space there is not abnormal pricing, it is more on skill on both, on technical and the volume which drives your profitability. You need the scale and you need good technology.

- Kishan Gupta** Do you have any competitive advantage in procurement of benzene basically?
- Rajendra Gogri** Yes, that is where you get the advantage of scale because we are one of the largest buyer of most of the raw material, obviously that advantage is generally accrued.
- Kishan Gupta** Can you quantify something like, compared to your competition, suppose you are acquiring Benzene, so what percentage is your advantage compared to others for procurement?
- Chetan Gandhi** It will not be possible for us to quantify that.
- Moderator** Thank you. The next question is from the line of Chirag Dagli from HDFC Asset Management. Please go ahead.
- Chirag Dagli** Sir, just like you indicated Rs 10 to 15 crore profit from these price hikes in the third quarter, I think you also indicated a 9-month number, can you repeat that number sir?
- Rajendra Gogri** 9-month was around Rs. 35 to 40 crore kind of number in this year.
- Moderator** Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.
- Rohit Nagraj** Sir, just wanted to know in terms of the revenues from both the contracts, are those linearly distributed over the life of the contract, so may be from FY22 barring first year of optimization, second year of optimization onwards, we will have Rs 400 plus Rs 500 crore, Rs 900 crore of yearly revenue?
- Chetan Gandhi** Barring the first year of commercial operation for each contract, the revenue should majorly be a linear function.
- Rohit Nagraj** And if for whatever reason there is lower offtake in a particular year, will that be adjusted in subsequent years?
- Rajendra Gogri** That question is nitty-gritty of the contract. Generally any long-term contract will have all those kind of a nitty-gritty of some sort of flexibility going up and down on the year, but it cannot be a substantial flexibility because you cannot make up in another year.
- Rohit Nagraj** And in terms of newer areas or chemistry, since we are among the top 2 to 3 players in most of the countries that we are currently working on, the way we have diversified into toluene and ethylation, are there any other chemistries that we are currently looking at because probably commercialization also would take a couple of years' time. By the time, probably we will reach at a different level itself on our global scale?

**Rajendra Gogri** Yes, we are looking at some different chemistries also under development and spreading our overall chemistry expertise and we will have in the future lot of products coming out of the different chemistries and we are expanding our R&D and scale up.

**Rohit Nagraj** So will it be adjusted chemistry to the existing areas or are we also trying to venture into something, which is completely different from these both in terms of chemistry and in terms of application?

**Rajendra Gogri** Applications, we are already there in most of the application. We are in engineering polymers and additives, fuel additives, pigments, all the bases have virtually covered in applications, substantial portion.

**Rohit Nagraj** And in terms of the pharma segment, again are we getting incremental enquires because of the Chinese issues that are coming hand, do you have the bandwidth to capitalize on these enquiries or newer project?

**Rajendra Gogri** Pharma product change by the customer is not very easy because in the regulated market, they need to do the entire validation and everything and in pharma due to China, the impact of products is in low-price high-volume products, not in high price low volume, whereas we are more in high price low volume; however, there is impact in intermediate space.

**Rohit Nagraj** Are we geared up to capitalize on this opportunity on the intermediate space, do you have sufficient bandwidth?

**Rajendra Gogri** Yes, we have announced another block construction of intermediate as well and we will be quickly able to utilize.

**Rohit Nagraj** And how much time it take for us to probably start, commence operations from this?

**Rajendra Gogri** Any new block in a brownfield takes at least one year to get operationalized.

**Moderator** Thank you. The next question is from the line of Jason Soans from Monarch Network Capital. Please go ahead.

**Jason Soans** Just want some clarification on certain stuff. So according to the last annual, you have done considerable hiring of PhDs and new experienced professionals, so just wanted to understand, are you trying to foray into CRAMS something like what Naveen does? That is my first question?

**Rajendra Gogri** We have been saying that we are expanding our chemistry expertise and setting up an additional R&D base, so we will be adding people for that activity, so we will have Taurine kind of contract manufacturing business also is one of the potential long-term growth opportunity which we have identified.

**Jason Soans** And sir, now as the pharma business also is doing well and now it has clocked in Rs 85 crore for the 9-month period ending, just wanted to know do you have any plans of demerging it and forming a separate entity from it?

**Rajendra Gogri** Not really.

**Jason Soans** And just one last question. So in your presentation, you were also referring to fluoro-compounds with your Halex chemistry, so just could you give me some colour on it, what exactly is your plan regarding fluoro-compounds with Halex chemistry?

**Rajendra Gogri** We already make fluoro-compounds, we have identified some more also which are in the process of development.

**Moderator** Thank you. The next question is from the line of Nikhil Oswal from Stallion Asset. Please go ahead.

**Nikhil Oswal** I have a couple of questions. Can you just quickly tell me what is the current capacity utilization level on a blended basis?

**Rajendra Gogri** I think we have told in past also. It will become difficult. We will have to go on the plant wise like NCB virtually, we are almost operating in 90%+ capacity. Nitrotoluene, we are operating currently at 53% capacity. We will have to always go in a plan, so blended numbers are never tracked as such.

**Nikhil Oswal** Sir, another question is regarding, in the previous question, you mentioned about your exports to China has reduced from 9-10% to 7%. Can you tell me what is the reason as the demand picked up in India or the demand has reduced in China or there is some additional capacity that has come in China, something?

**Rajendra Gogri** Demand in India has picked up, which is giving a better market.

**Nikhil Oswal** And sir, can you tell me the net debt of Q3, we have?

**Chetan Gandhi** Net debt is around Rs 2400 crore.

**Nikhil Oswal** Sir, aren't we looking to deleverage our balance sheet since our debt to equity is higher like 1.3 times?

**Chetan Gandhi** We typically in the higher capex zone, our debt to equity tends to become higher, so I believe over a long term, we expect debt to equity as a rationale to be between 0.8 to 1.2. This year, it has been a bit higher, but I expect in long term it to come out.

**Nikhil Oswal** Sir, and I have another question regarding the demerger of the home care segment that we are going to do. Can you throw some colour on it sir?

**Rashesh Gogri** The home and personal care segment is roughly around 7% of the overall revenues and it is into a different product segment with a different business strategy and other front. So to unlock the benefit of it from the shareholder perspective, we thought it is better that it can be operated by separate entity with smaller team which will give them more synergies to work on.

**Nikhil Oswal** By when are we looking to demerge, any specific timeline?

**Rashesh Gogri** We have got stock exchange approvals. The shareholders and secured creditors meeting is scheduled for 8<sup>th</sup> February and subsequently we will have to wait for the NCLT and other regulatory approval, so we believe we are at an advanced stage. We still have to wait on the regulatory process.

**Nikhil Oswal** Sir and another question is regarding the pharma side. Since pharma side is increasing substantially and we are seeing a good amount of upside there, is it because of the API problem that is happening in China and since we are hearing that China is again coming up with their capacities into API going forward, so would that affect our business?

**Rajendra Gogri** Overall, the growth in profitability is due to higher utilization of the plants, which we have stated in the past, generally the products that we manufacture are complex products where we have more Indian and other market competitions than China.

**Moderator** Thank you. The next question is from the line of Kunal Mehta from Vallum Capital. Please go head.

**Kunal Mehta** Sir, just one question from my side. You mentioned to the previous participant's question that we have seen an increased demand from the agrochemical customers that we have and as you would understand the agrochemical manufacturing India is in inflection point where the people aware is trying to have more capacity for manufacturing intermediates and technicals, so can you just give us the understanding of how you expect this sector to emerge at the base opportunity for us in the next one to two years?

**Rajendra Gogri** We are seeing lot of downstream agrochemical which were not that much made in India. Our increasing customers are giving also more visibility and they are further expanding, so we see a good outlet for our agrochemical intermediate within India in the next few years,

**Kunal Mehta** And sir, these customers would be technical manufacturers or would they be manufacturing ingredients for the global agrochemical players?

**Rajendra Gogri** Both, there will be both.

**Moderator** Thank you. The next question is from the line of Nikhil Vaishnav from VD Investments. Please go ahead.

**Nikhil Vaishnav** Just wanted to know who is your highest customer in terms of revenue in export and domestic market, in chemicals and pharmaceuticals business?

**Chetan Gandhi** We will not be able to disclose the name, but the highest customer and the largest customer would be less than 8% of the overall revenues.

**Nikhil Vaishnav** So they are on contract basis or they are regular customers?

**Rashesh Gogri** They are regular customers.

**Nikhil Vaishnav** In that Rs 2400 crore debt, how much is foreign currency debt in that?

**Chetan Gandhi** The foreign currency debt would be roughly around 25 to 30% of it.

**Nikhil Vaishnav** So could you just bifurcate your pharmaceutical revenue in terms of Benzene derivatives, API and plant?

**Rashesh Gogri** Xanthenes derivatives should be roughly around 35 to 40% and rest would be API and others.

**Nikhil Vaishnav** Could you give me Benzene price for Q2 FY19?

**Chetan Gandhi** It is roughly around Rs. 60.

**Nikhil Vaishnav** For last quarter, right?

**Rajendra Gogri** Yes, second and third, both.

**Nikhil Vaishnav** And could you give sales volume for NCB, hydrogenation, PDA and Nitrotoluene for this quarter and for previous 5 quarters?

**Chetan Gandhi** The previous quarterly data would also be available in the concall transcript of earlier period which is there is public domain. For this quarter, NCB was close to 17,000, DCBH for 300, hydrogenation 1760.

**Nikhil Vaishnav** These are production volume or sales volume?

**Chetan Gandhi** Production volume.

**Nikhil Vaishnav** I want the sales volume.

**Chetan Gandhi** Sales volume, we will not be disclosing.

**Moderator** Thank you. The next question is from the line of Rahul Gautam from First Rand Bank. Please go ahead.

**Rahul Gautam** Just one question. What is our guidance on EBITDA number at absolute level for the full year and guidance on gross debt as on March 19?

**Chetan Gandhi** We will have to see as to how the working capital, crude and other stuff will prevail from the balance fund because as you know, our working capital is largely linked to crude and that happens to be a volatile number. The guidance on the debt without any clarity on crude would not work out.

**Rahul Gautam** And sir on the EBITDA number?

**Rajendra Gogri** EBITDA as have already said, in 9-month we have covered the 12 months.

**Moderator** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like hand the conference over to the management for closing comments.

**Rajendra Gogri** It has been a pleasure interacting with you over the call. We thank you for taking time out and engaging with us today. We value your continued interest and support. If you have any further question or would like to know more about the company, kindly reach out our Investor Relations desk. Thank you.

**Moderator** Thank you very much sir. Ladies and gentlemen, on behalf of Aarti Industries Limited that concludes this conference and you may now disconnect your lines.