



DCM Shriram Limited
Q3 & 9-Months FY19 Earnings Conference Call
February 4, 2019

Moderator: Ladies and gentlemen, good day. And welcome to the DCM Shriram Limited Q3 & Nine Months FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Siddharth Rangnekar from CDR India. Thank you, and over to you, sir.

Siddharth Rangnekar: Good afternoon and thank you for joining us on DCM Shriram Limited's Q3 & 9M FY19 Earnings Conference Call. Today we have with us Mr. Ajay Shriram – Chairman & Senior Managing Director; Mr. Vikram Shriram – Vice Chairman and Managing Director; Mr. Ajit Shriram – Joint Managing Director; and Mr. J.K. Jain – CFO of the company.

We will begin the call with opening remarks from Mr. Ajay Shriram and Mr. Vikram Shriram. Following which we will have an interactive question-and-answer session.

Before we begin, please note that some of the statements made on today's call could be forward-looking in nature. And a note to that effect was included in the conference call invite circulated to you earlier.

I would now like to invite Mr. Ajay Shriram to give us a brief overview on the company's performance during the period, and his views going forward. Over to you, sir.

Ajay Shriram: Thank You Siddharth. Good Afternoon Ladies & Gentlemen and a very warm welcome to this quarterly earnings conference call. I will share key thoughts on how the businesses have performed and the dynamics associated with the sectors we operate in. After that Vikram will walk you through developments and the financial performance.

The performance for the Quarter 3 of FY 2018-19 has been satisfactory, despite continuing challenges in Sugar Business and rising input costs in other businesses. Our overall revenues grew ~19% during the quarter as compared to last year same quarter.

Our expansion and modernization projects are progressing as per plan. We have commissioned the new 5000 TCD plant for production of refined sugar at Hariawan. The capacity of the Aluminium Chloride plant at Bharuch has been increased to 40 TPD (vs 10 TPD in September 2018). Capacity of this

plant will be increased continuously to reach 60 TPD over the next few weeks. The Co-gen Power Plant of 30 MW at Hariawan has been commissioned. Additional production capacity of 332 TPD caustic soda at Bharuch is being commissioned progressively and will be completed in March 2019. This capacity will be fully available for the next financial year. Additionally 40 TPD PVC expansion at Kota, 66 MW power plant at Kota and 200 KLD ethanol distillery at Ajbapur will be commissioned by Oct / Nov 2019. I am happy to inform you that the Board of Directors has approved further addition of 700 TPD of Caustic Soda and 120 MW captive power at Bharuch to be commissioned by March 2021 at an investment of Rs 1070 crores.

All these projects will substantially enhance the growth of our company.

The Board has declared the second interim dividend of 210% keeping in view satisfactory performance and positive outlook of the company.

Let me now share some business wise developments.

Chloro-Vinyl business which includes our Chemicals and Plastic business.

Chemicals:

The global chlor-alkali demand has been growing @ about 3% CAGR and has reached around 79 mn tons in 2018. The demand is expected to grow at a similar rate in the medium term, mainly led by growth in consuming industries of alumina, paper and textile. However, Chlorine demand is expected to slightly lag behind caustic soda and hence, the capacity expansion globally are lower than expected Caustic Soda demand growth. Also, stringent environmental regulations is impacting the available capacity in China.

India, on the other hand, is the fastest growing chlor-alkali market in the world, growing over 5% CAGR, supported by robust demand in alumina, textile and paper Industries and an emerging opportunity to cater to global markets as well.

Additionally, demand for Chlorine which has grown ~ 2% faster than caustic soda in the last couple of years, is expected to maintain this faster growth rate, supported by strong growth in the consuming sectors of Chloromethanes, Chlorobenzenes, CPW etc.

Given this scenario, the domestic industry is registering healthy growth and higher operating rates of nearly 90% in 2018-19. The country has existing capacity of~ 4 mn. tonne of caustic soda production and to mention that the general growth of the chlor alkali industry is linked to the GDP growth of the country and if we continue having 7+ or between 7-8% GDP growth, we expect this growth to be quite stable.

The operating rates are expected to remain high even after the planned expansion capacity in view from the expected strong growth in Chlorine demand in the country and the rising caustic soda exports from the country.

On the input costs, at our Bharuch plant average salt prices have gone up 9% since the last quarter and are 29% higher as compared to the same quarter last year. Similarly, the average cost of coal-based energy, has gone up by 3% since the last quarter and is 10% higher as compared to the same quarter last year. The coal prices are stable presently. We expect the Salt prices also going forward to be stable.

We believe that our strong cost competitiveness, scale & market presence will enable us to maintain satisfactory performance. We are also intending to enhance captive chlorine consumption through forward integration in Chlorine based chemicals over medium term.

At a group level, we will have a chlor alkali capacity of 2545 TPD by March 2021 vs 1345 TPD in March 2018. We intend to continue to grow this business & maintain our market position.

As mentioned earlier, the capacity of Aluminium Chloride at Bharuch has been expanded to 40 TPD and will be increased to 60 TPD in the next few weeks, we are also expanding PVC capacity by 40 TPD. We intend to keep increasing captive chlorine consumption which will provide more stability to our growing chlor-alkali operations.

Plastics:

PVC and Calcium Carbide prices have been range bound this year. The business has faced margin pressure due to rising input costs & shutdown of the plant. The operations have stabilised now and we expect steady margins going forward.

The 40 TPD capacity expansion of PVC coupled with the commissioning of 66 MW power plant in Oct/Nov 2019 will increase volumes, reduce production costs and will strengthen the margin structure of the business.

Sugar

The Sugar sector continues to be under stress despite a spate of measures announced by the government to support the industry. The sugar stocks as on Sept. 18 were about 10.7 million tonne vs. 3.9 million tonne in the previous year i.e. Sept 2017. This is equal to about 5 months consumption, almost twice the required level. The production for ongoing 2018-19 season is expected to be 30.5 million tonne vis-a-vis domestic requirements of max. ~26 million tonne. The export contracts finalized so far is about 1.4 million tones. In this scenario, the stocks level at the year end may go up further which will create stress for the industry as for the farmers. An estimate says that the cane arrears in Oct'19 may be upward of Rs. 35000 crs.

There is need for prompt measures by the Govt. to ensure significantly higher export of sugar, and achieve higher domestic sugar prices and for making cane payments to farmers.

Sugar prices in the domestic market are between Rs. 3100 – Rs. 3150 per quintal currently. With the cost for the season 2018-19 expected at Rs 3,450/, the sugar margins are likely to be about Rs 300/qlt negative at these prices.

Sugarcane crushing for the Season 18-19 in our factories started 13-18 days late compared to last season. The operations are stable with better sugar recoveries.

We have contracted and produced as on date 9.2 lac qtl. of raw sugar for exports, in line with our MIEQ quantity. We have already dispatched 7.2 lac qtls. and expect to complete the entire sale within Q4'19.

The distillery and power co-gen activities of the company have provided support to the sugar operations. The planned addition of 30 MW power

capacity in Feb. 19 and 200 KLD Distillery capacity in Q3'FY 20 will further strengthen our overall sugar business.

Urea

I am happy to share that the production of Urea has now stabilized after the shutdown in the previous quarter.

The Industry has got adversely affected with the introduction of DBT system for subsidy payments. The subsidy outstandings remain high throughout the year under this system leading to higher working capital.

Policy on energy norms w.e.f. 1st April 2020 and notification of increase in fixed costs reimbursement of Rs 500/- per tonne announced in 2014 are still under finalization. As a result, cash flows are adversely affected.

Bioseed

Q3, as you would be aware, was largely an off-season for hybrid seeds business in India. Higher corn sales in Philippines resulted in improvement in earnings from international operations.

Indonesia and Vietnam, however, are still going through product development and acceptance phases.

We are focused on developing a strong pipeline of products in the coming quarters.

Shriram Farm Solutions

Shriram Farm Solutions is progressing well in its plan to phase out its bulk fertilizer business completely and focus on the value added agri inputs. We expect these efforts would lead to better growth and profit in the medium term.

Fenesta

The Fenesta business is registering healthy & sustained growth along with improved PBDIT margins. Retail segment is progressing well and supporting growth in the overall business; however the project segment is still experiencing difficulties.

We are taking steps to further expand our product portfolio by adding adjacent categories like doors and to expand geographically. Additionally we are studying system aluminium windows and doors as a future course of expansion. These steps should sustain high growth for this business in the medium term.

OVERALL:

Ladies and Gentlemen, the management has embarked on a growth strategy to augment businesses through combination of capacity additions, costs reduction and development of complementary business lines. With the expected timely completion of proposed capex initiatives, our key segments will be positioned to drive higher contribution to earnings with higher volumes & better efficiencies. The earning profile and cash generation should also get strengthened down the road.

I will now request Vikram to take you through financial highlights.

Vikram Shriram:

Thank you. Good afternoon, Ladies and Gentlemen. I will now summarize the financial performance of the company.

The net revenue for Q3 FY19 at Rs. 2,115 crore grew by 19% over the same period last year. The revenues from own products stood at Rs. 1,769 crore up 27% YoY.

The PBDIT for Q3 FY19 stood at Rs. 357 crore vs Rs 347 crore in Q3 FY18. This includes the loss on account of production/sales of raw sugar for exports amounting to Rs. 64.6 cr.

The finance costs for Q3 FY19 stood at Rs 19 crore, same as last year same period.

Net Profit for Q3'FY 19 was up by 6% YoY at Rs 226 crore.

The revenues for 9M FY19 increased by 10% YoY at Rs 5,883 crores. Revenues from own products went up by 16% led by Chemicals & Distillery. Revenue from Urea is also higher by 34% YoY (approx. Rs. 175 cr) on account of pass-through higher energy costs.

The PBDIT for 9M FY19 at Rs. 1017 crore is up 2% YoY and PAT at Rs. 612 crore is lower by 1% over last year. The YTD numbers are after factoring in charge of Rs. 37.4 crs. on account of Sugar off season expenses (which were being deferred till last year) and Rs. 64.6 crs. of losses on raw sugar exports, part of which will be compensated by the government in the future.

The effective Tax Rate for FY19 is expected to be 23.1% vis-à-vis 22.3% for FY 18.

We have invested Rs. 661 crs. till 31st Dec. 2018 against the committed investments of Rs. 1285 crs. to be incurred till Q3'FY20. In addition, the Board has approved investments of Rs. 1070 crs. to be incurred till March, 2021. We expect that major part of these investments will be met through internal accruals.

Gross Debt as on December 31, 2018 was at Rs 1,308 crore vs. Rs 631 crore as on December 31, 2017. Cash and Cash equivalents stood at Rs 555 crore vs Rs 454 crore for the same period last year. The Net Debt, therefore, was Rs 753 crore on December 31, 2018, vs 177 crore last year & Rs. 653 crs. as on 31st March, 2018.

The higher debt is mainly on account of capital investments in various projects and higher working capital relating to higher sugar inventory and fertilizer subsidy outstanding.

I will now take you through the business-wise performance.

Chemicals:

Net revenue for Chemicals business for Q3 FY19 stood at Rs. 505 crore, up by 18% YoY. Sales volume registered a growth of 6% and ECU realizations increased by 11% YoY.

PBIT for Q3 FY19 was at Rs 235 crore, up by 8% compared to same period last year.

9M FY19 Revenue stood at 1,391 crore up by 31% YoY and PBIT stood at 666 crore up by 41% YoY. The ECU realization at Rs. 35,415/- was up by 20.3% over last year. Overall sales volumes are up 8%.

Plastics:

The net revenues for Plastics business during Q3 FY19 stood at Rs 156 crore up by 3% YoY over last year. The realizations for PVC was up 9.5% YoY. However, Sales volumes were lower YoY due to sales from higher opening stocks in the same quarter last year.

PBIT for Q3 FY19 stood at Rs. 17 crore vs. Rs 25 crore same period last year, a decline of 33% due to lower volumes & higher inputs costs, including higher cost of Chlorine, power and raw materials.

9M FY19 Revenue stood at 436 crore down by 3% YoY and PBIT stood at 57 crore down by 37% YoY due to lower volumes and higher input costs as mentioned earlier. Volumes were lower due to plant shutdown in H1'19. The input costs includes higher power costs, an effect of power plant shutdown, and the higher chlorine cost.

Sugar:

Q3 FY19 net revenues from our Sugar business, including Distillery and Power stood at Rs. 619 crore, up by 43% YoY.

- Revenue from sugar sales in Q3 FY19 stood at 529 crore, up by 37%. This includes revenue from raw sugar exports of Rs. 64 crore.
- Sugar prices at Rs. 3159/qtl. were lower by~ 13% YoY.
- Power revenue for the quarter stood at Rs. 46 crore, up by 3%
- Distillery revenues for the quarter stood at Rs 44 crore. You are aware that Distillery operations were started in Jan '18 only.

Segment PBIT for Q3 FY19 stood at Rs 43 crore down by 13% YoY.

- This comprises of Sugar PBIT of -ve Rs. 28 crore for Q3'19. As mentioned earlier, this includes the loss on account of production/sales of raw sugar for exports amounting to Rs. 64.6 cr and also includes inventory writedown of sugar stocks, excluding stock earmarked for sugar exports, of Rs. 20 cr. The sugar inventory of 20.79 lac Qtl as at 31st December 2018 has been valued at an average rate of Rs 3,030 per Qtl vs Rs 3,120 per Qtl as on 30th September, 2018.

During the quarter, financial assistance from Central & UP State Govt. for Sugar Season 2017-18 amounting to Rs. 53 crs. has been accrued

- Distillery PBIT was at Rs 38 crore in Q3 FY19 vs. nil last year.

9M FY19 overall revenues stood at Rs. 1,716 crore, up 9% YoY and PBIT stood at 127 crore down 45% compared to last year. Sugar activities had -ve PBIT of Rs. 57.6 crs. vs. +ve PBIT of Rs. 181.6 crs. last year. As you are aware we have changed the practice of treatment of off-season expenses which has resulted in a charge of Rs. 37.4 crs. for PE Dec. 2018 besides the debits and credits for Q3'19 as explained a little bit earlier.

Urea/Fertiliser:

Net revenues for Q3 FY19 at 299 crore was up 39% YoY due to higher prices, a result of higher energy costs which is a pass through. Volumes are lower by 1% YoY.

The PBIT for Q3 FY19 stood at Rs 24 crore down by 5% YoY.

Subsidy outstanding as at 31st December, 2018 stood at Rs. 423 crore vs Rs 292 crore as on 31st December, 2017 leading to higher working capital employed.

9M FY19 Revenue stood at 774 crore up by 34% YoY and PBIT stood at 50 crore, down by 16% YoY.

Shriram Farm Solutions:

Q3 FY19 net revenues stood at Rs. 276 crore down by 13% YoY. The revenues of Bulk fertilizers at Rs 22 crore were lower by 82% YoY in line with our strategy to rationalize this activity. Value added inputs revenue at Rs 254 crore is up by 30% YoY.

Overall PBIT for current quarter stood at Rs 44 crore vs Rs 33 crore for same period last year.

9M FY19 overall segment revenues stood at 644 crore, down 14% YoY. PBIT stood at 55 crore, up 9% YoY. The revenues of value added inputs at Rs 538 crore are up by 13% YoY.

Bioseed:

Q3 FY19 revenues were at Rs 63 crore, up 12% YoY. Q3 is an off-season for this business in India. Net revenues from India operations were marginally up 2% YoY. Earnings are lower due to normal increase in fixed costs.

International business revenue were up by 30% led by corn sales in Philippines. International business earnings in Q3 FY19 turned to positive from negative in Q3 FY18.

9M FY19 Revenue stood at 428 crore down by 3% YoY and PBIT stood at 29 crore down by 56% compared to same period last year. The reduction is largely attributable to lower volumes & margins from the Cotton seed business in India.

Fenesta:

Overall order booking for the quarter grew by 14% YoY. Order booking for the Retail segment in the quarter grew by 18% YoY while the booking for Projects segment was up by 5% YoY. The order booking for the 9 months PE Dec. 18 is up by 21%.

The Q3 FY19 net revenue was up 16% YoY led by retail segment. Revenues from retail segment grew 32% YoY.

PBIT increased to Rs 12 crore for the quarter vs Rs 9 crore in the same quarter last year.

9M FY19 Revenue stood at Rs. 289 crore up by 17% YoY and PBIT stood at 36 crore up by 60% YoY.

Other Businesses:

Cement business revenues were up by 8% during the quarter due to better volumes and price. In Hariyali, we continue to work with BPCL to reduce the fuel pump outlets and sell the properties. Number of outlets has been reduced from 27 in Dec 2017 to 23 presently.

That concludes my financial overview and we would be glad to take any questions that you may have.

Moderator: Thank you very much. Ladies & gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Sir, firstly, how are you seeing this our caustic soda industry shaping up globally? You did hint something in your opening remarks, if you could elaborate on the same? And also, if percentage wise if you can give which sector is our largest consumer, we mentioned outline textile, paper and alumina, if you could outline whose consumption is higher in terms of tonnage? Thank you.

Ajay Shriram: Well, I think in terms of the industry, as I mentioned earlier, it is good to see that over the last three, four years the growth has been robust in India at about 5% for caustic soda and about 7% for chlorine. I think having that 7% chlorine growth is a very big advantage because the additional caustic soda manufactured is converted to plaque and that is exported. So that gives the balance for the industry in totality. That is the positive side of it. And with GDP growth going forward, we do expect GDP growth in India to be between 7% and 8% down the line. So, I think that is the positive take which we see for the Chlor-Alkali industry. To be honest with you, I do not have the exact figures of what is the percentage of each of these industries being used, but as you are aware, caustic also and chlorine also goes into a large range of products. And as I mentioned, as far as chlorine is concerned, over the last some years now chlorine based chemicals has become a major segment in India where exports are increasing over the last few years. So that gives the added fillip to chlorine consumption going forward. So we think it will be quite balanced going forward.

Saket Kapoor: But sir you were outlining some headwinds also in terms of new capacity coming up in geographies, if you could dwell more? And I think for Europe also I think the membrane cell conversion transmission has already been done and the new capacities are about to hit the market, or have hit also, if you could throw light? As you have already told that in our country is importing after even the expansion that is happening and the growth that is coming up every year will definitely balance that part. So your take on this?

Ajay Shriram: Our take is again, if you take Europe, yes, the conversion has happened, but it is more of a conversion from mercury and others to membrane, it is not really adding new capacities. There is a lot of capacities in China actually has come down because of the environmental issues, power rate issues, etc., that has happened. Yes, you are right, imports are taking place in India, but there are a lot of these aluminum companies who are importing material coming into the country because they get some prices which are lower because of the long-term contracts. Now what has happened is that the Indian industry is also getting into long-term contracts with aluminum buyers who are bulk buyers. So that also takes care of evacuation of the large part of the caustic

soda at an agreed price. And then exports are also picking up a lot of caustic soda which is also moving well. And I think that is where the industry is looking forward and seeing how do we make sure that is there avenues of bulk sales to alumina exports and of course the regular domestic market. All of them continue in an aggressive manner going down the line. I will be honest with you. I think, If you take any commodity, commodity is a commodity. Yes, there is an expected addition of almost 1 million tonne over the next three to four years but we are having a growth of 7% chlorine, 5% caustic soda and export market open to us. Ups and downs will happen. There could be a little blip in the pricing when new capacity comes in but we have seen over our past experience of 10, 15-years that it does sort of balance out and generally the trend has been positive.

Saket Kapoor:

Sir, I was just coming to the alumina part. We have seen that alumina prices have corrected from the peak by 30-35% and that being the largest component for aluminum production, sir, do you think something of this sort can happen for caustic soda also because this is the trend also that the one component prices have gone down, the finished products are down, then how long can one component of caustic soda continue to hold strong?

Ajay Shriram:

Because caustic soda has multiple segments where it goes into it, it is a basic chemical, it is not one of those which is a finished product type of chemical. Aluminum has grown well over the last five, six years, we all know that and they are also into exports. Yes, if there is a blip, then there is negotiation of prices and some of the material going to caustic soda and caustic soda going to aluminum may have to be adjusted marginally, but that is part of business. I think we are not really worried on these sort of short accounts. We are in multiple segments, I mean, caustic soda has picked up by various segments across the board, plus we have the advantage of the export market. So, we are not that worried on way the caustic soda prices will go going forward. If you see the trend over the last five- seven years, it has been positive.

Saket Kapoor:

How has been the price trend for the last quarter if you could tell in terms of the pricing.

JK Jain

We have already given you in the presentation month wise ECU.

Saket Kapoor:

Point towards your fertilizer segment sir. We are finding that new urea capacities are going to be onstream or from the PSU. I think now the government has also formalized the policy for exporting fertilizers. So, how are you seeing this market developing and we are in a government controlled product, so your understanding on the same with export market opening up and there would be excess capacity of urea going forward, is my take correct sir as per the news?

Ajay Shriram:

Today, India imports, almost the 600 million tonnes of urea per year, the government has given approval for a couple of plants, Chambal plant has been commissioned in the last four- five months, but what is exactly happening is the selling price of urea is at about Rs.5,800 a ton whereas the average cost of production urea is in the range of Rs.15,000-20,000 a ton. So it is a subsidized product. Based on cost of production, we do not see any exports happening at all and you have to take government permission to export. So it is very-very unlikely. The international delivered price today in the range of \$300, \$320 per ton, which is almost today at Rs.17,000, 18,000, 19,000. So, urea is a different ballgame with the subsidized play to the farmer. Industry is just being reimbursed its cost and that also with the great extent of delay. As you are aware, the fixed costs have not been revised from 2002-03. The cabinet passed an approval for the Rs.500 a ton before the last election in 2014, it was done by the UPA government. In spite of that, this has not been disbursed to the industry today. So, it is a different ballgame. Our take

on urea is in such a controlled industry that it is not going to be in a position to have any free play position in the foreseeable future. All the new plants coming in today, let us be practical, we are pooling the price of gas and averaging it, but any new plant requiring more gas, will be at the highest price of gas. So if the average price today is \$11 or \$11.5, the new gas which is being added to the pool is at \$16, \$17. So the actual cost of production of a new plant is running at \$450 per ton today which is being highly subsidized by the government. So, it is a different business altogether. We being in it now from 1969 and it is integral part of our complex at Kota, but we are actually speaking not looking at increasing our urea capacity, and we are just moving on efficiency, maintenance of our plant and making sure that we are among the most efficient players in the country.

Saket Kapoor: We are having different vertical altogether. Sir, is there any need for demerging the different verticals like the chloro-vinyl in one head, so as the value creation can happen and these vagaries of one sector affecting the other valuation, any thought process on that?

Ajay Shriram: There are pros and cons on both sides. We have the advantage of a conglomerate where you have the funding which is easier, the management is better, yet we have the other side. But our management style is such where for each SBU, we have a business head, there is a structured way of reviewing the performance including the cash flows, including the cash requirements and the bottom line efficiency, etc., So we keep debating alternative option, we have not taken any view on this.

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

Sudarshan Padmanabhan: Sir, my question is on the sugar side. You did mention about one-off losses primarily on account of the raw sugar exports and also the FOREX and also we got some reimbursement from the government on that. You also talked about certain off-season expenses. If you can throw some color with respect to what is the operational loss because if I am actually comparing Rs.13.5 crores of last year versus 27.5 crores, there is a lot of one-off element that is being built. So, if I am looking at just operationally, loss of last year versus loss of this year, how does it stack sir?

J.K. Jain: If you go through our presentation for sugar we have separately listed out what are these one-off items. There are four, five actually which you will have to knock off – One is this raw sugar export loss which is Rs.64 crores. Second is if you are looking at to-date number, then the off-season expense of Rs.37 crores. And then in the quarter there is accrual of the subsidies relating to 17-18 which is adding up to about Rs.53 crores. So there was a charge of Rs.37 crores and Rs.64 crores which adds up to about Rs.101 crores and there is this income of Rs.53 crores which relates to 17-18. So in net therefore about Rs.48 crores charge has been taken this year which was not there last year. So just adjust that you get a comparable figure.

Sudarshan Padmanabhan: So, it will largely be kind of flattish or down about Rs.10 crores versus last year?

J.K. Jain: Yes.

Sudarshan Padmanabhan: With respect to the divisions, we have invested in sugar and also investing in ethanol going forward, now even if this year if we are ending up with 30 million tonnes of production, we would still have a carry forward of 5-6-7 million tonne figure which as you mentioned in your opening commentary that would be 2x of the consumption. With that in place and also with respect to

ethanol, how do we see the economics of both these two businesses as we move to FY'20 and FY'21 sir?

Ajit Shriram:

Basically, we have to see this business as a combination of all three products which is sugar, ethanol and power. Now the central government has come out with various schemes to export sugar out of the country and about 1.5 million tonnes has been contracted so far. We are very hopeful that more mills especially from the Maharashtra and Karnataka come forward to also export physical sugar one because they can reduce the physical inventory, and also they are closer to the ports. The second is that the ethanol program by the central government has been extremely positive and they have been giving soft loans to mills and independent factories to set up further ethanol capacity. This is a very-very positive direction to transfer sucrose into making ethanol. For the first time in the last six, eight months, the government came out with three different prices for ethanol – One is on the regular C-type of molasses which is the novel molasses, the second is the B-Heavy molasses and third is from cane juice. So in the previous tender which was opened in October 2018, mills have come forward and offered all three different kinds of ethanol for supply during this year. So that is a very positive direction.

Sudarshan Padmanabhan:

For us the capacities that we have and the incremental capacities, how much would it basically be contracted for ethanol-C and ethanol-B and would there be a difference in the spreads because I assume that there is a difference in the prices being more favorable to the heavy-B ethanol?

Ajit Shriram:

Roughly 50 crores litres out of 350 crores litres has been offered on the B-Heavy ethanol side. So that is a positive direction and this is the first time that the government has done this. So, many mills are experimenting with it and as mentioned earlier we commissioned our distillery only in January '18. So in the forthcoming tender, we will also be exploring this B-Heavy option and especially with the second distillery coming on stream in October '19, we will be offering a much larger quantity of ethanol to the OMC's and that will be a positive development for our company.

Sudarshan Padmanabhan:

How much would be the investment in the ethanol capacities? And broadly what is the kind of returns that one can expect from a longer-term perspective, do you see any risk if crude goes down or if there is any change in the crude prices?

J.K. Jain:

The investment we have indicated about Rs.300 crores on the new distillery which will be commissioned in October, November 2019. The return on investments on an average molasses we have indicated about 30-35% because I think return depends on what is the molasses price and also what is the ethanol price government comes out with but on an average basis we expect 30-35% return..

Sudarshan Padmanabhan:

You do not see a risk of the government in reducing the prices with crude coming down?

Ajit Shriram:

The point is that as far as the power is concerned, sugarcane is a very profitable crop as far as the farmers are concerned pan India. So taking that into account, I think the government will try and ensure that the cane payments to the farmers are made in time. Unfortunately, as of 31st January 2019, the total cane arrears in the country is roughly Rs.19,500 crores vis-à-vis roughly Rs.15,000 crores on 31st January 2018. So the cane arrears are substantially higher. So having a remunerative ethanol price is beneficial to the cash flows of the sugar companies to try and pay out the cane arrears. So in the medium to long-term we do not see any deviations from this policy because the Indian farmers should not suffer.

Moderator: Thank you. The next question is from the line of Manish Poddar from Reliance AIF. Please go ahead.

Manish Poddar: I had a couple of questions: Just wanted to understand that from a medium term, say 18-24 months, how should one look at EBIT margins for the Chloro-Vinyl segment? Just trying to understand the broad range for it.

J.K. Jain: We do not give any forward guidance on these commodities. So would be difficult for us to tell you what will be the EBIT margins for 12-months. On an average basis, there are two,- three comments we have indicated that the present prices are likely to remain range-bound. We do not see any sharp movement in the prices and the input prices after rising are stable now. So that is the only outlook comment we can give. On the third part, our volumes of course will keep going up and we expect that in view of growing demand, we do not expect the problem in sale of higher volume.

Manish Poddar: Would it be fair assumption that going ahead, whatever margins we are clocking currently in the 37%- 38% broadly, so these are sustainable margins, and they have no additional levers also to step up?

J.K. Jain: Stepping up, yes, except that the capacities that we are adding are Brownfield capacity which tend to have little higher margin than the average margin. That is the only factor which will come into play. Otherwise, yes, we do not see upward movement in margin.

Manish Poddar: Just on this sugar segment, given the outlook which you have given for the next year, would it be a fair assumption let us say given that now we have distillery and the byproducts, at least we would not have a similar year like FY15 in FY20 for the sugar division?

J.K. Jain: What we have said is that the integrated operations of sugar does provide stability. We obviously did not have the kind of integration in 2015 which we are now aiming that. So it will be better than what we had in 2015. How much better? Again a view on sugar prices which is difficult to take but it will be much stronger than what we had in 2015.

Manish Poddar: Just the losses which you are saying right now, Rs.3- Rs.3.5, what was this number let us say in FY2015?

J.K. Jain: The losses had gone up to Rs.6-7 also at the last cycle. Even last year it moved up to almost Rs.7 or so.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: Just was looking at the CAPEX numbers. So the replacement cost for the caustic soda capacity, what you have mentioned in the PPT, should I use that as Rs.1.5 crores per TPD, so basically I took those two various capacities which you have reported in the presentation along with the power plants, it works out to about Rs.1.5 crores. Is that an indicative number?

J.K. Jain: Broadly yes, but just factor that in, One, this includes the power plant capacity, Second, the power plant is not just for 700 TPD it is also about 330 TPD that we have just expanded, but broadly, yes, it will come to about Rs.1.4- 1.5 crore and it is a Brownfield expansion.

- Ajay Shriram:** As I mentioned that we are additionally putting up a plant of 250 tons per day flaker, which is also coming up along with the 700 tons to the live expansion, we have a flaker also coming up.
- Pritesh Chheda:** Second on the demand/supply dynamics in India, so what kind of supply and capacity utilization is there in caustic soda currently?
- Ajay Shriram:** Currently, the capacity utilization in industry has moved up and it is about 89-90% now which is fairly stable, this has been this way in the past also. So going forward with good GDP growth, consumption the way it has been indicated and shown over the last some years, we expect it to move fairly well.
- Pritesh Chheda:** What is the new capacity coming up in India?
- Ajay Shriram:** In the next three, four years, we expect about a million ton of additional capacity to come.
- J.K. Jain:** Present capacity is 4 million tonnes, so almost 25-30% additional will come over three four years. This is pretty okay in line with demand.
- Pritesh Chheda:** My last question is on PVC side. I was a bit confused. So in the presentation, did we mention that the PVC capacity will go to 550 TPD?
- J.K. Jain:** We are presently 180 TPD. It will move to 220 TPD by September, October 2019.
- Pritesh Chheda:** What is the replacement cost here?
- J.K. Jain:** Again, Brownfield expansion, just adding few equipments is like debottlenecking kind of thing. So it will not be very representative, but just to give the number 40 tons will cost us about Rs.32 crores.
- Ajay Shriram:** Just one point, these are not replacement costs, these are additional costs, we are not replacing anything, we are actually adding more equipment.
- Pritesh Chheda:** 5,000 tons of capacity that you came up on sugar, what was the CAPEX cost there, and if it was Greenfield what would have been CAPEX cost?
- J.K. Jain:** I do not know the Greenfield number, but 5,000 TPD plus 30 MW power amounted to about Rs.310 crores.
- Moderator:** Thank you. The next question is from the line of Amar Maurya from Emkay Global. Please go ahead.
- Amar Maurya:** Now, my first question is if you can elaborate little bit more on your forward integration strategy for chlorine probably from a medium-term as well as long-term perspective like you had alluded that there is something lead based/chlorinated chemical which we wanted to launch along with the alumina?
- Ajay Shriram:** You are right, aluminum chloride we already got into it. We also have the advantage from our caustic soda plant in Bharuch in Gujarat. We had pipeline supplies going directly to four to five different buyers. That chlorine going straight which added advantage, they are also expanding, which is a good thing and we ourselves are looking and exploring what more can we do, we are still in a very preliminary stage on that, but we are also exploring what value added product can we make or get into down the line which can

add value to consume chlorine and add to the bottom line. That is the study which is going on.

Amar Maurya: Sir, why I am asking this to you is as you alluded that there is a shortage of caustic as well as chlorine in a global market and I believe lot of players are looking for alternatives of China for the chlorinated forward integrated chemicals and we are setting on that particular integrated facility. So when you said that this lead-based chemical, what is that exactly and what kind of margin profile will have in this kind of particular product?

Ajay Shriram: We have not talked about any lead-based chemicals and secondly, I do not think the international market is not really in a position of being very tight, it has balanced out because internationally the chlorine consumption is little lower than the caustic consumption. Chlorine as a product you cannot store and actually caustic you can put into a tank, but chlorine you cannot, because it is a gas which has to be handled very, very delicately and cautiously. So chlorine is not something which is stored in large quantities anywhere.

Amar Maurya: So sir, why then there is so much of pent up demand which is coming for chlorine, suddenly the chlorine minus three is now becoming positive three and lot of players who are actually operating into chlorine are getting lot of international order, so what is that driving this kind of demand?

J.K. Jain: There are two points you are mentioning -- One is global part of it and that is what CMD commented, normally we are not seeing any shortage of chlorine.

Amar Maurya: Okay, but then players expanding in India is like what?

J.K. Jain: Let me just complete, but what is happening is there is country wise supply chain changing and the lower chlorine price in India is enabling more chlorine-based chemical exports from India. So Indian companies are in a better position now and that is why chlorine demand is growing higher than caustic in India by 2% because it is opening up at exports opportunity from India which others are vacating.

Amar Maurya: What is the targeted ROCE which we can see in medium to long term because if I see your ROCE had expanded from 12% to around plus 20% to 25% in financial year 2018 and is largely driven by your expansion in margin in chloro-vinyl segment. So as an investor how I should see the ROCE maintaining at this level or expanding from this level, what is the strategy behind maintaining this kind of higher ROCE levels?

J.K. Jain: I think two, three comments we have mentioned in the past also that whenever we look at new investments we are looking at a threshold ROCE of 20% on an average basis. But having said that the commodity year-to-year do go through fluctuation, therefore you will have volatility in the ROCE. One of the steps we are taking to handle that volatility is the forward integration on chlorine-based chemicals and similarly in sugar on the molasses and power side which we believe will reduce the volatility. But if you take on an average basis, yes, we do target about 20% ROCE for new investments.

Moderator: Thank you sir. The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.

Vikram Suryavanshi: Sir, I just missed the number for the CAPEX what you are doing in distillery for 200 KLD. Will that be sufficient for converting C-molasses into ethanol or we are also planning some output to be from B-Heavy?

- J.K. Jain:** We are investing Rs.300 crores for this new distillery and this will have some balance capacity which we can use for diverting some B-Heavy molasses also on an experimental basis.
- Vikram Suryavanshi:** Will that be around like 20% to 25% of B-Heavy molasses production?
- J.K. Jain:** No, no, no, I am not able to give you exact number because it will vary depending upon the cane that we crush, but it could be not more than 50 to 70 KLD on an average basis.
- Vikram Suryavanshi:** This Rs.300 crores will also include cost for zero liquid discharge of this power plant also?
- J.K. Jain:** For the distillery whatever power facilities are required and the discharge facility.
- Moderator:** Thank you. We take the next question from the line of Sanjay Manyal from ICICI Direct Please go ahead.
- Sanjay Manyal:** Just one, business on the sugar side. ISMA was really demanding from the government minimum floor price will probably go up from Rs.29 to whatever s.32 or probably industry is demanding Rs.35 or Rs.36. Anything on that you have from the government?
- Ajit Shriram:** As we said earlier, we are making a loss of Rs.300 per quintal on the sugar. So there is immediate need to increase the sugar price from Rs.29. Now UP has also made a request to increase it to Rs.34, so has Maharashtra. ISMA has also made a request to increase it to Rs.34, Rs.35. This is actually urgently required to increase the cash flows to the sugar mills to be able to clear the cane juice which are increasing. This request has been made multiple times. However, with the elections coming up one is little unsure as to how much will increase and by when.
- Sanjay Manyal:** Because I think the post first week of March there will be any code of conduct then this decision probably can be postponed to further two, three months?
- Ajit Shriram:** That is a big fear, you are right the code of conduct will come in around the first week of March and action on this needs to be taken urgently.
- Sanjay Manyal:** So it can happen before that?
- Ajit Shriram:** We do hope it will happen before that.
- Sanjay Manyal:** One thing on the industry I think after the capacity which will be expanding to probably your total capacity will become 320 KLD I just want to understand will you able to entirely consume the molasses you produce or you still will be selling some molasses in the open market?
- Ajit Shriram:** Currently our distillery capacity at 150 KLD and we are installing additional capacity of 200 KLD in the second factory. So between the 350 KLD we will be consuming our entire molasses in fact we will be purchasing from the market or we will shift partly to B-Heavy to use the entire capacity.
- Sanjay Manyal:** This year anything B-Heavy in the current season?
- Ajit Shriram:** No, in current season the tender is already over and based on our production level we are only committed from C-Heavy.

- Sanjay Manyal:** So you would be having the sufficient storage capacity also for the B-Heavy if you want to?
- Ajit Shriram:** We are providing for it.
- Sanjay Manyal:** And in this 200 KLD capacity which will be coming this is under the soft loan which the government is providing.
- Ajit Shriram:** **Yes.**
- Moderator:** The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.
- Rohit Nagraj:** My question pertains to chlorine so once we attain this 1845 TPD capacity what would be our captive consumption of chlorine?
- J.K. Jain:** See we have captive consumption largely in Kota where we have 500 ton per day caustic plant. We use about 35% chlorine captively in Kota out of that. Now in Bharuch we have only presently an aluminum chloride plant which will consume about 50 tons per day, but as CMD mentioned we supply about 35%-40% of chlorine through pipeline to four, five customers so that will continue.
- Rohit Nagraj:** One more thing you mentioned that in a next one year there will be 1000 TPD of caustic capacity coming in which will add similar amount of chlorine capacity. So if the industry equipped to offtake this chlorine completely for making the downstream chemical or will there be an impact on the prices of chlorine?
- J.K. Jain:** Out of 1 million ton.
- Rohit Nagraj:** Yes.
- J.K. Jain:** So we did mention that 1 million ton is coming up in three, four years. We also mentioned that in last two years or so chlorine is going up by about 7%-7.5% per year and we expect that given the GDP growth this growth should continue. So if this growth materializes it will take care of all the capacity that is planned.
- Moderator:** The next question is from the line of Yash Padmanabhan Individual Investor. Please go ahead.
- Yash Padmanabhan:** I wanted to know what is the situation of your cane payments, the arrears are cleared and now you are on regularly paying for the current season?
- J.K. Jain:** We are absolutely on time online.
- Yash Padmanabhan:** And did you take soft loan what government had offered for clearing the dues?
- J.K. Jain:** Yes, we did for clearing the dues of 2017-18.
- Yash Padmanabhan:** So that has been adjusted in this result basically you have taken the credit?
- J.K. Jain:** It was done in November so that was paid off also all the dues were paid off in November relating to last year.

- Yash Padmanabhan:** So how much benefit of interest you got because I could not see that figure in your presentation separately?
- J.K. Jain:** I mean it is not that big to be mentioned in the presentation. The loan that we got was about 200 crore which is at 5% interest so the benefit is not all that great to be mentioned separately.
- Yash Padmanabhan:** And have you booked complete export losses for current year whatever losses you would be incurring, is it completely booked or still we can expect in this quarter current quarter?
- J.K. Jain:** See what we had mentioned is that we have an export quota of 9.2 lakh quintal out of which we had produced about 8.3 lakh quintal or so till December. So the loss on that 8.3 lakh quintal has been fully booked and whatever we produced in January which is the remaining part will get booked in January.
- Yash Padmanabhan:** And this against this whatever benefits you are going to get in terms of cane subsidy so those also have been booked?
- J.K. Jain:** So those are related to the quantity of cane that you crush that they booked up till in the entire season, major part will come up till March and some will come up in April, May also depending upon the crush.
- Yash Padmanabhan:** And are you exporting yourself as you have mentioned raw sugar or you are doing through the sale mechanism of the export loads?
- J.K. Jain:** We are exporting ourselves but through traders.
- Yash Padmanabhan:** To which countries.
- J.K. Jain:** No that is why I am saying we are exporting to traders and the traders must be distributing it globally wherever they have contact. We have tied up with traders to provide raw sugar directly.
- Yash Padmanabhan:** So are you giving raw sugar to them and then they are selling?
- J.K. Jain:** It is raw sugar which has been given from our factory only.
- Yash Padmanabhan:** And what is the recovery rate so far this season?
- J.K. Jain:** This December I think it was about 11.7.
- Yash Padmanabhan:** 11.7 so that must be quite a jump for you I think last year you had in this quarter it was below 11 believe right?
- J.K. Jain:** Yes, we have about 1% higher than same period last year you are right.
- Yash Padmanabhan:** That is quite substantial gain basically.
- J.K. Jain:** Yes, I mean most of the sugar factories in UP have higher recoveries in last year.
- Yash Padmanabhan:** So, can we say that now whatever in near-term worst had to happen for sugar business is done and with the government stepping in and helping with so many different things, we can see only something better happening in next

two season so what is your feel, basically I am not asking for guidance I am just asking for feeler?

J.K. Jain: For a sector like sugar is very difficult to say what will happen next year and year after.

Ajay Shriram: You see with the election coming it is bit open ended, the only saving grace the industry has is that the farmers outstanding is something no government wants. So we will try to look at any policy which make sure that the farmer's payments are made and actually in the country today they have got 5 crore farming families which are involved with sugarcane growth so that is a very large part of the population and sugarcane price is very remunerative price for the farmer, it is a good sign. I think government is also concerned to make sure that payments are done and the government know they have to help the industry otherwise it will not happen.

Yash Padmanabhan: Yes where it is possible let us say integrated players are still able to survive but majority are not having integrated plants so they are losing almost Rs. 6, Rs. 7 per kg from where they will pay it is impossible, they are not going to pay from their pocket basically.

Ajit Shriram: In fact just to add over here till about three or four years ago the cane arrears used to be essentially large in UP, now what happened is the cane arrears are there in UP, Maharashtra, Karnataka and the other states as well.

Yash Padmanabhan: Yes everywhere I think most of the states are having, but majority of them are smaller players and which are not having integrated plants so they are suffering basically.

Moderator: We take the next question from the line of Amar Maurya from Emkay Global. Please go ahead.

Amar Maurya: Sir just one if you had answer probably what is the sugar related debt in the overall gross debt which we are having?

J.K. Jain: See debt is not handled business wise. So I do not think we are able to say this relates to sugar and this relates to other business it is the total debt figure that you have to take.

Amar Maurya: But just sir indicatively because that is lying because of the higher inventory levels which we are maintaining today?

J.K. Jain: I cannot give you any indication.

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

Rohan Gupta: First question is on your journey on caustic soda which we have seen last four years almost you have close to tripled your capacity with the 1840 TPD by April now. So, in this journey we have seen that definitely you have been able to handle chlorine as well as of now and then ROCE profile of the company has been continuously increasing because of the very high prices which we have been able to extract from the ECU realization. Sir we are still increasing capacity I think that on a 700 tons per day we are still increasing by March 21 so that will make to roughly 8 lakh ton of capacity which would be sizable enough given the industry size of 4 million or maybe 5 million ton by that time. Where you see that after that the growth for the company will lie? Whether there will be further scope for caustic soda expansion and to handle all the

chlorine probably which you will get from the Bharuch maybe at least 6 lakh ton close to chlorine outcome, how much investment you think that the company has a potential to go through in a downstream for chlorine given that it is a slightly new chemistry, definitely I understand you have got into aluminum chloride, but as well as the chlorine downstream is concerned we are still relatively new players so where do you see over next three years you finding yourself in terms of chlorine own consumption and downstream?

Ajay Shriram:

No this is an area which we are studying as I mentioned earlier, we are looking at chlorine-based chemical going down the line. It is still open so I will not be able to give a figure right now but I think in terms of finances we are saying today our debt-to-EBITDA is about 0.8% as we are quite healthy and going forward also with the businesses the way they are growing. Yes, we are aware that interest is something that we have to be cautious of, but we are quite confident that in terms of our financial ratios it will be quite stable going forward and we are looking at various projects for chlorine down the line, but we have not concretized anything as of yet.

Rohan Gupta:

So I think there is a pretty long time we have been studying this space now chlorine downstream almost close to 8 to 9 months now, so we must have got some headwinds that okay where we want to and how much investment this business as a chlorine downstream business can absorb in the company, so if you can give us some headwind on that maybe over three to four year can we invest maybe Rs. 1000 crore or 1500 crore in a chlorine downstream or the number as of now is much lesser than that?

J.K. Jain:

Rohan I think we will take about four, five months more to complete this study and we would share all the details after that, but just to give you broad this thing in terms of financials I think even after completing all the investments that we have committed we will have enough leverage capacity to take further investment also we will have a cash generation which will be anywhere between Rs 600 to Rs.800 crore per year. So, I do not think investment will restrict us from taking the steps which is required for progressing chlorine downstream. We will share the exact details as soon as we are ready with it which may take about 4 to 6 months.

Rohan Gupta:

So, we are getting more closer to the customers who are using chlorine or we are just finding the new product portfolio to export by ourselves in the chlorine downstream?

J.K. Jain:

So it will be both. I do not think we are putting any restrictions right now whatever will make sense we will do.

Moderator:

We would take the last question from the line of Saket Kapoor from Kapoor and company. Please go ahead.

Saket Kapoor:

Sir with the new expansion that will be kicking up in 2021 in the caustic soda space currently what is your market share and keeping in mind what the other expansions are going on what will be the likely market share for us going down in the caustic soda space?

J.K. Jain:

See in terms of ranking we are second largest player in the country today and we will remain second largest after all the expansion. Our present share is about 12% to 13%. It should go up by couple of percent after we complete the expansion.

Saket Kapoor:

Currently sir Bihar Caustic is number one, number two DCM and then Gujarat Alkali?

J.K. Jain: Grasim is number one all its plants put together, we are number two and then GACL.

Saket Kapoor: Sir as we have seen with in case of your company to GACL, they have an offtake agreement also with one of the aluminum player PSU. Sir anything in that anvil with this expansion coming up? Are we also contemplating or do we think in that direction that offtake quantity or any contract should make things for us also with the new expansion that we are envisaging or we will depend on the market conditions?

J.K. Jain: No, we do not have any long-term arrangement right now, but I am sure we will be open to seeing what makes sense for the business.

Saket Kapoor: Sir you are hinting on the point that there are some signs of overheating in terms of prices which are persisting for a very long period at a higher level or this fear of prices falling down is overrated because the China had also cut down capacity and thereby the prices are being supportive?

Ajay Shriram: I think being a commodity there is no prediction anyone can make of anytime whatsoever. The only thing that is healthy if you see internationally having a 3% growth on 80-million tons capacity is not small, it is quite healthy and similarly India having a very solid growth too. So, we are confident on the business. With our expansion in growth, our cost of production keeps coming down per unit. Our approach is very clear that in terms of our cost and efficiency we must be world class. We must move on that to make sure that we are cost competitive across the board and competitive business where this is the business we know well. We are established in it for many years, we have got direct pipeline suppliers, we have got our own consumption, and we are expanding and exploring our own consumption. So, we are confident that this business will do well down the line.

Saket Kapoor: Sir last point I am putting in reference to the Slide #18 where sir you have mentioned this caustic soda prices CFR-C prices in metric tons, so how do make understanding this CFR-C price?

J.K. Jain: We are on Slide #18 where we have given month wise prices of caustic globally as well as domestic. I think what we are saying in the commentary is that if you see globally caustic prices did go down sharply but our domestic ECUs did not go down to that extent and that has happened because last year chlorine was negative which has turned positive this year so that is what we are trying to explain in this presentation.

Saket Kapoor: But sir in that graph you are pointing towards that dotted line that is pointing towards 37,747 that is for per our pricing I think so?

J.K. Jain: See the dotted line is with reference to the prices last year both global and domestic the thick lines are with reference to prices this year. There is nothing we are pointing out except giving the factual data.

Moderator: Thank you very much. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for their closing comments.

Ajay Shriram: Ladies and gentlemen thank you very much for your participation in our Q3 and 9 months financial year 2019 Earnings Conference Call. We are focused on keeping and strengthening our competitiveness and achieving volume growth across our businesses. Simultaneously, we are taking initiatives to improve our earning profile by developing multiple revenue streams to forward integration wherever possible. We believe these efforts will deliver sustained

growth and healthy performance going forward. We are also committed to maintain a healthy balance sheet. Thank you once again for joining our Earnings Conference Call. Good-bye.

Moderator:

Thank you very much. Ladies and gentlemen on behalf of DCM Shriram Limited we conclude today's conference. Thank you all for joining us you may disconnect your lines now.

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