# “Tata Metaliks Limited
# Q1 FY2020 Financial year Earnings Conference Call”

## July 16, 2019


**ANALYST:** **MR. AWANISH CHANDRA – MONARCH NETWORTH CAPITAL LIMITED**

**MANAGEMENT:** **MR. SANDEEP KUMAR - MANAGING DIRECTOR - TATA METALIKS LIMITED**
**MR. SUBHRA SENGUPTA – CHIEF FINANCIAL OFFICER - TATA METALIKS LIMITED**

**Moderator**: Ladies and gentlemen good day and welcome to the Tata Metaliks Q1 FY2020 Earnings Conference Call hosted by Monarch Networth Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Awanish Chandra. Thank you and over to you Sir!

**Awanish Chandra**: Thank you Aman. Good evening everyone. On behalf of Monarch Networth Capital I welcome you all to Q1 FY2020 conference call of Tata Metaliks. We are pleased to host the Senior Management of the company. Today, we have with us, Mr. Sandeep Kumar, Managing Director and Mr. Subhra Sengupta, Chief Financial Officer of the company. We will start with the initial comments about the results and the future outlook and then we will open the floor for question and answer. So without any delay now I will hand over this call to Mr. Sandeep Kumar, Managing Director. Over to you Sir!

**Sandeep Kumar**: Good afternoon everybody. Well, the performance in Q1 for Tata Metaliks has been not very good from a profitability point of view though operationally the numbers are far better than what they look. The revenues have moved up by almost 7% compared to a year back on a Q1 FY2019 base.

The hot metal production moved up by 8% while the pig iron sales grew by 5%, ductile iron pipe sales had a robust growth of 14%. So, the main business of DI Pipes had a good solid growth of 14% both in terms of sales as well as production volumes.

Even the pig iron sales have moved up by 5% on the back of higher production and the only setback for us which is actually a major setback was on the market side where there was a major squeeze in the spreads between the pig iron and the coke. The spreads reduced by almost Rs.2000 per tonne while the spreads were close to Rs.5000 per tonne in FY2019 Q1. This Q1 of FY2020 they came down by Rs.2000. That impacted our profitability by almost 22 Crores.

So that was the single biggest factor for plunging down of our profitability in Q1 FY2020; however, we could have made up this to a large extent by a much better operational performance but unfortunately one of our furnaces had to be taken down for relining. It was an annual maintenance shutdown, but the shutdown was extended by a couple of days to plug in for some gaps and that did not allow us to make up for this market loss, but after the relining in the month of May, the furnace has come back strongly having produced the highest ever sales, monthly sales of hot metal at about 49000 tons compared to only about 33000 tons in the month of May.

The oxygen plant for us, the new oxygen plant has been commissioned and it is now ramping up. So therefore increased oxygen will help us increase our coal injection rates and lower our fuel rates in general. So, going forward I see a much better operational performance from the pig iron division as we move into the next quarter and even Q2 partly, but the ductile iron pipe business continues to grow well. After the elections the order booking has also started and therefore there is no such issue. In fact, from a sentiment point of view, the water business and the water pipe business, the government intensions have been announced and you must have read in the newspapers as well that the Prime Minister's scheme for water pipe to every house in the rural household sector is something which they would be finalizing their schemes. They have already made announcement. So, it has given a lot of boost and we are getting a lot of interest from various quarters on this.

So, this I think will improve further the growth in the ductile iron pipe business. So, we are well positioned having gone ahead with our expansion project and therefore the DI pipe business continues to grow well and will support us as we go forward in the overall profitability of the company.

The concern is on the pig iron market, which was not only a drag in Q1, but continues to be slow and I would say to a certain extent depressed in Q2, but we are going to get some benefit of the reduction in raw material prices of Q1 the benefits of which normally come in the next quarter or at least one or two months later. So, that should help us to some extent reduce the spread. Overall, I think, if I were to summarize the DI Pipe business should grow well especially in H2, but the pig iron business is where there is some concern in the market though on the operations we should be doing much better.

That is the summary on the Tata Metaliks performance and outlook for the year. Now we are willing to go ahead with the question and answers.

**Moderator**: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.

**Vimal Gohil**: Thank you for the opportunity. Sir, just wanted to have a check on the volume outlook for this year? Would you want to change the same? Last quarter you had given us DI volume outlook of 240 to 245 for the full year, and pig iron was at about 300 to 305. Would you want to maintain this volume outlook for FY2020 or would you want to change post the robust Q1?

**Sandeep Kumar**: I think the volume outlook for the year was more like to 230 to 240 that range and for pig iron it is going to be 300000 tons at least if not more. That continues to be there. I do not think the volume is an issue at all. I think the volumes we have done exceedingly well. The Q1 volume of DI Pipes has been a record. Pig iron has been also reasonable growth. So, I do not think the sales volume has been an issue despite the market.

**Vimal Gohil**: Sir, what would be the hot metal production for the quarter?

**Sandeep Kumar**: The hot metal production for the quarter is close to about 130000 tons.

**Vimal Gohil**: What is it for the year?

**Sandeep Kumar**: We are hoping to cross 300000 tons. Now you are talking about hot metals? Sorry, we are hoping to cross 550000 tons.

**Vimal Gohil**: 550000?

**Sandeep Kumar**: Yes.

**Vimal Gohil**: Sir, but that would imply our utilization rate of over 110%. So, you are comfortable with that right because of the debottlenecking?

**Sandeep Kumar**: Yes, comfortable means we are ambitious. Whether we are comfortable or not, at the end of the year, I will be able to tell you, but we are pushing hard. We should be able to do it.

**Vimal Gohil**: At least this is what we are looking at?

**Sandeep Kumar**: We should be able to do it that is what we think.

**Vimal Gohil**: Sir, a couple of data points on the balance sheet. Could you just give me some flavour on the trend in the working capital and the net debt, how is it trending after March?

**Sandeep Kumar**: I will just pass on to our CFO who will respond to this.

**Subhra Sengupta**: See, we are focused to control the working capital, and quarter-on-quarter we have almost kept the same level of working capital despite the higher volume of DIP and also the higher production. So, on the blockage on the working capital, as in the debtor side we are doing a lot of financing and things, working capital will be under control.

**Vimal Gohil**: Sir, what would be our net debt currently, posts the equity infusion?

**Subhra Sengupta**: Long-term debt is zero. Short-term debt is in the region of 165 Crores. This 165 Crores is in forms of supply scale of 10 billet counting and not in the bank borrowing side.

**Vimal Gohil**: Lastly, Sir could you just give us some colour on the progress that you have made on the expansion post the announcement made last quarter?

**Sandeep Kumar**: The expansion is supposed to be completed over the next 18 to 24 months. That is what we had announced in the last quarter and we are just one quarter over, obviously still a long way to go. That is progressing well. We have finalized the power plant vendor and it is one of the well known vendors suppliers and manufacturers in India, so the power plant is done. As far as the DIP which is the main project, there we have more or less finalized the technology supplier, which is going to be from China and we are now trying to refine the requirements to meet our future needs of automation and digitization. So, a lot of automation and robotics is what we are planning, so that is what is taking a bit of time, but I think, within a month we should finalized that, but we are very much on track, and we will keep you posted on every quarter on the progress. So, I think one thing which is left is the blast furnace augmentation where it is addition of one electric blower which is not on critical path, that is the only one which is left and which we will decide shortly. So, it is all well under control and on track.

**Vimal Gohil**: Sir the PCI project was fully commissioned this quarter, right?

**Sandeep Kumar**: It was commissioned in the last quarter. It was commissioned actually in Q4.

**Vimal Gohil**: The benefits came through this quarter?

**Sandeep Kumar**: Yes. You would have seen although the full benefits have not come in because of the fact that we did not have enough oxygen and one furnace has not really performed well and we had to take it down for relining so the benefit should start coming in the quarter on a more sustained basis.

**Vimal Gohil**: Sir, just last question being what is the reason for sharp increase in the other costs line item, which has gone up from 96 to 112?

**Subhra Sengupta**: The other cost basically three reasons; one is that we have spent more on the repairs and maintenance as MD explained and in Q1 we had taken the relining for one of the blast furnace and so the power and fuel and the maintenance on that period is almost 5 Crores. Compared to last quarter we had a reversal of provision for doubtful debts and this quarter there is a marginal provision on that account is 1 Crores and on the stores because of the volume it is 1 Crores.

**Vimal Gohil**: What was the last one Sir?

**Subhra Sengupta**: Stores. On a sustainable basis if you see 112 is on a higher side, on a lucrative basis it will be 108 to 110 kind of a number.

**Vimal Gohil**: That is a sustainable number according to you?

**Subhra Sengupta**: Yes.

**Vimal Gohil**: 108 to 112?

**Subhra Sengupta**: 108 to 110.

**Vimal Gohil**: On which we can assume, I mean on which the growth can be supported?

**Subhra Sengupta**: Yes.

**Vimal Gohil**: Will it be fair to assume that you will start recovering your gross margins from next quarter itself on a quarter-on-quarter basis?

**Subhra Sengupta**: Gross margin, a lot is dependent on the market.

**Vimal Gohil**: Assuming that you have the current spread intact?

**Subhra Sengupta**: So, one of the reason for the bad result is the PI division is for the lower spread. If the lower spread continues then on the market side, we will continue to lose, but we expect the spread will be little more compared to Q1.

**Vimal Gohil**: Sir, what is the current spread right now let us say in July?

**Sandeep Kumar**: The spread currently is over Rs.3000, which was more like Rs.5000 in Q1 of FY2019. So, there was a compression of spread by almost Rs.2000 bucks, which is where we got impacted by as I was saying the profitability by about 22 Crores, if you calculate. Now the spreads right now is slightly better in this quarter because the raw material price drops which happened last quarter actually the benefits of that would be evident now because it comes into inventory and then gets used up. So, to that extent there would be some benefit, but it also depends on how the pig iron prices behave. Therefore the exact spreads would be a little volatile, but to us it appears that Q2 should be better than Q1 but we are banking more on the operational performance improvement rather than on the market.

**Vimal Gohil**: Fair enough Sir. I will come in the line. Thank you so much. All the best.

**Moderator**: Thank you. The next question is from the line of Sreemant Dudhoria from Unifi Capital. Please go ahead.

**Sreemant Dudhoria**: Good evening and thanks for the opportunity. Sir, continuing on the earlier participant's question on the PCI savings from the PCI could you please quantify how much was that in the first quarter?

**Sandeep Kumar**: We will tell you, but basically if I can give you in terms of percentage, we are at a level, which is roughly at about 60% of what should be achievable. With increased oxygen this 60% and improved blast furnace performance this should go up to say about 8% to 90% for sure and I think once we have stable blast furnaces operations on both then beyond 100% is what we would target. So to give you a sense, the benefit would be to the extent of say about Rs.400 to Rs.500 per ton.

**Sreemant Dudhoria**: So, now that the blast furnace is operational in the current month, are you witnessing this saving?

**Sandeep Kumar**: Yes, as I was saying that look the coal injection has not been ramped up to the extent that it should be because we did not have enough oxygen. Our oxygen plant got delayed by about 45 days. It has just been commissioned, a couple of days back. If there was more oxygen available in the month of May or June, we would have been able to inject much more. Now that the oxygen plant has come in and the furnace is also looking more stable after relining the bigger furnace therefore the coal injection should improve, the fuel rate should come down and the production should improve; however, we have one concern and that is the other furnace, which is the smaller one that needs to go down for gunning in the month of August and September. So that could partly impact the operational performance but the bigger furnace should make up more than that. So, overall we think Q2 is going to be better than Q1 in terms of operational performance and even on the market side, it looks to be better than Q1 at the moment, but we will have to see because we have another two and a half months to go.

**Sreemant Dudhoria**: While you had highlighted about the current spreads, which is about Rs.3000 per ton between pig iron and coke, what has been the decline in the raw material which you are highlighting and that would benefit you in the second quarter, how much has it declined sequentially?

**Sandeep Kumar**: The coke prices, if you look at that, now that has actually moved up compared to Q1 of FY2019 by almost 3%, but if you look at it sequentially, then the prices actually have remained more or less with a slight increase, 0.5% or 1% increase. Why? The prices actually declined, but they are not getting reflected in the bottomline because there is a time lag. So, I am just trying to explain that in reality the prices came down but in the book of accounts that is not reflected. In our book of accounts it is the other way round. The prices have moved up because it is the Q4 material which comes in at a higher price this is getting reflected in the books of accounts for Q1. You get the difference? Now the Q1 at a lower price which we will say coke prices were down by say about 3% will start getting reflected in Q2, but if you ask sequentially, sequentially in Q1 compared to Q4 was more or less same, maybe 0.5% increases. It is only in the month of June that we have started seeing a major decline in the raw material, but major means what? It is not really, so to give you a sense, say the coal prices if they were about 220 or 215 they have come down to say 185 or 190. That is the kind of number we are talking about. So 215 to say 185 or 190.

**Sreemant Dudhoria**: Now given that while the spread had already kind of squeezed in the previous quarter and now the raw material prices are decreasing, do you expect the realization to further decline given that now the coke prices are declining or it is expected to remain stable. What are your thoughts on that?

**Sandeep Kumar**: The prices are under pressure for pig iron because basically on the demand side, the auto is not doing well, so the casting makers who supply to auto which constitute a key segment for us, they are under pressure. Then on the supply side, the pig iron exports have come down drastically. So, a lot more supplies are being diverted to domestic. So that is leading to price pressure and that continues. That has not changed, but it is not that the drop is massive. There is some drop. There are some changes, ups and downs on a day to day basis, but generally speaking the market is more negative than positive.

**Sreemant Dudhoria**: Sir, in the previous conference call you had highlighted about big orders from the Andhra government given that there has been change in the state government there, are the orders still there or you expect a delay in ordering of DI Pipes on Andhra government?

**Sandeep Kumar**: The new government has put on hold a large part of that order. About 600000 tons worth of DI Pipe orders were released by the previous government just before they exited. So, this new government has put that on hold and they want to retender or whatever. So, the project is unlikely to be abandoned. It is just that they want to do a retender perhaps, because the project was awarded but not really executed. I mean, because it was just towards the fag end. So that is where we stand. So that was the general weakness in Q1, general elections, new government coming in so people did not know whether to go ahead or not, secondly the funding, project funding normally comes in towards the end of first quarter so generally there was a weakness in the DI Pipes order booking position in Q1 plus the high heat all around the country, so that is why the sales deliveries are lower, but despite that we have had a record Q1 delivery. Q2 situation because of monsoons and heavy rains and flooding in different parts of the country like Bihar, Assam, some parts we are seeing extreme weather conditions there we would have an issue in terms of dispatches because site work would stop, but order booking, they have improved compared to Q1. There is a difference between order booking and actual deliveries. So, I hope I have been explaining that?

**Sreemant Dudhoria**: Finally, the MMRDA Act as per the act all machine licenses, mining license would be re-auctioned next year, your thoughts on how that would impact the pig iron as well as the duct iron pipe industry?

**Sandeep Kumar**: See, there is a general concern that how iron ore auctions would be conducted whether they would be conducted in time so that the new owners would continue the production of iron ore, so there is that general concern in the minds of many people. As of now, the iron ore prices are going strong led by international prices because of some issues somewhere else internationally. Domestically, there is no problem in terms of supplies. They continue to be stable. It is expected that the government would come out with auctions, tenders shortly in the month of July, August and the whole process would get completed over the next several months, so that there is no issue, there is a seamless transition from the old owners to the new owners, but how exactly this would work we will have to wait and see. As far as Tata Metaliks is concerned, you know, for us it is not a big issue, because most of the supplies of iron ore come from Tata Steel whose mines are captive and they continue to be captive till 2030. So we have another 10 years to go. So we will not get so impacted by this issue. Yes, there would be some impact, because we also buy as a conscious strategy from these small miners but the impact would be much less compared to say some others if at all there is an impact.

**Sreemant Dudhoria**: But would this impact, the pricing of pig iron in the industry?

**Sandeep Kumar**: So what happens is if you have a cost push, if your iron ore prices go up and availability becomes an issue, so obviously the prices go up and it is an increase in costs for everybody including all the steel makers who do not have captive mines. So, that is the concern I am talking about. Ultimately, people who are in the coast will import if there is an issue or get it from longer distance. Like, for example, if I can talk of Sesa Goa, in Goa, when its mines got closed, it is procuring from somewhere else maybe at a higher cost, I do not know, I am presuming, but it is not that you can stop the supplies. It is a free market. You can get it. It is just a question of cost.

**Sreemant Dudhoria**: Thank you. I will get back in the queue.

**Moderator**: Thank you. The next question is from the line of Vikas Singh from Phillip Capital. Please go ahead.

**Vikas Singh**: Good afternoon Sir. Sir, I just want to understand we have seen the industry growing 10% to 12% for quite some time, so after this new government initiative, do you think this growth rate would accelerate or our assumption is more or less remains with the 10% to 12% kind of growth rate for the next two three years?

**Sandeep Kumar**: Are you meaning for the duct iron pipe business?

**Vikas Singh**: Yes, for ductal iron pipe basically and this new government initiative towards the water security, so how do you see, would it be helpful for our acceleration in the growth rate or more or less we are thinking that growth rate will remain more or less same for the next foreseeable future?

**Sandeep Kumar**: If you look at the past five years, the growth in ductal iron pipe has been to the level of about 8% to 9%.

**Vikas Singh**: What is the projection for the next five years?

**Sandeep Kumar**: The projection on a conservative basis is between 9% and 12%. The investments in water infrastructure by this government will further give an impetus. You know the situation of water in this country and therefore there is no way any government can cut its investments in the water infrastructure sector. In fact, the Prime Minister himself has announced the investments in the rural water pipeline projects. Well it is only an announcement; the details would come out sooner than later. Maybe in the next six to nine months we would hear more about it, but in general it is what we have been propagating saying that look water infrastructure is a key one for India and for any government that comes in they cannot afford not to invest in this sector. We have gone around. In fact, last year we had gone around, met a lot of you guys and explained to you that our view is that the growth is likely to be more in the double-digits than in single digits and this maybe anything between 12% and 15% it could go up as high as that, but even on a conservative basis 9% to 12% growth is a very, very robust growth for any sector and that certainly is going to be there. As far as ductal iron pipes business is concerned, it is a difficult business, it has got high entry barriers and it is not easy for anybody to just come in, just like people come into steel business into and start making rebars, so therefore this business is a good business, but it is a difficult one and it needs a lot of operational control, it needs a lot of marketing and sales activities, and I think the existing players are well positioned to take advantage of that. We will see as more people come in, how do they adjust to that, but it is an attractive sector for the moment.

**Vikas Singh**: Sir, you have talked about that our overall booking has been better during this quarter. So, just wanted to understand on the pricing side of it, so how the price for the new orders is have been moving directionally?

**Sandeep Kumar**: If you look at the ductal iron pipe prices, they have moved up by almost 3.5% sequentially or even year-on-year, but it does not matter. Basically, the order book for us is about nine months and say it was 10, 11 months a quarter back and because Q1 the bookings have been put on standstill, I told you the reasons, the general elections, the funding comes later, but now things are picking up in terms of order booking and they will improve. As far as prices are concerned though prices are likely to move in a range bound, I would say, of course, the pressure on pig iron prices coming down would create some amount of pressure on the ductal iron pipe prices also, but generally the impact is much, much lower and over a longer period. So, because the orders are executed over six, nine, 12, 15 months therefore the prices get less impacted by the swings in the spot prices of the pig iron.

**Vikas Singh**: Sir, just wanted to understand one more thing in this nine month of order book the entire is fixed price or some portion is linked to the pig iron index for us also?

**Sandeep Kumar**: These are normally fixed prices with some linkages to WPI depending on the government. So, if this is a government contract then they link it to the WPI index.

**Vikas Singh**: What would be that percentage because mostly DI goes into government sector only, right through EPC?

**Sandeep Kumar**: Everything is going to the government ultimately in DI, ultimately, everything, almost everything. What happen are for some the municipalities and the PHD departments they procure directly? These are the rate contracts, which move on a WPI index basis while they are projects which are given by the government to EPC contractors who in turn buy from the DI pipe suppliers. For us, this mix is roughly 75% to 80% or 80% plus is to the EPC contractors and the balance is to the government. So our exposure to the government sector directly is more like 15% to FY2020%. There the prices will move on WPI basis.

**Vikas Singh**: Sir, one last simple question, I missed on the volumes for this quarter. So, if you could tell me the sales volume of pig iron and DI Pipes?

**Sandeep Kumar**: It is there in our press release, but just to answer your question. The pig iron sales were at about 71500 or 71600 whatever. That is a growth of almost 5% compared to Q1 of FY2019. And the DI Pipe sales were more like 53600 which is a growth of almost 14% compared to Q1 FY2019.

**Vikas Singh**: Thank you for taking my question. That is all from my side.

**Moderator**: Thank you. The next question is from the line of Raj Gandhi from SBI Mutual Fund. Please go ahead.

**Raj Gandhi**: Sir just on the iron ore sourcing side, how is your mix in terms of fines, lumps and all, if you could just explain?

**Sandeep Kumar**: We have agglomerate, which is roughly you can say about 75%, and about 25% would be lumps. By agglomerates I mean sinter and pellets. So we have our own sinter plant and we convert pellets. So we get fines supplied to a party who gives us the pellets and we have our own sinter plant so we get the fines and we convert into sinter. Does that answer your question?

**Raj Gandhi**: Yes, you meant agglomerate 75% and about 25% you said is lumps basically?

**Sandeep Kumar**: That is right.

**Raj Gandhi**: In this 75% some of it you have your own sinter plant, so you buy fines?

**Sandeep Kumar**: Bulk of it is through our sinter plant and you can roughly take about 60% is sinter, 15% is pellets and 25% is lumps, just to give you a rough idea.

**Raj Gandhi**: Got it and 15% pellets are external purchase?

**Sandeep Kumar**: Yes, it is through a conversion, long-term conversion. We buy the fine, supply it to the party and get the pellets back.

**Raj Gandhi**: Just on you have a fixed supply and even from Tata Steel, but I believe the pricing is arms length right in that sense?

**Sandeep Kumar**: Yes that is right. So, we have roughly 50% to 60 % we buy from Tata Steel, balance we would like to buy from others because of various reasons. Obviously quality, reducing our risks because Tata Steel has also grown and they have their requirements although our requirement is pretty small compared to that, so we are not affected at the moment, but we just want to keep our options open and therefore we also source from a number of others in Odisha region.

**Raj Gandhi**: So to that extent the recent pricing trend would be impacted, because as you are saying the pig prices for you are still kind of flattish QoQ to down marginally whereas you know coke has come off but iron ore is going up, so to that extent there would be an offsetting cost element?

**Sandeep Kumar**: Yes, so the iron ore prices are at an arms length from Tata Steel and the market as it moves the prices are adjusted every month. It is a published price and that is what we take and therefore it will move in tandem with the market, but the impact is not very significant on an iron ore perspective, it is more on the coke side that is why the spread we call it, when we give you a spread of Rs.5000 or Rs.3000 the spread is between the pig iron and the coke. That is what we call. Of course, there is an impact of iron ore also. What I am saying to simplify things the spread when we talk about we talk about the pig iron price minus the coke price because coke is the bulk of the cost.

**Raj Gandhi**: Thank you.

**Moderator**: Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

**Saket Kapoor**: Thank you for the opportunity. Firstly, the dents that we have seen due to this pig iron and coke spread being down in the first quarter, so we would not be able to, this is a permanent dent on the numbers and the overall our budgeting for the year would also take a hit on account of this? Meaning, in no way we could be able to compensate because we are already working with DI pipes at the maximum limit that we can, so this gap will not be filled up? Is that a good assumption?

**Sandeep Kumar**: Yes, absolutely good assumption that hit is a big one in Q1, but what has been planned is something which we do not know, so let me assure you that we have a plan to make it up through improved operational performance particularly on the pig iron side. So, you would see a much improved performance going forward and as I was mentioning coal injection will be ramped up, oxygen plant is already commissioned and as it kind of stabilizes and ramps up, I think we would be in a much better position, but we have also a fact that we had taken some very ambitious targets for this year and therefore it will not be easy for us to meet those targets except that you do not know these targets, so you will not be able to make out how much is that is, but generally speaking our performance Q2 onwards should be much better than Q1 and the only concern that we have is on the second blast furnace which is the smaller one where it is time for gunning and therefore we will have to take it down for gunning say for a week or so, five, six days, so that would impact the performance to that extent, but I think, overall we would be much better off, and let us see how much we can make up, it also depends a lot on the market.

**Saket Kapoor**: But then this quarter is the monsoon quarter, as you told earlier. Our major market is Bihar and others are already flooded conditions, so pipes would not be laid out there, so this gunning down or the plant shutdown in simple terms for the second smaller blast furnace would not be having that much impact on the production numbers, meaning on the dispatch part also we would already be getting advantage of monsoon period or not?

**Sandeep Kumar**: No, so that is all in the planning. Planning is skewed towards H2 as you know. H2 is always better than H1. So, H1 the plan is also low. So Q1 the plan was also lower. So while we have done lower than our plan, and much lower than our plan, mainly because of the markets even though this is will improve operational performance compared to Q1 of last year but it is certainly lower than our target and our expectations, but Q2 also the plan is low, because of monsoon. We will have an improved operational performance for sure in Q2 but market size is where that is a little open, how it behaves because we have two and a half months to go, and we will see how things pan out on the pig iron side. As far as the pipe business is concerned that is stable. We have firm order bookings etc. It is a question of executing and exactly matching the orders to what we can deliver because since the deliveries are over a period of time, there are LCs, payments, inspections, requirements, etc., Bihar is not our main market. I was just mentioning it as an example that supplies for example if there is flooding in Assam and Bihar, you cannot supply there neither Assam nor Bihar is our main market. These are very small market.

**Saket Kapoor**: Sir, if we take the spread for pig iron to DI Pipes part would there be advantageous for other players who are not totally vertically integrated, meaning will they be having an advantage on account of these depressed spreads between the coke and the pig iron which is a disadvantage for us. Can that be turned out to be an advantageous portion for other DI Pipe manufacturers?

**Sandeep Kumar**: No the pig iron prices have mainly come down. And the coke prices have moved up a little. Although it started coming down maybe towards the end of June, but the impact of that would be visible more in Q2. That is what I am trying to say. So therefore the pig iron prices have come down for everybody, not only for us. As far as coke prices are concerned, they have come down for everybody. Coal prices are concerned, they have come down for everybody, so it depends on how integrated you are and therefore where does your strength lie more on the coke side or on the coal side, you will be impacted definitely. That is the only difference otherwise everybody will get impacted to a lesser or a higher degree. For us, the impact in Q1 has been more because of two reasons, one is the market, where I told you there is a 22 Crores of PBT take out compared to Q1 of FY2019 and the second is that our operational performance was also not that good although better than Q1 of last year but we should have done much better. That is where I am trying to explain. Q2 onwards we will be in a much better position.

**Saket Kapoor**: Sir, in the other expenses category we have booked other expenses as 113 Crores wherein for the Q1 last year it was 97 Crores, so there is a gap of around 13 Crores, how will you explain that?

**Sandeep Kumar**: I will give it to Subhra but basically as I said the furnace was taken down, the bigger furnaces, we had planned for some maintenance expenditure, the shutdown was longer, that was one of the main reasons, then we also had a problem with one of our power plants where we are repairing it and changing it, so it produced below its capacity and therefore we had to import more power from the grid, we had to use more of fuel and MDO, so these are the three main reasons, but I will just give it to Subhra in case if he wants to add anything.

**Subhra Sengupta**: The said reasons that are why explained it is 112 stores now I get the 96 and 112 cannot be comparable because it is compared to Y-o-Y the budget has gone up substantially and therefore the cost has to gone up. If you use sequentially it is 110 versus 112 and the reasons I mentioned mainly in the replacement in diesel and fuel. So as the run rate it will be 108 to 112 kind of number will contribute going forward.

**Saket Kapoor**: You mentioned that export market was also do we export any percentage of pig iron?

**Sandeep Kumar**: Yes, we export, our exports are both pig iron and ductile iron pipes, but the volumes are insignificant to really comment it is 5% to 10% not much.

**Moderator**: Thank you. The next question is from the line of Sahil Sanghvi from Centrum Broking. Please go ahead.

**Sahil Sanghvi**: Good evening Sir. My first question is to Subhra Sir. I remember in the Q4 concall I was told that there was no interest bearing liabilities and there was just one letter of credit worth 170 Crores. So the finance cost should be lower about 45 Crores to 50 Crores can you explain is there any other element which was resulted into a higher 73 Crores finance cost, 73 million finance cost?

**Subhra Sengupta**: Say that for Q1 our finance cost is 7 Crores that includes and if you see quarter-on-quarter that it has come down from 12 Crores to 7 Crores. Now this 7 Crores includes our investment 1.5 Crores is related to lease liability, which practically is not an interest cost, but for the Ind-AS 115 it is classified as interest cost, that is now that we have got the coke oven which is the long lease for the ten years so that in the as per the Ind-As 115 we have to capitalize and the yearly or quarterly cost we have to specify within the interest, execution as well as the operating cost that is what, and as I have explained in that 167 Crores or 170 Crores is the liability which carries the interest rate of say at 8.5% it would make sense that number that comes to almost 12 Crores.

**Sahil Sanghvi**: So then that should be about 5.5 Crores right Sir it is about 7.3 over here?

**Subhra Sengupta**: So 4.5 Crores plus 1.5 that is 7 Crores or 6 Crores and having that 1 Crores that we have got a contract with the L&T which will give a lot of discounting for that the RTR element. The discounting also keeps on the interest cost.

**Sahil Sanghvi**: So this run rate could be considered as the normal for this year at least until we have the LC?

**Subhra Sengupta**: It should come down.

**Sahil Sanghvi**: Okay in this fiscal year itself?

**Subhra Sengupta:** Yes, each quarter at last 1 Crores should come down.

**Sahil Sanghvi**: My second question is to Sandeep Sir. Sir, can you tell me the mix of the foundry grade pig iron and the low silicon pig iron? I believe those are the two products that we sell for pig iron. Just to understand how the realizations work out?

**Sandeep Kumar**: Yes, nowadays average we sell pig iron of around 30000 so around a 9000 will be low silicon grade and 21000 will be on repayment and 70 is for pig iron 30 is for silicon.

**Sahil Sanghvi**: Your voice is cracking can you come gain on the proportion of foundry grade and low silicon?

**Sandeep Kumar**: So it is about 70/30 foundry grade and the low silicon.

**Sahil Sanghvi**: Yes, Sir, and what is the current coke rate sir is there any improvement on that?

**Sandeep Kumar**: Yes, so there is an improvement compared to last quarter also, sequential quarter also and quarter one also of FY2019, but the improvement is I would say limited to say 4%, 5%. We need to bring it down by at least 10% so as we go forward I think in fact from this quarter onwards itself you should see some more improvements and from H2 the improvement should be much more significant.

**Sahil Sanghvi**: PCI, are we injecting full up to the 800 or 700 kg or is that lower currently?

**Sandeep Kumar**: No, it cannot be 800 kg it must be 80 kg you must be referring to. So the total injection of PCI is limited because of the oxygen that I was talking about supply. Now with oxygen supply resuming on a full scale basis the plant has just been commissioned two days back, the new plant this plan this a highly efficient plant and it is a much, much lower cost also power cost and much higher supply of oxygen so that would help us improve the PCI injection which is currently at about 60% of the target to say about 80%, 90% within this quarter and thereafter even take it beyond that. That is the plan.

**Moderator**: Thank you. We move to the next question that is from the line of Raj Gandhi from SBI Mutual Fund. Please go ahead.

**Raj Gandhi**: Now just on this iron ore auction most of these mines are in Odisha. So let us say when it comes up for auctioning how do we have a advantage over this Odisha based mills because everybody will bid based on their expected landed cost and our lead distance I believe will be much higher versus lot of these Odisha players?

**Sandeep Kumar**: First, I will tell you what, we will not be bidding unless the prices are reasonable. If you look at the past biddings that has happened there are players who have made unreasonable bids and have regretted. Even Tata Steel in the past has bid for coal mines that have actually not gone ahead because of unreasonable bids by competition. So we are happy to buy from the market rather than bid and get stuck with it. So we are a little conservative in that, number one. Number two is that as far as the landed price is concerned well the landed price for us will be in competition to what we would get from the same region so it is not versus competition it is with respect to the market what we will get. So supposing our landed price today for iron ore is anywhere between Rs.2000 to Rs.3000 per ton then my auction prices should be lower than that otherwise it does not make sense for me to bid on a long-term basis. Now it depends on what you project as your future price that is where somebody will project Rs.5000, somebody might project Rs.10000 and I might project Rs.3000. So I am saying that is where I think there are different views of how the future will unfold and depending on whose rights that is where you will end up with the actual auction bid.

**Raj Gandhi**: Right, all I am saying is that all things being equal let us say if you are lead distances let us say just for example let us say for a steel plant in Odisha the lead distance from that mine is 250 kilometers for you if it is a 500 kilometers. So for you, you are at a disadvantage of that Rs.500 in terms of bidding or what you can bid. Would that be a correct assessment?

**Sandeep Kumar**: No, not really. We are positioned quite close to the Odisha sector. Kharagpur is not at all very far. We are actually close to the Odisha and both Odisha and Jharkhand so it is not at a very long. The lead distance is not that large, marginally it is higher and I think it does not matter that is not going to make too much of a difference. What is going to make a difference is what do you project as the future market price that is where the views would be different and that is where the bidding would be different.

**Raj Gandhi**: Got it. Sure, thanks.

**Moderator**: Thank you. The next question is from the line of Sreemant Dudhoria from Unifi Capital. Please go ahead.

**Sreemant Dudhoria:** Sir the 166 Crores of debt number is that a gross debt number or net debt?

**Subhra Sengupta**: The 165 Crores is net debt.

**Sreemant Dudhoria:** What is the gross number?

**Subhra Sengupta**: 180.

**Sreemant Dudhoria:** Sorry.

**Subhra Sengupta**: 180.

**Sreemant Dudhoria:** Secondly, the fund rise from Tata Steel while the press issue happened end of the previous financial year what timelines are we looking for the warrant issue anything soon that is coming up?

**Subhra Sengupta**: That is a discussion of Tata Steel. So they are supposed to give us by September 2020 and even as of today our debt position and debt equity, the debt to EBITDA is very favorable. We also do not need that money. So it is total decision of Tata Steel not at our hand.

**Sreemant Dudhoria:** So the warrant issue has not yet happened?

**Subhra Sengupta**: No, no, it is the decision of Tata Steel. They are supposed to give within 18 months from March 24, 2019.

**Sandeep Kumar**: If I can just kind of add on to that. You see the power project expansion for which this money has been funded by Tata Steel the total capital cost is 600 Crores plus now out of which about 400 Crores is coming in from Tata Steel roughly. We do not need all the money in this year. Most of the money requirement would be next year. Tata Steel also has 18 months to covert its warrants it is already paid us the first tranche. The second tranche would be there is an 18 months window of which 25% advance also has been paid. So therefore you are left with about 75% of which is the balance, which we would in consultation with Tata Steel seek the funding and as the project progresses this is a very logical way to approach but what Subhra is saying that basically the discretion lies with Tata Steel when they want to convert the warrant.

**Sreemant Dudhoria:** Thank you.

**Moderator**: Thank you. The next question is from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.

**Vimal Gohil:** Thank you for the opportunity once again Sir. Sir, if in this particular quarter have we made any calculations to know that if at all the furnace would have been normal in this particular quarter and if we would have had the oxygen in the PCI plant running in full efficiency what would be our EBITDA or how much would we have saved in costs?

**Sandeep Kumar**: You are asking very difficult question and a hypothetical one as well but just to give you a sense the PCI project should book us savings of about 30 Crores, 35 Crores on an annual basis. PCI we are operating at about 60% of the target. That is what we have done in Q1. That gives you some sense you can calculate the number. Oxygen plant should give us about 10 Crores to 15 Crores of benefit. That did not happen in Q1. That has happened now. So you can calculate the benefit. Then in general we have worked on a number of things on the furnace in improving the agglomerate burden by going in for a conversion of the pallet, by rationalizing the silicon percentage in the furnace, by stabilizing and rationalizing the number of sources of raw materials, there are number of operational improvement projects going on, there is work on capability building, which is going on, there is a work on process and systems improvement, which is going on. So all of this should yield us significant benefits as we go forward, how much, how do I kind of give a number to that is a bit difficult but at least on the PCI and oxygen I have given you some numbers.

**Vimal Gohil:** Sir these 10 Crores of oxygen plant benefit that you spoke about this is annular for the quarter?

**Sandeep Kumar**: Annualized.

**Vimal Gohil:** Annualized you are talking about 10 Crores of cost savings?

**Sandeep Kumar**: Yes, it would be 10 Crores plus, it would be 10 Crores to 15 Crores depending on how much you use it, how much oxygen you use it because this new oxygen plant is far more efficient than our previous one. It comes in at much lower power consumption. It gives you the ability to inject much more coal, reduce your coke rates, and improve your production. So overall the impact is far more significant than what we can envisage. Question is how quickly you can ramp it up and start using it to your advantage. So we had just commissioned it two days back and we are in fact in the process of stabilizing it hopefully we can do that quickly and some benefits of that should start coming in this quarter itself.

**Vimal Gohil:** Fair enough Sir. Thank you.

**Moderator**: Thank you. The next question is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.

**Ayush Mittal**: Good afternoon Sir. Sir what kind of volumes do we plan to do in the DI pipe segment for the year?

**Sandeep Kumar**: More or less similar to what we did last year because we have already kind of squeezed out the volume so it is not a question of product mix and things like that but so we did about 230 last year close to that and this year we targeted similar numbers.

**Ayush Mittal**: Sir on the pig iron segment what we have seen in past is whenever the steel cycle goes down or something the prices go down the margins get affected for couple of quarters or something like that. Going forward, do you want to put a range where you think we will have a more sustainable number because in past we have also had losses in the segment?

**Sandeep Kumar**: Yes, I am not surprised also because operationally we were not very strong, we are improving, we are still not that strong, but as I was saying, as we go forward we will improve our competitive positioning on the costs side because that is one of our pillars, cost leadership where we are working on very strongly and as we start reaping the benefits even though the markets may hit us, but purely from an improved operational performance we should be able to weather the difficulties of the market. Obviously if the market supports then you start booming in terms of profitability, but that should not be it should not dependent on the market alone. So to answer your question on the market well the markets have been weak in Q1, will remain weak in Q2 but overall profitability point of view we should improve our profitability as the operational performance improves.

**Ayush Mittal**: That is it from my side. Thank you.

**Moderator**: Thank you. The next question is from the line of Ridhima Kapoor from Varia Securities. Please go ahead.

**Ridhima Kapoor**: I would like to know whatever you published in the segment wise revenue, I just wanted to know what does unallocated assets and liabilities indicate and why has there been a decrease in the unallocable assets and liabilities?

**Sandeep Kumar**: I will just give it to our CFO, Subhra will answer that.

**Subhra Sengupta**: See, we have the two divisions one is CI and one is DI and there are lot of assets which are common in nature and also some cost. These are the places we put it as unallocable number.

**Ridhima Kapoor**: So there is no other segment as such, it is something that is shared between both?

**Subhra Sengupta**: This is shared between both which cannot be target be allocable it is unallocable.

**Ridhima Kapoor**: Any reason for change in this number because till last year it was 5000 something, 5000 lakhs and now it is 3000 lakhs?

**Subhra Sengupta**: No, there is no specific reason, it is only that every time we try to allocate more precisely, but it is applicable we allocate it cannot be allocated we just put it to.

**Ridhima Kapoor**: Thank you so much Sir. That is all from my side.

**Moderator**: Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

**Chintan Sheth**: Sir, I was just referring to comment wherein we are debt free kind of right now we are profitable on DI side as well, it is a little confusing obviously you mentioned that in relative to our expansion plan of 600 Crores of its 400 Crores is being increased by Tata Steel so I was wondering why at a, why the parent has infused capital then actually we are kind of clear and stronger than then in the past?

**Sandeep Kumar**: We have answered these questions when we had a special conference call post the infusion approval from our board and shareholders. Just to repeat the infusion by the parent is reflection of the strength of Tata Metaliks or the business that the Tata Metaliks is, so that is number one. Number to is that it is far easier from Tata Metaliks point of view to get this funding rather than adopt any other funding route we can focus on the business rather than on the funding, while it is good for the investors it may be good for the investors if they understand and know for us we need to focus on our operations, our customers, our markets, and that is what we are doing so it is an easy, simple, elegant route for getting funding and most importantly strengthen the balance sheet and puts us in a position of further growth and which is what something which we have also evaluating as we go forward what is the next. Earlier if it is immediately required we could have funded in the short-run but the entire 6 Crores we would have needed some funding and that is where the parent has come and showed confidence and also strengthened the balance sheet. Moreover the pricing, if you look at the share pricing, the day the approval took place the market price at that point of time was prevailing at a much lower rate than what the parent is funding at. So it will say Rs.582 when the market, when the approval took place and actual price is Rs.642.

**Chintan Sheth**: The point was basically that shows the confidence of parent in the company and all sorts of that, but again the cost of equity is always riskier and higher than the cost of debt. We are debt free right now, we could have easily gone for a small term loan and funded it through the project through that or the other explanation maybe that we might look for another acquisition or something like that which we were planning couple of years back one or two years back, we are looking at some asset in other division and this funding will keep our auctions of funding, is that we should take that.

**Sandeep Kumar**: Yes so you are right and we have said this also that will be strengthen our balance sheet, puts us in a position to grow further and therefore at that point of time we can go to the market or we can go for debt or whatever. So certainly you are right that the debt position at the moment is very, very comfortable and maybe we could have done with some amount of debt but I think it is kind of positions us very well to grow further. There would be iron ore mines auction, coal mines auction they would require capex so we have the option today to go in for all that and not get stressed. There are also adjacent businesses so we have a full-fledged strategy, long-term strategy and we are working as per that. It may not be visible very clearly to everybody but we have some plans, some of it may workout, some of it may not workout that is for the future to see but there is a plan behind all this and we are working as per that and generally I think there is a very clear logic if you look at it from a shareholder’s perspective the current market price is Rs.558, Rs.560 Tata Steel is paying Rs.642 we have given it to the investors and then subsequently the market prices have come down they would have felt bad about it. I think any which way the promoter has shown interest, shown confidence and gone ahead now whether it is for good or bad that we will see in the future.

**Chintan Sheth**: The project again we are looking at FY2022 made and that would be the timeline we should look at it 24 months is the timeline?

**Sandeep Kumar**: Yes we should look at 18 to 24 months so in the next financial year end it is what we should be looking at.

**Chintan Sheth**: Thanks and all the best.

**Moderator**: Thank you. The next question is from the line of Shree Harish as Personal Investor. Please go ahead.

**Shree Harish**: Sir in view of the buy your pipe to every household in rural, you sounded very optimistic on DI pipe front, my question is to Sandeep Sir. Whether in spite of a best announced expansion plan which will take anywhere between 18 and 24 months and our current capacity is running at full capacity, are we still interested in some inorganic growth if something some opportunity comes in our way Sir?

**Sandeep Kumar**: Certainly that is why I just answered in the previous question the balance sheet has been strengthened with one of that objective, as well. Now if there is a suitable opportunity which comes in we will like to gobble it up, they must come at an attractive valuation. For us I think it is not about acquisitions, it is not about growth, for the sake of growth it must be profitable growth.

**Shree Harish**: Absolutely right Sir. This was only question. Thank you.

**Moderator**: Thank you. Follow up question from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

**Saket Kapoor**: Sir what is the capex that is unmarked for this year and the next financial year?

**Sandeep Kumar**: Sustenance capex would be we have budgeted almost 60 Crores to 80 Crores and this is not the regular expansion project that is separate.

**Saket Kapoor**: On the next year Sir how much it would be?

**Sandeep Kumar**: Next year would be on a similar level and most of our capex, a large part of it is going on to automation and digitization, on strengthening the core safety, sustainability, infrastructure, then automation, digitization so there is a lot of focus on things like these and I do not want to preempt it, but sooner than later I will be able to share more success stories on these in one of the conference calls as we succeed. We are seeing some success but let us get more of that then we can talk about it.

**Saket Kapoor**: No, I was talking about Sir that the new capacity expansion about for 600 Crores when will that capex complete in and what will be the capacity that we are looking to expand by?

**Sandeep Kumar**: Doubling the capacity from 200000 tons to 400000 tons capacity to come up on stream between 18 to 24 months.

**Saket Kapoor**: And that project will start early next year?

**Sandeep Kumar**: Project has already started. We have already given the order for the power plant, for the pipe plant the technology supplier is almost close to finalization, enabling work has started, environmental clearances already through, so a lot of work is already happening and project is going on as per stream.

**Saket Kapoor**: Two very small points. Sir one is about the NCLT cases. In NCLT cases there are a couple of players that are being dragged into NCLT but the pace at which the things are happening what is the reality on ground? How are you seeing because the Tata Group has been very aggressive or in fact to say very strong participant in NCLT and have that very good asset also so how are you taking these players in NCLT, there are couple of them I think so?

**Sandeep Kumar**: One of them which is Electro Steel, Bokaro which came up as an NCLT case we also bid for it but we did not win it, Vedanta won it. One or two more might come up sooner than later. We will evaluate on merit and decide.

**Saket Kapoor**: On Electro Therm I think just to clear that, Electro Therm one is there and there is one within the southern there also we should consolidate going forward? That is what you are seeing then as the situation come you will be taking cognizance of that?

**Sandeep Kumar**: Yes, depending on the merit of the case and the valuation we will go ahead purely on valuation like Electro Steel, Bokaro we did not get it of course it was also there was a steel business which Tata Steel had bid for we have done it together but the funda is that we will go ahead strictly on valuation, if we do not want to be overtly aggressive although the business looks very robust at the moment and the future also looks very bright but we are always a little cautious in terms of what to acquire and at what price to acquire so that is very important for us.

**Saket Kapoor**: Yes, Vedanta is come up with a very strong contender now for us as a competitor also in the DI Pipe also they will be also expanding it in a making it a sizable part in terms of DI business?

**Sandeep Kumar**: Yes, so there is enough space for everybody. At the moment they are trying to stabilize. They are having some problems but I think as I understand they are facing some difficulties which are expected in the initial part. I hope they will stabilize soon and there is space for everybody so they are welcome to join the larger booth.

**Saket Kapoor**: In the DI sales Sir last point I am concluding DI sales for this quarter was 53600 tons which you said is the record for Q1 so Sir and you are guiding us for 23500 in the vicinity of 23500, 23600 for the year, Sir going down there would be tapering in the sales part because I think so we have squeezed the maximum going forward whatever growth we have seen earlier in the second half this time it will be tapering up since we have booked higher sales number for the first quarter that is a good understanding.

**Sandeep Kumar**: See we have done 54000 tons in this quarter of DI Pipes, Q1 maybe similar number 50000 to 60000 something like that depends on how much deliveries actually happen so that makes it say 100000 or 110000 whatever so that leaves you with if you have 230000 minus 110000 that leaves you with about 120000, 125000 whatever how much we can do, we will see so we will be certainly H2 will be more let us see how much more because that will give a squeeze out, it depends on how much more we can squeeze out.

**Saket Kapoor**: Actually Sir I was looking at the volume for Q4 at 72000 so in no way we will be able to up that sales number because that was the maximum that can be squeezed out from this capacity with all debottlenecking and product mix I think so is that a good assumption in terms of the volume part only or we can better that number also in our planning as of now?

**Sandeep Kumar**: So it depends a lot on the product mix also. We improved our availability by 2% last year that helped us improve the production so from the same capacity we assume certain availability, we assume a certain capacity but from the same capacity by improving your availability and through your product mix, we were able to deliver more. This year but we think we have reached almost the peak and there is not much more we can do except for some marginal improvement. How much more we can do? I think let us wait every quarter and we will see how much more we can do but at the moment your assumption seems to be logical that about 230000 if we have to do 235000 whatever in that range then H2 is not going to be significantly more than H1 especially if Q2 also goes the same base Q1 but we will see how much more we can squeeze let us see I think we will have to wait quarter-on-quarter.

**Saket Kapoor**: Thank you Sir for answering and guiding us.

**Moderator**: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Awanish Chandra for closing comments. Thank you and over to you Sir!

**Awanish Chandra**: Thank you very much Sandeep Sir and Subhra Sir for your valuable time. Sir any final comment before closing.

**Sandeep Kumar**: I do not think so. I think we have given the picture very clear and this will only be a repetition that the Q1 has been mainly impacted by the market and partly because of the operational performance. Going forward the operational performance should certainly improved. Markets we cannot tell much, the pig iron market but the DI pipe market to smooth and we will continue to do well there. How much in exactly in Q2 we are not in a position to say but I think generally people have got a sense and I think as we move forward the volumes of DI pipe are likely to be more dependent on how the monsoons progress while the pig iron will depend a lot on how the markets play out. That is from my side. Do you want to add anything Subhra?

**Subhra Sengupta**: Thank you.

**Moderator**: Thank you very much. Ladies and gentlemen on behalf of Monarch Networth Capital Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.