“Tata Metaliks Limited’s Q2 FY’21 Earnings Conference Call”

October 20, 2020

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

MODERATOR: **MR. SAHIL SANGHVI – MONARCH NETWORTH CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY'21 Earnings Conference Call of Tata Metaliks Limited, 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 an operator by pressing '*' and '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sahil Sanghvi from Monarch Networth Capital Limited. Thank you. And over to you, sir.

Sahil Sanghvi: Thank you, Rituja. Good morning to all. On behalf of Monarch Networth Capital, we welcome you all for the Tata Metaliks Second Quarter FY'2021 Earnings Call.

We are glad to host the management at the call today; we have their M.D. Mr. Sandeep Kumar sir and CFO, Mr. Subhra Sengupta sir.

So without taking much time, I will hand over the call to Mr. Sandeep, sir for the opening remarks. Thank you. And over to you, sir.

Sandeep Kumar: Thanks, Sahil, and Good morning, and welcome to all. Well, the Q2 results for us has been very positive. And I think this will be a great factor for us going forward as well. The key reason for the rebound, as I mentioned earlier in my television interview also are following: #1, it is the improved spread between the pig iron and the raw material prices. We saw surge in the pig iron prices which I mentioned in the last call also in July, the pig iron prices had reached almost Rs.34,000 and the raw material prices remained stable. So that is one of the major reasons.

The second reason, of course, is the increase in sales volume of pig iron, and I am comparing this year-on-year because there is no point in comparing with Q1.

The third point which is often a neglected one is the cost efficiencies. We have had a significant improvement in our cost efficiencies compared to Q2 of FY'20, and this has been led primarily by the PCI and the oxygen project, which we have been talking to you for last couple of years. So they have started bearing fruit.

We had also mentioned about we had run a performance improvement program for almost about seven, eight months with the help of an international consultant. Now, all this has led to stability in our upstream performance. And we believe now that on hot metal side, we have now become the lowest cost producer. We always thought we are the lowest cost producer in the ductile iron pipe side. Now, we also have achieved that number as per our internal benchmarking and the assessments that we have done that we are one of the best fuel rates in the secondary pig iron industry. And we already have one of the I think the lowest conversion costs in the pipe business. So cost wise, I think we have done extremely well. That is what is controllable by us.

The other factor which is not controllable fully is the market. But that has been positive. So both these factors have helped us. So that is in summary the story.

In terms of numbers, I am sure you already have the numbers, but just to kind of recap, we had a profit before tax of Rs.90 crores compared to let us say about Rs.23 crores year-on-year. And if you look at the revenues, the revenues have been at Rs.520 crores compared to say Rs.511 crores. So revenues have remained more or less the same. But the profitability has increased significantly. The EBITDA margins have gone up to let us say 21% compared to say about 8%, 9%. Typically, the EBITDA margin for the business remains at about 15% to 16%. That is an average of EBITDA, let us say about 15%. This quarter has been unusually good. So, that is why it has touched 21%. And of course, Q2 of FY'20 was unusually bad. So let us say about 8%, 9%.

So I think that in a way summarizes our performance for Q2. And I think there would be questions and if you look at the way forward how is Q3 looking and Q4, I will talk about it as we go forward.

With this I will close my opening commentary and wait for the questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sreemant Dudhoria from Unifi Capital. Please go ahead.

Sreemant Dudhoria: The first question is on the pig iron spread. Of late, we have seen the coking coal prices rise again sharply and there is some correction also. So, are the spreads remaining the same for us or is any change as compared to the Q2?

Sandeep Kumar: So, Good morning, and thank you for your opening question. The spreads will obviously come down because of the fact that the raw material prices have started going up. In fact, if you look at iron ore, the iron ore prices have doubled almost 80% increase we have seen between, let us say July and October. If you look at the coking coal prices, it was hovering at about $110 or so, the prime hard coking coal FOB, that moved up to let us say 140, is now down to 120. So the coking coal prices if you compare with July, let us say has moved up by about $10, $12. So it is not that significant, but iron ore has almost doubled. So that will certainly impact the spreads. The coke prices have moved up from let us say Rs.19,000, 20,000 to let us say about Rs.24,000, Rs.25,000. So, all in all, there is a cost push on the raw material side. As far as the pig iron prices are concerned, they were at a range of between 33 and 34. And they are range bound. They are moving in that. So therefore, there will be an impact on the spread in Q3, that is my expectation, but obviously, nobody can say so with certainty.

Sreemant Dudhoria: The second question on the DI Pipe volume ramp up. How is the demand now picking up at the sites, is Q3 and Q4 looking the same as it usually been in the second half?

Sandeep Kumar: So the DI Pipe business is greatly impacted by the investments by the government. That investment is something which we will have to wait and see to what extent it continues, because obviously the government is spending a lot more money on health and COVID related affairs and the revenues to the government has been much lower than normal. So we have been expecting that there may be a slowdown in government investment. But what we have found is that as far as our payments are concerned, they have been coming in time from almost all the governments. So we have not seen any delays in payments which would normally get actually reflected if the government was under stress. So that is one positive. The second positive which we are expecting is that the government stimulus on demand side should come whether it comes over the next three months or over the next six months, I do not know. But even we had a session with Mr. Sanjeev Sanyal recently and he also said that he is expecting a demand stimulus to be put by the government, the government is waiting for an appropriate time. I think if the demand stimulus comes when I think there would be an obvious kind of effect on the projects being speeded up, because there are enough projects in the pipeline, UP has actually come up and has actually allocated tenders also with almost about let us say 6 to 7 lakh tons of DI Pipes, Andhra Pradesh is another one with let us say 4 lakh tons. So, between these two states itself, you will find that almost a 1.2 million tons is getting covered. Then we have Odisha, then we have West Bengal, Jharkhand, Madhya Pradesh, Gujarat. So we have a number of states. So, as far as visibility of projects is concerned, the announcements are there. Now, we have to wait and see how many of these gets converted into executable ones. So that is the point with which we will have to wait and see.

Sreemant Dudhoria: UP and the Andhra orders which you said together 1.2 million tons. Has that already been awarded to the EPC contractors?

Sandeep Kumar: Yes, many of them, the UP ones are much ahead, and in fact the UP-EPC contractors have in turn started offering the supply contracts to the DIP manufacturers. So that is also started happening. Andhra Pradesh is another one where the projects have begun. Because of the change in government that got delayed, otherwise that should have started much earlier. But now that has got stabilized and the tenders are being allocated, seats are being announced and the allocation has started happening. So, I do not think that will be a problem. The issue that will come up is whether the government has the money to actually execute the projects at a speed at which it was envisaged. The projects will go ahead, but the government must have money. So, that is my concern. So, that is something which we will have to wait and see. And if the central government announces some stimulus on the demand side, then we will see water infrastructure getting certain percentage of it, particularly because water and sanitation will also link to help, and therefore, they should be getting some money.

Sreemant Dudhoria: On 21st September, we took shutdown of one of our furnaces. What is the likely impact of that shutdown in Q2 if there was any, and what will be in Q3?

Sandeep Kumar: Let us say, we lost about 10-days of production, 20th, 21st, whatever, let us say we produce on an average 50,000 tons per month, so we would have lost let us say 15,000 tons, just a rough number. So that is the kind of impact. Out of 15,000 tons, let us say we would have made 10,000 tons of pig iron and 5,000 tons of the ductile and pipe, I am just giving some rough number. So that is the kind of tonnage which we would have lost in September, or similar or maybe slightly more, we will lose in October, because the furnace is still under repair, it is planned for more than a month, we are likely to restart the furnace soon and we will notify you on the stock exchange as well shortly. So that has been almost complete now. So that is the kind of loss we have had in September. And that maybe a little bit more of loss in October as well.

Sreemant Dudhoria: So finally on the new capacity commissioning on the timelines, are things now falling in place in terms of the plant and machinery inputs?

Sandeep Kumar: The new project, we have been doing some work on the basics of civil and structural. There have been issues in terms of finding labor, particularly because the project labor risk comes from outside there is a skilled labor also. So there have been various issues on the project side which has actually delayed the project. So last time, I had mentioned to you about that the project has been delayed by anywhere between six to nine months. And it looks to me that this delay will continue for a bit more time, because those issues are still there with festivities and the COVID infection. We are also going a bit slow, we do not want to take a risk of having too many people inside the plant, because every single person who comes inside the plant, we test them, we quarantine them before we let them enter. And you can imagine about 4,000, 5,000 people entering the plant every day, it is not an easy job. Of course, though, the new ones are the project guys for example, for a blast furnace shut down, we have 500 people inside the plant. Now this 500 people have come from outside, most of them. So we had to test every single one of them. So, there are issues related to that, which is leading to some amount of delay. And, of course, there is no issue in terms of cash or our commitment to complete the project. It is just that we are being a little conservative and we do not want the plant to get impacted because what happens is that we have had huge number of loss, almost about 2,000 people we have tested, almost about 200 people have been found positive, for this every person that you test positive, there are three, four or five who are through contact tracing, are put on home quarantine, so the entire operations gets affected. And that is the point I forgot to mention that this performance in Q2 is despite COVID. And COVID has had a tremendous strain, because we have not been able to fully run our operations in the way that we would normally do. Despite that the cost efficiencies have been there. And of course, there has been the help from the market as well. So keeping all of this in mind, I would say that the project is right now on a go slow. And we will get more clarity over the next two to three months as we go forward in terms of pushing it. So we are not pushing it hard, it is just going slow because of these factors.

Moderator: Thank you. The next question is from the line of Akshay Satija from Alpha Invesco. Please go ahead.

Akshay Satija: Sir, as you mentioned, the pig iron prices right now has gone upwards of 34,000 and the raw material prices have also started to increase. So do we see a similar trend in pig iron going forward like will we see rise in prices, and are these prices really sustainable?

Sandeep Kumar: So the pig iron prices you can assume is between 33,000 to 34,000. And you can say the coke prices are let us say about 24,000 to 25,000. So, the coke prices were at a level of let us say about 20,000, 21,000, whatever. Now, they have moved up by 3,000 to 4,000. While the pig iron prices have been range bound between 33,000 and 34,000, they have remained now more or less same over the last, I would say, two months in September. Although there has been a hike in steel prices from 1st of October, that also helps to some extent our pig iron prices also, although it is not directly related, but there is some correlation. So, to that extent, these prices are being supported. If I were to say what is the price in Punjab today of pig iron, they have reached 37,000. But that is artificial price, because of the farmers agitation. What is the price in Delhi? It is more like 34,000. I would say that the prices are more range bound between 33,000 and 34,000. They go up and down, so they are not falling majorly, or they are not going up majorly. While the raw material prices, which moved up the coal prices and the coke prices have now over the last 10, 15 days, let us say come down somewhat, so let's say about Rs.1,000. So to that extent, there is some amount of volatility, but both are range bound right now.

Akshay Satija: So, would you say it is better to track the Delhi benchmark prices instead of Ludhiana at least for the quantum from a point of view of Tata Metaliks?

Sandeep Kumar: Yes, for everybody right now, because of the farmers agitation in Punjab, rate movement of cargo is not happening. We send it by rakes. It is not reaching Punjab because of their agitation. I am hoping that their agitation will be called off and then things will become normal. So right now, Punjab prices will be artificially high. Delhi or Gujarat are better to track.

Akshay Satija: I also wanted to understand slightly the industry scenario currently on pig iron. Are we seeing any new CAPEX coming in? And is it really viable to build a new pig iron capacity? And what sort of CAPEX is required for building pig iron capacity?

Sandeep Kumar: Typically, if we were to build let us say, a ductile iron pipe plant of let us say 2 lakh tons backed up by a blast furnace, of 2.5 or 3 lakh tons, then we say a CAPEX of about Rs.1,000 crores. The back end will take let us say Rs.500, Rs.600 crores and the downstream will take let us say about Rs.400-500 crores broadly speaking. So, that is the way it is a broad thumb rule you can use, it is about Rs.1,000 crores for an integrated ductile iron pipe plant on a Greenfield basis.

Akshay Satija: What would it be in terms of Brownfield? And can you give a little landscape on the industry we are seeing right now, because we have been continuously seeing decreasing production in pig iron for last four, five years in our country, so, where is this industry actually moving forward?

Sandeep Kumar: So, the pig iron is of two kinds; one is the steel grid, which goes into making steel, the other is the foundry grid, which goes into making castings and the castings in turn go for various applications including railways, engineering, auto and all that. So, we are in that business. We are not in the steel world. So, the chemistry is different, the product is different, although to some extent that the margins, they substitute each other, but that is only at the margins to some extent. So, the casting industry, if you look at it, it has been growing at a level of about 5% to 6% every year, but castings are of various kinds, like steel castings, ductile iron pipe castings, there is the normal gray iron castings where we supply and that is dependent upon auto, engineering, agriculture, sanitary casting like Howrah manhole covers, etc., So, this is moving in a range of about 5% to 6%. Industry which is growing at 5% to 6%, it is not something which is great in terms of the long-term future. And that is the reason why we are moving out into the ductile iron pipe. So while we will continue to have the pig iron as a balancing business, and as a small part to, in some sense hedge, but virtually 70% to 75% of our business would become ductile iron pipe in let us say, over the next two years or three years. So that is the movement direction of our business. And pig iron business per se is not a greatly attractive business, either you make steel out of it, you know the steel cycle, or you make castings out of it, like Kirloskar and ferrous and get into further downstream.

Akshay Satija: Are we looking to get into casting side or are we focused on DI Pipe itself, do we have any plans in that direction?

Sandeep Kumar: So we have examined as a part of our long-term strategy, about a couple of years back, we have done a detailed strategy alignment with the help of an international consultant, and we have kind of zeroed in on what we want to do. Our strategy right now is to focus on the water infrastructure sector and therefore, the ductile iron pipe is I think a very key part of that. So right now, we are focused on expanding the ductile iron pipe business.

Akshay Satija: As you just mentioned that we are the lowest cost producers now in pig iron, we already were in from a DI Pipe, what would be the approximate cost per ton in terms of raw materials for pig iron?

Sandeep Kumar: So the raw material would vary na because of the raw material prices fluctuate so much, so there would be no meaning from that perspective to ask what the raw material cost would be. Generally, just to give you a sense, of the hot metal cost, the coke cost constitutes about 60%. So the direct cost I am talking about, not the fixed cost, 60% cost is coming from coke. That will give you a sense. So it is primarily led by the raw material.

Moderator: Thank you. The next question is from the line of Vikash Singh from PhillipCapital. Please go ahead.

Vikash Singh: I just want to understand that our DI Pipe sales has been down almost 30% in the first half. So how much in the second half we think we should be able to recover or what kind of the guidance we have in terms of volume this year?

Sandeep Kumar: The way to look at it is that the ductile iron pipe business typically is skewed towards the second half. The first half typically is slow. Two reasons; #1, Q2 has got monsoons. So in monsoons, you do not have enough, the project sites get flooded and there is not enough work that happens and Q1 is because the government money gets spent in March, thereafter to get the new year funds takes a bit of time, and then the summer heat. So because of this, about, let us say 55% to 60% of the business happens in the second half. That is the general trend. Now Q1 for most of us was a washout because of the lockdown. Q2 both monsoons and COVID have impacted our sales, right. That is why you see that Q2 we have had a dip compared to Q2 of last financial year in ductile iron pipe. Pig iron moved up but ductile did not because even though we had firm orders and everything, but we could not move material because some sites got blocked because of workers getting COVID or somewhere else the offices got closed and the inspectors could not come, we were also very particular because in ductile iron pipe, no, the inspections have to be done, we were not encouraging people to come into our plant. If you had to come, then you have to be tested. All these problems have been there. So, all that has impacted. Otherwise generally of the annual volumes, you can assume 60% definitely will be in H2.

Vikash Singh: Sir, what kind of guidance in terms of absolute volume we are giving right now if any?

Sandeep Kumar: So we are not giving any guidance… we normally do not give, but I still give you in some sort of an indication as to what is the kind of volumes that we do in the second half and I think second half is going to be much better than first half for obvious reasons that I just explained.

Vikash Singh: So basically net net, the second half should be better and should be 40:60 kind of the ratio, it should be in terms of volume, is that a right understanding?

Sandeep Kumar: Yes, I said at least 60% of the total year should certainly be there in H2, if not more.

Vikash Singh: Sir my second question pertains to our net cash status. I believe we are already at 99-odd crores of net cash. So considering that we are going slow on the CAPEX thing and second half is expected to be better, shall we safely assume despite CAPEX we would remain a net cash company going forward?

Sandeep Kumar: You can see very clearly that we are already positive cash, okay, and the capital expenditure right now has been kept under control for obvious reasons that I explained a little while back, because of COVID, because of labor not being there, so the capital expenditure is not happening to the extent that it would have happened normally. So we should continue to do well on the cash side as we go forward. And it will also depend upon how quickly we expedite the capital expenditure. So we just want to wait for a little bit more time to see. This infection has to be under control, because you cannot have too many labors coming in at the same place and working and infecting everybody else. So that is a major concern for us. And that is one of the reasons as I said, this we are going a bit slow.

Vikash Singh: What kind of CAPEX we are planning for the second half, if you can give us the figure?

Sandeep Kumar: So we are taking a call on the CAPEX quarter-on-quarter. But let us say whatever we have spent in the first half, we would certainly spend a similar CAPEX. Subhra, you want to just answer that?

Subhra Sengupta: First half we have spent around Rs.66 crores. So we will spend a similar number 60 to 65 crores in the H2. And definitely we will continue to be on the cash positive.

Vikash Singh: Since DI Pipe has been a little bit weaker on the first half, how we have seen the competitive intensity, and is it impacted in terms of the bidding of the new orders, any price pressures on the new orders as of now we have seen?

Sandeep Kumar: You are right. Because of the market situation and because of the COVID situation, the prices have come down; we have seen a drop in prices in ductile iron pipe. And so the new bookings are happening at somewhat lower levels. But with the upsurge in the raw material prices, I think the producers will have to think twice before dropping prices any further. In fact, the way the raw material prices have moved up, I would think that people should be looking at hiking prices now. But because what happens is normally a lag between the raw material prices and the ductile iron pipe prices, there would be some impact of the fall and the negative situation on the ductile iron pipe which we are seeing now. But now again, since July, as I said after letting us say from September, October prices went up so that impact should play out sooner than later. And depends on how long this rally sustains. If the raw material prices continue to rally, then that will start impacting your DI Pipe prices also, because then the producers will know that look, we cannot keep dropping prices anymore, because now the rally is up, and the costs will go up. So that is a natural reaction. Typically, three to six months, there is a gap between the raw material and the DI Pipe prices. So we will have to weather out the next couple of months to see how things move.

Vikash Singh: Any indicative pricing which you can share with us like 1,000 or 2,000 drop we have seen as of now if you can give us?

Sandeep Kumar: We are seeing different kinds of price drops in different areas. But certainly you can say between 5% and 10% drop in prices being seen here and there, there could be a little bit more also. So let us say about 1,000 bucks and 1,500 bucks this kind of. So that will be maybe more than 10%, not 5%, so let us say about 10%, 12% or 15% even up to that in some cases we are seeing a drop. Sorry, let me just clarify, as a percentage, it would be lower. So let's say if your market prices are, let us say about 50,000, so then, if you are seeing a drop of, let us say, 10%, then you would see a drop of almost about Rs.5,000. So you are seeing anything between Rs.3,000 to Rs.5,000 that gives you a sense.

Moderator: Thank you. The next question is from the line of Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: Sir, I have a very basic question on this entire iron ore semi-finished and steel ready. So we have seen that the basic premise of this rally has been a shortage of material both globally as well as locally. So while it is difficult to comment about the global situation in iron ore and where it is heading, we have seen a case where in India, most of the merchant miners have bid for rights at such an astronomical price that they become unviable to lift output for most of the 12 mines that were auctioned early on the year. So given this scenario, the entire rally has been to my mind fuel more of a shortage of ore rather than anything else, because the demand was not there really in the first six months. Now we see the demand is coming back, what is going to happen? I mean, there is no likely conclusion of the old mining that we can see immediately. So is it going to be that price will go through the roof and all the end products, or how is it going to play out? I wanted your opinion on this.

Sandeep Kumar: So let me give you some numbers, that will flesh out a few things in your mind. In Odisha, roughly about 150 million tons of iron ore is produced. Out of that, let us say 80 mt was captive and 70 mt was merchant. Now 40 million more has moved to captive. Okay, so the captive guy has become, let us say 110 and about 40 million, so just a little bit. So let us say the merchant now is close to about 40 million, and 110 is captive. But this 40 mt movement should have happened from October. And that has also led to the rally because there was an uncertainty about the guys picking up the mine, transition phase, permissions, all that. However, we have to note that these guys who have taken over the mines are going to pay astronomical royalties, they are paying as much as the market price. So obviously, the cost for them will go up significantly. How they are going to make money? I do not know, that is another mystery to me. But even say they make money in some ways, the fact of the matter is that the cost of iron ore available in the marketplace for all those guys who have bid, is going to be much higher. What it means is that people who have captive mines before like Tata Steel and SAIL, will become more competitive than these guys. This is my sense. Now, the other impact that you would see is for the merchant guys, if the number of mines is reduced, and if the number of players remain the same, then the price should logically go up, is it not, because it was 50:50 earlier between merchant and captive and now captive has taken over almost let us say 100, 110 mt and only 40 mt is left for merchant, that means only 40 mt is available in the market. But some of these guys who are earlier buying through merchant have now become captive. So there is a little bit of a game here which we need to see as to what extent of trading happens of iron ore in Odisha which is a major player. And that will determine your prices of iron ore going forward. As of now, this is in bit of a flux and that is what is leading to a rally.

Rajesh Majumdar: That is why I wanted your opinion on that because see earlier the demand was not much and still prices were rallying. Now the demand is starting to come back. We will be in a situation where there will be an acute shortage of coal from the merchant mine. So do you think prices can really go through the roof in terms of super cycle in steel?

Sandeep Kumar: Anticipating that the iron ore prices have doubled, 80%-100% depending on fines or lumpy, that has already doubled between July and October, that is what opening comment was that the iron ore prices have almost doubled. But if you look at coking coal, coking coal went up from $110, let us say in July to $140 in early October and back to now $120. That is because there is a problem between China and Australia. So if you look at the cost wise, the coke cost is the major factor, which is 60% of the cost. And the input is coking coal. There the prices have not moved that much. They have moved but then they have dropped again. So we will have to see, and the futures is also not looking that high. So coking coal prices, as of now do not seem to be sustaining a rally. Iron ore because of this fluid situation in Odisha is leading to a rally. Now, I would believe that, this would get stabilized to some extent in Odisha as we go forward, and the prices should cool down. But still there would be a gap. I think iron ore prices will remain at a higher level than what they were in the past. Whether they will have a super rally and all, I do not know, because that all depends on how many guys start operating the mines. Because if you go into details of these mines, if my price is Rs.2,000 and if I am going to pay the government the royalty of another 2,000, it does not make sense to me, why will I buy iron ore at 4,000. I would rather buy iron ore from the market at 2000, then produce iron ore at let us say 1,000 bucks and pay royalty of 2,000 bucks. So that is the difficulty and the complexity which we will have to figure out why these guys are bought at such high rate. So, just to summarize, in general, the cost push for iron ore is going to remain. To what extent? Will depend upon how the situation stabilizes over the next few months. While on coal, things are much better. But there again between China and Australia, how things pan out will determine the international coking coal prices.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: I miss your point about this lower realization in DI Pipe, sir. Why have the prices moved lower?

Sandeep Kumar: You look at the situation saying that with COVID coming in, and everybody anticipating that the orders would be reduced, government does not have money, projects would get slowed down, if you look at it in the first three months, there was hardly any movement, order bookings are very low, new projects, which had been conceived also, did not really concretize, it is only in Q2 now that we are seeing a movement. But that also movement is relatively slower. And there is still that concern that whether the government will have enough money to pump into these projects. That is the concern which would have driven some of the players to bid at lower prices and get the orders because they do not know what the future is, let me extract the order load. So even though people would have been having orders like we have almost about seven months of the load, we would ideally like to have at least nine months, but that is what a typical 9 to 10 months, but right now we are at a slightly lower order load. But we believe that with UP and Andhra and some of these others coming up, things should improve. But whether the prices will improve because prices have started coming down already over the last two three months, I do not know. Ideally, if the raw material rally sustains, the prices should again go back.

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

Sreemant Dudhoria: This is regarding indication which you gave, 60% of our DI volume should happen in the second half of this year. Now given that the first half was largely impacted by the lockdown, is it right to assume that this 60% volume that has happened in the first half should happen in the second half of DI Pipe or it should be more to catch up for the lost sales in the first half?

Sandeep Kumar: What I said was, typically, the volumes are about 55% to 60% in the second half. Okay. That is a typical way any year operates in ductile iron pipe. Now, in this year, Q1 was a washout and if you look at Q2, we have done okay, not great, in fact lower than, so we did about 49,000 compared to 56,000 in Q1. Now, if we were to look at a total volume, then of the total volume in a year, not 55%, 60%, but more than 60% in H2. And I would tend to think we should do much more than that, but at least 60%, which certainly we should do.

Sreemant Dudhoria: Secondly, on the cost savings and cost efficiency that we have been working on, is it right to assume that the PCI and the oxygen plant what we wanted to get from that, has already now in the numbers?

Sandeep Kumar: Yes, so we have started getting those numbers from PCI, from **(Inaudible) 41:31** so we have had a significant benefit coming in from both these projects plus other operational projects which is already factored in Q2, there would be some more improvements, we are doing some automation and digitization projects. So some more improvements in fuel rates also will be visible, for example, we are doing level-2 automation in blast furnace. You will not find any other mini blast furnace having this in the country. That will give us some more benefits. So there are some other projects which are on, but the more significant part of the benefit has already come in.

Sreemant Dudhoria: So what is going to be the financial impact of these further initiatives that you are talking about and what are the timelines for those?

Sandeep Kumar: So I do not think we need to really specify. Let us do it and we will tell you because these are not as significant like in the PCI, I had told you 30, 35 crores, oxygen I told you 10, 15 crores So, virtually about almost 50 crores per annum of benefits is something which we had anticipated and which we had planned for. Now, we are already getting much more than that on a quarterly basis. In fact, that is the controllable part, and that is what we are very happy about and proud about that. It is not only the market, but our own cost structure is helping us. Now additional benefits, there are things which we are doing specially on digital transformation, which nobody else is doing to the level that we have done till now and what we are doing, for example, I had mentioned earlier that we are putting in robots. So we have now almost four robots in a plant already in the pipeline. And with the new plant coming in, let us say in two years' time or something, we have a plan of putting in at least 30, 40 more robots. This is something which you will not find anywhere in the DIP industry at least in India. You may see something in Europe. And these are not off the shelf. It is not like auto. So there is some major work we are doing and the benefits of that we are not calculating right now. Because it is not only about cost, it is also about other factors, it is about efficiency, it is about industrial relations, it is about safety. So all of that we are not calculating right now. But we certainly feel that that is going to radically transform. So we are moving into a, let us say, the factory of the future. That is what we are envisaging, and we are working on that vision. So, I do not want to kind of pinpoint in saying, okay, Rs.5 crores benefit here or Rs.10 crores benefit here, but the benefits would be visible, it is not like Rs.35, Rs.40 crores kind of, so obviously, those are smaller numbers. And you will not have any single project of that nature giving you Rs.35 crores or Rs.40 crores, it is more like in single digit.

Sreemant Dudhoria: And the new capacity, that is now with the further delay, should we expect now by the Q3 or by Q4 next financial year, sir, is that now the revised timeline we should look at?

Sandeep Kumar: I do not think you should assume that. Once we start the project with full gusto, you can assume another 12 months from there. Supposing if we started on let us say in January, right now we are going slow, as I said, because there are too many people coming in and too much of risk, we do not want to spoil our current plant, for building the future plant. So, because all these people for projects have to get from outside. Getting them all in, testing all of them, housing them, there is too many risks. So, we have gone slow. And availability of right kind of labors, etc., also is an issue. So, what we are doing is we are conserving cash. We also want to get more confidence, more visibility so that now the Tata Steel having funded Rs.168 crores, we ourselves having a free cash flow, we have been cashed positive. So, we are accumulating cash, building up the ammunition and moment we find that the COVID thing starts coming under control because right in Bengal, the Durga Puja festivities, etc., there is a huge amount of concern on the cases, just going a bit slow. But as soon as we start, I think full move when we go ahead, it should take us about 11, 12 months after that for the first phase of the project, and maybe another 9, 10 months after that for the second phase.

Moderator: Thank you. The next question is from the line of Akshay Satija from Alpha Invesco. Please go ahead.

Akshay Satija: Sir, I had a few more questions regarding the PCI plant. So could you help us slightly understanding the economies of the PCI plant that we have put in, I mean, how is it really benefiting us?

Sandeep Kumar: How is it benefiting us? Oh, okay. So the PCI basically is Pulverized Coal Injection, it is essentially a replacement of coke with coal. The difference is 1:1. If we were to inject or if we were to put in let us say 1 ton of coke, we can replace that 1 ton of coke with 1 ton of coal and this coal is non-coking and therefore cheaper. So, if the cost differential between coke and coal is let us say anywhere between Rs.10,000 to Rs.12,000 per ton, so, that is the kind of savings you will get. Subhra also looks after the procurement of raw materials. I request him to respond to you in more details.

Subhra Sengupta: You have already covered. So, we have done last seven years data and we find that the average difference is around 10,000. So, for 1 kg coal, the impact will be Rs.10 kind of thing. And operating cost if we reduce, then it come to Rs.7, 8 kind of numbers. So, what M.D. was suggesting that Rs.35-40 crores from the PCI is mainly on the 80 Kg to 90 Kg coal injection part on the hot metal which gives around 35-40 crores benefit.

Akshay Satija: Sir, as you mentioned we are **(Inaudible) 48:30** pig iron, I just wanted to do, understand our power consumption for a ton of pig iron and DI Pipe capacity, what is the number there?

Subhra Sengupta: Today, the total power consumption is approximate 20 MW (+/-1) and our own generation is around 17.5-18. So, on average we buy is 2.5 MW and you are aware that we are putting up a 15 MW power plant and with that increase in the DIP volume and the other functionalities, our total capacity would be approximate 30 MW and the total utilization will also be around 30 to 32 MW.

Akshay Satija: If I look at per ton basis, what sort of efficiency are we looking at, I mean what units do we consume per ton of pig iron manufacturing and the DIP manufacturing?

Subhra Sengupta: In case of DIP, the average consumption is 180 to 200 kWh per ton. That is more power as well. Otherwise, whatever we produce from the blast furnace gas, are utilized in the DIP, all put together would be around 100 average capacity.

Akshay Satija: Could you give us a rough quantum of how many employees are required say when we have 5 lakh ton capacity; 2.5 lakh for pig iron and 2 lakh DI Pipes, what would be the employees required for pig iron and for DI Pipes, an average, just a blended number?

Subhra Sengupta: Today, we have got around 1,250 employees. For DIP will require additional 400 to 500 which I am talking about the permanent rolls, so all put together we will be having 1700 kind of numbers and over and above we will be having say 2,500 of the contract laborers.

Sandeep Kumar: We have currently on a regular basis about 2,500 of contract laborers and let us say about 1,200 of our own employees, that makes it 37, let us say close to 4,000 because we have shut down our project, all that so you can say more or less 4,000 people. In fact, if you take your project in full scope, it will go up to 5,000. So, that is the number. And as we double our DIP capacity you can say that we will add anywhere between let us say 600 to 1,000 depending on the automation and the robotics that we use.

Akshay Satija: And how much employees will be working on the pig iron facility and how much would be in the DI facility from the current 4,000 employees?

Sandeep Kumar: So, you can assume about say 55-60% would be in the ductile iron pipe and balance would be in pig iron, pig iron actually has got other things also, power plant, coke plant, all of that I am including. So, it depends on, on the upstream side there are a number of things, raw material handling, general staff, all that we have covered there. So directly if you look at it about 55% would be coming in from ductile.

Moderator: Thank you. The next question is from the line of Anurag Patel from Roha Asset Managers. Please go ahead.

Anurag Patel: Can you help me with the volume numbers for Q2 and Q1 in terms of the DI Pipes and pig iron?

Subhra Sengupta: In H1, we have done 76,000, out of that 49 in Q2 and 27 in Q1. And pig iron, we have done 180,000, out of that 86,000 in Q2 and 32,000 in Q1.

Moderator: Thank you. The next question is from the line of Saker Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Sir, over the period this 15, 20-days there were two major M&A if you can say both in the DI Pipe as well as in the pig iron by your competitors. So in DI Pipe, two of the largest players are getting amalgamated and Kirloskar bought VSL Steels that will up their capacity by 1.5 lakh tons in the pig iron space. How are we reading these two developments and capability of pig iron going forward, sir, because I think they have given a timeline of six months for which it will get commercialized?

Sandeep Kumar: So as far as the ductile iron pipe is concerned, there is no change in capacity. It is simply two plus two is four, same group, they have just added, right. So they may have some synergy benefits, etc., which I am not aware of, but possibly when they are merging, there must be something in mind. As far as the pig iron is concerned, Kirloskar acquiring the VSL facility, we are aware of that, we have also examined it in the past, but we did not see it fitting into our overall business, and therefore we did not go ahead. For Kirloskar, being in the south and running its casting business, it may have been having its own plans. I do not think it makes any sense to anyone to get into pig iron business on its own, because of the fluctuations in the volatility. Typically, if you look at the EBITDA margins of pig iron business and our pig iron business, which is far more I would say profitable than the steel pig iron business, because we make the foundry grade, we serve a very large number of customers, I do not have all those details, whether you have, because we sell to small, small customers, small, small foundries, and therefore it is more of a distribution. And moment you sell to small customers, your profitability is higher, your margins are higher, your premiums are higher, but then you have to have a marketing network, you need to have distribution, all that. So per se, the pig iron business is not greatly attractive. However, let us say, conjunction with the ductile iron pie business, the pig iron business can be a balancing business, it can act as a hedge, it can tackle some amount of cyclicity, and therefore, to us, it is more of a balancing business as we go forward. Today, it is about 48% of our revenues. As we go forward, it will become say about 25% to 30% of our business. We may increase the 70% to let us say 80% or 85% as we go further forward. So we have some strategic plans in place, and we will take a call as we go ahead depending on the environment and depending on the appetite that we have.

Saket Kapoor: Sir, the raw material price increase which you have spoken specially about the iron ore as well as for the coke one, how has been the trajectory for the last quarter, the prices have started from the very beginning or towards the end of the quarter?

Sandeep Kumar: So the iron ore let us say the lump prices, they moved up between July and August partly and then they have moved in October while the fines prices almost doubled in September. And this is I am talking about in Odisha and the option prices that normally I am just giving you an indication of that. So you can say that part of the prices has moved up in Q2 and partly in Q3 in October.

Saket Kapoor: So on the iron ore, the compression in the margin will be in the third quarter itself only?

Sandeep Kumar: That is what I said initially only that raw material prices increasing, your spreads will be under pressure. Part of it was already absorbed in Q2 also. It is not that fully because July to August, we saw increase in prices in lumps and coking coal we saw increase in September.

Saket Kapoor: Sir, for DI Pipe deliverables, you told 60%, that is around 2.17 lakh we did for last financial year. So, we should expect something in the vicinity of 1.2 lakh for this H2, that should be a good indication?

Sandeep Kumar: No, no, I did not say that. What I said was that typically 55% to 60% of the volumes is done in H2, but this year the H1 being lower therefore, as a percentage this will be more like 60%-plus. So instead of being 55%, 60%, it should be 60% plus. This year there is also the issue of money and the COVID also na. So if that continues, to what extent it will impact, I do not know. COVID has not gone away. Correct? So the reason why the volumes have not been great in H1 is because of COVID primarily, because as I said project sites could not get operated, government offices were closed whenever there was a COVID outbreak. So all of that can continue in Q3, can continue in Q4 till we get a vaccine or till we get out of that. That is why I am saying we cannot say with certainty. There is a lot of uncertainty because of COVID. And therefore, we do not know. That is the reason I am saying, but in general, we are hopeful that at least 60% of the volume this year will come in H2.

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

Raj Gandhi: If I recollect that you mentioned the project execution phase-1 will take 12-months from the beginning of full-fledged work, and phase-2 will take another 10-months after that. So, is that correct understanding?

Sandeep Kumar: Hi, Raj. Good afternoon. So, good to hear from you. Yes, that is right. We have done a part of the project, we also ordered equipment, the civil and structural work has been going on. Of course, due to COVID and due to monsoons, that was slowed down. And that will continue. So some work will continue but on a slower scale. But we do not want to order the equipment, bring it in, and then not know what to do with it. So although we have contracted with suppliers, all that is done. So a lot of things have already happened; the detail engineering, the basic engineering, the procurement part, tying up, all that has been done designing, but it is a question of now execution and erection. So you are right, it will take about 12-months for the first phase, and let us say another 10, 11-months for the second phase.

Raj Gandhi: Given how India-China situation is and a lot of our equipments are coming from China, is there a case of just getting the equipments right now if possible, because tomorrow if there is any issue in getting the equipment, and also some experts and all required, so, how will that equation play out and any way to derisk that by getting at least the equipment and all of that?

Sandeep Kumar: So that is a difficult question for me to handle because I do not know what will happen. But if you ask me, I think this India-China are quite intricately involved, economically, the supply chains are very closely involved. So other than the posturing that is happening, my belief is that this will not worsen. Even if something happens, it will be more temporary, because today you cannot work like this. So that is number one. Number two is that, the alternative to China in many of these cases are not great. Although we have been working and we have had some breakthroughs in some of the consumables and raw materials, especially over the last one year, because I mean, this thing has developed over the last few months, but we have been conscious of this and we have been working to diversify our sourcing base over the last one, one and a half years and we have had some significant success, I would say, but I would still there in the trial stage, so I do not want to announce it right now, in the sense mention it in the call. For example, we are procuring something from Israel, we had developed a vendor in India who is very well known one. So now the trials are going on, I hope that some of these things if they succeed it will be good for the DIP industry, it will be good for us and also for the industry in general in India. But for the capital equipment, it is not that easy, we cannot change suddenly, because the technology, the engineering, the layout, and all that is fixed. So it is not an off the cuff consumable that can be done. So it is not easy to move out from the suppliers and they are equally keen to supply.

Moderator: Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

Ashish Shah: This is Ashish Shah from Business Match. Two questions; one was, at the start of the call, you mentioned that you have now become the lowest cost producer both in PI and DI segment. Would you be able to share what is that cost efficiency difference between you and the next competitor?

Sandeep Kumar: I think we will not get into that. Always very, very difficult to exactly know what the cost elements are for competition. But we have done some assessments. And if you have heard me in the past, I have always maintained that in the DIP, we are actually the lowest cost, but in the upstream side, we are not as good. But on the hot metal, after the projects, we have executed the structural side and the operational side. We believe now we have reached a stage where we are one of the best if not the best. And then we have done some benchmarking with some of the key players. And sometimes we do this benchmarking and share data in turn basis that I am telling you. But since these are shared in confidence, it will not be proper for me to kind of give these numbers.

Ashish Shah: Does this cost efficiency also open up any export opportunities for us going ahead, I mean, you are now the lowest producer, does it make us make us more competitive to address that side of the market or not really?

Sandeep Kumar: No, no, no. So, you see, it only means a higher margin. Fixed price remains the same. If domestic is better, why should I export? Export is not a priority for us in pig iron. So, we do export, but these are small quantities to some select markets.

Moderator: Thank you. Thank you. The next question is from the line of Mr. Pankaj Bobade from Axis Securities. Please go ahead.

Pankaj Bobade: Sir, my first question is, as you mentioned in your earlier commentary that our revenue mix will change from 50 to 48 for PI and to 75% for DPI going forward. And ours is a branded product. And also that we are supplying mainly to the government project tenders. So what is the visibility do we have? Is there any demand/supply mismatch expected going forward in the DPI? And what is the differential margins do we have over from DPI to PI which will help us increase our blended margins, what that would be?

Subhra Sengupta: The first point is that ductile iron type is more of an engineered product and much more value added compared to pig iron which is more of a commodity. And the average EBITDA margin of pig iron product, if you see the competition with only the ductile pipe manufacturer is approximate 20% and we have got definitely similar or better than that. Whereas pig iron is much more cyclical. And this quarter it is a much better number. So always the endeavor is to move from commodity to product and from variable margin to steady margin. So our objective is to go to DIP around 80% of our total volume and 20% will remain in pig iron and that too in the local market where our pig iron margin is steady and much better.

Pankaj Bobade: Regarding the brand which we are having, how does it make any difference in the government tenders?

Subhra Sengupta: So government tenders are in DI Pipe, I mean, DI Pipe, almost all the competitions' products are branded products. With the brand you will see mainly in the pig iron where we are the only branded pig iron in the market. And our brand promise is that our pig iron melts faster, as pig iron is an intermediate product and use to manufacture the casting. So, our brand promise is it requires less power and fuel to melt it, whereas DIP all the products are branded products. But definitely as our quality is better than most of the competition, in a lot of cases we get that faster decision from the private players.

Pankaj Bobade: But in government tenders which mainly decides on L1 basis, how much difference would it make?

Sandeep Kumar: See, in government tenders, you are right, it is L1, but our government business is only between 10% and 15%, balance is with the EPC contractor most of it and a little bit is through the dealers also, but mostly it is with the EPC contractors like L&T, Voltas, Mega, there are many, many companies like that. Now there what happens is typically these EPC contractors not only do they have to execute the project, they are having to maintain the project, the pipeline and the water flow, etc., for 5 to 10 years, in some cases, it is even more than 10-years also. But 5 to 10 years is a common thing. Now, our value proposition is that you will not have any hassles in having a product and maintaining it over the next five years or 10-years. And that is why we need a premium from you. And that is we get some amount of premiums, which may be in the range of let us say anywhere between 1% and 3% over most of the competition in most cases, which let us say two years back, we may not be getting, but today, because of the brand promise that we have, and we believe that we are getting those premiums. So while Subhra mentioned about the right of first refusal, yes, in some cases, it is the right of first refusal, in many cases, it is a premium which we get. And we are offering technical Services, we are offering financial instruments, those are differentiators, which are helping us get those premiums which currently is not very significant, as I mentioned between 1% and 3%, but more importantly, we try and convince the customer that there is value in buying a product because of the product quality, the services that we offer, etc.,

Pankaj Bobade: Do you see any demand/supply mismatch going forward in DIP?

Sandeep Kumar: So DIP typically is working at an industry capacity utilization of almost 80%. There are plants like ours, I think Tata Metaliks is the only one which is working at say last year, if you look at it, almost 115, 120% of the capacity. So other plants maybe operating somebody at 70%, somebody at 90%, somebody at 100%. So generally, the industry is healthy, there are only seven or eight players, okay, and going forward, this has got entry barrier, so it is not easy for anybody to come in. But demand is increasing as per our earlier projection was at a rate of 9% to 10%. Of course, because of COVID, this will come down temporarily for a year or two. But otherwise, I think there is a steady demand. And in general, I do not see too much of a mismatch, because like we are expanding capacity and I believe Srikalahasthi is also expanding some capacity. So there may be some additions here and there. But you will not see a massive addition because it is not easy to get into this business, it is not easy to be competitive, and there is a huge amount of entry barriers both in production as well as in marketing.

Moderator: Thank you. The next question is from the line of Chetan Phalke from Alpha Invesco. Please go ahead.

Chetan Phalke: Can you just give some idea on the overall landscape of the foundry grade pig iron demand in India, I mean, what is the current demand? And who are the top players? And what is the install, supply etc., especially for foundry grade?

Sandeep Kumar: Thank you for your compliment. So, on foundry grade pig iron let us say if we are producing and selling more than 300,000 tons and our market share is about 19% to 20% and we are the second largest player in the industry. Sesa Goa is the largest. So that will give you an idea of the overall market size for foundry grade and I am not including the steel grade in this. The three main players are Sesa Goa, Kirloskar and Tata Metaliks. There are other smaller players, but they move between steel grade and foundry grade, in a blast furnace, you cannot keep doing that, because fluctuations in blast furnaces are not good. So, therefore, most of them stick to steel grade. So, it is not that there are too many players who are consistently offering their material. But what happens is that the steel grade or the basic grade, which is one grade above that, or the low silicon grade, they can eat at the margins of the foundry grade. So, foundry grade is basically silicon of more than 2%. Steel grade is let us say, 0.7, 0.8%. So that is the difference. Now to move from 0.7, 0.8 to more than 2%, not many people can do that in the sense because it is not worth it. We are focused on it. Therefore, we have automated our process and things like that because we do not produce steel grade. So that is the difference between the steel grade and the foundry grade and talking about foundry grade that is why you have a fewer player and that is the reason why perhaps it will be a little bit more stable than the steel grade. Because of the steel grade does impact so it is not so insulated, and that is why you find some fluctuations, which are quite large at times from the market side.

Chetan Phalke: And as you mentioned, no new capacities are coming, so can we expect further consolidation in your share of let us say, top three, top four players only going up?

Sandeep Kumar: Right, right.

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

Sreemant Dudhoria: A couple of questions. Firstly, given the visibility of large state government orders that you highlighted in the initial part of the call, UP and AP together itself makes about 1.2 mt and there are a few other states that are also increasing the demand. Would this give kind of a demand/supply mismatch in the industry because I think the capacity additions for the larger players like you and Kalahasthi I think somewhere down in FY'22? And would this give a kind of better pricing power to DI Pipe manufacturers? That is the first question.

Sandeep Kumar: So if you look at the EBITDA margin in the DIP business, for us it is 20%-plus. And there could be some temporary dip this year because of the as I said the prices dropping. But in general, I think as the order book start flowing in, I think this will come back. And therefore, there is more optimism in the future. As far as the capacity versus demand is concerned, I think the demand is going to be steady, it may slow down a little bit in terms of executable orders over the next six months or a year or so. But otherwise going forward, government is committed to spend on the water infrastructure which is poor in this country, and therefore, over the next 5 to 10 years, I do not see any reason why the industry will not grow at a level which is close to 10% or more. Over the last five years, it has grown at a level of about 8% to 9%. And the next five years, if this government in particular has been very aggressive, and therefore we are not assuming 15% or that, we are saying, let us say at least 10% growth which is very reasonable. If you leave aside this COVID period, I think a growth of 10% is very much likely. But from a capacity side, we are not seeing the growth in the same way. Like our project is delayed. I do not see too many capacities coming up. So going forward, there seems to be more optimism, although in the interim, there may be some hiccups like currently there are.

Sreemant Dudhoria: Secondly, on bookkeeping questions, our tax rate for a full year what should we go by?

Subhra Sengupta: We are still in MAT. So our tax outgo will be 17.42% on the book profit. On the provision side, it will be around 20%-plus on a yearly basis.

Sreemant Dudhoria: And lastly, our power plant is on schedule, sir, it was coming up ahead of…?

Sandeep Kumar: That is right. So it is likely to come up by end of this year. There could be at most a month of delay or something. Again, the same issue, as I was saying, of labor availability and all is a problem, testing, getting them in, a lot of precautions we are taking, so all that is taking a toll. Otherwise, it is more or less on track. We had said Q4. It is more or less at the end of Q4, hopefully otherwise, April at first it should come.

Moderator: Thank you. The next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.

Dhiral Shah: In your opening comments, you talked about cost initiative which you have taken. This has made you the first efficient player in the market. So it will have a positive impact on your margin, right?

Sandeep Kumar: That is right.

Dhiral Shah: You have guided for 15%, 16% kind of EBITDA margin. So, do you see further upside in that?

Sandeep Kumar: No-no, see, the margin would be dependent both on the market and on the cost. So market prices, for example, in Q2 have been very good, the spreads have been very good. Now what will be the spreads in Q3 and Q4? I do not know. And I can tell you something, like today, they are looking good, but they are not as good as in Q2 because the raw material prices have moved up. But then again, coal fell down in the last 10-days. So it is a little unsure of how things will pan out. But, in general, Q3 is looking reasonably good, though not as great as Q2. However, what will be made up is in terms of the sales volumes which may be better, at least somewhat better, even if not significantly better. And Q4, the volume should be still better. So the volume side should be better especially in Q4. Margin side, it is difficult to say, though, at the moment it is not as bad as normally we would be, but not as good as Q2.

Dhiral Shah: So margin would remain at around 15%, 16%, right?

Sandeep Kumar: That is what I explained to you, it would depend, like this quarter the margin is 21%. So if I assumed 15%, 16%, which is a normal margin, it is I think quite reasonable to assume a margin of 15%, 16%. But there are so many factors. So really to pin me down to a number may not be correct.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Sahil Sanghvi from Monarch Networth for closing comments.

Sahil Sanghvi: Thank you Sandeep sir and Subhra sir for so patiently answering all the questions very elaborately. On behalf of Monarch Networth, I would like to thank all the participants also for joining the call. Sandeep sir, would you like to give any closing comments, or should we end the call?

Sandeep Kumar: No, I am good. Thank you very much. Thank you to all the investors who have been here, patiently hearing. Appreciate your good wishes as well. Thanks, and have a safe and happy Durga Puja, Dussehra and Diwali. Okay. Bye-bye.

Moderator: Thank you. On behalf of Monarch Networth Capital Limited that conclude this conference. Thank you for joining us and you may now disconnect your lines.