"Jindal Poly Films Limited Q1 FY-2017 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Jindal Poly Films Limited Q1 FY2017 Earnings Conference Call. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an 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. Manoj Gupta, thank you and over to you sir.

Manoj Gupta: Good afternoon, ladies and gentlemen and welcome to the Q 1 FY2017 earnings call of "Jindal Poly Films Limited".

On this call, I am joined by my senior colleagues – Mr. Laxmi Narayan Mandhana - Director (Finance), Mr. Sanjay Kapote - Whole Time Director of Jindal Poly Films Limited, Mr. Sagato Mukerji - COO of Jindal Poly Films India, Mr. Rakesh Tayal - GM, Jindal Films and Mr. Udayan Sharma - AGM, Investor Relations. We also have representative of SGA, our investor relations advisor.

Our financial results and investor presentation have been uploaded on our website and I hope all of you have had a chance to go through the same.

I will start with some of the key updates of our business and then with the financial performance:

New BOPP line 7 was commissioned on schedule. This is in addition to commissioning of our Coating and Metallizing capacity in Q4 FY16. India standalone business currently forms 33% of overall consolidated revenue. As already mentioned last time, our BOPP capacity expansion of one line each in Europe and U.S. is on track. They include orienter capacity of 60,000 tonnes per annum each and additional metallizing capacities. We have decided to amalgamate our wholly-owned subsidiary, M/s. Global Nonwovens Limited with the company to derive greater value, form common synergies and reap the benefit of potential superior margins.

The company's investment in Global Nonwovens is Rs 81.50 crores. The product produced by GNL caters to hygiene and medical segment. The primary customers are MNCs in India who require regular qualification process and customer test, which generally takes more than 12 months to obtain. We have already qualified with some of the major established brands and others are under process. GNL has achieved about 50% capacity utilization in some of the recent months. The necessary High Court petition has been filed and we are expeditiously trying to get the approval. Since this is a 100% subsidiary, there will not be any fresh issuance of shares pursuant to the amalgamation. The amalgamation if approved will be effective from 1st April 2015.

Coming to the highlights of financial performance:

First on the consolidated financial performance of Q 1 FY2017. Gross revenue for Q1 stands at Rs 1,779 Crs v/s last year quarter of 1929 crores, a decline of approximately 8%. The EBITDA margin for the quarter is 16.3% which is almost the same in the corresponding last quarter.

The quarter operating profit is at 291 crores as compared to 341 crores, a dip of about 15%. The consolidated PAT for the quarter is 99 crores as against 163 crores of corresponding last quarter. The net consolidated debt stands at 1704 crores which was 1748 crores as on March 2016. This is mainly led by some repayments and some short-term borrowing for India business.

Now coming to highlights of standalone performance of Q 1 FY 2017

The total revenue stands at 596 crores and in the last year it was 760 crores. Operating income stands at 78 crores which was 156 crores of last year. The India standalone net debt stands at 625 crores which was 657 crores as on March 2016. In the current quarter, sales quantity as against corresponding quarter has almost been flat with the marginal decline of half percent. The finished goods prices showed a downward movement partly owing to raw material price movement.

Coming to Jindal Films, which is the ExxonMobil acquired operation:

The EBITDA improvement from \$ 85 million in FY16 to \$ 30 million in Q 1 FY 2017. The current net debt level in JF is \$116 million which was approximately \$ 120.64 million as on March 2016. The capacity utilization continues to be over 93%.

We would like to share that we expect both domestic and internationally, in the short to medium term, to see some pricing pressure owing to new capacities being rolled out.

That is all from my side. We are now open to questions.

Moderator: Sure, thank you very much. We will now begin the question and answer session. We have the first question from the line of Raj Shah from Raj Finance. Please go ahead.

Raj Shah: Sir I must say that I am really disappointed with the quarter one result of FY17. It is a very poor result by Jindal Poly Films and my first question is that I would like to know on the volume part of the consolidated result. There has been decline in standalone volume but what on the consolidated part?

Management: **In JF there is a marginal increase in the volume** and for JPFL India, there is a marginal decline of half percent. **Raj Shah:** Okay, sir there is also a 20% increase in the other expenditure on the consolidated basis. I would like to know the reason for the same.

Management: The results are as per "Ind AS" as per the new regulations. This increase is due to exchange rate fluctuation and some increase in packing expenses. This also includes the Global Nonwovens Q

1 expenses which was not there in the last quarter coupled with some increase in selling and other overhead expenses.

Management: Further when the Revenue decreases, the expenditure as a percentage of revenue shows a higher %, so not to be completely guided by that number only.

Raj Shah: No, I am not taking percentage figure but the last year your other expenditure was approximately 235 crores and right now it is 285 crores. So it is actually the absolute number is quite huge, right, so I just wanted to know the reason for the same and the reason you said that it is into the change in the accounting standard and other expenditure, so do we expect to see the same pattern for the next few quarters?

Management: **This is due to** exchange rate conversion of our overseas operations. The conversion rate in Q 1 FY 2016 for Euro to INR was ~ 70 and at Q 1 FY 2017 is ~ 75. **Raj Shah:** Yes, so do we expect the same pattern to grow over a few quarters?

Management: If there is an adverse movement in the exchange rate fluctuation, same movement could be possible in the coming qtrs.

Raj Shah: Okay, not an issue and I understand that the debt has reduced to 1740 crores, but there has been an increase in the finance cost by 40%?

Management: Finance cost comprises of interest cost, the exchange rate fluctuation in the buyers credit and PCFC and it also includes Global Nonwovens finance cost which was capitalized in the last year quarter (since Global Nonwovens has been made operational on 1st July 2015).

Raj Shah: So will we see such sort of huge finance cost in next coming quarters as well?

Management: This is basically as I said this includes the exchange rate fluctuation on the working capital loans, buyer's credit, packing credit etc.

Raj Shah: Sir, the revenue for photographic films is around 30 crores and the EBIT is around 1.7 crores and if we understand the swap agreement between the shareholders of Jindal Poly Films, the value of the swap agreement is around Rs. 76-78 crores that the cost was borne by the shareholders of Jindal Poly Films because through that amount, the equity was increased. So how do you justify with such a small number of EBIT and even a smaller number for net profit, how is this justification for such an increase in the equity for the Jindal Poly Films?

Management: This entity has apart from the operational profit, this entity also has various other benefits which gradually we are reaping it. The valuation has been done considering the fixed assets, revenues and others assets.

Raj Shah: I would like to know what sort of benefits the company has?

Management: Certain unutilized CENVAT credits and tax benefits.

Raj Shah: Okay, means you will like to pay Rs. 76 crores in the swap agreement and then the dividend payout and the dividend yield is so low and also now we have 100% included subsidiary of Global Nonwovens. So I would like to know that with such huge acquisitions, why still the dividend payout so low and I understand the debt has been decreasing but your investment relation is also not so strong?

Management: Global Nonwovens in Q 1 FY 2017 has a revenue of 26 crores and EBITDA of 5 crores. The company has an established dividend policy. We have announced CAPEX of Rs 1,000 crores last year, out of which partially has already been completed. The dividend percentage is decided considering the expansion plans of the company and priorities given to reinvesting funds in the CAPEX and this is a future value accretive to the shareholders and this is also depending upon the market conditions.

Raj Shah: I completely understand that, but for the next year do we expect a good dividend payout from the company?

Management: Sir, as per statutory requirement, we will be announcing the dividend policy and uploading the same on the website.

Raj Shah: I just had one last question that how do the management foresee of the remaining quarters of the FY17?

Management: See we have to divide this into 3 parts. India business, JF business, and Global Nonwovens. These 3 are slightly different in nature but similar in segment. We do not give guidance for future performance, but if you disintegrate these three businesses you will be able to analyze better

Management: In addition, would add that we see some pricing pressure in the medium to short term due to bunching up of additional capacities. **Moderator:**Thank you very much. We have the next question from the line of Vito Puvadula of BlackRock. Please go ahead.

Vito Puvadula: Thank you very much for taking my question. Really to fold very quick, this one if you could elaborate a bit more on the BOPP which we have seen and which are seen in terms of volume and margin and in which application you are seeing highest competition and additional new capacities and again if you could repeat the pricing pressure, which parts of your business you are seeing it coming from mostly and some indication on quantum which we should be expecting? Thank you.

Management: BOPP films is in India is used in packaging as well as in non-packaging applications. The domestic demand is growing @ ~ 12%-14% and global market growth is @ 5%-6%. In the short to medium term, the additional capacities are ahead of the curve. In the short term, there will be some capacity overhang, but beyond 2-2.5 years, we see the capacities and the demand evening out and so the price pressures would remain for about 1-2 years' time and thereafter the market should achieve equilibrium and things should start improving.

Vito Puvadula: And what about your international, particularly like US and Europe?

Management: in JF, we are focused on value-added products. There are some additional supplies in the market (Including our Europe and US additions) we are focused on patented products, value-added products and have long term qty supply contracts with customers makes that business ring fenced from the demand and supplies mismatches.

Vito Puvadula: So in US and Europe, you are expecting more pressure at the low end but you are focusing more on the high end. So what can you expect to be kind of…?

Management: In JF, we are insulated from price pressures due to our product portfolio.

Vito Puvadula: Okay and in terms of margins perhaps like if you can just quickly talk on resin price pass through, where do we stand now, do you see any particular impact in the coming quarters from that?

Management: most of our pricing are linked to the Indexes of the raw material prices.

Vito Puvadula: And has the pass through for the previous quarter already been fully reflective in the pass through to customers now?

Management: Yes.

Vito Puvadula: And you are seeing slight stable to marginally negative, why? Because you are expecting increase from oil price or any particular other reason?

Management: Not due to oil prices. As stated, due to bunching up of capacities in the short to medium term, we are seeing some price pressure which would ease out due to demand growth.

Vito Puvadula: Okay, so it is more demand supply.

Management: The domestic excess supply would also percolate to the international market. So that would also add to the price pressure.

Moderator: Thank you very much. We will take the next question from the line of Riddesh Gandhi of Discovery Capital. Please go ahead.

Riddesh Gandhi**:** How much have you invested in your power business?

Management: There is no incremental investments in pref shares during the reporting period in the power business.

Riddesh Gandhi**:** No, the question is how much, you guys have given actually the preference equity there, right? Is there any incremental capital either in the form of ICD or preference or loan or any other that you have given to the power company in this quarter?

Management: in Q 1 there is no incremental investment in pref shares of power projects by JPFL.

Riddesh Gandhi**:** And is there any update on when we would expect the preference shares to be ultimately redeemed and for the cash flows to come into the company?

Management: The thermal power plant has stabilized more than a year back and it is very good quality asset.

Riddesh Gandhi**:** And it is breaking even?

Management: The long term PPA equivalent to the generated capacities have been tied up and steps are being taken to start supplying under the PPAs.

Riddesh Gandhi**:** I thought it was the nonconvertible preference shares?

Management: There are 2 types. Convertible and non-convertible ones.

Riddesh Gandhi**:** And in terms of margins, obviously there has been a huge impact between Q1 of this year and Q1 of last year. Is that primarily because of the pricing pressure and how much are you seeing an impact on the current deltas, in the market in terms of from a pricing pressure perspective?

Management: The Q 1 revenue deviation is mainly on account of lower Raw material cost, which was passed on to the customers. The delta is maintained

Riddesh Gandhi**:** But if you can just highlight how much of an impact on the deltas is there with regards to going ahead, how much should we estimate as we sort of build out our projections, how should we think about that?

Management: See, it is difficult to give you any outlook but on an overall basis, our marketing team has already shared his take on the market in the short to medium term and it is only because of the capacities being rolled out that is in the short to medium term we are seeing some pricing pressure.

Riddesh Gandhi**:** No, but is it in terms of actually kind of 5%-10% or is it 15%-20% and because of these incremental capacities online, do you also ultimately see an impact on your kind of throughput, on your volumes as well?

Management: We do not see any pressure on the throughput, but yes, pricing pressure will be there, but it is difficult to quantify in terms of how much pricing pressure will be there in terms of percentages.

Riddesh Gandhi: And a last question from my side, I think obviously you guys are taking initiatives with regards to now having investor presentations and having investor calls and all of that but I mean obviously there is a large perception issue, corporate governance concerns especially with regards to the investment in the power company. So can you just highlight any measure that you are looking to do to actually increase your investor friendliness?

Management: The company is continuously increasing its interactions with the market fraternity we are following the highest standards of corporate governance.

Management: No, I think in that case all I would like to say is one will have to understand how the power industry works and let me assure you that when money has been invested, it has definitely been invested with all the business numbers evaluated and it definitely makes a very good sense. It will definitely offer a good return on money invested, but the power business is unlike any other business where returns are seen after a small period of time. So I think we will all have to have patience. But let me assure you that going forward market will see that how the investment chosen to be made in the power business has successfully turned out in the favor of the shareholders of Jindal Poly Films.

Riddesh Gandhi: This is on Exxon piece, promoters own 49%, is there any intend to bring that into the purview of Jindal Poly or is that continuing to be owned by the promoter independently?

Management: As of now, status quo remains and there aren't any fresh ideas around that.

Moderator: Thank you. The next question is from the line of Rajeshri Maitra of Axis Capital. Please go ahead.

Rajeshri Maitra: Okay sir, what is the landed cost of this coal at your power plant?

Management: I would like to say that more or less the cost of generation of one unit of power at our power plant owing only to the fuel is say about in the range of Rs. 1.40/KwH Unit .

Rajeshri Maitra: Sorry Rs.1.40 ?

Management: Rs. 1.40 /Unit is the fuel cost.

Moderator: Thank you. We have the next question from the line of Sandip Hemraj of PCS Securities. Please go ahead.

Sandip Hemraj: Good evening sir. My first question is that you said you are doing a CAPEX of 750 crores plus the cash generation that you would be doing, what is your guidance on the debt that will pan out in the next 2 years?

Management: See, this capacity addition in US and in Europe both will be debt funded to a large extent and we cannot give you the exact number of the potential debt which will be reflected in the balance sheet as on FY17, but let me tell you in US we are taking 100% lease financing and for Europe we are taking Hermes guaranteed loan which is a very low cost loan and has a very long tenure, say 8.5-year repayment.

Sandip Hemraj: Then you would have so much of internal generation also, what would you use that money for?

Management: For the internal generation, we are using it for some of the high cost loan repayments and for smaller maintenance CAPEXs.

Sandip Hemraj: Sir despite that I think if that is the case, what is the US rate of interest that you would be taking the loan at?

Management: US rate of interest will be at ~ 2.8% fixed. Europe is Hermes guaranteed loan on an ex IRR rate of about 2.2%, on an 8.5-year repayment

Sandip Hemraj: Superb. So I was forecasting that you could generate comfortably about 700 crores of free cash flows at a comfortable level.

Management: Thanks for the estimation.

Sandip Hemraj: Okay, in case whatever you generate you would like to repay of your higher debt?

Management: Certainly you must have seen our original acquisition, debt was $ 160 million which was brought down to ~$ 93 million and we have very low utilization of working capital loans which is slightly high cost. So we are very conscious of the interest cost.

Sandip Hemraj: Sir you have been mentioning in the call that there are couple of capacities that have come up, could you mention which all capacities and how it will impact your volume?

Management: We do not give the market perspective and the competitor's capacity.

Sandip Hemraj: Okay. Another question that I have is there have been talks on the street that you are looking to sell your stake in the power business, is that anything that you want to add on that?

Management: We will say "no comments", because we are fully focused on improving and better operationalizing the power plant is where our energies are focused.

Moderator: Thank you very much. The next question is from the line of Pooja Mishra of **Kanya Investments**. Please go ahead.

Pooja Mishra: Sir just wanted to check with you on one thing, so just having a look at your numbers for the Global Nonwoven packaging business, sir this time we have posted a roughly, EBITDA of 5 crores on a revenue of 25 crores in Q1. So how does our FY17 look for us, on an annual basis, can we extrapolate this?

Management: We do not give future guidance, but yes to some extent this can be extrapolated.

Pooja Mishra: If you can just give us some more visibility on the business like who, we have mentioned in our presentation that it basically caters to the hygiene and the medicinal customers. So if you can just name a few brands or a few customers?

Management: See, it is basically for Johnson & Johnson, Kimberly-Clark and Unicharm, well established brands.

Pooja Mishra: Sir are we the only players or are there any other players in this particular segment, product category in India?

Management: Currently with the REICOFIL technology what we have, we have the latest technology. There are competitors, but they are not in this segment in which we are operating.

Pooja Mishra: So what would be, if you can just give us some sense on the market potential for this particular product segment total and what is our market share?

Management: See, this company has started operation only on 1st July 2015. So it is very difficult to give an exact perspective of the market.

Pooja Mishra: But sir if you can just give us some more visibility on the industry itself like how big the other players are or is there any imports that we see in this particular industry?

Management: Yes, currently the demand is being met through imports by these established brands.

Pooja Mishra: So basically what I understand is that we are getting into a product segment where we will import substitutes correct?

Management: Yes.

Moderator: Thank you. The next question is from the line of Nisha Shah of NS Limited. Please go ahead.

Nisha Shah: Sir my question is on EBITDA margin, so I see there is a drop in the EBITDA margin on our standalone domestic business. So can you just throw some light on that front, I mean what are the reasons why there is a drop compared to both Q-on-Q basis and also compared to the last year?

Management: Now as far as the volume is concerned, it is broadly flat, it is just a half percent drop in the volume. But the operating margin that is the EBITDA margin is basically a component of lower raw material cost which is getting passed on to the customers. So that is the reason you are seeing a dip in the EBITDA margin.

Nisha Shah: Okay sir, I mean it is largely because of the drop in the raw material price?

Management: This is one of the reasons for the same and in the earlier quarters, the raw material price reduction is getting passed on to the customer during quarter.

Nisha Shah: And sir on our Jindal Film business, we have done very good on the margin front. So do we expect at the same level of somewhere 16%-17% going ahead?

Management: We do not give a guidance, but you can see the trend at which we are improving.

Moderator: Thank you. Next we have a follow up question from the line of Sandip Hemraj of PCS Securities. Please go ahead.

Sandip Hemraj: Sir could you give us your opinion on how the domestic business will pan out and the international business separately?

Management: The Domestic business you know is a standard films business and as we expect because of the supplies coming into the market, there could be some price pressures in the short to medium term and in the international business is broadly an index linked business, so both the raw material and finished goods prices move in tandem.

Sandip Hemraj: Okay, so you are buoyant on the volume growth there?

Management: Yes, the demand growth overseas is ~5% to 6% and domestic it is 12% -14%. There are some bunching up of capacities in the domestic front as well as in the international front. There would be some price pressure in the domestic market. But in volumes, both internationally as well as in the domestic market, we are the leaders and we have a very strong sales network and very high customer loyalty. So both put together we are very confident that whatever volumes we produce, we are going to sell that very comfortably.

Moderator: Thank you. We have the next question from the line of Vito Puvadula of BlackRock**.** Please go ahead.

Vito Puvadula: Just a very quick follow up question to the one that has just been asked. So when looking into European international that you focused most on the higher value end of the market, I am still trying to understand how do you see, so can you comment on the new capacities which are coming into these markets and how do you see impacting you considering that you focus more on the higher value part of the business and as you said you have like contract, so I am just trying to understand like link these to pieces, I understand on the lower standard piece of the field particularly like in the domestic markets just trying to figure out like for an International and Europe and just may be at timeline in terms of when do you expect the biggest impact from these new capacities to come without giving like specific figures and whether you see like a single digit potential hit on margins, less volumes or a double digit one, just trying to understand directionally the quantum?

Management: In the domestic India front there are some bunching up of capacities and in the international market also there are some capacity additions. In our JF business there are a large contracted quantity sales linked to index Both the raw material and the selling price is linked to the index. Hence we are protected from market movements. In the domestic market, there could be some price pressure in the short to medium term because of bunching up of capacities We do not comment upon the competitor's supply or competitor's capacity additions.

Vito Puvadula: But do you expect oversupply capacities to come in Europe and US as well or it is just like a situation in the domestic market?

Management: Yes, in the Europe and US also capacity additions have been lined up.

Moderator: Thank you. We have the next question from the line of Umesh Patel of TCG Asset Management Company. Please go ahead.

Umesh Patel: Good evening to everyone. Couple of questions from my side. Sir you mentioned in earlier remark that the EBITDA margins dipped in this quarter just because of the lag effect, I mean last quarter we have reduced prices of our products. So does it mean that we have passed the 100% benefit of decline in raw material prices to customers or we generally retain some part or portion of it?

Management: There is no one-to-one correlation between the raw material price reduction and the selling price, but yes broadly it moves in tandem with PP prices domestically. So it is very difficult to answer this question.

Umesh Patel: Yes, because generally suppose there are many players or competitors generally retain some portion?

Management: It depends on the market situation. If we talk about the quarter, yes we have not been able to retain, in fact we have not only passed on the RM price reduction, we have actually also passed some margin also because of competitive pressure. But there are times in the market when the demand is very bullish and at that point of time, we do not pass on the entire margin. So there are two factors which play. One is the demand supply situation in the market at that point of time and the other is the actual movement of the rise in prices. So concerned quarter, yes, we have passed on the full reduction in rise in prices.

Umesh Patel: Okay and second question was related to your expansion in Europe and US, as you mentioned 1,20,000 TPA capacity has already been operational, right?

Management: No, it will be made operational in the H1 of FY18.

Umesh Patel: So what is the status and what kind of revenue potential that you are seeing from these two new capacity in FY18?

Management: The status of the same is all the advances etc. has been paid and we do not see any reason of deferment by the scheduled target date. The potential revenue projected from this capacity addition, you can take the standard rate and arrive at the potential revenue on the tonnage.

Umesh Patel: So what is the per tonnage revenue that generally industry per se?

Management: About $3-4 you can take on a 65%-70% capacity utilization.

Umesh Patel: $3-4 per tonne, right?

Management: Per kg, yes. On a 65% capacity utilization.

Moderator: Thank you. The next question is from the line of Varsha Bang of Systematix Wealth. Please go ahead.

Varsha Bang: Basically I have just started. I have missed the commentary part of management. Can you just help me on with the volume numbers of the current quarter?

Management: We do not give the volume numbers, but let me tell you the capacity utilization continues to be strong.

Varsha Bang: And this is running at the full capacity or there is a scope, so what is the highest we can run out here?

Management: The Polyester films, this BOPET film can be run maximum 85% and BOPP is maximum 70% is the optimal capacity underutilization which anyone can achieve.

Varsha Bang: And sir the new capacity which is we are adding up by 1,20,000 tonnes per annum which is adding in both, I mean USA and Europe, right?

Management: Yes. 60,000 each in USA and in Europe

Management: .

Moderator: Thank you. The next question is from the line of Rajendra Mule who is an Individual Investor. Please go ahead.

Rajendra Mule: Yes, my question is just recently I have seen your valuation report of Jindal Poly Film. The company has given Rs. 722 per share valuation to Jindal Poly Film shares, but market is not giving price more than 430. What is your take on this sir?

Management: This valuation report has been done as per the prescribed rules and as per the prescribed norms. We do not comment upon the current market situation.

Rajendra Mule: Correct sir. Sir my next question is in last investor call you have mentioned that your Q1 is the best, your Q2 is little bit below than best and Q3 and Q4 is not good. So Q1 is already past. So we can expect Q2 will be better than Q1?

Management: We do not give guidance about the future but because of the seasonality effect yes, normally Q4 and Q1 are better quarter. Q3 is slightly subdued quarter because of the holiday seasons etc. We do not give a guidance on the future coming quarter.

Rajendra Mule: Sir my next question is when you are talking that in your Jindal Film business in foreign business that there are lots of specialty films. So is there your plan to bring that specialty films in India?

Management: It all depends upon the market conditions.

Management: The market of specialty film in India is in a very nascent stage and there is no point, these are all intellectual properties. So there is no point bringing to India where there is no market. But the thing that we are doing is we are creating a market. We are full-fledged team who are working with brand owners to create a demand for specialty films and as the demand grows, we will immediately fill in that space. We will be leaders in filling up that space of specialty films with products which will originate in Europe and America but will be made in India.

Rajendra Mule: What will be the full year EBITDA of Global Nonwoven?

Management: As we said, we do not comment upon the potential results of any company, but we can tell you it has a very superior EBITDA margin going forward. That is one of the reasons for merging with Jindal Poly Films.

Moderator: Thank you. The next question is from the line of Riddesh Gandhi of Discovery Capital. Please go ahead.

Riddesh Gandhi: It is just to understand in terms of capacity in the market, how long is it going to be typically the lead time to put up a new line and given you are seeing pricing pressure because of excess capacity, do you see this going to be continuing as more and more people add on incremental capacity or you are just see it being a couple of year phenomenon?

Management: See, first of all the lead time for setting up new capacity, the manufacturer of Orientar Line takes 15 months' delivery time. Now coming to your second question of what could be the potential capacities added by the competitors, we do not comment upon the competitors' strategy or competitors' capacity, but as we have stated in our opening remarks there could be pricing pressure because of excess supply in the short to medium term.

Moderator: Thank you very much. Due to time constraints that was the last question. I would like to hand the conference back to the management for any closing comments.

Management: Thanks everyone. Thank you for your participation in the investor call and we look forward for your participation in future. Have a great festive season ahead. Thank you.

Moderator: Thank you. That concludes this conference ladies and gentlemen, you may now disconnect your lines.