"Balkrishna Industries Limited
Q1 FY2020 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Balkrishna Industries Limited Q1 FY2020 earnings conference call hosted by ICICI Securities. 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 this conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. 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 the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. I now hand the conference over to Mr. Nishant Vass from ICICI Securities. Thank you and over to you Sir!

Nishant Vass: Thanks. Good day, everyone. Thanks for joining us today for this call. From the management side we are represented by Mr. Rajiv Poddar, joint Managing Director and Mr B.K. Bansal, Director Finance. Now I would like to hand over the call to the management for their further initial remarks. Over to you Sir!

B K Bansal: Thank you Nishant. Good afternoon, everyone. I welcome you all to the earning call of our company for the first quarter. I am joined by Mr. Rajiv Poddar, our joint Managing Director and Mr Shogun Jain. I will start with business updates. The market still remains challenging. Difficult macroeconomics and volatile climatic conditions in many of our end markets has caused short term uncertainties and impacted demand across our OEM customers and channel partners. As our global market share is small, particularly in the non-agricultural market, with increased sales in India market and deeper penetration across our markets, we remain optimistic on our outperformance in the India industry

Let me now update you on the various ongoing capex program of our company. The first one is Carbon Black. The commissioning of phase 1 of Carbon Black project of 60000 metric tons has been completed during the quarter under review and commercial production, we started in the first week of July 2019 and the benefits, will start accruing from second quarter. The quality of the product has come as per our expectation and we are expecting the second phase of 80000 metric tons to be completed by FY2021.

On U.S. capex, our board reviewed the various aspects of our proposed U.S. project in the backdrop of current challenging economic and business environment and decided to keep it in abeyance. We will continue to service the U.S. market from India.

All other capex project in India are progressing as per schedule.

Now let me throw some light on our branding expenses. Last year, we have decided to strategically increase our branding initiatives across geographies to strengthen the BKT brand. We strongly believe that these initiatives of brand building are necessary to reach the next level of growth and gain market share across geographies. Accordingly, in FY2019, we sponsored a number of events such as Kabbadi League in India, football league in Italy and France, cricket league in Australia, etc. The such incremental branding expenses were about 1% of our revenue.

With this, I will now move on to performance highlights. Our sales volume for the quarter was 51304 metric tons showing a degrowth of around 10% Y-o-Y. Our standalone revenue for the quarter stood at Rs.1217 Crores, showing a degrowth of 14% Y-o-Y. This includes realized gain on foreign exchange pertaining to sale of Rs.24 Crores. On EBITDA front, for presentation purpose, we have shown the interest income from investment and unrealized gain or big loss below the EBITDA while realized gain foreign exchange items have been shown above EBITDA. Accordingly, the standalone EBITDA for the quarter was at Rs.296 Crores with a margin of 24.3%. If we exclude the incremental branding expenses, which were to the tune of Rs.20 Crores for the quarter then the EBITDA comes in at Rs.315 Crores which shows a margin of around 26%.

Other income for the quarter stood at Rs.72 Crores, which includes net gain on foreign exchange to the tune of Rs.42 Crores, and other income from investment of Rs.29 Crores. Out of Rs.42 Crores, the realized gain is Rs.28 Crores and unrealized gain is of Rs.14 Crores. The profit after tax for the quarter was recorded at Rs.176 Crores.

We are a zero-long-term debt company. Our cash and cash equivalents were Rs.1162 Crores, implying a net cash position on the long-term side.

The Board of Directors has declared an interim dividend of Rs.2 per share. That is all from my side and I now leave the floor open for question and answer. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari: Sir, can you throw some light on what kind of volume or share come from OTR segment and agri segment in the current quarter and how much is the volume growth are declined in both the segments?

B K Bansal: So from OTR segment, the volume was around 36% and agriculture was around 60% and 4% was basically ATV and lawn and garden.

Ashutosh Tiwari: Okay. So OTR is - the volumes remain flat or there is some decline over there also?

B K Bansal: There is marginal decline on QoQ and YoY in OTR Segment.**Ashutosh Tiwari**: How much decline was in agriculture volumes?

B K Bansal: Agriculture has declined by around 10% levels on YoY basis.

Ashutosh Tiwari: So the decline is 10% on the overall level, right?

B K Bansal: Yes, but the base is larger in agriculture segment, so while in terms of percentage, it looks, but in terms of overall number, it is more.

Ashutosh Tiwari: Sir, I am asking about the agriculture volume of last year Q1 versus this year Q1, decline must be 10%.

B K Bansal: Yes, you are right.

Ashutosh Tiwari: Okay. Secondly, if you can provide some color on the mining tire, the ultra large tyres, how are they progressing in terms of volumes? which are the geographies we are getting some more traction?

Rajiv Poddar: The progress is going on as we expected. So a good part of the growth is coming in from the mining tyres.

Ashutosh Tiwari: Okay and lastly Sir, part of Bhuj capex of around Rs.150 Crores was also towards U.S. mix, you said it is related to mixing plant, so will that also will be discontinued and that also would happen or?

B K Bansal: Not Rs.150 Crores. It was basically Rs.100 Crores for the mixing plant and Rs.50 Crores was for the warehousing, so that Rs.100 Crores, it was not mainly - or only for the U.S. plant. In any case, we needed mixing capacity in Bhuj plants, and we thought that this will also serve the purpose of our USA plant in the initial years so that expenditure will continue.

Ashutosh Tiwari: Okay, got it. Thanks Sir.

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

Vimal Gohil: Thank you for the opportunity. Sir, firstly, could you just give us some breakup on the geographical volumes?

B K Bansal: Yes.

Vimal Gohil: From Europe, U.S., RoW and India?

B K Bansal: So Europe is around 49% and U.S. is 17%, India is 22% and balances are rest of the world.

Vimal Gohil: Okay, right Sir and Sir what would be the breakup between OEM and replacement this quarter?

B K Bansal: Yes, so OEM is around 27% and replacement is 71%.

Vimal Gohil: Right. Sir, if you could just update us, what would be the total capex now after the U.S., we have temporarily halted that, so what would be the capex number for FY2020, the updated number?

B K Bansal: FY2020, it is expected to be around Rs.600 Crores.

Vimal Gohil: Okay and when do you expect the U.S. capex to start?

B K Bansal: We do not see that project coming up in the foreseeable future.

Vimal Gohil: Okay right and Sir, I just wanted to understand one thing on your cost differential versus the industry. Would you want to highlight some and how –are you placed in terms of your cost structure versus the overall industry or some of your peers?

B K Bansal: Yes, so basically we have advantage over our peers on two fronts. One in manpower cost, so in our case, the manpower cost is around 5% to 6% of the revenue whereas for our peers, it is around 27% to 28% and second, cost arbitrage lies in selling and distribution cost. Since we do not have any warehouses and stock points outside India and most of our sales happens from India, so our selling and distribution cost is in the range of 4% to 5% whereas for our peers, it is in the range of 15% to 16%.

Vimal Gohil: Do you expect these tailwinds or these heads to continue for a foreseeable going forward?

B K Bansal: Yes.

Vimal Gohil: What are the risks that your peers could probably set off you and do you foresee those risks playing out in the longer term?

B K Bansal: Everything is open, anyone can go and set a plant in any part of the world, but so far, it has not happened, so on this basis, we can say that we know though that possibility exists, but we do not see it coming across in the foreseeable future.

Vimal Gohil: Okay, that is fair enough. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Siddhartha Bera from Nomura Securities. Please go ahead.

Siddhartha Bera: Thanks for the opportunity. Sir, my first question is on the volume outlook, so in the presentation you have indicated, still maintained our volume outlook at 3% to 5%. Now given the weakness in first quarter and like you had started by saying that the outlook remains challenging, so what do you think can be a realistic number for FY2020?

B K Bansal: So we are maintaining our guidance and we are hoping that we will be achieving our guidance and this is mainly on this basis that because of the current business - subdued business environment, the channel inventory has come down drastically, so this would be filled up in the later part of the year, both particularly in the second half and that is where we are seeing the recovery. We saw the similar trend last year also.

Siddhartha Bera: Okay Sir, can you give some numbers, how much it is now and how much you plan to take it up?

B K Bansal: I do not know how much they keep but it is almost 50% of the normal level.

Siddhartha Bera: Okay, got it and second Sir, the average realizations have continued to drop sharply for the last two quarters. so just wanted to check why the realizations have continued to decline and what is the key reason and when can we see some improvement?

B K Bansal: So it has happened on account of two things. Firstly, some pricing action, so on account of reduction in raw material prices, we have passed on the benefit to the customers and second, which is the main reason is unfavorable currency, so during first quarter, our average conversion rate for Euro was around Rs.78 whereas in the previous quarter, the March quarter, it was around Rs.80 to Rs.81, so because of these two things, it has declined.

Siddhartha Bera: Okay. But Sir, I thought that your hedges were around Rs.80?

B K Bansal: For the full year, it would still be Rs.80, but it is not evenly spread across for the quarter.

Siddhartha Bera: Okay, got it and Sir, lastly on the branding expenditures which you have separately highlighted as Rs.20 Crores for the quarter. If I see annually last year also in FY2019 also, we had spent nearly 5% of our revenues on branding expenditures close to Rs.300 Crores, is this Rs.20 Crores over and above the spending which we had done last year?

B K Bansal: This Rs.300 Crores which you are referring is all our selling, distribution, advertisement participation in the various exhibition, sales promotion, distribution of merchandise, etc. What we are trying to highlight that between last year and now, there has been some incremental expenditure on account of sponsoring certain sports events, so we just want to bring it to the attention to everyone that because of this, there is some pressure on the margin, but otherwise, the earning efficiency of the company is being maintained.

Siddhartha Bera: Okay, Sir. Got it, but these sports events, which we had spent in the last quarter, any color if you can give these will be there in Q2, Q3 also in some or the other form or?

B K Bansal: Yes. It will be there for next two, three years and it will be covered up between 4% to 5% of our total revenue, although the expenditures will be taken care of.

Siddhartha Bera: Okay and lastly Sir, on the commodity side, if you can indicate how much of the commodity benefit is in Q1 numbers and how much more can we expect for the remaining few quarters?

B K Bansal: So I think a lot more is yet to come because the crude prices have come down in the last 15, 20 days or in a month, so the benefit of which will start flowing in the current quarter and subsequent quarters and even the natural rubber prices have also come down, so the benefit of which will be seen in the current quarter and subsequent quarters.

Siddhartha Bera: Okay, Sir what will be our current commodity basket prices if you can...

B K Bansal: So for the current quarter, RM cost towards Rs.111.

Siddhartha Bera: Got it. Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Kaushal Maroo from DSP Mutual Fund. Please go ahead.

Kaushal Maroo: I have questions with regards to the deferment of the capex in US. In the past, you have mentioned that this was critical to gaining market share in the U.S., so with this deferment, what are the outlook for us in terms of growth and market share in the U.S. now?

B K Bansal: So basically, it was meant for OEM customers, okay. So while we continue to supply them from India, we thought that by having a plant we can increase our traction and in volume with them, but when we put everything in the perspective and seen it from various angles, we realized that it would not be prudent to go ahead with this plant. In the mean while we will continue to service OE from India, which is happening.

Kaushal Maroo: So does not that reduce the growth outlook for you in the U.S. market because your OE customers, which you were looking to breakthrough with this plant, will not happen now in the time line you earlier thought?

B K Bansal: No, as I said, we will continue to service OE customer as we have been doing currently from India and so if you see our thought process, we are not very much dependent on OE. Our focus is always on the replacement market, so we realize that it will not have significant impact on our growth prospects in the U.S. market and in the short-term.

Kaushal Maroo: Okay, Sir and the second question is with regards to the pricing environment. Is the price reduction which is happening just passing on all these cost benefits or is it much more than that, because the margins have also come off?

B K Bansal: It is less than the cost benefit which we are getting.

Kaushal Maroo: Okay so then this margin, which you have seen in this quarter, with the current commodity tailwinds, which we will have and the benefit of the Carbon Black plant, should we expect margins to be sequentially higher from hereon?

B K Bansal: Yes definitely.

Kaushal Maroo: Okay thank you Sir.

Moderator: Thank you. The next question is from the line of Govind Agarwal from Alpha Accurate Advisors. Please go ahead.

Govind Agarwal: Bansal ji, I have a couple of questions. First is on your strategy for next two to three years, you just narrated that your India share is now 22% and rest of the world works out to nearly 12% so in view of the slowdown in Europe and maybe U.S., assuming it continues, what is your target to take the shares of India and rest of the world?

B K Bansal: So we are going with one strategy that wherever we see opportunities, We are just encashing it and exploring it, particularly, when we have a lot of capacity with us. So with that perspective, wherever we see opportunity, we are just encashing so if the same trend continues, then probably this 22% could go to 25%, 26% in two years' time.

Govind Agarwal: Okay right understood. My second question is on the capex so what I analyzed is after a large capex of nearly Rs.2000 Crores during the years of 2013, 2014, 2015, we saw significant improvement in the margins from 18%, 19% to around 30% kind of thing, which led to your ROC improving from 16% to 22%, 23% also and you are in capex mode again, so if I add up the numbers, so if Rs.500 Crores for your Bhuj plant has additional 5000 tons, Rs.500 Crores for the Waluj plant and around Rs.425 crores for Carbon Black, right? So with this, where do you see the margin? Do you think and it can go to from 30% to 33%, 35% over next two to three years for some improvement, because of the capital efficiency.

B K Bansal: Even the last capex had no correlation with the margin. The margin improved because of so many things. One was currency depreciation, Indian product mix and because of the inflation so raw material prices increased. So there is no direct correlation between capex and the margin so with this incremental capex, it will definitely improve the efficiency of the company, quality of the product of the company and to some extent, margin also because Carbon Black will give around 70, 80 to 100 basis points addition of margin to EBITDA. The large-sized OTR tires will also add something to the margin, but the number is very small, so it will not be that significant. But there will be overall improvement in the margin profile of the company going forward.

Govind Agrawal: Right. This was the third question, which is that Rs.500 Crores which you are spending in Bhuj plant, that extra large cap, so which is margins. How much would be higher than the overall margins?

B K Bansal: See, first of all, the Rs.500, which we are not spending on ultra, large sized mining tires. Only Rs.350 Crores we are spending.

Govind Agrawal: That is only Rs.350 Crores?

B K Bansal: Yes Rs. 100 Crores is going for mixing and Rs.50 Crores is going for warehouse and that ultra sized large tires, we will have an incremental margin of around 5%, 6%.

Govind Agrawal: 5%, 6%?

B K Bansal: Yes.

Govind Agrawal: Okay, understood. And when do you think this entire 5,000 tons will get utilized?

B K Bansal: This is expected to be completed by FY2021. And then from 2021, 2022, we will start producing those tires.

Govind Agrawal: Okay understood and my last question is on that brand promotion expenses which you said just 1% of the sales, right?

B K Bansal: I said it was 1% in incremental expenditure.

Govind Agrawal: Correct. Incremental expenditure ones.

B K Bansal: Yes.

Govind Agrawal: You mentioned 1% of revenue, right?

B K Bansal: Right.

Govind Agrawal: And you expect this to continue for next two, three years?

B K Bansal: Right.

Govind Agrawal: So shall we assume like, say, last year, your revenue was, let us say, Rs.5200 Crores, so Rs.40 Crores, Rs.50 Crores incremental expenses on this account?

B K Bansal: Yes around Rs.60 Crores to Rs.70 Crores would be on the various branding and for sponsorship events so it will be roughly 125 basis points of our revenue.

Govind Agrawal: Right understood and last question is with regards to the outlook for the demand. As you have been very forthcoming in mentioning that the demand outlook has not been good, so what are the lead indicators which you look at, which could give us some insight as to if demand will recover henceforth?

B K Bansal: So our OTR trends will exceed the commodity prices and on agriculture, it is basically evergreen segment so here, we see the overall agricultural activity and the food inflation so these are the lead indicators.

Govind Agrawal: So but as we are seeing in EU which is the biggest geography, 50%, so there is technically recession kind of scenario so has it not impacted the demand? Assuming agri because of other factors, agri demand is normal but since the overall economic scenario is bad, so is it not impacting the demand?

B K Bansal: Not really, because we believe that agriculture is an evergreen segment and it is linked to the living creature so long as you, me and the creatures are there, you will need food to survive. So, on demand point of view, we do not see any challenges. Yes, temporarily, because of the climate conditions and because of some other reasons, it may change. But this is not a structural kind of change which can impact the demand permanently.

Govind Agrawal: Right. I also recall when I met you a few months back in one of the meetings, you said this current environment due to China and U.S. trade wars, the business sentiments are very negative and which is leading to demand slowdown so how much of that would have contributed to this volume slowdown in this quarter? And do you expect this to continue?

B K Bansal: Very difficult to say that. But in our case, despite all these things, our U.S. sales is being maintained and it is still holding good for our company. But if you go by the OEM performance, you will realize that the overall market contraction is about 20% to 25%.

Govind Agrawal: Okay understood that is it from me. Thank you very much.

Moderator: Thank you. The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: My question is more on the macro front. We have been listening to commentary from BASF and all these local agri players. They are projecting a slowdown going forward. Given that we are heavily exposed to that segment, what is the way forward and do you have a strategy in mind to diversify from Agri to OTR and what percentage, if that would be?

B K Bansal: See, I mean we expect to do a review as I just now explained to Mr. Agrawal, one thing of his concern that agriculture is a stable kind of segment and it is non-cyclical in nature. It is linked to the living growth,. So I do not see that agriculture demand, per se, is operating permanently. There could be short-term challenges, which will not last for a long time.

Lokesh Manik: Okay and diversification to OTR, you maintained the same ratio 60:30 on...

B K Bansal: Yes they also said in while answering somebody question that we are not leaving any stone unturned in terms of exploring the opportunity so wherever we see the opportunity, we are exploring earlier, we are completely focused on agriculture segment ad now, we are also paying a lot of focus to OTR segment so there also, we are trying to grab the opportunity.

Lokesh Manik: Okay. So are you seeing good outlook in the African or the Middle East continents? I mean any feedbacks you are getting from there in the agri front will both will be the next driver for agri down 5, 10 years down the line?

B K Bansal: Yes. I mean, like Africa and which other continent you said?

Lokesh Manik: Middle East.

Rajiv Poddar: So both these regions are also facing economic challenges along with others across the globe. That is why we are strengthening our network and our distribution, and we are making new routes and that is why we are quite hopeful that we will be able to continue to take the growth. They will be the drivers in the coming years. But at this moment, all other economies is very uncertain so short-term, mid-term could be a problem, but long-term, they will become the drivers. We are working towards that.

Lokesh Manik: Okay because my question is actually back of reading MRF's report where India reaching good growth in exports, and specifically attributed to Middle East, Africa so although given that they have settled down obviously in most of the tire segment and not only in OHT.

Rajiv Poddar: Yes. We do not see growth rate in the short term I mean in the last quarter or the coming quarter in Middle East and Africa region. But in the long-term, they will be our drivers, and we are working towards that.

Lokesh Manik: Thank you so much.

Moderator: Thank you. The next question is from the line of Ronak Sarda from Systematix Shares. Please go ahead.

Ronak Sarda: Sir, apologies if you answered this question earlier. Sir, when you say U.S. capex has been temporarily put on the back-burner, what should we look out for and when will this capex be part of your overall long-term strategy?

B K Bansal: So I think you missed the conversation. I said that in the foreseeable future, we do not see any possibility of taking it back on the agenda.

Ronak Sarda: Okay.

B K Bansal: Yes. But at the same time, I am saying that in the foreseeable future, we do not see any possibility of it coming back.

Ronak Sarda: Okay and the second question is on your commodity cost, if you can just highlight how is your natural rubber, synthetic rubber and Carbon Black pricing moves? Quarter-on-quarter or Y-o-Y or any number is...

B K Bansal: I do not answer direct pricing. But I can tell you the direction. So directionally, they are coming down and now since even you would have seen that the crude is around 56, 58, which has happened in the last 15, 20 days. So going forward, there is a further reduction in the raw material prices. Given that material resources has also come off, so we will get the benefit of that in the coming time. So going forward, the raw material prices will be lower.

Ronak Sarda: Sure and sir, last question is on the capex then. If you can just highlight what will be the capex for FY2020 and 2021 based on the new project time line?

B K Bansal: So around Rs.600 Crores will be in the FY2020 and around Rs.500 Crores to Rs.550 Crores would be in FY2020.

Ronak Sarda: FY2021?

B K Bansal: Sorry, FY2021. I am sorry.

Ronak Sarda: Okay. This includes maintenance capex?

B K Bansal: Yes. This includes maintenance capex.

Ronak Sarda: Okay. With Carbon Black, the first phase has been included in that?

B K Bansal: Yes but only first phase is done. The second phase is also work in progress so some money has also been spent on that.

Ronak Sarda: Is it just an update on your Carbon Black project? I mean, the fact that everything is going as per plan and scheduling the initial plans and R&D satisfactory or?

B K Bansal: Yes. It is very much satisfactory. The quality has been above our expectation, I would say.

Ronak Sarda: Okay. So no glitches in terms of sourcing?

B K Bansal: No absolutely nothing.

Ronak Sarda: Perfect Sir. Thank you.

Moderator: Thank you. The next question is from the line of Urmil Rajadhan, Individual Investor. Please go ahead.

Urmil Rajadhan: I have two questions. One is, you were mentioning about the challenges around market abroad. You have also been trying to sell in India. Does it make sense to put effort in get some higher share in India to offset the challenges abroad?

B K Bansal: Yes. That is what we are doing. We are already doing it.

Urmil Rajadhan: So a greater push to open because you have a lot of capacity already.

B K Bansal: Yes also, whenever we see a good business opportunity, we are just trying and grabbing it.

Urmil Rajadhan: In India also?

B K Bansal: Yes, of course.

Urmil Rajadhan: Sir, the second question, you were mentioning about the raw material prices coming down. Will that mean any inventory losses for next quarter?

B K Bansal: Now we are not carrying huge inventories because we also taken you whenever we see that the trend is downward we do not accumulate huge inventory. So I do not see any kind of inventory loss coming up in our second quarter or subsequent quarter.

Urmil Rajadhan: Thank you.

Moderator: Thank you. The next question is from the line of Prashant Kothari from Pictet Asset Management. Please go ahead.

Prashant Kothari: A couple of questions. What I have been trying to understand the scene in the U.S. capex. What assumption actually changed that? What is that you could not get the right pricing, you could not get the right cost structure or you couldn't get the right market share?

B K Bansal: There are a couple of things. We view each and every aspect of the business, the current market conditions, the profitability, the scaling up and the utilization level, etc., and we track some of it, particularly when the market is looking down. So we cannot expect to do much with the OEMs. So after considering the various expects, we realized that it will not be in the larger interest of the company to go ahead with this project now.

Prashant Kothari: So you believe that the tough market conditions will last many years not just temporary?

B K Bansal: Yes and the main purpose of the plant was to service OE customers, which we will do as a strategy through India, as we have been doing currently. We are also servicing U.S., through India. So we will work on that, and we will try to strengthen that channel and do away with the U.S. plan.

Rajiv Poddar: Also, just to add on to that, just to clarify, we see the demand being little choppy during the short term. The long-term opportunity is coming back to the demand, so just to clarify that.

Prashant Kothari: Yes. But your factory would not have come up in month’s time, right? It would have taken a couple of years to come up. So by then, you would expect the demand also to be better than what it is currently?

Rajiv Poddar: No. Demand would have come back, but in today's scenario, there is a lot of uncertainties there, so that is why we have kept it in abeyance and then we can take a call. In the meantime, as Mr. Bansal said, that for the OEs and all that, we have warehouses from which we are servicing. So we are looking at the possibility to really get traction from there and so that is what we just re-evaluated our stand on that.

Prashant Kothari: So my question is that it is a cyclical business out there, and if you invest in good times, by the time your factories come out, it will be bad times again. Is it better to maybe invest in bad times so that we can reap benefits when the good times come?

Rajiv Poddar: Yes. We are servicing the market trough warehouses and also, that will anyway come up, so it is not if you look at the angles right, it wouldn't make any difference from that angle whether we manufacture there or we have warehouse where we are servicing. So it is not that we are not going to invest I agree with you. We invest in bad times to reap benefits. So we are doing that. But what we are not doing is taking the whole step forward of the plant because as Mr. Bansal said, the other cost structures that we had estimated or expected versus the cost structure that the proposals which are coming back was not in line with our expectations and just looking at those numbers we are taking on. We'll take a call on that at a later date and re-evaluate it later. At this moment, we have kept it in abeyance.

Prashant Kothari: The next question is just on the near-term demand profile. What you have seen in the kind of last three months is that there has been a big heat wave in Europe and there is again a concern on this. So you have been exposed part of the U.S.? Is that not impacting the offtake for you because your guidance still remains what it was?

Rajiv Poddar: Well, the number that you see, we have taken into account this effect, so we are down roughly 10%.

B K Bansal: Yes. So it is impacting. That is why our growth expectation is 3% to 5%, otherwise, in the normal business environment, we grow between 12% and 15%. So it has impacted. But still, we are outperforming and gaining the market share in other regions. I can see that my U.S. performance or U.S. sales number are almost maintained.

Prashant Kothari: Okay. Sir, when you are declining by 10%, what do you think the market would have done? Like has it declined?

B K Bansal: It would be down by around 25% to 30%.

Prashant Kothari: Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.

B K Bansal: Thank you, everyone, for joining this call and have a good evening.

Moderator: Thank you, Sir. On behalf of ICICI Securities, we conclude this conference. Thank you for joining us. You may now disconnect your lines.