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SEC/0302/2025 **By E-Filing** February 3, 2025

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Scrip Symbol : APARINDS	**Scrip Code : 532259**
Kind Attn.: Listing Department	**Kind Attn. : Corporate Relationship Department**

Sub. : Submission of Transcript of Earnings Conference Call made on Un-audited Financial Results (Standalone & Consolidated) of APAR Industries Limited (the Company) for Q3FY25.

Ref.: Reg. 30 read with Para A (15) of Part A of Schedule III & all other applicable Regulations, if any, of the SEBI (LODR) Regulations, 2015 ("Listing Regulations"), as amended from time to time

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Dear Sir/ Madam,

Kindy refer to our letter no. SEC/2801/2025 dated January 28, 2025 w.r.t. submission of link of Audio Recording of post Earnings Conference Call made on Un-audited Financial Results (Standalone & Consolidated) of the Company for Q3FY25.

Pursuant to the provisions of Regulation 30(6) of the Listing Regulations, we are submitting herewith transcript of the Earnings Conference Call made on the Un-audited Financial Results (Standalone & Consolidated) of the Company for Q3 and Nine Months period ended December 31, 2024.

The aforesaid transcript is also made available at the website of the Company at www.apar.com.

Kindly take note of this.
Thanking you,

Yours faithfully,

For APAR Industries Limited

SANJAY A RAJU KUNDER

Digitally signed by SANJAYA RAJU KUNDER
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(Sanjaya Kunder)
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Encl. : As Above

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"APAR Industries Limited

Q3 FY '25 Earnings Conference Call"

January 28, 2025

MANAGEMENT: **MR. KUSHAL DESAI – CHAIRMAN AND MANAGING DIRECTOR – APAR INDUSTRIES LIMITED**
MR. CHAITANYA DESAI – MANAGING DIRECTOR – APAR INDUSTRIES LIMITED
MR. RAMESH IYER – CHIEF FINANCIAL OFFICER – APAR INDUSTRIES LIMITED

MODERATOR: **MR. AMBESH TIWARI – S-ANCIAL TECHNOLOGIES**

Moderator: Ladies and gentlemen, good day, and welcome to the APAR Industries Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touch-tone phone.

I now hand the conference over to Mr. Ambesh Tiwari from S-Ancial Technologies. Thank you, and over to you.

Ambesh Tiwari: Thank you. Good afternoon, everyone. This is Ambesh Tiwari from S-Ancial Technologies. I welcome you all for the Q3 FY '25 Earnings Call for APAR Industries. To discuss the business performance and outlook, we have from the management side, Mr. Kushal Desai, Chairman and Managing Director; Mr. Chaitanya Desai, Managing Director; and the CFO, Mr. Ramesh Iyer. I would now pass on the mic to Mr. Kushal Desai for the opening remarks. Thank you, and over to you, sir.

Kushal Desai: Yes. Thank you, Ambesh. Good afternoon, everyone, and welcome to the APAR Industries Q3 FY '25 Earnings Call. I would like to start by giving an overview of our performance and then follow that up with a short industry update. Post that, I can cover the segmental performance of each of the individual businesses and then open up the floor to questions.

So in Q3 FY '25, the consolidated revenue came in at INR 4,716 crores, which is up 17.7% year-on-year. This was due to a strong volume growth in the domestic business with a continued focus on T&D renewables and business from the railways.

Domestic revenue grew 31.8% versus last year. Exports contributed 33.5% to the overall revenue, which is lower than what it was in the same period the previous year. The number was at 40.7%. Compared to Q2 FY '25, exports have grown in Q3 FY '25 by 14.3%. EBITDA, however, is down by 7.1% year-on-year to INR 401 crores with the EBITDA margin coming in at 8.5%. Profit after tax came in at INR 175 crores, which is lower by 19.7% versus Q3 FY '24. The profit after tax margin is at 3.7% compared to 5.4% in the same quarter previous year.

Now looking at figures for the first 9 months compared to the previous year's period. Consolidated revenue came in at INR 13,371 crores, which is an all-time high for a 9-month period. It is up 14.3% year-on-year. Domestic revenue in the first 9 months was higher by 44.8% versus the previous period, and the export mix is 33.4% versus 47% a year ago.

Fundamentally, the domestic business has grown relative to exports. And the export business had been affected to some extent due to a slowdown in order booking from some of the territories as well as challenges that had come up on the freight front. Both of these factors seem to be dissipating to some extent with freight due to the Red Sea issues starting to now cool down to some extent and export booking starting to improve. If you look at the EBITDA post forex, that came in at INR 1,198 crores, which is up 2% compared to the previous year. PAT for the 9-month period has come in at INR 571 crores, which is 3% lower than the same period previous year.

In terms of some of the key industry highlights, the Ministry of New and Renewable Energy has reported that there has been remarkable progress in India's renewable energy sector, highlighting significant achievements between December '23 and December '24, where the total solar energy installed capacity amounted to the addition amounted to 24.54 gigawatts, representing a year-on-year growth of 33.5%.

So as of December 2024, the total installed solar energy capacity stands at 97.86 gigawatts. Wind energy has also contributed to this expansion with an addition of 3.42 gigawatts installed in the year 2024, increasing the total amount of wind capacity at 48.16 gigawatts with a growth of 7.64%. Our expectation is that the wind capacity will grow at a faster pace as we run through the calendar year '25 and '26.

On the transmission lines and substation side, according to the statistics released by CEA, the total quantum of transmission lines added for 220 kV and above stood at 5,960 circuit kilometers during the April to December period, which is barely 50% of the planned addition of 11,720 circuit kilometers. For the entire FY '25, the planned addition came in at 15,253 circuit kilometers, which is only about 30% of the actual addition as planned.

Regarding the substation addition, according to the CEA statistics, the total transformation capacity added during the 9-month period stood at 46,325 MVA against a planned addition of 70,905 MVA. So this shows only meeting 65% of the target. Having said that, a number of new tenders have been finalized. And in some cases, some of the tenders did not get finalized and went for retendering because the budget values were lower than the quoted values.

Given what has happened with the depreciation of the rupee and the movement in the price of copper, aluminum and various other commodities, these tenders, which have been refloated are likely to get finalized at higher numbers in the months to come.

Coming to the individual business performance. I'd like to start with the conductor business. So in Q3 FY '25, our revenue grew by 23.4% year-on-year, led by a growth in the domestic market. Volumes were overall up by 19%. Exports contributed to 25% of the total revenue as opposed to 40% in the period a year ago. The premium product mix contribution came in at 37.4%. The EBITDA post open period forex came in at INR 29,593 per metric ton as against INR 41,500 in the same period previous year. The order book, however, stands at a healthy INR 7,600 crores.

New orders received during the quarter was INR 3,077 crores, which is 62.3% higher than the same period previous year. Our copper business, which includes copper conductors, copper transposed conductors for transformers and bus bars is up 31% in the 9-month period over the same period previous year. The U.S. business, in terms of billing, has increased in Q3 relative to Q2 by about 8.5%, and we see that this trend has now reversed.

On a 9-month basis, revenue for the conductor business grew 17.2%, and the volume is 8.5% higher than last year. The export mix came in at 24%. The premium product in that mix stands at 39%.

Coming to the Oil business vertical. Revenue from the operations degrew by 0.6% year-on-year, but that was largely because of the value of the base oils during this period. Volume has grown by 4.8%. The transformer oil volume was higher by 6.3% versus last year on a global basis, but was over 18% higher in terms of the domestic growth. Automotive oil grew by 13.5%, largely on the back of an increase in the OEM business. The industrial lubricant part of the business grew 13.8%. The export mix remains healthy in the oil business at 43.8% of the overall revenue. The EBITDA per kL came in at INR 6,364 per kL.

If you look at the 9-month comparison, revenue is up 5.8%, reaching INR 3,836 crores with a volume growth of 7.2%. The transformer oil revenues year-on-year are up 16.6%. Export has contributed 44.7% of the overall revenue. The EBITDA per kL stands at INR 6,240 per KL as opposed to INR 6,257 in the same period last year.

Coming to our Cable business. Revenue in Q3 FY '25 posted a strong revenue growth of 37% to reach INR 1,266 crores on the back of strong domestic demand. Continued government capex in transmission, distribution, renewables, infrastructure and railways has led to continuing strong demand in the domestic market. Domestic revenue was up 30.4% in Q3 FY '25. Export was 34% of the mix as against 30.6% in Q3 FY '24.

EBITDA post forex recorded a year-on-year growth of 14.2% to reach INR 122 crores. The EBITDA margin, however, was 2% lower than Q3 FY '25. The pending order remains reasonably strong at INR 1,550 crores. Essentially, both for the Cable and conductor business, the exports, which were more profitable, have been replaced with the domestic business, which in absolute terms has been profitable, but in relevant in relational terms is less profitable than the export.

Looking at the 9-month period, revenues have grown 27.5%. The domestic business grew by 51.9% for the Cables division. Export mix stands at 32% as opposed to 43% from a year ago. The EBITDA post forex grew 10.6% to reach INR 348 crores. On one hand, we are seeing increased competition in the export market, especially from Chinese producers in territories where there is a level playing field for Chinese exporters, and that includes Australia, some parts of Africa and Latin America, whereas their presence in the United States has been still limited.

Overall, even though U.S. sales are lower than what we would have liked, the period-on-period sales has increased. And I think the trend seems to be has got reversed. We are hopeful that the export demand will improve. We clearly see that freight costs are starting to soften, which should also help in terms of the competitiveness of our landed cost.

The phase of energy transition still remains intact. The fundamentals we see have not really changed. And we are optimistic that we will be able to continue to reap the benefits as this business grows based on our strong execution capabilities and strategic initiatives that we have taken on innovation and product differentiation.

In addition to this, we have also increased our approvals and presence in the U.S. market, which just for cables remains at close to a $20 billion market per annum. And as these approvals increase, especially for utilities, we have an ability to place both conductors and cables at the same customer. We have a detailed corporate presentation in the Investors section of our website. I would encourage you to please go through that to get a better perspective and a much more detailed perspective on the company, its activities and strategy.

So with this, I'd like to come to the end of my comments and would be happy to take questions.

Moderator: Thank you. We have the first question from the line of Amit from PL Capital.

Amit: My first question is on the U.S. market. You did highlight that there was some recovery and we have been taking more approvals for cables as well to expand and cross-sell in the market. My perspective, if you could highlight on how the view on U.S. now post the change in regime there? And is the opportunity size remain same for us in terms of reconducting all other opportunities which we are building in? That's my first question.

Kushal Desai: Okay. So the change in government and the change in policy based on some of the statements the President has made generally, there's nothing specific that's come about with respect to India. I guess only time will tell in terms of where that finally settles down.

There are a couple of fundamental facts, which are there. One is that electrification in the United States is continuing to increase. They have a certain level of dependence on import. It's almost like a 50-50, where about 50% of the product that the U.S. market needs is manufactured in the U.S. and close to 50% is imported.

Given the time that it takes to set up a facility in the U.S., get all the permitting, et cetera, et cetera, and with the ability to actually source manpower to run these facilities where unemployment is at still a record low, it may not be very practical to, so if the demand remains there, I guess there will be an import component that will continue. So at least as of today, we remain committed to working on that market. There are many renewable energy assets that are continuing to be stranded in the absence of evacuation capability.

There are still a lot of data centers coming up, which require connectivity. So I think time will tell, but at least as of today, we have not seen any signs where the business should just suddenly turn on its head.

Amit: Right. Second question on the premium products. I was just checking on absolute basis, the premium product sales has grown by kind of mid-single-digit. I think, 2,600 for first 9 months versus 2,450. So is it the right understanding that this is getting impacted because of the exports market? Because what we understand I think last time we discussed there was more growth or premium products happening in the domestic market and domestic market are actually doing pretty strong for us. So what should one understand on the premium product sales getting softer quarter-on-quarter?

Kushal Desai: So there has been – the copper side of the business, as I mentioned, has been quite strong. If you take a 9-month period, it's actually up 31%. Some of the conductor tenders and other infrastructure like substation, various things have gone into retendering simply because our budget was set up based on some historical costs, and the costs have gone up with respect to copper, aluminum, steel and various other components.

So the finalization of some of those tenders have actually not been at the same pace as one would have liked. So some of them have gone back into a retendering mode. As I mentioned in my opening comments, my sense is that as you get into Q4 and then into FY '26, you'll start seeing awards of those tenders taking place because the business is right there, the lines need to be put up. This adjustment process has to take place in terms of the budgets that are being allocated against some of these projects. So this is impacting some of the HTLS projects as well.

Amit: Lastly, on conductor EBITDA per ton, are we now, any thoughts on INR 29,500 EBITDA per ton, which we have been guiding. And second, on Cables margin, which are keeping very low from past 2, 3 quarters versus FY '24 and '23 and if you could give some perspective on these 2 elements? That's my last question, yes.

Ramesh Iyer: Yes. So on the conductor margins, we continue to have the same guidance as we have been saying earlier, about INR 28,500. And that to, typically, we look at these margins on an annual basis. this particular quarter, the margins have been low primarily due to the premium products that got executed in this quarter has been lower than the earlier quarter.

At the same time, there is a mix change happening in terms of the geographies that we've been selling. There has been less execution of sale of products in the North America compensated with some other geographies where the margin has been lower as compared to North

America due to which the margins have been lower in this particular quarter.

So on a YTD basis, we look at it, it's close to about mid INR 30,000, but this particular quarter has been affected due to mix change as well as the premium product that has got executed.

On the cable margins, while the domestic market continues to be competitive and price competition is there that we can see. We are also working on various cost optimization strategies so that upon the scale of the business achieves the growth, then we'll be able to get some cost reductions over there. But given the current state, this market is competitive, that has affected the margins of this quarter. In addition to that the U.S. business is picking up. Once we see U.S. business going up in quarters to come, we can see revival of margins on the upward trend.

Moderator: We have the next question from the line of Nitin Arora from Axis Mutual Fund.

Nitin Arora: Just carrying on with what Amit was asking on the profitability. We understand the premium mix was lower. But just a little bit direction wise, because competition has also increased, which you highlighted 3, 4 quarters back in the export market as well, the Chinese competition ex of U.S. Does that also looks like that this is something a new normal of kind of a profitability one should work with? Or you think once the premium mix starts coming back, we should again start going towards 35%, 37% where we were delivering.

And second, on the Cable profitability. Our top line is not that heavy. And we have started talking about optimization and cost optimizations and competition, which I think was not the commentary about 2 quarters back because all the other cable companies are pretty heavy in terms of revenues and all and capacities. And I think we guided for a double-digit margin in this year. So apart, if you can throw some light what has significantly changed because our size compared to the industry is still very less and we are talking about competition. These 2 aspects, please.

Kushal Desai: Okay. So looking at the relative size of the Cable business, one quarter ago, if you take the first half because the first half results have been declared for all the cable companies, APAR today is the fifth largest after Polycab, KEI, Havells, RR Kabel. So we've gone ahead of Finolex. We've had a 37% growth in this quarter over the previous quarter, which would clearly bring us to the number 5 position.

What has fundamentally happened is that the mix has moved for both conductor and cable at the moment more towards the domestic side where the order books have been stronger. So the margins have been lower relative to the U.S. and some of the export markets. If you take the 9-month margin for cables, we are at 9.6%.

So we are just a little bit away from the double-digit period. But clearly, the domestic market does not give us the same profitability as some of the overseas markets does, where there is a premium for the quality of product that is produced relative to what the Indian market offers.

As the U.S. business and some of the export business increases, I would see definitely a little bit of an upward bias coming on the margin. But what Ramesh is talking about in terms of cost is that we have a number of initiatives to improve the efficiencies which are there. So we have a very strong Industry 4.0 program that is running in our Cable business, for example, all the machines, over 400 machines will get hooked up to the platform by the end of March.

So you start seeing all that data coming out in the first quarter of FY '26, which actually gives you live 24/7 data on pretty much every rotating machine, every running machine that we have in the division to then start working on pinpointed productivity programs, et cetera. Some of those cost initiatives are also there, which would help expand the EBITDA and they are essential given the fact that the domestic market does remain competitive.

So I think the benefit that you will reap, if you continue, our target is to continue to grow 25% a year, year-on-year. So when you start executing INR 1,200 crores, INR 1,500 crores, sorry, INR 3,000 – INR 5,000 crores a year to INR 6,000 crores a year in terms of revenue, then it is a very, it is a good base on which to run these programs to actually reap the benefit.

Nitin Arora: Kushal, just on the near term, sorry for asking a little near term because your numbers are becoming quite volatile quarter-by-quarter. And we understand there is a mix issue with respect to U.S. coming back or not. But generally, the sense which you're getting now post the new regime coming in, are the inquiries level increasing both at the Cable and at the Conductor division, which you think can rebound? Or do you think it will take at least 2, 3, 4 quarters and then we'll see. I mean, just to understand your confidence on both these segments.

Kushal Desai: Okay. So I think the new regime having come in, Mr. Trump has taken office only a week ago. So I guess the dust really needs to settle on that front. The inquiry levels have continued, in fact, they have been increasing with time. There was a much bigger lull and a greater worry 1 year ago compared to what it is today. And as I said, if electrification grows in the United States, then there is no option, but for a certain amount of imports to commence because local production is able to cater to only 50% of the current demand.

Moderator: We have the next question from the line of Nattasha Jain from PhillipCapital.

Nattasha Jain: So my first question is in continuation to what the last participant had asked. Now in terms of U.S., can you, first of all, give us any broader sense as to how the margin differentiates between geography, India included compared to what we get in U.S. for cables. Any broad sense would do.

Kushal Desai: So usually, you would end up getting 3% to 5% plus differential for a like-to-like product for the same application because the U.S. specifications are far more stringent. And all products need, for example, if you're marketing any electrical product in the United States, you need a UL approval. So the UL approval itself is a fairly stringent process to get the mark. Then post that, their process is similar to the U.S. FDA, where samples are drawn from the field and tested. So you have to continue to deliver the kind of quality of product, which has been delivered at the time of the initial approval.

And that's something that's relatively not so easy compared to whatever happens in India where you don't have the same kind of scrutiny that takes place. So essentially for companies like us, where we believe that we are at the upper end of the pack in terms of the quality of product that we deliver, a market like the U.S. or Europe is always helps us get a premium relative to the Indian market.

Nattasha Jain: Understood. Sir, so is it fair to say that India in terms of cables would be the lowest margin compared to all other geographies in U.S. on the other extreme end?

Kushal Desai: India is not the lowest because in India we do sell a lot of specialized products as well. We supply to the Indian railways, we supply to the Indian defense. If you look at a typical low-voltage cable, in India, that is about as cheap as you can get anywhere in the world. So our Indian product mix also is the richest product mix in terms of specification of products that's being sold because we sell a lot of elastomeric and renewables and railways and defense and all these other products.

But on a like-to-like basis, if you take the low voltage cables in India versus a low-voltage cable in the U.S. or in Australia, then the Indian product is definitely cheaper.

Nattasha Jain: Understood. And sir, another question, again, relating to exports. Now you just mentioned in your opening comments that 50% of the demand for U.S. is still imported, and it's a big market. And also, there are not a lot of Chinese players because of tariffs, et cetera. So just trying to understand then what is the problem? Why is U.S. export not picking up, if it's sitting at a most favorable position given Chinese player are not there in the U.S. So please throw some color on that?

Kushal Desai: So, the U.S. market for us has started and has already turned the corner. So, as I mentioned in my commentary that for Cables, there is an 8.5% sequential growth between Q2 and Q3, and we expect Q4 to be higher than Q3. The market is definitely starting to – so the excess stock, which was there, et cetera, that's all pretty much behind us. And the inquiry flow also has started increasing. So it's not that we are not seeing any inquiries and not seeing demand.

Nattasha Jain: Got it. So we can again say that deinventorization has pretty much happened in the U.S.

Kushal Desai: Yes, yes. In addition to that, we are optimistic in the years to come is that we have been working on approvals from utilities. Because finally, if it's a distributor or XYZ, a significant product is bought by U.S. utilities. So we've been working on utility approvals all through this period. We actually increased our manpower and infrastructure in the U.S. to service the market. So, I think over the periods to come in, we should see increased business.

Nattasha Jain: Got it. And sir, my next question is on the domestic side. Now if I see the governmental capex has slowed down. A lot of your peers have also made that commentary. We've seen that in the numbers. So my question is more on the near-term, say, maybe a year's time frame. Do you think a slowdown in the governmental capex can seep into the power and transmission. And this in combination with the fact that a lot of your peers are coming live with capacity this year for cables in huge capacity. So, are we at a risk where there can be slightly overcapacity versus low capex spend and therefore, low demand on the government power and transmission side?

Kushal Desai: So as I mentioned in my opening comments that the catch-up that is required compared to the plan is also because of the whole tendering mechanism. So if you take historical cost, when copper and aluminum and all that, and if you take the rupee value of that, because it's a dollar value multiplied by the exchange rate, all the budgets and the bids have come in higher than the budget. So as a consequence, there are many tenders that have gone into retendering. And that's one of the reasons why there has been a slowdown in terms of award as well as execution taking place.

So our sense is that, that pace is going to pick up because those lines are required, that business is required. And it's not only just conductors and cables, there is a shortage of transformers, for example, of certain sizes. There is a shortage of certain type of switch gears and other equipment required in the substation. So as all that starts coming through, then you will have the whole chain getting – the order flow for the execution to take place.

Nattasha Jain: So we can expect the retendering happening probably in FY '26 first quarter onwards.

Kushal Desai: It's already happening now also. Many of them are going in for retender and they have to adjust the prices upward, simply because of the increase in the cost, which has taken place.

Nattasha Jain: Got it. Got it. And sir, last question, if I may. I know your Wires portfolio is quite small at this point. But can you just throw some color as to how you're growing there because it's one of the fastest growth category products? And in combination, do you think at an industry level, you're sitting at overcapacity for Wires versus the demand. That's all.

Kushal Desai: Okay. So, in the Wire segment, capacity is not really the bottleneck. It's very easy and relatively not that expensive to add capacity to manufacture a house wire. It's a very simple product relatively to make. The key is in terms of your ability to distribute and market the product. We've grown...

Ramesh Iyer: In that Wire category, we have grown about 46 percentage in the 9 months FY '25 versus FY '24. We've increased our distribution presence by 67 percentage. Our retail count has almost doubled as compared to last year. We are now present in 18 states there, and there's a lot of product awareness and demos that happens. So, we are bullish about this particular segment in the Wires and Cables business, and we are hopeful for growth going forward as well.

Kushal Desai: So that segment itself for us because of having a relatively lower base compared to some of the others we sell a very –in terms of performance, we sell Wire at right – at the top of the spectrum. And as Ramesh said in distribution, et cetera, is all growing. That business will be an INR 300-plus crores business for us this year.

In addition to that, we've also started setting up a B2B distribution business. So, you have – so this is just Wires. In addition to that, you have light-duty cables also which are sold through a distributor set up. So that's something that we've been working on.

So together, those 2 pieces will well exceed INR 350 crores this year and will continue to grow. Now if you see it in the overall context, this year we will cross INR 5,000 crores in the Cable business. So, it's still a small percentage of the total. But on an absolute basis, it will continue to grow.

Moderator: We have the next question on the line of Maulik Patel from Equirus.

Maulik Patel: On the conductor side, you always guided that the margin will be in the range of around INR 25,000 to INR 30,000 for a medium to long term. And after many quarters, it has come down. But at the same time, your order book has grown very handsomely. So, the current order book what you have is relatively will further increase your margin from the current level? Or it is still a – as you mentioned the competitive intensity from China has gone up so the margin will now probably be at this INR 20,000, INR 30,000 kind of range.

Ramesh Iyer: Yes. So as we have been guiding earlier also Maulik, this conductor division, we need to see margins on a 12-month basis because what happens that in the quarter, the margin gets affected with what we have billed and executed in that particular quarter. And as I said, this quarter had a mixture of low premium products. It had a mix change from North America to some of the other geographies. And a mix of thing has all come in this particular quarter. And so you saw the margins being lower.

At the same time, we are seeing increase in price competition also in the domestic market. There is price competition over there. In terms of the order book also if you see, there is about 20% of the orders that actually gets executed after FY '27 – 1 year later from now. So it's a mix of current orders that will get executed in the next 6 months or is something that gets executed after 1 year.

The blended margins could be anywhere between INR 30,000, INR 35,000 per metric ton. But that will not only be the entire part of it. We'll have some orders also coming up during the quarter, and that will get executed in the same quarter as well.

So the final EBITDA will really depend on the mix of orders, mix of products getting executed from the pending order book as well as the new orders coming in during the quarter.

Maulik Patel: Got it. And just one bookkeeping question. What's the acceptance currently?

Ramesh Iyer: Our interest-bearing acceptance is about INR 2,500 crores and the total LC is about INR 3,300 crores.

Maulik Patel: Acceptance has come down significantly on a quarter-on-quarter basis because I understand that earlier, the run rate was used to be around INR 4,000 crores or so.

Ramesh Iyer: Yes. So we have been optimizing our working capital on that front and the cash that has been generated in the business, we have been using to make cash purchases or to reduce the level of acceptance. And that is also helping us in terms of overall working capital.

Maulik Patel: Your interest costs have come down. The quarter-on-quarter, the interest quarter has gone up. If the acceptance has come down from INR 4,000 crores to INR 2,500 crores, interest cost should have gone down.

Ramesh Iyer: Yes. So this quarter, the interest cost has actually gone up because of 2 reasons. One is that there is an increase in exchange rate from – it's been touching about INR 85 per dollar. And because of that, to some part of the increase in exchange rate gets reclassified to finance cost as per the way our accounting standards are there.

In addition to that when we discount some of our receivables, there's an increase in interest costs. So these factors account for higher interest cost in this particular quarter.

Maulik Patel: I think you mentioned that the external fluctuation. So are you shifting your acceptance and converting it to LC, which is from the local banks?

Ramesh Iyer: We have domestic LCs as well as import LCs. And to the extent of revaluation of the import LCs, some part of that exchange rate change can form part of the finance cost. And therefore, you see some finance cost has gone up, especially in this quarter because we have this imported LC revaluation affected in this finance cost.

Maulik Patel: Last question on debt – long-term and short-term debt for this the – December end?

Ramesh Iyer: Sorry, I didn't get you.

Maulik Patel: Debt – the borrowings at the end of this December?

Ramesh Iyer: The short-term debt is about INR 120 crores. The long-term debt is about INR 330 crores.

Maulik Patel: Substantial decrease, if I look at combined from long-term, short-term plus acceptance, which was around INR 4,000 crores at the end of September. And now you mentioned that it's INR 2,500 crores plus and — INR 2,500 crores of acceptance and INR 500 crores of borrowing, so it's INR 3,000 crores only. You paid back around INR 1,000 crores in this quarter. Am I right?

Ramesh Iyer: The interest bearing is INR 2,500 and the total LC is INR 3,300 crores. That's how the number comes.

Maulik Patel: Okay. Okay. Okay. I think that acceptance number is also including the noninterest bearing cost component, correct? Got it. And just one more question. What's the capex you have done so far and the outlook for the next year, if you have probably finished the budget for the FY '26?

Ramesh Iyer: Capex is till 9 months, we've done about INR 270 crores. And the budget, of course is underway. So we are going to – we'll be finalizing it in the next month or so.

Moderator: We have the next question from the line of Levin Shah from Motilal Oswal.

Levin Shah: My question is, again, on the U.S. market. So when we see this quarter's numbers, like Y-o-Y, the numbers are flat and sequentially, the U.S. revenues overall for the company have grown by 8.5%. So when we look at margins, there has been a big drop both in cable and conductor. You explained some of it. But despite U.S. recovering quarter-on-quarter, the margins have gone down substantially. So can you help us explain what's the – what's impacting the margin despite U.S. improving?

Kushal Desai: So in the short term, there was an impact on freight for shipments that went to the U.S. because suddenly you had this Red Sea issue and freight rates in the short term had really shot up. Since the deliveries are on – partly on a DDP basis, there was higher freight that was incurred, not only for the U.S. but for anything that otherwise would have gone through the Red Sea.

So there were some of those factors that did come in. Now as I mentioned in my opening remarks, that has started also turning around. And with this truce that's happened in the Middle East, et cetera, we – I think that will also settle down over some period of time. Plus you've got to keep in mind that the domestic business also has gone up. So when you say U.S. has gone up sequentially, overall exports have not increased over the same period previous year.

Levin Shah: Yes. Sir, I was more comparing it with previous quarters. So Q2, the U.S. share would have been lower versus Q3 despite that Q2 margin...

Kushal Desai: So the U.S. business is picking up, but the overall export business has not gone up substantially quarter-on-quarter.

Levin Shah: Sure. And just on the U.S. market per se because that's like our largest export market. Excluding the shipping costs, if you were to look at contribution of gross margins on product like-to-like, has that gone down significantly due to competitive intensity or that has been impacted?

Kushal Desai: No. So there has been some erosion in the margin, but it's not a huge erosion in the margin. The competitiveness has been there, but it's still better than what we would have got in the domestic market or even compared to many export market, especially in areas where the UL approvals are not held by multiple competitors.

Levin Shah: Right. So sir, will it be fair to say that once the U.S. market recovers beginning Q4, we should – obviously, I understand that officially, our guidance stays on the conductor margins, but we should see margin improvement because the U.S. market will also pick up and the shipping issue is also behind now.

Ramesh Iyer: Well, our target is to get up to 11% to 12%. And so every effort is being made in that direction.

Levin Shah: Sure. And this 11% to 12% is the blended margins, right? We are talking.

Ramesh Iyer: Cable division as well.

Levin Shah: And on the conductor part, sir, with the U.S. market improving, that segment should also see improvement in margins, right? Sequentially?

Ramesh Iyer: Yes, we have been guiding the number earlier, and we continue with that guidance. There's no change in our guidance as what you have said earlier. Of course, with some tailwinds and with the U.S. mix improving, it can be better, but we also need to see how the domestic market margins pans up during that period. But we continue with the guidance that we have shared earlier.

Kushal Desai: So there are 2, 3 fundamental things, which one can keep in mind, especially – see near term in this sort of business where it is more difficult to predict than something which is in the medium to longer term.

So a few fundamental changes have happened. One is that the base category of conductor has moved in India from ACSR to AL-59. So that's one big change that has happened. Second thing that has happened in the short term is that many tenders have gone back for reevaluation and refloating because the bids that came in exceeded the budgets on those tenders. So the premium product side had got a little bit slowed down.

The third thing is that there is a clear case that reconducting to increase capacity going from point A to point B is far faster and better to do than setting up a brand new line. And that's something that CEA and the Government of India also understands that a more comprehensive policy in that direction is being looked at.

Number four is the renewable energy assets are continuing to grow. You see wind has grown in single digits, not double digit in terms of the additions. But going forward, there is a lot of wind capacity that's actually coming on stream. That again has a consequent impact on the business that APAR gets because we have a very good market share on the wind side. So all of these things are pointing towards a better medium to longer-term position, even in the domestic market.

Levin Shah: Sure. That was helpful. Sir, and my last question is on – again, on the U.S. market. So what we have seen is post a new government there, they have put on hold the IRA benefits that were to be given to the new renewable assets that were being put up. So how much of our revenue stand to impact due to this IRA regulation change in the U.S. market?

Kushal Desai: It's just too early to sit and make a call on that. I think with a little bit of time passing by the picture will get clearer. However, you have to keep in mind that some of these renewable assets generate power also very competitively in terms of cost.

And if the cost of hydrocarbons like you've seen the Brent and all of this also going up, it's making renewables more competitive. So some of these things have been put on hold, but there is no judgment that has been passed that needs to be canceled or any such thing. So I think before reacting immediately, some more time needs to pass by for clarity to prevail. Having said that, electrical requirements are going up and not down.

Levin Shah: Sure. So what I was trying to understand is how much of our Cable segment? Because I understand conductor segment may not be impacted with this IRA going away, if at all that happens. But how much of the Cable segment revenue today would be related to this IRA related capex.

Kushal Desai: So we have a full mix of cables going in there, right? We have medium voltage cables going in there. We have photovoltage of PV cables, which are for renewables. We have cables that go into building another infrastructure. So there's a whole range of cables. If you go to the APAR website, you will see all the approvals in the – and you'll see all the different applications they go into. So it's not all focused only around renewables.

Moderator: We have the next question from the line of Prerak Gandhi. Please go ahead.

Prerak Gandhi: First of all, the thing is that you were bullish on the wind sector comparative with the solar despite solar being targeted 300 gigawatts for the year FY 2030. So why do we see a faster growth in wind sector compared with the solar sector? And secondly, sir, with Trump coming in, U.S. will be pushing for more indigenous operators, right? So do we see a loss of market share over there in the near future or at least in the medium term?

Kushal Desai: Okay. So let me answer both your questions one by one. I didn't say that I'm expecting a slowdown in the solar side. The solar side is continuing to grow. Wind has grown only single digit year-on-year. And we see that the wind capacity getting added in India is going to increase. So you will see another dimension of growth coming in as the windmills increase, the cable business that is catering to windmills should also increase.

And here, whatever growth happens, APAR stands to gain because we have a very significant share in that segment. So I just wanted to clarify that part. As far as the second question was about pertaining to Trump coming ahead. So that, I think we already answered that. It's just a matter of time before which we'll get to know the clarity.

Our market share in the U.S. is very miniscule. If you see $20 billion cables being imported, we are not even at 1% of that. We are like at 1% of the import taking place. So there's a huge room to grow. As long as there is a need for the cable and it can't be produced locally, there is a potential for us to sell that.

Prerak Gandhi: And sir, just a last question. Sir, the government, as per the CAG report, we have seen in the capex cycle has been very slow. So do we expect the capex which is left in this past 6 months, and the capex we announced in the budget. Do we see an extension push towards the capex in the next 9 months or next fiscal year?

Chaitanya Desai: Actually, in our conductor business, we have been seeing good order flow. And we anticipate that in future also based on already orders which have been placed at the capex level and then to the EPC community, those orders, either from the developers or from the EPC companies will keep us going for the whole next financial year. And even beyond that, we see a good flow of orders.

So yes, as we've explained that the market has moved from 1 variety of conductor to another so we see that business continuing in terms of strong demand in the local market.

Moderator: We have the next question of the line of Nikhil from Kizuna Wealth. Please go ahead.

Nikhil: Sir, I have one question, like we said that the Chinese players are entering the market when they have a fair position in like the markets in Australia, Africa and Latin America. So how – what is the APAR strategy to compete with them in those markets? And sir, my second question was like in the export market, our inquiries are increasing and order inflows also increasing. Is there any kind of execution delays happening there because our export mix is going down?

Chaitanya Desai: So with regard to the Chinese having the advantage currently in certain geographies, it's on account of their cheaper raw materials that they have in China. Because the government of China has made certain changes in their taxation and support to the various industries in China, which is enabling the Chinese conductor manufacturer or cable manufacturer to get Chinese aluminum at a much cheaper price compared to the rest of the world, and that is helping them.

So we have seen these cycles in the past come and go. Over period of time, these are not sustainable because definitely, if the price of the aluminum in China has kept at a lower number, then it means the Chinese aluminum producers are suffering as opposed to getting a fair price compared to the rest of the world.

So we don't think this may continue for long. But till it continues on, we feel it is better not to participate just for the sake of competing and incurring losses, is better to divert our capacity to the next best realization market, which is the Indian market. So this is the strategy we have taken for now.

Nikhil: Yes, sir. Understood. Sir, my second question was like our export inquiries are increasing. And our order inflows are also increasing in export because our order inflow is like 31% and our total order inflow was 67% up. So I'm asking that, is there any kind of delay in execution? Is there any kind of regulation problem going on there like the execution of export orders or something like that?

Chaitanya Desai: So some of the markets, they have staggered delivery requirement. And generally, in some of those countries, especially in the U.S., the procedures are more cumbersome in terms of actually starting the work on the ground compared to in India. India is one of the fastest for actually putting out the transmission lines.

So yes, some delays have happened, but now things are sort of looking more clear in terms of orders on hand and also in terms of the execution.

Moderator: We have the next question from the line of Mayank Bhandari from AMSEC.

Mayank Bhandari: My first question is on the revenue growth you've shown 23% in the Conductor business and 17% in the 9-month period. If I were to understand the forex impact in this, what would be the forex impact in the growth – top line growth for this.

Ramesh Iyer: It's difficult to put the numbers exactly on the forex impact on the growth number because the top line actually gets driven by your commodity prices, aluminum price, exchange rate and also the volume growth and also the mix of the product that goes into – in some of the export markets. It also depends on whether the selling prices including freight, whether it is a CIF contract, DDP contract or an FOB contract.

So it's a mixture of many things that goes into the value growth numbers. So it is difficult to separately identify which part has contributed to what. And therefore, we look at more volume numbers than the value numbers for this purpose.

Mayank Bhandari: Sir, 19% of volume growth and 23% of value growth, the differential of 4% includes our product mix and other factors you mentioned?

Ramesh Iyer: Various other factors, yes, as I mentioned, yes.

Mayank Bhandari: So product mix is ideally deteriorated this quarter.

Ramesh Iyer: As I said, it's tough to put that number because it depends, as I said, product mix, export domestic ratio and within export also, CIF, DDP contracts, FOB contracts, the price of aluminum and metals also, that has also changed quarter-on-quarter. So it's a mixed bag of various things that gets into the sales value growth.

Mayank Bhandari: And similar thing on the EBITDA post open period forex that you show of INR 29,593. So is there any number which is like preopen forex period.

Ramesh Iyer: We have been sharing that earlier, but now consistently we have been using the post open period forex number because that's the number we have been consistently using it, and it gives a proper representation for the business as a whole.

Mayank Bhandari: Okay. So I think all – for the other segments also, it is not possible to give a breakdown in the volume and value.

Ramesh Iyer: It is the same reason that apply for all the divisions.

Moderator: We have the next question from the line of S. Karlekar from HSBC.

S. Karlekar: Sir, you highlighted $20 billion U.S.A. cable imports as a large opportunity. So I may ask how much of that is really addressable considering the product portfolio that APAR has and the certification that you will be having.

Kushal Desai: So in terms of the addressable products which we have, it is catering to over 50% of the market in terms of – I mean, the categories that we have UL approval for is almost 50% of the U.S. market.

S. Karlekar: Okay. So broadly more than $10 billion – 50% of $20 billion number, right?

Kushal Desai: Yes, that is the gross opportunity that's out there.

S. Karlekar: Right. And sir, you also highlighted that in the meantime when market was weak in U.S., you have been seeking approvals from the end customers such as utilities. May I ask how far have you reached in that journey in terms of whether you're in early stage or mid-stage.

Kushal Desai: So I'd still say that we are in an early stage, simply because the number of utilities in the U.S. is a very large number. There are over 300 utilities in the U.S., of which about 25, 30 of them are very large in size. And the rest of them then – because it's a regional-based system. But the approval flow is – we are continuing to appoint more and more manufacturing reps, make presentations to utilities and customers, et cetera. So the approval base is growing.

S. Karlekar: And sir, my third and last question is that you highlighted retendering of orders because of the quoted price coming higher than the budgeted price. Is that specific to power grid or that is that phenomenon across other state department, central department and PSUs?

Chaitanya Desai: Yes, it is across various state utilities also and power grid also.

Moderator: We have the next question from the line of Aman Soni from Nvest Analytics.

Aman Soni: Could you provide insights on the anticipated capital expenditure allocation for the power sector in the upcoming financial budgets, especially, is there any indication of potential reduction in the government capex for the sector?

Kushal Desai: So I think I wouldn't be in a position to just answer that straight, but the fact that the government has been pushing for more renewable energy and more power assets to be added, I would not think that the budgets would be lower than what for FY '26 would be lower than what they are for FY '25.

Chaitanya Desai: In any case, the – not all of it is funded by the government because there are tariff-based competitive bidding. So depending on who wins the business, then that is funded by the concerned developer.

So as long as the projects happen irrespective of who wins the business, government promoted company or otherwise, the growth should happen. And it is – a lot of it is driven by renewable energy, where again, a lot of the developers are nongovernment concerns.

Moderator: We have the next question from line of Amit from PL Capital.

Amit: Just a couple of more questions. One on domestic side. We have seen quite a strong growth and as you highlighted, the key reasons also. I wanted to understand which part of domestic side, you're facing competition? Is it premium products, conventional products, AL-59? And what was – any sense on what was the mix in first 9 months, conventional versus AL-59 versus premium in domestic market?

Ramesh Iyer: So we have converted most of the ACSR products into AL-59 products now. So that mix has completely been changed. It's a much more superior product than the traditional ACSR products.

Kushal Desai: Which is all under conventional.

Ramesh Iyer: Yes. But it's still part of the conventional, but it's on the higher end of the conventional product.

Chaitanya Desai: And as far as the competition is concerned, currently, the market is much larger than the new supplies, which are coming in, in the form of new entrants. But just that the overall structure in the Indian market does not allow very high margins compared to some of the other markets outside. So the profitability difference is more on account of the product mix and geography mix as opposed to competition level.

Amit: Right. Possible to share what was the contribution in domestic market from AL-59, first 9 months?

Ramesh Iyer: We don't share that product level detail, Amit, for confidentiality purposes.

Amit: So last question on if possible for us to share the U.S. sales contribution segment-wise or overall company level?

Ramesh Iyer: U.S. sales has improved sequentially, but the specific of that mix, we don't share it out. But quarter-on-quarter, it is improved by 8.5 percentage.

Moderator: We have the next from the line of Vimox Shah from Goyam labdhi Fintech.

Vimox Shah: Yes, so I wanted to know that what are the plans that you are observing for the cooling solution in the data center? How we are positioning to meet this need. Basically, what are the opportunities do you see in this sector?

Kushal Desai: So far, cooling solutions in data centers are still at an early stage. Most of the data centers are still using air. So basically use cold air to take away the heat. And air is the worst conductor that's out there. Liquid based cooling can be significantly better. But when you're looking at such strong SLAs and such high uptimes, it is not easy for you to try out a liquid solution versus the air cooling solution.

So we've not – even though we have products in place, we've also developed products. We've not yet been able to get it tested out at the test site. That's why you don't hear us talking much about our – because the product is actually fundamentally quite similar to a transformer. The whole difficulty is not in producing a product, but is in getting a test site to test the product out.

Vimox Shah: Okay. So are we looking to test into that segment actively or...

Kushal Desai: We are constantly in touch, but we haven't yet had any breakthrough on that front. However, having said that, we are supplying cables to the data centers. And in that, we have all the big names. So we have supplied to

AWS, which is Amazon in India. We supplied Microsoft. We have supplied Google. We have supplied Adani. So we have supplied all of these people and continue to bid on their cable business, but we haven't had a chance of yet being able to get a test site for testing out our liquid cooling solution.

Vimox Shah: Okay. Okay. My second question was like, what are your growth expectations for the domestic market compared to the international market for upcoming financial year.

Ramesh Iyer: We have given a mixed guidance for both domestic and global market both put together. And that's what we continue to hold even now, which is cable division top line growth of 25 percentage in value terms, conductor division about 10 percentage on volume terms, and oil division, about 5 to 8 percentage on volume terms.

It's a blended of both domestic and export market. And depending on where the margins are higher, you may see domestic mix going higher or export mix going higher. And also depending on external factors like U.S. demand, etcetera, the mix during the period may keep on changing as we go ahead.

Moderator: We have the next question from line of Pratik Lumbe, who is an individual investor.

Pratik Lumbe: I just had one question on the industry front, basically, the power transformer industry in India. You alluded to your comments and also in your response to one of the participants, that basically, the slowdown in execution in the power transmission space is one of the reasons that you alluded to was due to the shortfall in – or the shortages of the components such as the transformers or the other things?

So is that the main reason or any other key factors that you could associate with that slowdown. Because I understand that there has been a significant growth in the tendering activity as compared to last financial year. But it hasn't happened on the ground. So could you give some color on that or any other additional reasons for that?

Kushal Desai: Yes. So let's look – so there are various aspects to look at. One is that the CEA has declared their plans. You have time frames in which they want to have addition. So when you compare versus what they have declared and what they themselves have declared in terms of achievement, there is a big gap, which is what I had brought up in the opening comments.

Second thing is tenders have been floated, but they have – there's a delay in their finalization. In some cases, tenders have just recently been finalized, so the execution is to take place. In some cases, tenders have gone for retendering because they've had to fix the budgetary price quote on the price level. So my – the reason for bringing all this up is that there is significant pent-up demand.

There were questions that people were asking on the call that you see government spending going down, will business come up in the next few years as it has come up in the past. So I think these are all hints towards – what we feel is that the business is not going to slow down. There is a pent-up demand, which is there in place compared to whatever the CEA themselves have identified that they should have executed.

They're running at 50% for this transmission line side. And if you look at the substation side, they are at 65% or whatever numbers that they themselves have declared. So there is going to be a catch-up going forward. And there are some capacity increases taking place, but I think they'll get absorbed against this increased demand that is going to happen.

Pratik Lumbe: Okay. But even Kushal, sir, that 5,000 number that we have done in this 9-month period is still very low as compared to '24. Around 14,000 some circuit kilometers were added in the last financial year. But in the 9 months, we are only at 5,000, leave aside the target. So of course, maybe election would have been one of the reasons, but there are some serious challenges faced at the execution level, I understand?

Kushal Desai: So actually, the execution level, especially for conductors, India is actually one of the best in the world. We – a typical line – from the time it has been awarded, it actually runs in about 3 – between 3 and 4 years a full line comes up versus 10-plus years in the United States and something even longer than that in Europe. Now when you get a number reported here, it is actually a commissioned line. So it would be – they don't – this commentary is not carrying what stage of completion is there for the gap.

But our sense is that this tendering is going to continue to take place. And the government is very aware of the total amount of electricity that needs to be moved. A lot of new generation – you heard also the record amount of solar investment awarded and is being generated, a lot of that is actually Gujarat, Rajasthan and in remote places. So you need evacuation lines that will bring the power. And so bottom line, I think at this stage is that business is not going to subside in the local – in the domestic market. It looks like there is good amount of steam for the next few years to come.

Moderator: The next question comes from the line of Piyush Arora from SYC Research. Please go ahead.

Piyush Arora: Just a question – just on the overall EBITDA margins of the company, do you think Q3 was absolute bottom and we could see it basically moving up over the next financial year?

Ramesh Iyer: Yes. So as I said, we continue to hold the guidance that we have given in the past. And for the kind of product line that we have, it is better to see these margins on a 12-month basis rather than on a quarter-on-quarter basis.

Moderator: The next question comes from the line of Hardik, an individual investor.

Hardik: Question is, this quarter, the other expenses has increased by INR 50 crores. Any light you can throw on it?

Ramesh Iyer: That happens because of the terms of shipment. In some cases, the selling and general administration cost goes up depending on whether it is FOB contract or CIF contract, the freight cost, the processing cost and generally, the selling, general and administration overheads changes depending on the product mix and the kind of sales that happen. So that's the reason you see that swing happening.

Hardik: Is it a reoccurring one for the next quarter? Or is it just...

Ramesh Iyer: Sorry.

Hardik: Reoccurring for the other quarters, coming quarters? Or is it a onetime expense?

Ramesh Iyer: No, it's better to be measure based on the EBITDA because that takes into account all these factors, typically, other expenses can go up and down. And most of it is already priced to the customers. However, the EBITDA margins and EBITDA percentage that we use takes into account all these kind of permutations and combinations. So that's a better way to judge the results.

Hardik: Sir, what would be the overall growth rate for the coming year?

Ramesh Iyer: We have shared the guidances earlier. I repeated also in the call. So we continue to hold those guidances.

Moderator: As there are no further questions from the participants. I now hand the conference over to Mr. Kushal Desai for closing comments.

Kushal Desai: I'd like to take this opportunity to thank everyone for having taken out the time to attend our Q3 earnings call. Just in conclusion, I'd like to mention that the fundamental premise of electrification increasing and the electrical infrastructure increasing not only in India, but in most parts of the world as the energy transition takes place, there is really nothing that has changed this fundamental premise.

APAR continues to remain focused in terms of growing the premium products in the domestic market as well as looking at growing the export markets. A market of specific focus for us has been the U.S. market. And we believe that the fundamental steps there have to be taken – have to be done irrespective of whatever the policy is, which is to focus on getting utility approvals and building our credentials with respect to a larger customer base in that market, 50% of cables are imported into the United States and that equation cannot change in a big hurry as long as the demand exists.

In the Indian market, we are seeing growth in the renewable side, both in terms of solar. Our expectation is that wind assets will get added at a faster pace going forward. We continue to grow our business in the infra space, especially with Railways, Defense and these sectors as well.

As Ramesh has guided, all businesses are still looking at growing year-on-year. And even if there may be some short-term changes that happen because of certain events or because there is a movement in terms of freight or foreign exchange rates, et cetera, et cetera, if these businesses are looked at over 12 months or a longer period, I think the fundamental premise still remains the same.

In addition to that, we've been running a number of programs to improve productivity and alluded to Industry 4.0 for the Cable business, which is at a fairly advanced stage. Once we start reaping the benefits of that, there will be a much more rapid implementation that happens in the Conductor business, where a certain portion of equipment are actually common. And so productivity will also help drive some of the margins.

So we still remain fairly optimistic and don't believe that there is any fundamental changes that have happened. So I'd like to leave you with that thought and once again, thank you for joining our Q3 earnings call.

Moderator: Thank you. On behalf of APAR Industries Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.