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3rd June 2019

The National Stock Exchange of India Ltd.,
"Exchange Plaza", 5th Floor
Bandra – Kurla Complex
Bandra (East)
Mumbai – 400 051

Symbol: SAGCEM
Series: EQ

The Secretary
BSE Limited
P J Towers
Dalal Street
Mumbai – 400 001

Scrip Code: 502090

Dear Sirs

Sub: Conference Call on the quarterly financial results

We are forwarding herewith the transcription of the Conference Call held by us on 23rd May, 2019 in connection with the recently announced audited financial results for the fourth quarter and year ended 31st March, 2019.

Thanking you

Yours faithfully
For Sagar Cements Limited

R.Soundararajan
Company Secretary

Encl: a.a.

Sagar Cements Limited
Q4 & FY19 Earnings Conference Call
May 23, 2019

Moderator: Good morning, ladies and gentlemen. Welcome to the Sagar Cements Limited Q4 & FY'19 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa of CDR India. Thank you and over to you, sir.

Gavin Desa: Thank you. Good day, everyone and a warm welcome to Sagar Cements Q4 & FY'19 Analyst and Investor Conference Call. We have with us today, Mr. S. Sreekanth Reddy –Joint Managing Director; Mr. K. Prasad –Chief Financial Officer; Mr. P.S. Prasad – President, Marketing; Mr. Rajesh Singh – Vice President, Marketing and Mr. R. Soundararajan – Company Secretary.

We will begin the call with opening remarks from the management following which we will have the floor open for an interactive Q&A session.

Before I begin, I would like to point out that some statements made in today's discussions maybe forward-looking in nature and a note to this effect was stated in the invite sent to you earlier. We trust you have had a chance to go through the presentation and financial performance.

I now would like to hand over Mr. Reddy to make his opening remarks. Over to you, Sreekanth.

Sreekanth Reddy: Thank you. Good morning, everyone and welcome to Sagar Cements Earning Conference Call for the Quarter and the Year-ended March 31st 2019.

Let me start the discussion with a quick word on the demand and pricing trends across our key markets, post which I will move on to Sagar-specific developments:

Beginning with south, the demand and pricing environment both continue to remain strong. Increased consumption, primarily because of the infrastructure, irrigation and housing projects continue to keep the demand buoyant. Capacity utilization as well as have picked up in the region and indication of the growing demand. Prices in the region remain strong in light of such a strong demand. Moving on to west, prices in the market improved owing to better pricing trend. Lastly, moving onto the eastern region, demand momentum remain strong along with the steady pricing environment. Going ahead, we expect the pricing environment to improve.

Moving on to Sagar-specific development:

FY'19 was an eventful year for us, a year wherein we moved a step closer towards scaling up our capacities following the Board's approval for the investment in Satguru Cement and Jajpur Cement. As most of you must be aware the company's Board approved the proposal to invest sum of Rs.150 crore in Satguru Cement Private Limited for setting up a Greenfield cement manufacturing facility of 1 million ton capacity along with the waste heat recovery power plant at a total cost of Rs.425 crore, and an investment of Rs.108 crore in Jajpur Cements Private Limited, Jajpur, Odisha to acquire 100% shareholding and to set up a Greenfield grinding plant of 1.5 million ton capacity at a total cost of Rs.308 crore. The acquisition will not only help us scale our capacities but will also help to widen our reach and establish our presence across the fast-growing markets. Further, the funding for the acquisition has been structured in a way that it does not strain our balance sheet. Incremental debt for both the activities will amount to Rs.475 crore, funding for which has been secured at a cost of around 10.25% to be repaid over a course of 12-years.

In addition to the acquisition, we continue to make steady headways towards improving efficiencies and lowering operating cost. Enhancement of the waste heat recovery power plant, setting up of the captive power plant and the acquisition of hydro power plants are some of the strategic initiatives undertaken by us towards containing the cost and improving the overall profitability of the business.

Let me now move on to our financial performance for the quarter on a consolidated basis:

The revenue from the operations for the quarter stood at Rs.367 crore as against Rs.297 crore generated during the corresponding quarter last year. Revenue growth of almost 24% driven equally by volume and the value. EBITDA for the quarter stood at Rs.60 crore as against Rs.40 crore reported during Q4 of FY'18. Higher profitability for the quarter was achieved owing to lower fuel and freight cost along with the better realization. Average fuel cost stood at Rs.822 crore as against Rs.904 per ton reported during Q4 FY'18. Lower fuel cost was owing to stabilization of Gudipadu plant and a better optimization of thermal efficiency. Freight cost for the quarter on a consolidated basis moderated to Rs.709 per ton as against Rs.794 per ton during Q4 owing to better rationalization of lead distance though the diesel prices have constantly been increasing. PAT for the quarter stood at Rs.19 crore as against profit of Rs.5 crore reported during Q4 FY'18.

From an operational standpoint of view, Mattampally plant operated at 60% utilization level while Bayyavaram and Gudipadu plant operated at 62% and 78% respectively during the quarter.

As far as the key balance sheet items are concerned;

The gross debt as on 31st March 2019 on a standalone basis stood at Rs.284 crore, out of which Rs.177 crore is the long-term debt and the remaining constitutes the working capital while on a consolidated basis gross debt stood at Rs.504 crore, out of which Rs.365 crore is long-term. The net worth of the company on a consolidated basis as on 31st March 2019 stood at Rs.844 crore. Debt-equity stands at 0.4:1. Cash and bank balances were Rs.30 crore as on 31st of March.

That concludes my opening remarks. We would now be glad to take any questions that you may have. Thank you.

Moderator: The first question is from the line of Devansh Negotia from SIMPL.

Devansh Negotia: Sir, my question was mainly related to pricing in south, we have been hearing that though the prices sustain in April and May but there have been some fall in volume sequentially. So, how are we reading the pricing going forward?

Sreekanth Reddy: As a company, what we believe going forward would be that there would be some compression in the volumes. The primary reason being the year that passed by was a pre-election year where the government actually made huge capital outlay for most of these projects. Now that the election is behind, especially with the AP assembly election also going on, we believe for the next six months irrespective of who win, first six months usually consumes in terms of the government formation and trying to stabilize. So, during these times, there could be a typical slowdown in the government spend, during which time we believe that slowdown may not be as steep as it has been in the past but definitely, we believe that slowdown is expected. Now, coming back to the volumes getting reduced, I think sequentially we are in a good situation. Usually if you look at the historical trend, from March to April, the demand would naturally be lower because February, March usually would be the peak months and April, May would not be in line with what the trailing February and March would be. So, from that perspective, let us not be discussing on that. That has been the historical trend. But our view on March month has been that it has been flat, there has not been negative which itself is a big upside because in spite of the electioneering, the volumes remained flat, that itself is a big, big positive for us.

Devansh Negotia: What would be the current capacity in south India, and going forward what are the capacity additions that are taking place in next three years, and of the capacity additions which are the companies doing significant CAPEX?

Sreekanth Reddy: I wish I knew about everybody but whatever is in the public domain I do not mind repeating it. The south capacity as we speak is around 140 million ton…I am speaking of effective south sir, because the Gulbarga geographically is in south but 70% of its capacity actually caters to Maharashtra. So, what we do is we try to realign that. So, doing that the capacity is close to around 140 million ton. Now the capacity addition what we have to be mindful of is Shree which has commissioned which is getting ramped up, KCP also commissioned three to four months back, that I believe is also on a ramp up which is 1.5 million ton, Chettinad is 3, 3.5 million ton plant which is due for commissioning over next few months, same is the case with Penna at Boyareddypalli in Yerraguntla cluster, that also is 3, 3.5 million ton. Now looking at are these capacities meant for south? That I am not very sure, sir because whatever little information that we have in public domain is that Penna's capacity bulk of it is actually meant for East, because their clinker line which is Yerraguntla is supporting for the grinding plant which is in Krishnapatnam port and from where they intend to take to the eastern parts of the India and same is the case with Chettinad because Chettinad clinker line is to feed into their expected grinding station in Vizag and also for an expected grinding station in Jajpur, in Odisha.

Devansh Negotia: Just a rough ball parking capacity addition number in next three years?

Sreekanth Reddy: There is one around 2, 2.5 million ton capacity which is expected from Ramco which is in Yerraguntla cluster and again we are not very sure of it is another probably 1.5 million ton is expected in Nalgonda cluster from My Home.

Devansh Negotia: Sir, in terms of the CAPEX plans that you are planning, so the Rs.150 crore in Satguru and Rs.108 crore in Jajpur, only the approval have been taken, nothing has been deployed as on March 15, right, if that is the right interpretation?

Sreekanth Reddy: Yes, sir, you are correct, the deployment would happen from probably end of Q1 or early part of Q2 onwards.

Moderator: The next question is from the line of Kunal Shah from Edelweiss Securities.

Kunal Shah: Sir, couple of questions: One, what would be demand outlook for F'20 for our operating states?

S. Sreekanth Reddy: The outlook that we have is that AP and Telangana should be growing at close to 2%-3%, Karnataka at 5%, Tamil Nadu anywhere between 5%-10%...when we talk of Tamil Nadu, it is Tamil Nadu plus Kerala put together sir and Maharashtra we are expecting 5% growth, Odisha is at 10%. These would be assessment of our outlook for the states that we operate in.

Kunal Shah: What would be the PSC slag sales for F'20?

Sreekanth Reddy: It should be close to around 25%, quarter of our volume should be PSC. Our outlook for the volume is around 3.6 million ton, out of that around 27% would be the PSC sales sir. When we talk of PSC, we are also including the GGBS in that.

Kunal Shah: On the fuel cost, what would be rupee per kCal for F'19 and Q4 F'19?

Sreekanth Reddy: FY'18 was around Rs.1.10, FY'19 should be close to around Rs.1.3 to Rs.1.4.

Kunal Shah: Are we observing any product mix shift in the trade segment in AP, Telangana towards blended cement considering that the price difference between OPC and PPC is going higher?

Sreekanth Reddy: I think the trends that we have seen in the market as long as government is a very large consumer sir, the OPC either 43 grade or 50 grade still continues to be big. As and when the other segment demand picks up, it is likely that there could be a shift in the trend, but at this point of time the trend are more towards the OPC cements rather than blended in AP and Telangana.

Kunal Shah: We have been hearing that there is a renegotiation of contracts in the non-trade part as well in AP, Telangana. So, what kind of benefits are we expecting in F'20?

Sreekanth Reddy: I think when we talk of that, that is a huge canvass and wide kind of a gap. Every non-trade contract getting negotiated, I have my doubts on that sir. I think the trends are what have been picked up at a very-very low price are getting slightly better pricing. The Government agreement what was in place currently we are waiting for at least the new Government come back and talk about it. And as such most of the government consumption on the RWS works and all, looks to be slightly lower because of the fiscal issues and the election notification in vogue. So, it is too soon for us to comment anything about it. Probably it would be a month from now before we would know clarity about all those issues in a much better shape.

Moderator: The next question is from the line of Jaspreet Singh Arora from Systematix Group.

Jaspreet Arora: My question was on the fuel mix. I was just referring to one of the slides where we have given the pet coke and coal mix. So, just comparing Q2'18 versus the last quarter, where the ratio has been largely the same, 9:91, so I think coal versus pet coke the price difference then was about 20% and now is about 40%. Assuming kCal remaining the same, what would be the difference in approach this time around – is it more that our Gudipadu unit would have used more of pet coke or it is the availability factor, if you can comment on it?

Sreekanth Reddy: We are good on pet coke sir. Both Gudipadu as well as Mattampally, we are at 100% pet coke. The reason why that 9% of coal has come is because of the alternate fuel sir. There is carbon black and there was a very short period of time where the kiln one of Mattampally we had the coal stock, we ended up using it because we never wanted to keep coal during the summer because the likely chance of getting the fire hazard is high. So, we ended up using the coal during that time. That is the only reflection or else we are even now the kiln one at Mattampally also is 100% on pet coke.

Jaspreet S Arora: As of now what is the dynamic between pet coke and coal in terms of the cost on a per kCal basis?

Sreekanth Reddy: The cost difference is almost 25% between the coal and pet coke. Again it depends on from what you are trying to compare with. If you are looking at an imported coal to imported pet coke, yes, the difference is very-very wide. Now, when you talk of the Singareni coal to pet coke, again, it depends on what kind of quality of coal that you are trying to compare, but in general it is 20%- 25% kind of differences that exist between both coal and the pet coke kind of pricing scenario. But that is very-very dynamic that we have to keep in mind.

Jaspreet S Arora: In terms of the freight cost reduction, optimization of lead distance was one of the factors, so how much have we reduced it over the last one year… a ballpark number is good?

Sreekanth Reddy: On a kilometer wise, for us the lead distance what was during the last quarter is averaging around close to 280, 290 number has come down below 280 number, that itself is a reflection in terms of around Rs.90 reduction in the freight cost.

Jaspreet S Arora: So, it is less than 280 Kms?

Sreekanth Reddy: Yes, it is currently less than 280 Kms and we are still working on some optimization in terms of further reduction because right now the PPC there is some amount of PPC which is moving to Odisha from Mattampally, so we are just waiting for some of the BIS clearances for us to start using the PPC from our Vizag unit, that would also help us reduce further lead distance as well as the freight.

Jaspreet S Arora: The blended cement mix you mentioned is how much – 23% or 27%?

Sreekanth Reddy: Close to around 30% would be our blended. For the current financial year, we expect it to be very close to 50%.

Jaspreet S Arora: So, the raw material swing was one of the reasons for that?

Sreekanth Reddy: Yes, the raw material slightly inched up. One of the reasons is because the slag purchases and the fly ash purchases increased.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan.

Gunjan Prithyani: On the growth numbers that you mentioned AP, Telangana 3%-4%, this seems like a very sharp decline versus last year and also the other states like particularly Tamil Nadu seem to be suggesting growth which is materially better than what you guided in the past. I am just trying to understand what are the drivers you are seeing and why such a big moderation of demand in AP, Telangana?

Sreekanth Reddy: I think what we have to be mindful is there was a huge pre-election spending surge. It is highly unlikely for the same CAPEX spend to continue in both the Governments because the fiscal side the position of the government is not as favorable as it used to be in past, and at the same time sustaining 40% growth Y-o-Y also is overoptimistic is what we believe. The past trends pre-election to post-election, we have seen slow down. So, looking at the past performances, we also believe that it would slow down. But even 3-5% kind of a growth number is not a small number. Look at the base. The last year we clocked more than 31 million in AP and Telangana combined which is a historical high. So, sustaining similar 40% on that number is very-very optimistic.

Gunjan Prithyani: You are not pricing in any improvement on the trade side? This is essentially a big growth moderation that you are expecting from the Government.

Sreekanth Reddy: If you look at 3-5% on 30 million, we are expecting additionally 1-1.5 million incremental and expecting a drop in Government I think the differential itself is the trade market, Gunjan. That is a huge upside on the trade side. That is the only reason why we expect from a current 31 million for it to move to 32 million, the Government was a single biggest contributor for the demand and we expect a radical slowdown on that particular front. So, we believe the trade would substantially increase to more than make up for the loss of demand from the Government side.

Gunjan Prithyani: This Tamil Nadu, what is the driver that because…?

Sreekanth Reddy: When we look at Tamil Nadu, it is actually Tamil Nadu plus Kerala, you have to be mindful of that and we believe that Tamil Nadu for most part of last few years was in sidelines where the demand was sluggish or negative and the current Government there started making some moves towards investment on to the infrastructure which is cement consuming and at the same time Kerala from the deluge that we had in the past, the recovery also is what we believe should contribute to the higher demand going forward.

Gunjan Prithyani: On this capacity that you mentioned for south, would it be possible for you to give us some sense on what would be the clinker capacity or the clinker utilization because a lot of expansion in the last couple of years has also been grinding unit either in east or some material which has to flow from south to the other markets, so where are we in terms of clinker utilization in the south market?

Sreekanth Reddy: Again, it is a thumb rule basis, there is no real number with me as you speak, but if cement capacity utilization on an average is at 60%, you should add 20% to that to know as a minimum clinker operating rate. The reason being that that much of the clinker gets exported out of the region for grinding units that are located outside the region itself. What you have to remember also is the grinding capacity usually; I would not call it inflated but also take a provision of higher blending potential in the market. So, even the blending also was slightly lower than what it can do. So, that also makes the cement grinding capacity looks slightly lower in terms of the capacity utilization because most of the time the Government was the largest consumer. So, whenever the government is the largest consumer, the trends are that it is more towards the OPCs rather than blended.

Moderator: The next question is from the line of Dheeresh Pathak from Goldman Sachs.

Dheeresh Pathak: Sir, I missed the capacity expansion that you were explaining region wise, Nalgonda and Yerraguntla. Can you just repeat what is the next two, three years, what is the clinker capacity addition that you expect in the two regions?

Sreekanth Reddy: Shree of Gulbarga is commissioned a few quarters back, KCP got commissioned last quarter in Jaggayapet, it is part of Nalgonda cluster, it is 1.5 million ton capacity, Chettinad in Nalgonda cluster for 3.5 million ton capacity is due for commissioning over next quarter or so, similar 3 to 3.5 million ton capacity of Penna is also due for commissioning over next quarter or so, that is Yerraguntla cluster, but it has a split location, grinding plant, from where the cement is expected to be exported to Sri Lanka as well as to the eastern parts of the India, Ramco announced 1.5-2 million ton capacity in Yerraguntla cluster and there is also a possibility of 1.5 million ton from My Home in Nalgonda cluster, either in Guntur or in Mellacheruvu plant. So, this is what we believe is in a clear pipeline.

Dheeresh Pathak: Sir, Penna will export from which port?

Sreekanth Reddy: Krishnapatnam they have a split location grinding capacity at Krishnapatnam itself. They already have 2 million ton grinding capacity there and they have also doubled it up which is due for commissioning anytime soon.

Dheeresh Pathak: For the industry if you can give like you were mentioning to the earlier question that clinker utilization are 80% but between Nalgonda, Yerraguntla and Gulbarga, can you split the …?

Sreekanth Reddy: I am sure Gulbarga would be at much higher operating rate purely because Gulbarga 70% of its capacities was servicing Maharashtra which is near 85, 90 kind of a per cent, whereas south I believe on an average if you look at it, we were operating on an effective side they are on 60% sir.

Dheeresh Pathak: Which would be higher – between Nalgonda and Yerraguntla?

Sreekanth Reddy: I think Nalgonda would be higher because it would be servicing the eastern markets also whereas Yerraguntla would be a pure south kind of number. But that may not be true in our case because of the Gudipadu. What we have done is we have regulated our flow from Mattampally into south. We have shifted that capacity to Gudipadu which is BMM and reduced the operating capacity from Mattampally into south. Mattampally was primarily servicing west and eastern markets more than south itself. South was more serviced by Gudipadu. So, in that way that kind of realignment would happen. But in general, whoever servicing pure south should be close to around 60% and Gulbarga should be close to 80%- 85% and Nalgonda should be close to 65%.

Dheeresh Pathak: Tamil Nadu cluster?

S. Sreekanth Reddy: Tamil Nadu also should be close to 60%- 65%.

Moderator: The next question is from the line of Milind Raginwar from Nirmal Bang Securities.

Milind Raginwar: Essentially, my questions are more on the balance sheet. On a consolidated basis, our inventory and receivables have inched up on YoY basis. Any specific, you can throw some light on this?

Sreekanth Reddy: We started buying the ship loads of pet coke, sir. So, obviously the pet coke inventory is huge. We have almost a coverage of a quarter forward. Working days primarily because most of the exposure was to the contractors and to the Government. And due to the election and the notification the payments were not as forthcoming as it used to be in the past. They have improved but that was the primary reason for the working capital cycle.

Milind Raginwar: So, essentially what I can understand from this is probably the receivables may normalize but inventories would be on a higher side?

Sreekanth Reddy: Inventory we would sustain sir, because that was our stated policy that we hedge our fuel almost close to six months and we have inventory of almost three months sir on pet coke side.

Milind Raginwar: In a previous question, you indicated that your blended cement will go up to 50%?

Sreekanth Reddy: Yes, sir, that is our plan because our exposure into the Eastern markets is going to increase because of the ramp up of the grinding station in Vizag sir and we also started making PSC cement from our Gudipadu unit, that is the BMM unit.

Milind Raginwar: Overall, whether it is east or whether it is south, the demand drivers are more from the infra side, is that understanding correct?

Sreekanth Reddy: That was the case so far sir, but there could be a small shift in the demand drivers because wherever there is government, typically it tends to be more OPC. We believe that the Government what was contributing in a big way should marginally reduce itself and the trade segment should start increasing. I would also count the non-trade segment which is more institutional, which is residential and all, typically tries to buy OPC and blend on their own but we of late started pushing more from a blended cement from our side rather than they are blending. So, that segment also we are trying to service. So, with that we hope to increase our blended cement portfolio.

Milind Raginwar: Is it that the blended cement acceptability is increasing in the infra segment or is it that we are catering to a different market?

Sreekanth Reddy: No, our reach has increased. So, with the increase of reach, the blended cement portfolio is increasing primarily because we are reaching to those places which we were not doing it in the past where the blended cements were more in demand than the regular cement.

Milind Raginwar: Lastly sir, catering to east would mean that we will be having some kind of a pressure on the margins or is the top line will move but the margins will be under pressure?

Sreekanth Reddy: What you have to remember is that our Vizag grinding station is primarily catering the eastern market. The ramp up of that obviously means that our freights, the lead distances and everything would be cut by half servicing the eastern market. In fact, there could be a betterment of margins. Primary reason is that we are optimizing on the freight. Assuming that the price trend should remain same, but fortunately the eastern price trends have also improved quite sharply, so that should add up to the margins.

Moderator: The next question is from the line of Madhav Marda from Fidelity Investments.

Madhav Marda: Sir, just a couple of questions: The first one was clinker utilization of 80%, is that in the current busy construction season or is that the annualized number?

Sreekanth Reddy: I think you are talking about the last year. Last year was a very good year from the volume perspective because some of the states have grown very sharply. So, the overall cement capacity utilization was 60%, clinker in our belief would be close to 80%. Again, the way you look at it, the way you want to look at it whether it is busy season or an off season, but the general thumb rule is that if cement utilization is at 60%, clinker utilization would be very specific to south because there are reasonably good number of grinding stations in east and in west which are being serviced from south. So, the historical information is that around 20% clinker utilization would be higher than the cement. That is what I have quoted.

Madhav Marda: One question is a little broad-based, but when you say blended cement keeps going up and OPC could come down at the margin, the clinker conversion factor for the region, has it increased over the last five, six years or say the last decade?

Sreekanth Reddy: Over last five years south more or less it remained in the band, of course, there could be fractional increase or decrease.

Madhav Marda: How much would that be sir broadly south as a whole?

Sreekanth Reddy: We take 1.22 as a number, but what you have to be mindful is Government typically has been buying OPC sir and there has been a large chunk of our demand. Now going forward would they continue to be that or would there be a change in general? Yes, that is a million dollar question. But in our own case, our shift is primarily because specific to Sagar, the grinding capacity in Vizag is more slag oriented. So, with that our own case is getting shifted. I would not speak about in general.

Moderator: The next question is from the line of Ronith Ramesh from Pantomath.

Ronith Ramesh: I just want to know about supply dynamics and how supply addition comes into the south market, how will it affect the prices going forward because prices have been quite high in the last two months?

Sreekanth Reddy: Prices are not high sir. Let us just accept it as a fact because most of us are used to looking at low prices for six months and whatever increase has happened, we think it has gone up. Just to give you the background of the pricing, for a simplicity sake, FY'20 April Hyderabad price is at Rs.315, FY'19 April Hyderabad price is at 275, April '18 Hyderabad price is at Rs.318, April FY'17 Hyderabad price is at Rs.200, April '16 Hyderabad price is Rs.330. So, just because the last year price was Rs.275 to Rs.315, we believe the price had moved up sharply, but the reality is somewhere in between. Now inter-regional movements usually have never changed in a very significant way sir. Yes, one or two months where there could be an opportunistic kind of a change but the usual historical inter-regional movements have always been very-very fixed sir.

Ronith Ramesh: With the supplies coming in from Shree Cement, coming from My Home…?

S. Sreekanth Reddy: Shree is more than a quarter old sir. I think the market alignment I am sure they are ramping up. The price trends have remained fairly in the position that we have discussed in spite of some of the newer capacities that have come and most of the capacities whatever are supposed to come for the current year for most part of it is they have already come. So, the newer capacities are expected to come probably two quarters from now. So, we have to see what we should expect from then and on. But two capacities are expected to come over next two quarters are meant for more eastern markets than the southern markets. So, that may not influence in a big way the general pricing trend. That is what is our belief.

Ronith Ramesh: Can you just tell me the percentage of demand that must be coming from the government in FY'20?

Sreekanth Reddy: I wish I have the answer sir. The general belief is that the earlier government was contributing around 35%.

Moderator: The next question is from the line of Prateek Kumar from Antique Stock Broking.

Prateek Kumar: First question is on pricing again. Since the bottom in January what is the range of price increases in trade and non-trade, I understand broadly prices have increased by around Rs.60, Rs.80?

Sreekanth Reddy: Non-trade would be a difficult question. It again depends on who the exposure is to. So, I cannot speak about an average industry because I do not have that much information. In our own case, if you look at again Hyderabad prices in December-January were on Rs.245, they have moved up close to Rs.300 in February and Rs.305-Rs.310 in March and roughly around Rs.320 kind of a range in April, and with around Rs.2-3 increase for the last 15-days. This is the trend that we have seen. Now coming back to the non-trade sir, yes, our exposure to some of those government projects have come down. That itself might have made us feel that the non-trade prices have gone up. There are some non-trade orders that we have picked up which is reasonably close to the trade prices, but there are some medium to long-term contracts where the price increase is not as high but there have been price increases, ranging anywhere between Rs.10-15 per bag kind of a thing wherein the trade we have seen around Rs.60, 65 kind of an increase, there are some orders from non-trade where the increase is only to the tune of around Rs.25, 30 and there are some non-trade orders where the increase is only 45-50.

Prateek Kumar: So, the previous price range which you mentioned Rs.245 to 320, so those were for trade and …?

Sreekanth Reddy: These are retail trade prices.

Prateek Kumar: Non-trade prices increase range is Rs.10 to Rs.40 maybe?

Sreekanth Reddy: I think we could be correct if we are looking at the entire spectrum of non-trade, yes, Rs.10 – Rs.45 should be on an average.

Prateek Kumar: Non-trade is around 35% or non-trade is a mix of Government and non-Government?

Sreekanth Reddy: Every month it is shifting because Government component has come down. Earlier it used to be around 35-40% sir. Now it is shifting in a reasonably quick way for us.

Prateek Kumar: When you say 35-40% and Rs.10-45 price increase, these are related, I mean, non-Government non-trade would be also different price range?

Sreekanth Reddy: This is the mix of all the combinations of non-trade sir, Government. From a perspective of we supply to contractors, who in turn is doing a government job and then NHAI contract, then large infra projects, irrigation projects, it is all blend of everything sir.

Prateek Kumar: Regarding the numbers you have given in the initial remarks of volume growth, so TN, Kerala you said 5-10%. What was the Maharashtra number you said?

Sreekanth Reddy: 5% sir. It is due for election. So, that is what we have factored.

Prateek Kumar: The pet coke price you mentioned general range of prices, so what are the current prices versus this Rs.1.1 which you mentioned, how would that be placed in the current quarter?

Sreekanth Reddy: As stated before sir, we are almost one quarter forward. As disclosed, if you look at slide #14 in our disclosure, Q4 our average acquisition price of pet coke is at 9329 on a landed basis.

Prateek Kumar: So, that translates into around 1 plus number I guess?

Sreekanth Reddy: Close to around Re.1 but you need to take the input credit and all sir. So, roughly around Rs.1.05 is what you can take.

Prateek Kumar: On cement prices, are we expecting further uptick from May levels of Rs.2, 3 or industry is expecting…?

Sreekanth Reddy: Now the question is how the cost structure is going to evolve. There is a definite talk of diesel price going up in a big way because for the last three months the diesel price was maintained at a certain fixed kind of a thing. So, that should influence the price going forward because diesel price has been constantly on a move from now. It is expected to be very sharp. So, that should influence the price going forward.

Prateek Kumar: The cost inflation we should not look forward to price increases?

Sreekanth Reddy: I do not know. That has to be taken care as per each passing week.

Moderator: The next question is from the line of Mangesh Bhadang from IDBI Capital.

Mangesh Bhadang: Sir, with the assembly election going on in AP, at least the trend suggesting that Mr. Jagan Reddy is making comeback, do you think Andhra demand would be better compared to Telangana going forward and how do you see the investments in Amravati from here on?

Sreekanth Reddy: Nothing to do with the politics sir. I think it is more to do with the state of affairs in terms of the financing. We believe the next six months to one year is going to be more in terms of transit because it is a new Government that is expected to come. At least that is what the trends are pointing it out. I am sure you would be spending at least first few months in terms of consolidating the governance and all. So, during that time we believe that the Government demand might take a backseat. Now, comparing to Andhra and Telangana sir, usually it is kind of 55:45 demand, I think that trend line might remain similar because even the fiscal status of Telangana is now better sir. So, keeping that in mind we believe the trend line might be very-very similar at least for one year from now.

Mangesh Bhadang: Just to rephrase the question for the past three years, we have seen the demand coming back to the state to the earlier levels that we had seen when strong Government was in place. But even after the growth we are probably just reaching the stage wherein the kind of demand that the state had done back in 2009-10, we are just going through those levels. From here on, the government in place, do you think that there is a scope to further grow and whether you…?

Sreekanth Reddy: I think, what we have to be mindful is the historical trends I am sure I know that you have been following cement and more so AP demand very closely. If you look from that perspective, usually in the past pre-election three years before the election the demand is usually at its peak and slowly tapers down. So, that has been the trend in the past. So, we see no reason why it has to be different this time. The only thing that we have factored slightly differently this time compared to the previous one or the previous cycle before that is that there was steep degrowth because there was a lot of ambiguity because of the state split and all. This time since those issues are not there, we do not expect the demand to be negative but it might slow down, that is what is our belief.

Mangesh Bhadang: Timelines on the MP as well as Odisha unit?

Sreekanth Reddy: Both Jajpur in Odisha and Satguru in Madhya Pradesh should be operational by March 2021.

Moderator: The next question is from the line of Anupam Goswami from Stewart & Mackertich.

Anupam Goswami: You told us demand is going to slow down and also we get to hear that there is some decision this quarter wise also since the election is going on, on that front how do the prices will sustain, will that be on a weaker side since the monsoon also coming?

Sreekanth Reddy: Again, it is with the past experience and the trends that we have seen sir. The correlation between pricing and demand has been very-very minimal. Whenever there is low price, demand does not shoot up and vice versa also sir. So, the correlation is very-very minimal. Going forward, the reason why the price environment has improved is because the cost structure has gone up quite sharply. But for the last three months, if you look at the earlier nine months in last year, the diesel price moved up by almost Rs.10 a litre which is close to around 15%-16% and freight is a significant contributor in terms of the cost structure. So, there was no way that we could have sustained but for this price position. And there is a talk that diesel price could move up by minimum 10%-15%. So, the price has to sustain itself. If you look from a margin perspective, there is not a big shift sir, I think everybody makes an EBITDA margin anywhere between 18%-22% which is still lower. Though people get excited looking at from a very bad pricing environment to the normal pricing environment, people think that price has moved up very sharply. But the reality is that we are nowhere close to the historical prices that existed in market. We are nowhere close sir. Like if you look at Hyderabad, again, we have touched Rs.360- Rs.370 almost five years back. Today people think that we are at a very good price in Hyderabad even at Rs.Rs.325-Rs. 330. At that point of time the diesel price was not even close to what it is right now. So, we believe that the price environment has to improve for us to sustain and stabilize in terms of our margins itself. Still there could be few months and quarters where we might struggle because that keeps happening when somebody who is either new to the market or new to the business itself, tries to put more material into the market but that is part of our business. So, the price again gets realigned. Unfortunately, last year more or less trended in a similar fashion to what it was in 2013-14 where the price actually was very depressive for most part of the whole year, but we expect things to improve because the diesel price increase is going up and prices do not move up, then there would be definitely margin pressure on I, and I am sure industry cannot afford to be in that margin pressure.

Anupam Goswami: Also, Sagar in terms of pricing per bag, where do we stand in the pyramid?

Sreekanth Reddy: That is a question which is more hypothetical because somebody has put some categories of A, B and C. For convenient sake, we always say that we are in B sir. But in reality, from a margin side, if somebody in C or somebody in B and somebody in A, if that gap exists, the EBITDA per ton margins also should be that much more sir. But unfortunately, it may not. That only translates that this is more for convenient that people talk, but that is not for real.

Anupam Goswami: On AP, Telangana market, you mentioned around 30-35 million ton should be the market. What could be our market share in that?

Sreekanth Reddy: We do not that count as a parameter sir because the minute you start looking at our ramp up in Vizag obviously there is a huge flow of our material getting into Odisha because earlier it was a small plant, so we were more focused in Andhra, with increase kind of ramp up, we would be more getting into East and for us market shares at each of the place is not an important metric either way.

Anupam Goswami: How are the prices in Odisha since you are ramping?

Sreekanth Reddy: They have improved. That is one of the weakest pricing markets in the entire country. From where they were to what is, I would comment that the prices have improved very well. But it is long way before it becomes viable. So, we feel that the pricing environment has to improve quite sharply from where it is also.

Moderator: The next question is from the line of Sanjay Nandi from Ratnabali Capital Markets Limited.

Sanjay Nandi: Sir, you just mentioned that we have huge inventory of pet coke. So, what will be the current scenario in the Q1 FY'20 like we have inventory at a lower level of pricing at around $90 per ton, so what would be the impact in the margins in this coming quarters?

Sreekanth Reddy: We do on a compounded kind of thing on weighted average sir. So, that would be very negligible in terms of this thing because we are talking of a physical inventory lying at the plant. So, we will do the weighted average as we consume because we cannot parcel wise and we have disclosed in page #14 of the 'Investor Presentation' where we clearly indicated the average price. It moved from Q2 to Q3, almost there is a plus of Rs.400, from Q3 to Q4 price got reduced by almost Rs.300. So, these are marginal but this is how our this thing.

Sanjay Nandi: What is the sustainability of the prices going forward like …?

Sreekanth Reddy: I wish I knew. That is one of the reasons why we are doing inventory management in a way where the margin compression or margin increase because of this we wanted to average it out.

Moderator: The next question is from the line of Siten Broacha from Joindre Capital Service Limited.

S Broacha: Can you provide me the volume numbers for Q4 FY'18 and Q4 FY'19?

Sreekanth Reddy: In Q4 FY'19, it is 9,44,212 and in Q4 FY'18 it is 7,98,148.

S Broacha: Full year FY'19?

Sreekanth Reddy: It is 33,22,954. For FY'18 it is 27,13,914

S Broacha: What is the volume growth we are looking in FY'20?

Sreekanth Reddy: Our outlook is 3.6 mn.

S Broacha: Sir, our EBITDA margin looks very good in this quarter. So, can you give any revenue guidance and margin guidance for FY'20?

Sreekanth Reddy: As I told you sir, 3.6 million. Trend lines we should be very cautious sir. Internally we usually try to be very conservative. So, we believe around Rs.700 EBITDA per ton on 3.6 million is a possibility. What we usually factor is the price lines to fluctuate and we hope that it may not and the best part of it continues but the reality is somewhere in between. So, that is how we internally factor.

Moderator: The next question is from the line of Ritesh Shah from Investec Capital.

Ritesh Shah: I had three questions: First is you indicated a percentage of blended cement to increase to 50%. I just wanted to understand the profitability how one should look at OPC, PPC versus PSC, raw material prices?

Sreekanth Reddy: Margin is same because whatever is the cost differential is usually the price difference and the realization difference between each of the products. The only difference comes to GGBS where the margin is slightly lower so is the price sir. As a percentage margin, it is almost the same. The absolute number would look lower but as a percentage it is almost the same.

Ritesh Shah: When you say this what is the assumption of slag prices when we say the margins are same or has the differential between OPC…?

Sreekanth Reddy: Our assumption in terms of the landed price of slag at is close to around Rs.1100-Rs.1200 per ton.

Ritesh Shah: For Fly Ash if you are doing PPC?

Sreekanth Reddy: Fly Ash is a mixed bag sir because we have it in all the three locations and the captive power plant at Mattampally also has become operational and Fly Ash at Bayyavaram. Actually the power plant is not very far and it is not a big cost item as far as that is concerned in Vizag. But it is a big cost item in Mattampally but some portion of it is getting replaced with our self-generation and in Gudipadu sir, again, Fly Ash has to come from far. These are some of the elements that we have taken into consideration. When we said the overall margin in terms of EBITDA to the realization the margins remain same across all the products.

Ritesh Shah: Secondly, you indicated difference between coal and pet coke prices at 25%...?

Sreekanth Reddy: That is very specific to us because we are looking at Australian coal, we are looking at RB2, RB3, RB1 vis-à-vis to pet coke. So, for us the inland transportation is fairly high from Krishnapatnam I have to take to Mattampally or from Vizag to Mattampally my transportation cost itself is Rs.900. So, the carriage cost of carrying imported coal is that bit higher because as you know pet coke total quantity that is required for a given clinker is much lower compared to coal sir. If you look from a percentage point, almost 3-4% would be the difference between pet coke to coal consumption on a per ton clinker basis.

Ritesh Shah: Sir, adjusted for this Rs.900, what will be the differential like?

Sreekanth Reddy: It is 20%, 25%.

Ritesh Shah: On cost saving measures, if you can list it down along with the timelines that will be quite helpful?

Sreekanth Reddy: Waste heat recovery is operational but the ramp up would be happening over next month or so along with the captive power plant commissioning at Mattampally. Between both waste heat recovery as well as the CPP commissioning at Mattampally, we expect Rs.45 crore of EBITDA. And the hydro assets have contributed close to around Rs.7 crore last year for the EBITDA which is getting reflected at the Vizag unit.

Ritesh Shah: Sir, any other initiatives on the logistics side? You indicated we had a part and we are trying for something more?

Sreekanth Reddy: The logistics side, we are trying to replace the PSC going from Mattampally to Odisha with PPC going from Vizag to Odisha. That should contribute close to around Rs.300-350 per ton kind of a cost saving because of relocating the source.

Ritesh Shah: Do we have incentives on Satguru and Jajpur Cement?

Sreekanth Reddy: Yes, we do have incentives. At this point of time it is very fluid because it is a case-to-case, because we come in Madhya Pradesh at what they call as a mega investment. So, we are still negotiating. The final outcome we would get to know probably a month to a month and a half from now.

Ritesh Shah: But sir to your knowledge have the other projects got incentives like there have been slew of announcements?

Sreekanth Reddy: Yes, sir, in our neighborhood there is one plant which is Ultratech Manawar. We do believe that they do have the incentives for putting up the plant. And we have come across a couple of grinding stations which are coming up in Madhya Pradesh also. They have already had the incentives for them. Two years back cement was in a negative list sir, but no more, cement is part of the regular incentive scheme now in Madhya Pradesh. Odisha, it is there. So, there are no changes. So, I am sure that should be applicable to us. We also had incentives for our Vizag grinding station.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda: Just a clarification. The two acquisitions that we have done, any payouts sit in the FY'19 balance sheet or all the payouts have to be done in FY'20?

Sreekanth Reddy: There is nothing in FY'19, everything is forward going.

Pritesh Chheda: You said Rs.475 crore will be the debt…?

Sreekanth Reddy: Rs.425 crore for Madhya Pradesh that is Satguru and Rs.308 crore for Odisha sir.

Pritesh Chheda: I am saying the total debt that will add on your balance sheet once you finish?

Sreekanth Reddy: That would get added up but parallel there would be a payout of debt also. We expect a peak debt inclusive of working capital to be close to around Rs.800 crore over next two years period but for a very short time because there would be an aggressive payout. What is currently on books would be paid out aggressively in a reasonably quick time sir.

Pritesh Chheda: These assets will be operational…?

Sreekanth Reddy: March '21.

Pritesh Chheda: So, the benefit will flow in FY'22?

Sreekanth Reddy: Yes sir.

Pritesh Chheda: Midway what is your capital expenditure on the three plants that you have?

Sreekanth Reddy: Usually, per annum we do it as maintenance CAPEX, we do around Rs.20 crore among all the three plants on an average. So, that is what we have factored in our business.

Pritesh Chheda: You do not have any other pending projects in these plants?

Sreekanth Reddy: There is one which is ongoing which is expected to be commissioned before this quarter end. So, that is the CPP, 18 MW is due for commissioning before the June end.

Pritesh Chheda: You gave out a ballpark Rs.700 EBITDA per ton. Just wanted to check here when you have a cost saving of about Rs.135 to flow in because of WHR and CPP, and you have Rs.20-odd higher price in April, do you think that this number is a fairly …?

Sreekanth Reddy: We are conservative. What you have to be cautious on that account is current run rate in terms of EBITDA what you see at the last quarter is almost Rs.850. If the same price trend continues, I think we would be up of Rs.1, 000 but we do not want to take a very-very optimistic view on that particular account. So, it is very safe to assume Rs.700 is what we have told and we are trying to be very conservative on that.

Pritesh Chheda: So, is it fair to assume that Rs.700 actually does not factor the benefit, is just the price led and does not factor the benefit?

Sreekanth Reddy: The EBITDA benefit that is part of that Rs.700 but the pricing trend continuance is what we believe could be under pressure. Hopefully it may not happen but that is what we internally factored on a cautious note sir.

Pritesh Chheda: This Rs.1,000 is the exit run rate, right?

Sreekanth Reddy: If you look at the last quarter January was a very bad month. Whatever happened is only in February and March. If I normalize it, we were actually up of Rs.1,000 itself sir. January was a very bad month where we made probably Rs.250 or Rs.300. whatever we made is in February and March of Q4.

Pritesh Chheda: You are referring that the exit itself was actually at Rs.1,000 but because my one month was bad, the average comes down?

Sreekanth Reddy: Yes sir.

Moderator: The next question is from the line of Romil Mehta from ICICI Direct.

Romil Mehta: Sir, we are expecting about 5% growth in Maharashtra, about 3%-5% growth in our strong market of AP, Telangana. But we have a target of 3.6 million ton, so that comes to about 9% growth. So, sir, how do those number jack up or am I missing something?

Sreekanth Reddy: You are not missing sir. It is an average that you have to look at sir. Our exposure in terms of growth would be to the Odisha market from our grinding station. We are not expecting any major shift to happen either at Gudipadu or Mattampally The incremental 0.6 million, out of which 0.4 million would happen only in Bayyavaram which is expected to get into Odisha market sir. We would not behave any differently. We do not look at market share as our metric. We have aligned ourselves for the market growth itself.

Moderator: The next question is from the line of Dheeresh Pathak from Goldman Sachs.

Dheeresh Pathak: On Slide #16 between the two plants there is a lot of difference in employee cost per ton and raw material cost per ton. What is the reason for that?

Sreekanth Reddy: It is more to do with product mix and employee cost obviously the scale of the volume you cannot compare…

Dheeresh Pathak: Sagar has a bigger scale than the Gudipadu plant, right, so Sagar should have…?

Sreekanth Reddy: Mattampally plant is not alone, it also has Bayyavaram part of it.

Dheeresh Pathak: For the raw material also why is there such a large difference between the two plants?

Sreekanth Reddy: Because of the slag purchase.

Dheeresh Pathak: Slag is in which plant?

Sreekanth Reddy: Bayyavaram, which is part of Mattampally, which is part of SCL.

Moderator: The next question is from the line of Kunal Shah from YES Securities.

Kunal Shah: You bought pet coke in advance. So, when I look at it on kCal basis what would be the cost coming out at, because you said that it was 1.3 to 1.4?

Sreekanth Reddy: Again, each ship it would be different, each ship is for three months for us. So, that is the reason why we have given you the quarterly trend, so it is fluctuating, from one quarter to another quarter usually there is a shift primarily because to accommodate for that, because each ship coming would decide. I think the price trend from Q4 to Q1 it would be flat.

Moderator: The next question is from the line of Giriraj Roy from Dolat Capital Markets Pvt. Ltd. Please go ahead.

Giriraj Roy: In Q4 FY19 what was the slag price and what could be the expected one going forward?

Sreekanth Reddy: Slag price that we went through Q4 was around Rs.850, but for the current financial year we have factored around Rs.1100 as the slag price.

Giriraj Roy: As you mentioned like EBITDA margin 18% to 20% is not that much lucrative. That is what I am asking like what could be the EBITDA margin as per your knowledge which can be a very good EBITDA margin for the cement?

Sreekanth Reddy: 100%. But who does not want 100% margin at EBITDA level? Let me talk about the current levels where they are. What is good? It could vary from company-to-company. I wish if somebody is targeting lower EBITDA margin it may not be the interest of the company. So, we expect it to be up of 100%, but reality is somewhere in between. I cannot be satisfied with any number. Unless it is less than 100% how can I be satisfied? We are only talking of the past trends. But I do not think we have a target for an EBITDA margin. It is an incidental thing that would happen, but if I put a target at 20% – 25% I am sure my board and my management would kick me out because why it should be only that much, it could be 100% also no.

Moderator: The next question is from the line of Jignesh Shah, an individual investor.

Jignesh Shah: On the debt front, you registered for Rs.425 crore. So, we will be taking debt as we go ahead, right? Right now the balance sheet is not having any debt for the two plants.

Sreekanth Reddy: No, we have not yet put any debt nor equity in the last year, it will only start from the current year for those two plants.

Jignesh Shah: I think capacity utilization is around 60% to 65% for all three plants. Should we expect by FY20 when these plants would be commissioned to be in excess of 80% or…?

Sreekanth Reddy: No, I think we should be mindful. Each location, the plant sizes are very different. So, we expect Madhya Pradesh plant close to around 80%, Jajpur plant at 70%, Bayyavaram at 65%, Mattampally at 60%, Gudipadu close to around 75% to 80%, I mean that is the blended. But each is of a different, different capacity. So, on an average we expect all of them to be close to around 70%.

Jignesh Shah: In next two years?

Sreekanth Reddy: In the next two years, there is no Madhya Pradesh and there is no Odisha. It will only be commissioned by March 2021. Between these three plants we expect the average capacity utilization close to be around 65 to 70%.

Jignesh Shah: Volume growth of FY20 you said of 8% to 10%?

Sreekanth Reddy: Yes, 3.3 million, we would be moving to 3.6 million, at least we hope to be…

Jignesh Shah: Overall demand scenario, are you seeing improvement going ahead?

Sreekanth Reddy: Demand is close to being flat.

Moderator: The next question is from the line of Anubhav Mukherjee an individual investor.

Anubhav Mukherjee: Why is that raw material per ton has sharply risen compared to last year?

Sreekanth Reddy: Because we are sourcing the blend. As and when the blending ratio goes up, we are buying material like slag and fly ash, we need both those materials which we are buying from external sources, so the raw material cost would move up because of that.

Anubhav Mukherjee: But the slag or the fly ash bought at grinding unit in Vizag?

Sreekanth Reddy: It is bought at grinding unit in Vizag and also at the plant at Gudipadu which is the BMM plant.

Anubhav Mukherjee: But will that change going forward?

Sreekanth Reddy: No, it will only increase because the more blending we do higher the raw material, but the other cost will come down quite sharply.

Anubhav Mukherjee: Basic question on the realization for the company. If I compare your cement realization with some of the other companies which are operating in similar markets, your realizations seem to be lower by Rs.150 to Rs.200?

Sreekanth Reddy: The market mix is not same, Orient does not service Odisha, Deccan does not service bulk of Maharashtra or Odisha markets or the outside state. So, it is not an apple-to-apple comparison. I am sure we may not be very different than any of the players in the market. We tried some alternative all the way down. I do not think on a naked cement realization there cannot be a significant kind of a shift.

Anubhav Mukherjee: Is that only function of the market?

Sreekanth Reddy: Yes, the markets that you service and from where you service those markets. So, these two are very important.

Anubhav Mukherjee: What will be your mix of trade versus nontrade for the year?

Sreekanth Reddy: That is very optical number, but our trade should be close to up of around 65%, Nontrade because Government exposure was almost to the tune of around 30% to 35%, so non-trade-trade also is equally matching at 35%.

Anubhav Mukherjee: I have another question like Odisha your volume, your market share is going up. In that scenario is it that initially you sell at…?

Sreekanth Reddy: Market share going up, I am doubtful. I think whatever is the growth probably that might come to us. So, we may not dislocate somebody in a big way. Market share is one metric which we are not very conscious or bothered about or we do not keep track of it at all.

Anubhav Mukherjee: Will the realization in that market, is there a scope for improvement for the company?

Sreekanth Reddy: The prices have been very poor in Odisha market and the pricing environment has improved reasonably well over last few months. If the same trend continues, I am sure it is a good market and earlier we used to service most of the Odisha market from our Mattampally. Now that market we are going to service from our Vizag wherein we expect a huge freight saving also for us.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Sreekanth Reddy: We would like to thank you once again for joining on the call. I hope you got all the answers you were looking for. Please feel free to contact our team at Sagar or Citigate should you need any further information or you have any further queries and we will be more than happy to discuss with you. Thank you and have a good day.