Himatsingka

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"Q1 Financial Year 2014 Results Conference Call"

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Participants: Mr. Shrikant Himatsingka, Executive Director
Mr. KP Pradeep, President Finance and Group CFO;
Mr. Ashutosh Halbe , Vice President - Corporate Finance
Mr. Ashok Sharma, AVP Treasury, Taxation and Company Secretary
Mr. T G S Gupta, AVP - Finance

Moderator: Ladies and gentlemen, good day and welcome to the Himatsingka Seide Limited Q1 FY 2015 Conference Call, hosted by Macquarie Capital. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Mishra from Macquarie Capital. Thank you and over to you!

Amit Mishra: Good afternoon everyone. It is our pleasure to host Himasingka Seide Limited post results conference call today and we thank you all for participating on it. To represent the company, we have with us Mr. Shrikant Himatsingka, Executive Director, Mr. K. P. Pradeep, President – Finance and Group CFO, and Mr. Ashutosh Halbe, VP Corporate Finance, Mr. Mr. Ashok. Sharma, AVP, Treasury Taxation and Company Secretary, and Mr. TGS Gupta, AVP Finance. I would now like to hand over the call to Mr. Pradeep for the opening comments and then we will open the call for Q&A. Over to you Sir!

K. P. Pradeep: Good evening everybody. Thank you for joining the call. I would like to give you a brief summary of first quarter results for financial year 2015. I will walk you through the performance of the manufacturing divisions and then retail and distribution divisions followed by the consolidated performance of the group.

For Q1 FY'15 - Manufacturing & Standalone performance

Revenues from manufacturing Activities for the first quarter ended June 2014, Revenues from Manufacturing Operations stood at Rs. 228.74 crores, a growth of 6.9 % over Rs 213.91 crores during the same period last year.

The capacity utilisation for Bed Linen plant was 89.0% and that for Drapery and Upholstery plant was 54.0%.

Realisations for Bed Linen products increased by 5.6 % to Rs. 377 per metre from Rs 357 per metre during the same quarter last year. Realisations for Drapery and Upholstery products increased by 14.1% to Rs 1,344 per metre from Rs 1,178 per metre.

Coming to operating expenses, the other expenses for the quarter decreased by 5.4% to Rs.26.11 Crores versus Rs.27.59 Crores in the same quarter last year, a decrease of Rs.1.48 Crores is attributable on account of an increase in power and fuel of Rs.1.5 Crores compensated by an incremental forex gain of Rs.3 Crores.

The depreciation is lower by Rs.1.91 crores due to reassessed useful lives of assets as per revised schedule II to the Companies Act, 2013.

The EBITDA (including other income) increased by 9.1% to Rs. 41.79 crores from Rs. 38.30 crores during the same period in the last year. EBITDA as a percentage of sales stood at 18.3% this quarter vs. 17.9% in the same quarter last year.

The EBIT (including other income) increased by 20.2% to Rs 32.16 crores from Rs 26.76 crores during the same period in the last year.

Interest and Finance Charges for Q1 FY'15 decreased by 25.4% to Rs 9.42 crores from Rs 12.63 crores during the same quarter last year.

Interest and finance charges for the quarter decreased to Rs. 9.42 Crores from Rs. 12.63 Crores during the same period last year due to the following:

a) Loan origination cost expensed off was Rs.1.87 crores in Q1 2013-14.
b) Change in mix of working capital leading to fall in interest by Rs.1.34 crores.

Today we take our working capital on a packing credit which is in Indian Rupees vis-à-vis packing credit which was in foreign currency in the past, so it is completed shifted to Indian Rupees and that is making a difference.

Standalone PAT for Q1 FY'15 increased by 60.9% to Rs 22.74 crores from Rs 14.13 crores during the same quarter last year.

Quarterly Retail and Distribution performance

North America

Revenue from our Retail and Distribution business in North America (Divatex and DWI) during the quarter increased by 3.6% to Rs 414.51 crores vs. Rs 400.15 crores during the same period last year.

The Gross margins as a percentage of sales improved from 12.3% to 12.8% as a result of product mix leading to an increase in gross margin by 8.3% to Rs. 53.20 crores from Rs. 49.14 crores. EBITDA for the quarter was marginally lower at Rs 17.60 crores vs. Rs 18.42 crores during the same period last year. The reduction was on account of higher cost of operations due to higher product development costs and delays in realising the benefits of warehouse and office consolidation.

Atmosphere

As regards the retail business in India and Asia represented by Atmosphere, Revenues for the quarter were Rs. 12.39 crores versus Rs. 10.99 crores during the last year, an increase of 12.7%

EBITDA including other income is negative Rs. 0.16 crores as against Rs. 0.67 crores in the previous year. During the quarter the division was impacted by an increase in its sourcing costs. The price increase was not passed through the value chain and this is expected to happen over the next few quarters.

Giuseppe Bellora SpA

The Revenues for the distribution division in Europe were at Rs 29.64 crores for the quarter compared to Rs 20.81 crores in the previous year, an increase of 42.4%.

EBITDA for the quarter was income of Rs.0.12 crores as against a loss of Rs. 3.35 crores in the previous year. The improvement in financial performance is due to focus on
increasing the revenues from Non-Italian market, reduced business complexity and benefits of cost rationalization.

Consolidated performance – Q1 FY'15

The Group consolidated revenues grew 5.2% to Rs. 502.68 crores vs. Rs. 477.70 crores in the same quarter last year.

Other Expenses for the quarter increased by 9.1% to Rs. 67.90 crores vs. Rs. 62.22 crores in the previous year. Other expenses were up by Rs. 5.68 crores as a result of higher operating activity, Major items include external processing charges in our European subsidiary of Rs.3.70 crores , increase in coal consumption of Rs. 1.00 crores, increase in power and fuel expenses of Rs. 1.40 crores. These expenses being netted off by an incremental forex gain of Rs. 2.90 crores

The consolidated EBITDA (including other income) increased by 7.5% to Rs. 55.39 crores compared to Rs. 51.54 crores in the same quarter last year. EBITDA as a percentage of sales stood at 11.1% this quarter vs. 10.8% in the same quarter last year.

EBIT (including other income) for the quarter increased by 13.2% to Rs 43.55 crores from Rs 38.48 crores during the same period last year.

Interest and Finance Charges for the quarter reduced to Rs. 19.1 crores from Rs. 20.32 crores in the previous year. Interest charges for the quarter have decreased to Rs. 19.10 Crores from Rs. 20.32 Crores during the same period last year on account of

a) Loan origination cost expensed off was Rs.1.87 crores in Q1 2013-14.
b) Change in mix of working capital in India operations leading to fall in interest by Rs.1.34 crores
c) Higher working capital borrowings in our overseas subsidiaries leading to increase in cost by Rs. 1.36 crores
d) Higher exchange rates for translation impacting the cost by Rs 0.63 cores

The consolidated Profit before tax for the quarter is at Rs 24.45 crores compared Rs 18.16 crores in the same quarter last year.

The consolidated Profit after tax and minority interest is Rs. 21.55 crores for the quarter compared to Rs. 16.54 crores during the previous year showed a growth of 30.3%.

Inventory

Consolidated inventory as on 30th of June 2014 stood at Rs 615.43 crores as against Rs. 638.25 crores on 31 March 2014.

Debt Position

The total debt outstanding as of 30 June 2014 is Rs 806 crores; Rs 453 crores being the term debt and Rs. 353 crores being the working capital debt. The Company's effective cost of debt is at 6.2 % compared to 5.92% in the previous quarter.

During the quarter ended 30 June 2014, term debt repayment was Rs 32.23 crores.

This sums up the performance for the quarter ended June 30, 2014. I will now hand over to the moderator to take questions.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Niraj Mansingka from Edelweiss. Please go ahead.

Niraj Mansingka: Thank you for the opportunity. I have a few questions on the company. First on the Bellora. Bellora had a positive EBITDA contribution for this quarter. Can you give some colour on how it is received and how we see the trajectory going forward?

Management: The group has undertaken several measures on its European subsidiary front, which include exiting loss making stores, driving focus on product mix, cost rationalizations that is being taken on in that subsidiary and so on including taking the brand to new markets. So, as a result we have seen a 42% increase in topline year-on-year in that subsidiary. As far as the quarter is concerned, I am not saying that 42% is necessarily sustainable every quarter, but as far as the quarter is concerned, it showed a marked improvement and as a result of all these measures, the EBITDA from a negative 3.35 Crores last year has come into the 0.12 levels. It is definitely a marked improvement and the subsidiary has stopped bleeding to the extent that it did last year. So going forward I think we will focus in bringing the financials of this subsidiary on track and ensure that it becomes accretive in the quarters to come.

Niraj Mansingka: Can you just throw some colour on how the volume was achieved and I just had a thought how sustainable is it in the sense that if you have launched into new markets say the US, so would not a first quarter inventory push a marked improvement on the transitory phase and later on come down on the growth, just a thought?

Management: Like I said, this kind of growth is not necessarily what we see on QOQ, but overall the revenues seem to be going north and even in Q1 because of several measures were taken during February and March of 2014 in terms of cost rationalization, the overhangs stand during Q1 so, I think the fiscal performance of that subsidiary will continue to improve year-on-year even though we might see some movements in terms of revenue streams because in these business revenue streams can vary from quarter-to-quarter. So, for example, in Europe, August is a weak month given the holiday season there. So I think the momentum in the subsidiary will continue as I had mentioned.

Niraj Mansingka: When you say, you had significant increase in the debt in the subsidiaries because of the launch last quarter. Can you share some colour on how do you see the debt coming off because of whatever expenses we have done and take off in the markets?

Management: Niraj, I think your second question relates to North America. So, in context to our overall debt, we have corrected slightly from March 31 levels from 814 Crores to 806 Crores, but there is off this as Pradeep mentioned our term debt has fallen 482 Crores to 452 Crores, but we have seen a slight increase on the working capital debt side from 332 Crores to 352 Crores. So, the overall situation as I see it, our term debt will continue to go south, working capital movements from vary from QTQ, but the specific incremental working capital debt that we refer to even during the last call vis-à-vis North Americas consequently we have had some additional new programs that are lined up to go into the market. So we see the working capital debts be sort of stable for a few more months before it starts to correct. However, the term debt will continue to correct.

Niraj Mansingka: What would the launch of new programs lead to and is your guidance still there for reduction of 100 Crores of working capital debt?

Management: To reduce the total debt in that region because it is a little difficult to predict working capital movements across six operating divisions but I think the key thing to focus and ensure that the term debt is on its way down which it is and as far as working capital is concerned, I will continue to maintain that in the over the next few quarters that it should correct, but it is a little difficult to predict.

Niraj Mansingka: I think this was a big concern that we are having because as a percentage of revenues we will see the working capital and I know it is not a right metric but it went up from 35% to almost 67%.

Management: Our networth as of March 31 stood at 745 Crores, and as of the end of June 30 stood at around 767 Crores. Our net debt stands at 770 Crores so our net debt to equity is more or less 1:1 at this point. With an increase in EBITDA and debt being constant our debt EBITDA and other debt ratios continue to see improvement. So, I still hold on to our view that our term debt will go south, our working capital will also correct, except the timing of working capital correction is a little unpredictable in terms of exactly when it will begin to correct because the pipeline remains fairly strong, and to answer your other part of your question, what does this strong pipeline result into really it will ensure that the organic undertone of revenue growth continues. So as I have said earlier today as well the fact is that you know the last two years have seen a CAGR of close to 20% on revenues, and while we are off to a slightly weaker start in the Q1 of this year I feel that it should correct during the year, but I also feel at the same time that maintaining 20% growth rate in FY 2015 in particular maybe a little optimistic but we will definitely be at a slightly higher rate than what we saw in the first quarter. So these pipelines of new programs etc., ensure that our organic growth rates across businesses continue to be buoyant. If you see what Pradeep mentioned during his summary of results all our divisions saw a growth during the quarter. So manufacturing, North America, Europe and our India Asia businesses saw a growth during the quarter. So there is some working capital pull when we see the growth, but it will eventually keep our revenue pipelines buoyant.

Niraj Mansingka: Thank you very much.

Moderator: Thank you. We have the next question from the line of Dhwanil Shah from iWealth Management. Please go ahead.

Dhwanil Shah: Good evening Sir. Sir my question was regarding our topline growth, where we said this quarter it has come down. Could you highlight a few reasons why it has come down?

Management: Can you repeat the question? What has come down?

Dhwanil Shah: Our sales have come down this quarter by a single digit number on 5.4%. Could you highlight few reasons why it has come down and how do see it going forward?

Management: Like I said, in this business we see variations in quarters. A certain new launches or existing programs etc., sometimes the timing differences, so it just happens to be a quarter where revenues were growing at 5%-odd. I do not see it as any particular sign of anything. Like I said as we go through FY 2015 I expect this to correct a little. I do not see FY 2015 to hold at 20% growth rates that we did during the last two years. So we will see a slight correction on the revenue growth side but I think our focus on sweating assets and enhancing our ROE, enhancing our ROCE, improving our debt ratios and delivering higher earnings I think as far as that focus is concerned, we have come in well. We have 30% growth in bottomline and slight correction in debt, material correction on term debt and so on. So I think our focus on ROE, ROCE and our earnings quality absolutely remains steadfast. We are only focused on enhancing that and quarterly variations in revenue growth at this point do not face us as long as the underlying growth continues.

Dhwanil Shah: Sir, could you tell me how is the margin outlook for the next two years EBITDA side will be around this level or will be more higher digit, because we were going to introduce some new product mix where we have changed. We were supposed to do that if I am not wrong?

Management: There has been a slight improvement on the EBITDA margin year-on-year from 10.6% to 10.9% year-on-year. I do think there is a scope to further enhance the EBITDA margins. For example in manufacturing the EBITDA in manufacturing business increased from 16.7% to 17% year-on-year consolidated EBITDA margins also saw increase from 10.6% to 10.9%. So obviously it is a marginal increase but I think there is scope for us to continue to sweat our EBITDA margins as well. I will not be able to give you an indicative percentage number as to where I see the EBITDA percentages two years down the line, I believe that the model is as an integrated model with a strong portfolio brands we currently operate a portfolio of eight brands and as I had also mentioned during our last earnings calls for FY 2014 we came in at over 635 Crores on branded revenues and we see branded revenues exceed 1000 Crores in over the next three years. So I think with brands growing we will see a positive impact on EBITDA margins on the distribution side as well while they continue to sweat our manufacturing assets. So overall I see our EBITDA margins going north.

Dhwanil Shah: Sir, in our other operating expense, I missed that point. There were a few foreign exchange items, there was one foreign exchange item. Can you tell me that number? I just missed out.

Management: There was an incremental foreign exchange gain of 3 Crores in the other expenses line

Dhwanil Shah: 3 Crores?

Management: Yes, an incremental forex gain.

Dhwanil Shah: Sir, can you tell me what will be excise duty for the current year?

Management: You should take anywhere between 18% and 19%.

Dhwanil Shah: Thanks a lot. All the best Sir.

Moderator: Thank you. We have the next question from the line of Niraj Mansingka from Edelweiss. Please go ahead.

Niraj Mansingka: Sir, wanted to ask you on the cotton prices. Now how do you see the cotton prices which has corrected significantly in the dollar terms impact your margins because what we know is your yarn light and obviously this increase in opportunity for you to get cotton on the lower price. So, would you be able to get a significant higher margins for the next two to three quarters as we see the prices of yarn coming off?

Management: Niraj, two things. Yes there is a slight correction on the raw material front that we are seeing over starting Q3. I do not have visibility on Q4 raw material prices as of now, but the next three four months, there is some decrease in raw material pricing. It is marginal and nothing material will that push up or help enhance margins possibly depending on product mix.

Niraj Mansingka: Sir, but why would not increase in the sense?

Management: It would, but in technically speaking or financially speaking rather, there can also be a change in product mix. So let us say inherent product mix happens to undergo change using the cue. Even though you might have some positive impact from raw material it could potentially be negated by a change in product mix. So that does not take away the fact that it will still help margins but I am saying that there could also be another factor coming in from product mix, which will manifest as the quarter comes along.

Niraj Mansingka: Currently how much days of inventory do you hold generally?

Management: Maybe 20 days.

Niraj Mansingka: Which means most of the earnings, whatever margin improvement happens if any because of the yarn price it should happen significantly you will show in the Q3.

Management: Yes, but while 20 days is what we hold there is an order pipeline of close to 60 plus days, 60 to 70 days. That is already an order.

Niraj Mansingka: But the pricing for them how they are determined for that 60 days order pipeline?

Management: Yes, it is determined.

Niraj Mansingka: Sir, slightly tactical question on the quarterly numbers henceforth. How does the rupee depreciation impact the volatility of your quarterly numbers going forward?

Management: It is a very difficult question to answer because there are a lot of factors that go into play in the balance sheet level and the P&L level. So, it is a very difficult question to answer off hand. We hedge our exposures through our risk management framework. We can take this question offline if you want a more detailed reply

Niraj Mansingka: I will take it offline. Thank you Sir.

Moderator: Thank you. We have the next question from the line of Milind Karmarkar from Dalal & Broacha. Please go ahead.

Milind Karmarkar: The profits this quarter were of course pretty good, but frankly the topline growth was a bit disappointing. In the last quarter concall I think we probably expected a slightly higher growth. So you have been saying that the growth because I heard you on the television also and you have been insisting that the growth would be better, but lower than 20%. Can we put a number to that?

Management: We expect maybe since you are asking the question, I said that I do not see a 20% growth rate in FY 2015 and yet I see trending higher than what we achieved in Q1 which is 5.2%. So I think in the region of 8% to 10% is what we could see during this year.

Milind Karmarkar: Would this be predominantly driven by your US sales or it would be combination of all?

Management: It will be a combination. I am talking about net consolidated revenues.

Milind Karmarkar: Fair enough, and if in case of margins you expect the margins to be maintained at the level which we have done maybe in the current quarter?

Management: I did not follow your second question.

Milind Karmarkar: As far as the margins are concerned, would we be able to maintain or maybe slightly better the margins what we did in the first quarter going forward in the subsequent three quarters?

Management: Milind, again it is difficult to predict, but I think we are seeing a great deal of stability and marginal improvements year-on-year on all parameters. So I think that it would be safe to assume that we could potentially see this marginal improvement to continue although the marginal improvement in percentage terms but in absolute terms it would be in 50.

Moderator: Thank you. We have the next question from the line of Avinash Agrawal from Sundaram Mutual Fund. Please go ahead.

Avinash Agrawal: Good evening Sir. Sir, just wanted to understand the slowdown in North America. Is it driven by the Divatex business or the DWI business or both?

Management: As far as DWI and Divatex is concerned they should be looked at in tandem. So, we look at of course they are two legal entities that have their respective revenue streams but they are under North America umbrella and I would not say there is any particular weakness in either of their models and revenue streams during the quarter. I had mentioned earlier that in our business we see varying offtake from quarter-to-quarter and timing differences are quite often seen. So, I would say as far as North America is concerned, we saw a stable quarter with only a 3.6% increase in revenues, so perhaps I see this to better itself as we go along FY 2015.

Avinash Agrawal: But in terms of total topline like you mentioned that we are probably at a higher base now, but what is driving this slowdown, is it because of you are seeing some kind of a consumer slowdown there in North America or is it just that our capacities are fully utilized now. What do you think is actually kind of bringing down this growth rate?

Management: As far as North America is concerned, it is mutually exclusive to our capacity utilizations in India even if our capacity utilizations in India are maximized that will not hold back our North American divisions from growing. That is my first point. The second point more specific to your question is that I cannot pinpoint any particular negative that I see in that market, which has caused revenue run rates to slow down. It is just being stable quarter for us. Typically run rates are also driven by pipelines, strengths of pipelines in terms of new brand launches, new product launches, new program launches. We seem to have a good pipeline at this point although the fact is as the numbers come through it has been stable, but I hope to see that inch up during FY 2015.

Avinash Agrawal: Sir, the new program that we were talking about in Q4 has that been launched in Q1 or would it be launched in Q2?

Management: You know we spoke about a new program in context to Q4 specifically in context to increase in inventory, but what I would like to mention is as our revenue streams in North America are in the region of $300 million and we constantly launched new products and new programs. We had mentioned specifically during our Q4 call that there was a launch of a specifically large program which caused an increase in inventory, the same has been launched, but like I said there has been other launches subsequently in context to the pipeline we had and the inventory remains stable therefore.

Avinash Agrawal: Sir just one book keeping question. Could you Drapery and Upholstery revenue?

Management: Drapery and Upholstery division revenue in fact 32.05 Crores in the current quarter.

Avinash Agrawal: EBITDA Sir?

Management: The EBITDA was at 6.45 Crores. This is 25.76 Crores in the same quarter previous year and EBITDA of 4.98 Crores in the quarter previous year.

Avinash Agrawal: Thanks a lot and all the best.

Moderator: Thank you. We have the next question from the line of Bhautik Chauhan from Span Capital. Please go ahead.

Bhautik Chauhan: Thanks for giving me the opportunity. Congratulations for good set of numbers. Most of my questions have been answered. Just a couple of questions; Sir what would be your average dollar realization for the quarter?

Management: In the region of around 61.50 to 61.60.

Bhautik Chauhan: My next question is if you can help me out with the order book going forward for this year or for this quarter that would be useful?

Management: Stable at around 300 Crores.

Bhautik Chauhan: Sir, going forward do we see improvement in North American division going forward for the next one to two years?

Management: Absolutely. Like I said we are amongst the strongest players in the North American geography. We operate the strongest portfolio brands in the home textile space in the North American geography. We sell our Calvin Kline brand is the second largest selling department store brand in the United States. We are the top five players as far as catering to the retail sector as concerned, so I definitely see a strong potential to grow our North American business over the next two to three years. We are actively looking for enhancing our portfolio of brands as well as our private labels strengths and while we will see some variation QTQ I think it is important to note that the underlying model portfolio is strong and therefore given the stability that we are seeing in that market we should see growth.

Bhautik Chauhan: Absolutely. Another question pertains to the brand at Atmosphere? So how do we see Atmosphere? Do you see the company growing in one or two years?

Management: It is a pertinent question. Atmosphere brand is a luxury Drapery and Upholstery brand, which is at this point focused on the Indian market. The brand is a strong brand in terms of the brand appeal and brand recall. Overall the last couple of years or a few years rather the brand has not seen any material growth or degrowth and as largely been stable. The group is revisiting the right business plan to grow this brand. I do not think we will see any material movement as far as the Atmosphere brand is concerned. We will see in the next 12 months.

Bhautik Chauhan: That is all from my side. Wish you all the best for the coming years. Thank you.

Moderator: Thank you. We have the next question from the line of Niraj Mansingka from Edelweiss. Please go ahead.

Niraj Mansingka: I just wanted an update on your current thoughts on the capex plans because you are running almost 90% utilization in the bedsheet segment. So any thoughts on that?

Management: Valid point Niraj. Our utilization at the Drapery and Upholstery plants stood at 54% for the quarter and our utilization in the bedding facility stood at in the region of 89%. We have undertaken certain debottlenecking measures in the bedding facility which should unleash the marginal capacity. The company is in the midst of analyzing its growth options in terms of capacity in the medium term. That is an assessment that we are undergoing at this point and evaluating our options in terms of timeframes and specifications. So I do not see any announcements from us at least in the next six months or any specific capacity expansion, but what I would like to say is the matter is being worked out and the direction is being charted out as far as the manufacturing is concerned. As far as our retail and distribution revenues are concerned, which is in the region of 1800 Crores for FY 2014 naturally those revenue streams are not dependent entirely on group manufacturing and their growth is independent to the manufacturing capacity utilizations of the group. So our manufacturing business which for FY 2014 stood at 983 Crores and for the Q1 of this year stood at 228 Crores that manufacturing business should be able to sweat capacities by another 10% to 15% on the bedding side and another 30% odd on the Drapery and Upholstery side while we work out our plans.

Niraj Mansingka: Thank you Sir.

Moderator: Thank you. We have the next question from the line of Hem Agrawal from Hem Agrawal & Company. Please go ahead.

Hem Agrawal: I would like to know about your operations cash flow please?

Management: The cash flow from operations are actually stand enhanced during the first quarter but the specifics I would request you to speak to K. P. offline and he would be happy to share them with you.

Hem Agrawal: Thank you.

Moderator: Thank you. As there are no further questions I now hand over the floor back to the management for closing comments. Over to you Sir!

Management: I would just like to thank everybody for taking the time to join the earnings call. We were quite pleased with our operating performance during the quarter. We hope we have been able to answer your questions. If you have any further questions do get in touch. We look forward to interacting with you again at the end of the second quarter. Thank you.

Moderator: Thank you. On behalf of Macquarie Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.