Apcotex Industries Limited
Q2 and FY23 Earnings Conference Call
October 21, 2022

Moderator: Good morning ladies and gentlemen. Welcome to the Q2 FY '23 Earnings Conference Call of Apcotex Industries Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Anuj Sonpal – CEO of Valorem Advisors. Thank you and over to you, Mr. Sonpal.

Anuj Sonpal: Thank you. Good morning everyone, and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Apcotex Industries Limited. On behalf of the company. I would like to thank you all for participating in the company's earnings calls for the second quarter and first half of financial year 2023. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward looking in nature. Such forward looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated, Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, let me introduce you to the management participating in the earnings call today. We have with us Mr. Abhiraj Choksey – Managing Director, Mr. Sachin Karwa - Chief Financial Officer and Mr. Anand Kumashi – Company Secretary. Without any further delay, I request Mr. Sachin Karwa to start with his opening remarks. Thank you and over to you, sir.

Sachin Karwa: Thank you Anuj. Good morning and welcome everyone to this earning conference call for the second quarter and half year ending of financial year 2023. Along with me in today's earning call, I have our Managing Director Mr. Abhiraj Choksey and Mr. Anand Kumashi – The Company Secretary. I hope you had an opportunity to review the financial statements and earning presentations which have been circulated and uploaded on the website and stock exchanges. To brief you on the financial performance of the second quarter of the financial year 2023, we had a strong growth on year-on-year basis. In Q2 FY23, the revenue from operations grew by 16% on year-on-year basis to Rs. 283 crores. The EBITDA grew by 44% on year-on-year basis at around Rs. 45 crores. The EBITDA margins reported at 15.96%. The net profit grew by 39% on year-on-year to Rs. 31 crores and PAT margins were 10.88%. For the H1 FY23 the revenue from operations grew by 38% on year-on-year basis to around Rs. 590 crores. While EBITDA grew by more than 54% to around Rs. 94 crores the EBITDA margins were 15.89%% and the net profit also grew by 46% to around 64 crores with PAT margins of 10.92%. We witnessed balance growth in first half across all the industries and products. We continue to run at nearly 100% capacity utilization, on the CAPEX front, both projects Valia and Taloja successfully completed in Q3 of financial year 2022-2023. Also, happy to inform that the company received the prestigious Forbes Asia recognition of Best under A Billion company for 2022-2023. We are one of 200 companies from all over Asia. With this, I would like to open the call for question-and-answer session.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Amar Maurya from Alfa Accurate, please go ahead. Yep.

Amar Maurya: Couple of questions from my side. Sir number one is if you can highlight what would be the kind of volume growth you would have seen in this particular quarter and secondly, in terms of the latex capacity which is coming in Valia that is for glovess. I mean, when it is likely to come, is it likely to come at the end of the quarter and what kind of ramp up you're seeing, you know, because this is the product which is largely going to be used into glove. So, do you got the approval or how much time it will take once the facility comes, if you can throw some light on that, and what is the overall world capacity and what is the world dynamics pre-COVID, post COVID. Any demand led down something like that?

Abhiraj Choksey: Amar thank you for your question. Question one is on the volume growth. So we have been mentioning for the last many quarters that we have been running at almost full capacity utilization. So compared to the same period quarter last year, it has been about a five to six percent volume growth, in terms of value, of course, is the 16% of revenue growth for the quarter. As far as ramp up is concerned, as you know we are coming up with, I will take your third question first about the gloves market. Overall, the gloves market, as you can imagine that after the sort of extremely high of 20 and 21, for this industry for the gloves industry, where there was a lot of demand and a lot of production. In the last few months, we have the glove industry is going through a deep downturn and to read anywhere about the glove industry and some of the top glove manufacturers, they are all going through a difficult period right now, there is no question about that, mainly because a lot of inventory was created in 20, and 21, a lot of capacities were quickly added, starting from our calendar year 20, and then getting into 21. So I think there was a lot of excess production all the way to 22, middle of 22 and because Omicron was still sort of Omicron variant was still fairly widespread in the early part of the year. What we have seen in the last few months, is that the glove industry is going through the deepest downturn that they have seen in many-many years. So, it is definitely a challenging time for the industry and therefore challenging time for the raw material players also like us who are coming into the market. Although we have been in the market for the last two three years, so we are coming with extra capacity. Of course, from what we hear all the additional capacity that was planned has all been kept on hold both on the latex side, as well as on the glove side. Of course, companies like us that are already in advanced stages of sort of putting up the project, we will be going ahead and completing our project, but a lot of our competitors have put their expansion plans on. So that is a little bit about the glove market and to answer your second question. Obviously, the ramp up that we expected even three to six months ago was that we will be able to easily ramp up within six months to a year, which is an indication that I gave, we are still aiming to do that within the first year that we would be able to ramp it up. but given the current scenario where demand is extremely muted, obviously the pull from the market is much weaker than it was a few months ago. So that it may take us a little longer. More importantly, the margin that we expected in the first year are also looks like they will be much lower than then what we had anticipated. It seems like lower than pre-COVID margins as well. However, I must add that look in the long run, we still believe that this is a great business to be in. It is growing at double digit worldwide across the world while there has been a dip obviously in the last few months because of over manufacturing or a lot of production that happens. We feel in the long run of course, it is still a good business and will be one of the few nitrile latex manufacturers. The gloves industry is also not easy to crack. You need a lot of economies of scale with some of our customers have. So I mean, it is definitely a challenging time to come into the market. There is no question about it and I mean, that is just the glove industry but in general the macro-economic environment in the world is going to be challenging as well from the look of it in the next six months. So that's fine. So that as far as the glove industry is concerned and our project in Valia as you know the project in Taloja which was a more swing capacity. There now we are going to focus on manufacturing some of our earlier products styrene butadiene latex because we believe in the next one year the glove industry is going to go through a tough time, the silver lining is styrene butadiene latex market has been extremely strong, whether it is in construction, carpet, paper and again there we feel that we will have some extra volumes earlier I had mentioned that total is 60,000 tonnes between both these projects. But we are still working through the details but because the styrene butadiene latex, the cycle times are lower, we will be able to manufacture more products from our Taloja plants, which we had earlier envision for 10,000 tons of nitrile latex instead we will be able to do much more of styrene butadiene latex. Exact numbers, I will come back to you maybe in a few months. But we are working through that and fortunately, that plant is completely flexible to make any kind of latex hope that answers your question.

Amar Maurya: And, like, just to arc a little bit more on this gloves part of the business, which is going to some problem or issues at this point of time, but given that our facility what we are putting I mean, do we see that even to sell that kind of capacity will also be a challenge or no?

Abhiraj Choksey: We do not expect it to be a challenge, because it's a 60000 tonnes is a very small capacity compared I mean, pre-COVID level, entire nitrile latex production or consumption in the world was around 2 million tonnes. So, it's a very small capacity compared to the entire glove, or entire world production. Of course, most of the world production is around Southeast Asia and East Asia, I would say 90%- 95% of it. So we as a South Asian player, we do have enough opportunities in the South Asian region and Southeast Asian region and as I said, the volume is not so much of a challenge, it may take us a few more months to ramp up because at pull in the market is a little less, who knows, the market may turn in about six months as well, three to six months, we are not sure, but the volume is not an issue. Currently, the margins are definitely affected because of the pull in the market and overall downturn.

Amar Maurya: So let's say margin would have been impacted, likely, earlier margin versus the prevailing margin would be something around 200 to 300 basis point impact.

Abhiraj Choksey: You know, when we look at margin its contribution margins and I think the contribution margin, I mean, the impact will be much more. In terms of EBITDA margin, yes, also more, but we are still looking our main purposes. I mean, obviously, the main figure that we look at is return on capital and while earlier we were, as I mentioned earlier, that we always look at a minimum of 20 to 25% return on capital. We still feel and we have done the reworking of all our numbers that we feel that even given the given the downturn that we see right now we think 20 to 25% is doable over the next if you look at an ROC over five years.

Moderator: Thank you. Ladies and gentlemen, in order to ensure to the management of the ability to ask questions from all participants in this conference, we request you to limit your questions to two per participant only. The next question is from the line of Aditya Khetan from SMIFS Limited, please go ahead.

Aditya Khetan: Sir my first question was in H1 we had done around 15% of EBITDA. So any sense in the second half considerably rising fuel prices so any sense on the margin front so we could make 16-17%.

Abhiraj Choksey: Aditya I am sorry, your voice is not very clear. But if I heard you right, I think you are asking about EBITDA margin over the next second half of the year. Yes, first half of the year, EBITDA margins have been around 16% and as I have mentioned before, that look quarter on quarter in our kinds of businesses very hard to sort of predict EBITDA margin, and certainly the next few months seem to be more difficult for various reasons and I will list out three or four reasons because I am sure a lot of the other callers also have similar questions on sort of how we are looking at the market going forward. So one is some of the tailwind that we had, for example, one of the tailwinds that we had is that the higher cost of freight for import competition, as you know about for 40-45% of our product range. We do not have any manufacturers in India that we compete with. So a lot of the competition is import. Now, over the last two year and a half or so we had been protected, I would not say protected is the wrong word. But we had an advantage where freight shipping freight rates have gone up, obviously, those are correcting, they are still not down to pre-COVID levels, but they are down, down by 50-60%, from their highs at least. So those are slowly returning to normalcy. So that sort of benefit that we had for a few quarters may not be there going forward. In addition to that, inventory, the raw material prices ever since the first wave of COVID has obviously kept going up. Once oil hit rock bottom and then kept going up. Now we are seeing that turning in the last I would say a month or two where our raw materials, the prices are coming off and in recent weeks, it is quite a steep crash, even the oil has not really dropped, but because of the overall macro-economic environment and the demand situation worldwide, some of these commodities that we petrochemicals that we buy, they have crashed quite quickly. So obviously there is going to be a short-term pain for us because of some of the supply chain issues, we had stocked up on inventory, and on raw material inventory and we had increased the inventory days and obviously now we are obviously stuck with some higher costs inventory and that is going to play out in the next few quarters. So I would say look, we will still endeavor to maximize margins, but there can be some quarters where margins are lower, very hard to predict, given where we are today at the beginning of the third quarter and yeah, that's what I would say and overall, of course, there's you know, there's a macroeconomic global recession, or in Europe and probably in America, high interest rates, that war, China's going down. So all these are obviously depressed market sentiment, people are waiting and watching, people I mean, customers are waiting and watching. They do not want to produce more than they need to therefore they are not buying as much did they normally would. So there is obviously challenges in pockets of our business and so it is very hard to predict what would happen in the next six months.

Aditya Khetan: Sir second question quarter on quarter so we are witnessing a dip of almost 8% in revenue. So this is largely because of the realization front only, we can assume because there is a slowdown, as you mentioned.

Abhiraj Choksey: Yeah that is right, mostly on the realization front. Volume had been largely I mean, it's a little bit lower, but that is more as I said we had even in Q2, we were almost 100% capacity utilization. There was some Q2 in general, for us, because of the monsoon season a couple of our industries like carpet and manufacturing in India or the footwear that is a little slower. So I would say that volume has been a marginal dip, but largely because of realizations coming off. I think we can expect that further in Q3 realizations coming off.

Aditya Khetan: Sir on to the capacity for the gloves side. Sir, just wanted to know is this capacity fungible, and can be used for other set of latex also or is it only use for gloves only.

Abhiraj Choksey: So, the ones that we have as I mentioned, again, we have done two projects in the last two years we have invested in both coming on stream very soon, the sort of the commissioning of both these projects will start in the next I would say month-month and a half and the project in Gujarat facility is only for gloves and the project in our Taloja manufacturing unit is a swing we could make many other latexes. So as of now given the current situation and the gloves market, the current thinking is that we would first utilize our Valia capacity for the glove industry and for the Taloja new plant we will focus on our other products that we already have for styrene butadiene, styrene acrylic latex, for paper carpet construct.

Aditya Khetan: So this capacity of 65,000 metric tons. So how much would be gloves and how much would be the NPR latex sir into this?

Abhiraj Choksey: So earlier it was 60,000 tons is what we were looking at. So obviously now as I mentioned to the earlier caller, what the 50,000 tons is in Valia, which will be only for gloves, and the 10,000 tons in Taloja will be converted to Styrene, butadiene latex, which will definitely be more than gloves. Exact number, I will come back to you in a few months, but that we will be focusing on Styrene, butadiene latex for the next few quarters anyway, because we are running at full capacity and this seems to be higher demand for those products currently.

Aditya Khetan: Sure sir.

Moderator: The next question is from the line of Karan Bhatelia from Asian Market Securities, please go ahead.

Karan Bhatelia: Sir, while you did mention that volumes were kind of flat QOQ plus the raw materials prices started to correct. So how were we able to manage the EBITDA margins, 16% is quite a impressive numbers. So how did we arrive to such a better margins.

Abhiraj Choksey: I mean, we held on to EBITDA margin numbers. As I said, but if you see our overall profit before tax, or overall, EBITDA is a little lower than Q1, because of this, this correction, but overall, yes, we were able to sort of manage costs and manage Q2 numbers at about 16% EBITDA margins, it's the same as Q1 and that is been our endeavor around this make these numbers.

Karan Bhatelia: Right I know, I also wanted to understand given the global challenges any strategic changes in the raw material sourcing, and because changing the bulk of our raw material is imported. So any changes as of now more focused on India sourcing, or something of that sort.

Abhiraj Choksey: Absolutely. Look, we have, unfortunately, as far as some of our major raw materials go and give you an example of styrene is one major raw material that we consume. Unfortunately, there's no Indian manufacturer until a petrochemical complex comes up with that product and I believe there has been one announced recently, which will come on stream in a couple of years. but those kinds of products we cannot do anything about unless those petrochemicals are available in India. So we have to rely on imports. As far as other smaller raw materials, what we call B and C Class raw materials, there has been a huge push from us for the last couple of years, in fact, to de-risk from imports and earlier, the de-risking was from China, everyone was in China plus one, but what people do not realize is even Europe has a lot of specialty chemical manufacturing only available in Europe and they may be small quantities for us, but the high risk for us in case. Currently in the current context, Europe is also become high risk, given the war situation. So yes, we have a huge push and we have been successful in quite a few raw materials of developing and working with suppliers to develop indigenous sources.

Karan Bhatelia: Right. So as of now a bulk of it comes from Japan, Taiwan or just can you, like, throw some light on.

Abhiraj Choksey: No, I mean, look, I mean, as I said, we have many different raw materials from some of our A class raw materials, like I just give you an example of styrene that largely comes from Middle East and Southeast Asia and other raw material comes from Europe, East Asia, acrylonitrile all over the place and yeah, I mean, we don't have a specific sort of geography we import from everywhere.

Moderator: Thank you. The next question is from the line of Farokh Pandole from Avestha Fund Management LLP. Please go ahead.

Farokh Pandole: My first question was on the expansion in Valia, where exactly are we at this point and you mentioned that there would be some commissioning in a month or a month and a half. So, with respect to revenue, say in quarter four at what level will we be at and what will be the level of ramp up given the fact that obviously, the gloves market is in a bit of turmoil at this point. Also, you mentioned some numbers in response to an earlier question about capacity. Now, am I right in saying that we also have the ability to expand 50% of this capacity further at a very negligible cost.

Abhiraj Choksey: So you mean the Glove capacity in Valia?

Farokh Pandole: Yes.

Abhiraj Choksey: That's correct. So I will answer the second question first, the easier one. Yes, absolutely. So we can expand by 60% at an investment of, I would say, about 15% of what we have invested. So, I mean, the broad number. Further expansion is what we have, yes, left some room for as I wanted both plants, the focus is going to be now started because there was such a lot. As far as Taloja is concerned we are going to focus on Styrene, butadiene, latex and where when we feel demand is quite strong. As far as ramp up is concerned, Farokh we, earlier, as I mentioned, earlier calls, I think was six months to one year ramp up. I think we are still setting a target for that. Because as I mentioned earlier, in terms of volume, that's not a major issue. Because we are a small percentage of the overall glove nitrile latex production in the world. I think we could do that the issue is with margins and of course, the pull from the market is definitely less earlier where customers were bending over backwards to get our product approved, there is a little bit of more of a push right now, because there's no urgency on the customer side. So, you know, our team is still working with that one-year target. We will see how it goes quarter on quarter very hard to predict what would happen. As I said, one of the other uncertainties even though we are commissioning, and final approval from the state pollution control board to finally start bulk production. So we expect that to come through as well, in the month of December - early Jan one initial trial has started so very hard to predict quarter on quarter Farokh.

Abhiraj Choksey:: And I also just want to mention one more or two more things that while obviously, the macro-economic environment remains challenging. I mean, the bigger picture is, look, we believe that the products that we have developed and we are working with are, are harder, it is quite hard for people to get into barriers to entry are high, Approvals take a long time some of the stuff you have talked about so our focus over the next year or two or next year, I would say, while we expect a more challenging environment, we are going to focus on our market share, we are going to focus on quality and improving quality, consistency, introducing some new products, and focus on all the approvals, customer approvals, and most importantly, focus on a healthy balance sheet. Let's not forget that even after this project is done, we will still be almost net debt free besides some working capital used, we have some cash in the books and whatever debt we have raised is a little more than the cash we are. So we are almost net debt free. So focus on a healthy balance sheet, focus on market share and focus on quality. I think that's the mantra that we're looking at.

Farokh Pandole: Got it. That's great. Just my second question is on how much of if required, and let's assume if the gloves market is going to be under pressure for longer than we think it is,How much of this Styrene latex can be sort of, can we do as sort of swing production at to some extent, at least at Valia as well and on the NBR side? Is there any further thinking from the previous quarter?

Abhiraj Choksey: So the first answer is no, we will not be able to make Styrene, Butadiene latex in Valia. As I said the swing capacity was made in a Taloja with a higher investment but what we can do this, the latex manufacturing is like let's say much worse than we think. We can use it towards NBR manufacturing, which again, NBR for the last many two three years we have been running at full capacity. So that is something that we are looking at anyway. So we can use part of the latex manufacturing capacity towards our captive NBR production, of course, but for that there is reasonable sizeable investment required. So we are working through the different options right now and seeing in the worst case scenario, but frankly, we have worked out a pretty bad case scenario and even with those that scenario we are looking at 20 to 25% ROC on nitrile latex, our focus will be to try and ramp up nitrile latex production, get to full capacity as soon as possible. margin, will be affected for the first few months, it looks like and given the current state and hopefully things will normalize, they have to because this does not last forever, any cycle does not last forever. So every industry goes through a cycle and so we feel, and given a lot of experts we have talked to they think by within some time in 23, that glove market will also turn. So if it goes back to normal, then you know, we can see reasonably good ROCs and focus on this business itself without looking at contingency plans. As far as NBR is concerned, we have sort of started the process of detail engineering of the plan, we will be taking a call, once a detail engineering is completed in the next few months, I think it will take three to four months and we will take a call maybe by January or March on when to start that, we are also waiting to just see how, the macroeconomic sort of environment pans out in the next few months and as I was mentioning earlier, in my earlier call, we are also seeing some of the commodity prices are coming off so CAPEX costs should come down, the longer we wait a little bit. So we are trying to optimize for time and costs.

Farokh Pandole: That is very encouraging to hear. Thanks a lot and wish you all the best.

Moderator: Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Thank you for taking my question and appreciate your detailed views on the industry specifically. So my two questions, the first question would be is a one our relationship with Asian Paints and why I am asking this is that in the last two presentations, for the first time, we have seen Asian Paints as customers and if we go back to our history and see we started as a unit of Asian paints, and then we all know what happened so I want to know, having them as just a customer or are we also going to get the leverage of the kind of distribution they have, because our product ApcoBuild can be leveraged really well if we can. So if you can share some thoughts on that that could be great.

Abhiraj Choksey: Asian Paints have completed arms length dealing. There is a history to Asian Paints where the ownership is completely different between Apcotex and Asian paints, as you know. So yes recently we started selling specilaity product which th, they launched under SmartCare brand of products and we are supplying to the construction chemical portfolio.

Ankit Kanodia: So, no arrangement of getting any part of the distribution benefits from them that is completely different, right.

Abhiraj Choksey: Yes, this is just buyer seller relationship.

Ankit Kanodia: Thanks. Second question was related to so, as you mentioned in the answer to one of the participants, that due to the inflationary pressure coming down, you see raw material prices coming down and also the freight costs coming down. So, right now, inflationary position is something which is very dicey, there are divided views. So, you have spoken about one view, wherein if the inflation comes down due to recession and interest rate hikes and all, what if is it fair to assume that if the raw material prices or if there is an inflation going ahead then you will be benefiting out of it because as we saw during the 2020 to 2021 period, when the prices was you continue to do well, is it fair to assume or do you have anything else to comment?

Abhiraj Choksey: No look, there are two types of inflation and I am not sure if you are confusing the two. One is on the raw material prices going up, right and if that and then obviously benefits us in the short term anytime raw material prices go up, because we are importing a lot because we have some inventories of raw materials and finished goods that has stuff and vice versa, when prices come down as well that is not great for us in the short term. The other issue, which is inflation worldwide, when you are talking about macro inflation that we are reading off in the paper, obviously, that is not good for I think, for anyone, right? Because there is consumers consume less, they do not consume normally that they would some non-essential products immediately get hit, some essential products get hit. There is a demand issue in some areas. So now fortunately, in India, I think so far, we have been fairly insulated in local demand remains, okay. But if you think about it from a B2B company, like Apcotex's point of view, there are some some customers that we have in the B2B space, which are finally catering to the Indian customer, but there are some customers that we have that are catering to export. So indirectly it is exports and some exports, as you know, in Europe, in America, in China, they have been fairly badly affected from what I understand from some of our customers. So that's I don't think it's good for anyone, extended high inflation around the world.

Ankit Kanodia: Right, sir my point was basically related to freight costs, how the freight costs over the world, if it will rise, how it will impact our dynamics. That was the main point.

Abhiraj Choksey: As I mentioned, yeah, so I mentioned that to one of the earlier callers, for 40 to 45% of our business, we do not have a competition, that manufacturers in India. So that is largely from import and when that happens, that was a benefit that we had for the, we continue to have even now compared to pre-COVID level. But that's slowly normalizing and I mean, we expect in the next few months, it will normalize. So yes, that from that point of view, as far as our exports are concerned, fortunately, our sweet spot for exports is Middle East and Southeast Asia, where the freight cost is not a very large percentage of the total cost of the product. So it has really not as impacted as much at all.

Moderator: Thank you. The next question is from the line of Manav Vijay from Deep Financial Consultants Private Limited. Please go ahead.

Manav Vijay: So actually, I just have one question I want to ask you, so we saw in last quarter, when basically Top gloves, they have released their results and we saw that for the first time in there, I would say that in the in the history of their listing they have reported losses. Now, you alluded to many I would say to multiple reasons that the inventory buildup in the channel was very-very high, a lot of production facilities came in a very short period of time. Now, when the largest player in the industry starts to make losses, you believe that the way capacities came up, they will also go away in the same fashion at the same speed.

Abhiraj Choksey: Look very hard to predict, but obviously, in any industry where I mean, as you rightly said not only Top Glove about the entire industry is going through the deepest downturn that they have ever seen and in any industry, obviously, this is not sustainable, you know, long period of losses. Yes, they had made sort of abnormal profits as well for a little while during the big COVID period. So maybe the staying power is longer with most glove manufacturers, but at some point, yes there is probably going to be consolidation or rationalization of production, and so on that's going to happen. Okay, and what I mean, I am not a expert in the glove industry, I know a lot about it, because we have been doing business with them. But in any industry when this happens, and this is not the first industry that this happened where it was over capacity suddenly, and then it takes a little bit of time for things to sort of even out.

Manav Vijay: Yes, I agree because I was just some of the some of the global reports suggest that whatever excess capacity that has been created, it will take roughly seven or eight years for the capacity to get fully utilized in everything but generally things do not happen in an in a linear fashion. So, they may came up in one and a half years. In the same fashion you will see a lot of capacities may be going out in a very short period of time.

Abhiraj Choksey: I look I mean I was in Malaysia just last month and I mean there are different views to it and it is hard to see how it will play out. Obviously there are some players that have cash in the books. There are some new players that came in and they do not have cash in the books and you know whether they can sustain long periods of this. I am not so sure so very hard to predict Manav. So if you have a very specific question I am happy to answer it

Manav Vijay: Okay. One maybe, maybe one last point also, so your Top gloves after I would say running of let’s say throughout their listing history so they always use to run-on cost-plus basis in terms of the pricing. And last 1.5 to 2 years because of the abnormal demand they change all that. Now in last quarter they again went back to the original thought process of cost plus, now obviously they will have some issues in terms whatever inventory that they have. Now, so now when now when the industry leader takes such a call, you believe that the even the other players in the industry will be forced to go back to cost plus model and in turn the pricing discipline will be faster which intern will help players like you who are the suppliers?

Abhiraj Choksey: Again, I understand we are coming from, I am not the expert to ask about the gloves industry pricing, I just want to mention this one thing is that one is as far as gloves pricing is concern, the other is as far as nitrile latex pricing is concerned right. So obviously because of the huge pressure on the gloves side those, you know, the nitrile latex margins they’ve also come up obviously nitrile latex there has been a few players but it has mainly been most of the capacity additions that is announced and again I am seeing announced because some of it was mostly from current players so unlike the gloves industry which had a lot of new players coming in as well. Most of the capacity addition on latex has been from current players people who have been in the latex industry. So, the what are the point I am going to drive is that it’s probably easier technology to getting into the gloves industry then it is to the latex industry and so I am not sure it's not necessary, so my point is at the latex industry is not necessarily link completely you know, directly proportional to the gloves industry is what I am trying to say.

Manav Vijay: So, last question maybe on the NBR rubber margins now so now you've mentioned about the freight cost benefit that you had let's compared to the imports now still that cost is coming down but still do you feel, I would say, the margins in NBR rubber are, all those margins now I would see equivalent to the margin that you have at the company level or margins, I am talking about the operating margins or they are lower still?

Abhiraj Choksey: Look we again, we don't talk about product-to-product margin, as you know there is a sort of legal case going on. So, I don't want to mention too much NBR rubber and specifically talk about that in this forum. So all I want to say its look there it is not that the freight component was an additional benefit not only for India but other product as well, where we were facing completion from import especially imports coming in from Europe and Far East Asia and obviously that is come up, the rest of it, you know, its depending on demand suppliers on the world. So, I would say that the next two months depending on the macroeconomic situations in general, it seems like margins are going to be under pressure or lot of the products or some of our products.

Moderator.. Thank you. The next question is from the line of Saurabh Shroff from QRC Investment Advisors. Please go ahead.

Saurabh Shroff: Mostly on the Valia, could you mentioned that you still think that we can do a 20 to 25% ROCE on this project, which is obviously very heartening to hear, my question is that what utilization do you think breakeven like if the ramp up was to take longer just trying to get a sense for how much pain could there be?

Abhiraj Choksey: When you say a breakeven, what do you mean breakeven, do you calculate this at an EBITDA level.

Saurabh Shroff: At EBITDA level

Abhiraj Choksey: Well, it was mostly depends on margins and where margins are at that particular time, but right now, we are assuming that for the next 6 months margins are going to be quite depressed even in the gloves industry. But we think at an EBITDA level, the fixed costs in this business are very low because traditionally it is a Brownfield project. So, and it's a highly automated plants it'snot like we have hired 100 of people to run it so we expect to literally breakeven from the first few months.

Saurabh Shroff: At EBITDA level.

Abhiraj Choksey: Yes, at EBITDA level but payback will be longer depending on margins and volumes ramp up. ROC covered that, I mean IRR.

Saurabh Shroff: Yes, yes. Correct. And I guess on the base business you did allude to some of I guess where raw material prices crashing and that pressure but again that is something that is cyclical which we all over the last decade seen more than a few times. So, is there any

Abhiraj Choksey: I have mentioned it in every quarterly con call that look we have been at an advantage for the last eight quarters in a room and when prices have been going up there will come a quarter or two where you know, obviously prices will obviously come down, sometimes the prices come up gently which is okay and then you know, you may not see it on the quarterly results. But if the prices correct sharply then sometime you left with high cost, you know, very high-cost inventory for two three months and you can have that issues, yeah, that's the case.

Saurabh Shroff: So, that is exactly my question but if this is just power for course or is there something more exceptional than what we would have let's say bargain for and anticipated even the nature of this business has been that we've obviously seen these shocks more than a few times over the last 5 to 7 years?

Abhiraj Choksey: Yeah, so, the raw material fall on the drop is as you put it power for course it happens once in a while, every few you know, quarters and we are okay with that and we explained to you guys this is the nature of our business and I think lot of our investors and analysts understand that. In the current scenario of course the flip side is the macroeconomic situation looks really dire so even I don't know, how long that will last but again once the price is come down then you know, we can look at sort of building at up again. So, yes.

Saurabh Shroff: Okay. Yes, sure. And just finally we had seen a bit of ramp up exports over the last few quarters and you know obviously little bit of that diversification is that still going well or do you think that the cost we've been running at 100% we haven't had too much to do on sort of market development et cetera?

Abhiraj Choksey: Yeah, you are right. In some cases, we've had opportunities but we've not been able to exploit them because you know, we go to customers and give us approval. They give us lab approval, and they say send us bulk quantity we don't have bulk quantity with us. So, yeah, there is been a delay but I think in the next two quarters, you know, but we have established those relationship that's a good thing and yeah, so we expect the ramp up to continue, the other thing that I did not mentioned to the near callers but it worth mentioning is there is a silver lining here as well for us while the whole macroeconomic situation looks dire some of our competitors in Europe are facing a really tough and competing task, raw material prices in Europe for them are significantly higher than Asia. Conversion or power and gas prices are currently I believe significantly higher so we have seen a lot of interest from not only European final customers but also customers at they were exporting to in Asia, you know, some specialty products, so we have seen an opportunity to work with certain customers and developed certain specialty products that we will not have in our range, within the same, styrene butadiene, styrene acrylic, vinyl butadiene, VP latex range so we will see a lot of interest so that's why you know, we've also decided that our current thinking is to focus at Taloja facility on, only on our current products and focus on nitrile latex from Valia.

Saurabh Shroff: Okay, got it. Thank you very much, that's clear and all the best for the next two quarters.

Moderator: Thank you. And the next question is from the line of Dhiraj from Phillip Capital. Please go ahead.

Dhiraj: Yeah, good morning sir. Thanks for the opportunity, sir, what will be the growth over for H2 FY23 and for the full year FY24, if let us say this nitrile latex industry you know, issue persist little longer than what we expect since we are running at full capacity even now.

Abhiraj Choksey: So, that's not a growth driver again I am mentioning two things, one is nitrile latex will continued to be a growth driver, the issue is margin not too much volumes. The ramp up will take a little longer than to be growth driver and the second is, you know, Taloja facility we have extra, we could make more styrene butadiene latex and styrene acrylic latex and so that's going to be another growth driver those are the two growth drivers. And so, you know, we are quite confident of the growth with just with that old macroeconomics environment, what the gloves industry is going through, we are not sure completely sure of, how the margins will play out. And I think it's cycle, look as I said if you are looking at very long term which is what generally as management of the company that I look at of course, of course we are looking at short term numbers but the long term is more important for me, you know, we use this adversity, if is an adversity who knows things may turn as well very quickly but if it is an adversity you know, use it as an opportunity, we focused on market share, we focused on new customer approvals and we focused on managing our healthy balance sheet. The rest I think takes care of itself and you know, you go through business cycles and it will play itself out, not too worried about that.

Dhiraj: And sir, any reason why we are a taking longer time to finalize the NBR CAPEX?

Abhiraj Choksey: Yeah, I mean, as I mentioned before we talk about finalizing one of the things we felt in the last couple of years this commodity prices are run up so much that the project cost was going completely out of wax, I think that's correcting now and given that we want very comfortable now that is correcting as I said, we have already started the process of you know, the designing the details of the plant that should be completed in the next few months and we will take a final call depending on overall as I mentioned one of the previous callers is about optimizing of CAPEX cost as well as timing, you know, in terms of we don't want to enter a market where it's depressed, at the time it's depressed and that's not the ideal scenario.so, most of those will take a quick call on and decide in the next few months that's the only reason. But we still believe it's a good opportunity not only in India globally we are only one less than one third of the Indian market today, everything has been imported so there is a good case for it, but we just want to see how some of the things pan out.

Moderator: Thank you. The next question is from the line of Abhishek Sharda from KM Securities. Please go ahead.

Abhishek Sharda: Yeah, thank you for the opportunity sir. Sir, can you share sales mix for the quarter between nitrile rubber and nitrile latex?

Abhiraj Choksey: I don't think it's change much, it's the same I mean, overall we have about 45% is our total solid rubber business which includes nitrile rubber, nitrile powder, nitrile PVC blend, High Styrene Rubber and 55% is latex largely I mean given plus or minus -1or -2% remains the same. Sachin, Suraj, if you are on the call is that approximately right, any significant changes.

Sachin Karwa: Yes.

Suraj Badale: Absolutely Right.

Abhishek Sharda: 45 to 35 right, sir.

Abhiraj Choksey: 45 is latex it's solid rubber 55 is latex. I mean, these are broad indications. It may be 45 to 57. I am not sure exactly yeah.

Abhishek Sharda: Okay. And sir, broadly I mean, approximately how much revenues we are getting from the auto industry? If you can share a broad number.

Abhiraj Choksey: Well, look indirectly directly first of all, we supply VP latex to the tyre industry now, do you count that as auto, I am not sure, that is maybe 8 to 10% of our business. And the rest is NBR and NBR PVC blends and all I would say totally tyres would be 8 to 10%, auto maybe about 8 to 10% is my rough estimate.

Abhishek Sharda: So, it's roughly around 18 to 20% right sir?

Abhiraj Choksey: Yeah, but I mean, I think autos are different from tyres right, there is two different industries, I mean, the auto industry could be in bad plump and the tyre industry, could still be doing well because of the replacement market is the huge market.

Abhishek Sharda: 8% to 10% is tyre and around 8% to 10% is auto

Abhiraj Choksey: Yeah.

Abhishek Sharda: And sir, one thing I want to understand like maybe I've missed in the previous commentary, right now, your capacity is in the Taloja facility, 65000 metric ton per annum, synthetic latex 7000 high styrene rubber right.

Abhiraj Choksey: Yeah.

Abhishek Sharda: So, after ramp up what would the capacities only after the ramp up?

Abhiraj Choksey: Yeah. So, as I mentioned good question, earlier we were thinking we will make 10,000 tons of nitrile latex, but given the current scenario on the gloves industry, we are going to utilize that capacity at least in the short to medium term for our current other product and I think depending on which product we decide to manufacture and all it will be a little different but we will be much more than 10,000 tons, because the cycle times are much lower. So, I will have to come back to that is the working we will do once the plants start up and I will come back to you maybe next quarter or in six months with those numbers.

Abhishek Sharda: Okay sir. And in the Valia capacity, right now it is in your latest investor presentation it is showing 21000 metric ton nitrile rubber and allied products. So, after ramp up what would be the final capacities?

Abhiraj Choksey: So, it would be around 21000 for NBR and 50,000 tons of nitrile latex.

Abhishek Sharda: 50,000 for nitrile latex?

Abhiraj Choksey: Yeah. And again, I am just mentioning thatwe have an ability to go upto 80000 tons at the minimal investment and similarly, in Taloja as well we have left some place for additional capacity with very-very minimal investment.

Abhishek Sharda: Okay. So, basically sir, after the ramp up of this 50,000, you can get around 60% more at minimal investment that you've mentioned that is would be around 15 to 20% of investment, right.

Abhiraj Choksey: Yes,

Abhishek Sharda: That's very helpful sir, thank you.

Moderator: Thank you. The next question is from the line of Anirudh Shetty from Solidarity. Please go ahead.

Anirudh Shetty: So my first question was I just wanted to understand our right-to-win in the nitrile latex business, you know, mentioned that it's a 2 million ton market and I presume there would be players that larger than us so what is our differentiation to the customer which allows us to which allows us to kind of gain market share.

Abhiraj Choksey: Yeah, absolutely. You know, look two three differentiations one is there are product differentiation but they are technical and I don't want to get in this forum, I think it may not be useful, so there are certain product differentiation that we are certainly bringing in. More importantly, as you know, everyone is looking for de-risk from the countries. So far all the nitrile latex has been either largely made in two country and we bringing an option and that's a strategic advantage that we are coming from India, especially customers in Sri Lanka, India, Bangladesh, you know, we provide that as well as customers in Indonesia, Thailand that don't have their large capacity or they don't have much nitrile latex in our production. So, I think there is a strategic geographical advantage as well as some technical advantages, in addition to that we have, we believe we have no, I would say we have no disadvantage in the raw material packing fund. Let me put it that way, if anything we have a small advantage but no disadvantage so on cost quality and geographic standpoint you know, we have certain advantages that we bring and certain competitive advantages and strengths that we bring to the table.

Anirudh Shetty: Just on the raw material cost front you know, what would the key raw material for nitrile latex and I believe the import, so do our competitors manufacturing it in house or also they are reliant on imports for this?

Abhiraj Choksey: So, the key raw materials are Acrylonitrile and Butadiene, Butadiene is manufactured in India and it's very close to our plant so we have a good advantage there. And Acrylonitrile is all imported into India and I think most of these guys are importing us large quantity of that from some of countries some of our competitors. I hope, there have been some announcements Acrylonitrile production in India. Hopefully that will come on stream in the next couple of years so that will certainly help.

Anirudh Shetty: Got it. So our peers also don't make it in house, they were so kind of

Abhiraj Choksey: They don't make it in house but they may have some capacities available closer by that advantage is there but not the entire capacity that they require is what my understanding is.

Moderator: Thank you, the next question is from the line of Alisha Mahawla from at Envision Capital. Please go ahead.

Alisha Mahawla: Hi sir, good afternoon, thank you for taking my question. So, quickly wanted to understand ___

Moderator: Are you sure your audio is not clear, can you use a handset mode while speaking on the speaker phone?

Alisha Mahawla: Thank you for the opportunity, just wanted to understand with the new capacity is coming on stream for early next quarter, there is going to be some amount of lead time for client approval, product approval or other batch approval et cetera, also I believe early in the call you've mentioned the business approval from the pollution control board which is still pending so can we expect the new facilities to start contributing at least from Q4 or is it largely going to be from FY24?

Abhiraj Choksey: So, actually look it will start contributing from Q4, but as I said that ramp up takes time whether or not, I mean, generally you know, after the plant is ready, you still need to go back and there is something called CTO, consent to operate that you need from pollution control board now, we don't sometimes its generally quick, but sometimes it's take longer but notwithstanding that, you know, obviously you are right the approval while we already have approvals in place, anytime a new plants comes up customers do want to it take it a little slowly, they may take smaller quantity from the first month then may ask for a little larger quantity so that ramp up as I mentioned take six months to a year as far as gloves this concern, given that the demand pull isn't there in the market it may take up a little bit longer but we are still pushing for 6 months to a year and so, yeah, from overall numbers stand form obviously FY23 this will not have a big impact, but the new project will not have a very large impact only towards the fag end of the year but in the FY24 we have a larger impact of course.

Alisha Mahawla: Sure**.** And earlier we were expecting the new capacity both combined to contribute somewhere around 500 crores of incremental revenues and now with the Taloja being capacity going to be used for this styrene butadiene latex as you were explaining. Are we expecting the revenue contribution now change significantly?

Abhiraj Choksey: Yeah. It should go up because as I said we can manufacture much more styrene butadiene. So, as I said, as we are not clear on this right now, I will come back to you with the right time with the right numbers but it will definitely be in terms of volume and value will be higher in terms of contribution you know, we were earlier thinking because an nitrile latex contributions were very high for two years, we were thinking we will focus on that but now that's not the case, so therefore I mean, as a contribution gross margins were higher so now you know, the current thinking is focus on styrene butadiene latex and frankly two years ago you would have asked us there could be pull for this kind of pull for styrene butadiene latex we hadn't thought it would be this great, and as I said there are some silver lining some of competitors – also find it harder to complete given their raw material cost. And so, yeah, we are going to adapt to the current business environment and while the gloves industry not doing so well. We see some of our current products industry is doing much better than expected and so therefore focus on that.

Alisha Mahawla: Okay, one last clarification in latex, what is the 55% revenue that you spoke of, how much of that will be nitrile latex?

Abhiraj Choksey: Currently low because we are doing only some quantity. So, I want to say less than maybe about 7 to 8% of that or 10% of that, 10% of 55 so totally about 6% to 8%, I don't have the exact numbers on me that's just the broad guess.

Alisha Mahawla: So, okay, it should be 10 or there about?

Abhiraj Choksey: Yeah.

Alisha Mahawla: Okay, sure, great, got it. thank you so much and best of luck.

Moderator: We will move on to the next Tanush Mehta from JM Financial. Please go ahead.

Tanush Mehta: So, sorry if I would ask a question, I've joined call a bit late, so firstly sir, I wanted to know that, how is the industry scenarios different vise-vis when we compared to, you know, 2018, 19 times where the industry which we've belong at, you know, slowdown or maybe price correction of whatever we may term out to be and my second question would be that, Europe is major market for us as well, on the same line it's actually few competitor are present there as well, so is Europe failing is an or Europe slowdown is an opportunity for us or threat you can just explain?

Abhiraj Choksey: So, first of all, Europe is not a major market for us at all, it's a very small market for us in fact, as far as our current sales into Europe are concerned, overall, obviously Europe manufacturing competitiveness is been badly hit over the last couple of last few months as well as a risk is gone up given the war. As I said it's actually perhaps the silver lining advantage for us because some of the places that they were exporting to or some of the customers they were exporting to are now looking for other options in Asia and we are well positioned and suited given the works that we have done over the last few years developing products and ensuring high quality consistency. So, that's an opportunity and your first question on 2018-2019, I think the company much better positioned than we are today, then we were in 2018-2019, we have diverse set of products, our volumes have grown significantly, our competitive strengths have grown, number of customers we have added have grown so from all perspective I think it's a more diverse and stronger company it was few years ago

Abhiraj Choksey: Okay. So, basically you know, when we talk about the company as a whole, you know, a few products are there in which are having our own key strength and maybe few products which are having demand as of now and we are there into the market. So, if I was to divide the entire market into two parts, one is the basically specific products which we have developed maybe we are the first to our client and the other set of products which are actually market driven by were market have its own growth. So, if you could throw some light on both of them?

Abhiraj Choksey: Sorry, I don't understand the question, what specifically what are you looking for?

Tanush Mehta: I wanted to understand that, you know, the growth drivers would be our I mean whatever XYZ products we have and we would be manufacturing them and selling it to a client. If I were to just add the growth into two parts one is you know, the products and which the industries bring itself and the other product and which we are creating our own market. So, if you could throw light on both of them?

Abhiraj Choksey: I don't know what light you want me to throw, but let me okay, I will try answer your question so in most of the products that we are in. In India, we have high market share and therefore going forward we will probably grow in those products at sort of whatever the market grows right, GDP plus, what are the rates some of our customer grow at in addition to that yes, we are adding new customers mostly in the, there are a few customers in India they've also come obviously new customers but also in mostly abroad for export and then our two other growth drivers are nitrile latex for gloves and in the future it would be NBR because they had full capacity and we've only have less than one third market share in India. So, that's an another opportunity for growth.

Moderator: Thank you. The next question is from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.

Karan Bhatelia: Hi sir, thank you for the follow-up, you did mention that there is no demand full as of now for the latex gloves, so have you seen some correction in the prices as well?

Abhiraj Choksey: Yes, yes, there is been a correction in pricing, the whole industry is going for downturn so therefore the pricing margin everything will be correcting and now only for us, all gloves any supply to the gloves industry you know, we have to support the industry you know, there is not some of them has been most of them are not doing so well, the gloves manufacturing in the last Quarter 2. So, we have to sort of adapt and support that.

Karan Bhatelia: But I am okay to assume the export contribution upwards of 18 to 19% for this quarter as well

Abhiraj Choksey: it's about 21 to 22% for the quarter.

Karan Bhatelia: Okay, okay and the real benefit to us, you know, with respect to the Europe energy crisis, you know, have you done with 20 to 22% still be at slightly better compared you know, upwards of 25% in the medium term?

Abhiraj Choksey: Can you repeat that, I didn't hear you.

Karan Bhatelia: Yeah, yeah, I am saying, 21% is the best we can do or we can see some more benefits of the Europe energy crisis.

Abhiraj Choksey: No, I mean, look it will depend so far that the business is different in the last two years we had limited capacity and therefore we were doing business based on you know, obviously some strategic customer that we have in India also maximizing margins but we could but obviously thinking long-term and ensuring we have a diverse customer base and adding customers as well. Going forward of course exports will go significantly higher infact our prediction is, because of nitrile latex for gloves which is largely for export, export should be much higher you know, 35 to 40% of our total turnover could be export.

Karan Bhatelia: That's right, fine, that's right.

Karan Bhatelia: No, if you just keep aside that gloves business so adjusting 20, 21%

Abhiraj Choksey : Yeah, yeah, that should grow as well, yeah, that's correct.

Moderator: Thank you. The next question is from the line of Anirudh Shetty from Solidarity. Please go ahead.

Anirudh Shetty: Yeah, hi, thanks for the follow up, I actually had a question around just a nature of the business, you know, when I compared your gross profit margins and your asset turns with other chemical company, I see that the GP margins was long period of time, you know, its lower but the asset turns at you know of about 2.5 is actually higher so just wanted to understand what is the nuance of this business, that explain this?

Abhiraj Choksey: Sometimes I feel like you guys are understanding better than we do, but the chemical industry is put into one as one industry, but I firmly believe that look, within chemical that are so many sub industry, you know, one cannot compare one to the other. And one end there is complete commoditize chemicals, you know, which has perhaps low margins high CAPEX but still deliver the return on capital that's required, because of it's steady businesses, the other is you know, the other end is extremely specialty chemicals maybe very high margin, But limited volumes and limited business opportunities. So, it's very hard to say in our business exactly what do you said I don't think our business is the kind where you know, at least as of now, you look at if you've seen companies like ours globally as well and we have seen any companies with 30 to 35 EBITDA margin right, which you could see some specialty chemical businesses and those businesses required 30 to 35% EBITDA margin because of the CAPEX requirement. So, because the asset turn is low we can live with lower margin bottomline as you want to see the return on the capital and that's drive all the numbers right. So, and all the profitability numbers so that's what I would say and I would encourage you to go deeper if you are studying the chemical industry trying to understand the nuances and different types of chemical businesses and see what fits were but you can't compare with the other it's like comparing apples to oranges

Anirudh Shetty: Got it. And when you mentioned 20 to 25% ROCE the pretax number or is it post tax?

Abhiraj Choksey: We look at, Sachin, post tax, right

Sachin Karwa: Post Tax.

Anirudh Shetty: Yeah, got it. and just one final question you know, you had mentioned I think that the latex business tends to be higher margin than rubber but you made this point today that you can actually use the facility of nitrile latex to make rubbers and presuming rubbers of forward integration. So, what is it about it that latex besides being more upstream on the value chain and actually more value added that?

Abhiraj Choksey: I don't know, maybe a mistake, I've never mentioned that latex is a higher margin product than rubber, I said is that latex is a more even margin product than rubber, the rubber business is more volatile very high highs followed by lows and one of the reason or that is storage of latex is very difficult because it's 50% of more water, 50 to 60% water, and so to transport and store that is very difficult and so customer also don't want to move very quickly, that is with nitrile rubber or any kind of rubber I would say, you know, nitrile rubber, styrene butadiene rubber which we don't manufacture, polybutadiene rubber which we don't manufacture the margins are lot more volatile and choppy but I've never said that there is a lower, in the long run they are similar.

Anirudh Shetty: Okay. So, just this transportation that is more difficult in latex which means that difficult and more expenses, maybe the competition would be limited by geography unlike…

Abhiraj Choksey: Geography is one and also some applications of latex are so critical just to give you an example, we supply latex to the tyre industry right, so there is not, even if there is an new vendor that comes in such a small portion of the whole cost of the tyre, that is not something that they will change very quickly. Because even if somebody comes and say okay, I am giving you 50% lower price product, you know, they would not be interested because they doesn't believe impact the total cost of the tyre and the criticality of this product is extremely important because it plays a vital role in the adhesion in the characteristic of the tyre. So, those are some of the nuances similarly on the paperboard you know, some of this paper packaging used in two products, extremely sensitive so once they have so the set of plant with two or three vendors maximum you know, they won't change it for fourth vendor very easily, as long as we are reasonably competitive, yeah.

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

Abhiraj Choksey: First of all, I would like to take this opportunity to wish everyone Happy Diwali and Saal Mubarak, all the best wishes for the new year, we as usual, you know, Apcotex team, appreciates the support and your interest in the company and we look forward to see you in Q3 again. Thank you very much.

Moderator: Thank you, Ladies and Gentlemen. On behalf of Apcotex Industries that concludes this conference. Thank you for joining us and you may now disconnect your lines.