Apar Industries Limited
Q4 FY18 Earnings Conference Call
May 31, 2018

Moderator: Ladies and gentlemen, Good Day and Welcome to the Apar Industries Limited Q4 FY18 Earnings Conference Call, hosted by Four-S Services. As a reminder, for the duration of this conference all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. If 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 now like to hand the conference over to Mr. Lokesh of Four-S Services. Thank you and over to you, sir.

Lokesh: Thank you. Good afternoon, everyone. On behalf of Four-S Services, I welcome all the participants to Apar Industries Q4 FY18 Earnings Conference Call. Today on the conference we have Mr. Kushal Desai – Chairman and Managing Director, Mr. Chaitanya Desai – Managing Director and Mr. V.C. Diwadkar – CFO, Apar Industries. I would now like to hand over the call to Mr. Desai for his opening remarks. Over to you, sir.

Kushal Desai: Thank you, Lokesh. Good evening, everyone. A very warm welcome to Apar Industries Q4 FY18 Earnings Conference Call. I would like to first outline some of the key operational and financial highlights for the year as well as for the March quarter, and then subsequently discuss a little bit about our growth strategy and then open up for questions.

So, FY18 is a milestone year for Apar as the company turns 60 years. Throughout the evolution that we have had, the focus of Apar has always centered around the company's motto, which is Tomorrow's Progress Today. So in the last five years you would have seen that we have invested over Rs. 660 crores to expand and rebuild our manufacturing facilities around the country, benchmark them to the best standards that are available. And also make sure that the plants are at the right location, plus capable of making products which are needed by customers today as well as in the near future.

So in this backdrop, FY18 has been a year where we have seen actually a revival in growth in our top-line which has been contributed by all the three businesses, also growth in terms of physical volume terms. Margins were a bit affected and they were under pressure during the year. They were more affected in terms of the conductor and the specialty oils business. The cables business actually turned in a higher margin. This growth was achieved otherwise in a very difficult operating environment because so many things we saw change in the year. So one we saw major increase in volatility in metal as well as in crude prices. We saw changing regulatory environment in terms of the way bidding has been done for all transmission corridors and everything has moved now to this TBCB which is tariff based competitive bidding system. And this system itself was challenged tremendously because it was the first year in which there was so much of upward pressure in terms of inflation on raw material, which is primarily aluminum and steel.

We also saw the GST implementation. In the last quarter we had various banking related issues that affected normal operations in banks as well as sanctions of new credit limits and facilities which the banks have been actually very slow on giving, that has affected the general amount of fund flow available in the market. And finally for Apar specifically, we had the relocation and commissioning of some major manufacturing facilities for all the three businesses.

So this included the transition of the conductor manufacturing from Silvassa to Orissa, wherein Jharsuguda now 80,000 tons is up and running. We also implemented the new molten metal facility at Lapanga for manufacturing rods, we commissioned new specialty oil plant at Hamriyah which has also completed its first year of operation. And all these initial start-up cost and the higher cost during the initial period of trajectory of the plant coming in to a higher level of production has all been absorbed in the numbers that you see for the financial year.

So, honestly, there have been a lot of moving parts to handle in the year. But our management team remains quite focused through the entire year and has delivered in an environment where there have been both external issues as well as the transitory effects at our own end.

Having said that, let me give you a few key developments in the sector which will give you an idea in terms of where the growth drivers are. Most of us are aware that FY18 witnessed a big push by the government to stimulate traction in the power sector. This was evident from the number of states actually joining the Uday scheme, so at present now 32 states/UTs have joined Uday which is basically all the states that are there. We see strong growth ahead given the huge planned investments by the government, almost Rs. 76,000 crores on Deen Dayal Upadhyaya, Rs. 65,000 crores on the IPDS scheme, Rs. 16,000 crores on the Saubhagya Scheme and Rs. 35,000 crores CAPEX for railways for electrification and about Rs. 2,000 crores has been allocated towards solar energy in FY18. And FY18 also marked the first year of the 13th plan and we witnessed good additions on the transmission line and transformation capabilities, some of this of course has come from products which were procured in the previous period but the lines have been commissioned during this period.

So, as we move to FY19 the T&D sector remains in focus. And there is the outlay of Rs. 2.6 lakh crores for this five-year period. And given the performance in the first year we are quite optimistic that the momentum should continue over the next four years. There has been a sharper focus on high voltage transmission lines and the government aims to provide the 24x7 power leading to new additions in the whole T&D space. So, all in all, the market environment looks reasonably healthy.

Coming to the financial performance side of the company, The company delivered volume growth in FY18 across all the three business segments. There was a revenue increase of 20% year-on-year and revenue reached Rs. 5,823 crores. However, as I had mentioned earlier, there has been a pressure on profitability and the EBITDA declined by 3% year-on-year. The EBITDA margin dropped from 8.8% to 7.1%. Part of this drop in percentage terms is also as a consequence of commodity prices having gone up and creating a bit of a dilutary effect.

Revenue for the fourth quarter was up 35% year-on-year and reached Rs. 1,769 crores from Rs. 1,308 crores in FY17. And again, as I mentioned, all three business segments grew volume in the fourth quarter. The EBITDA increased by 29% year-on-year to reach Rs. 127 crores in Q4FY18. However, the margin percentages declined due to competitive pricing and we did see a lot of raw material inflation taking place in the conductor side and the oil side of the business. This was also there on the cable side but it was offset on the cable side because of the mix of products which we had as well as the economies of scale that came in.

There has also been higher interest cost due to increase in the LIBOR rate of interest. And we have continued to face blockage of working capital on account of GST, especially in the export business. So all the backlog which was there after 31st March was largely cleared by the government in the form of a special clearance mela. But again, from April onwards again things have started getting piled up, because some of the key decisions that are required to be taken to streamline the process have not yet come fully into effect.

If we go into more details in terms of each of our product lines, our conductor business posted a good growth in revenues of about 14% year-on-year at Rs. 2,567 crores. The second half was particularly strong that offset the lower volumes in the first half. I can attribute some of that to order execution that took place in the second half due to a delay from the GST implementation that happened in July. And all of this execution then got completed through the fourth quarter.

The contribution of high efficiency conductors came in at 14% this year, which is 3% higher than FY17, but it was lower than the internal estimate that we had anticipated. There still seems to be a lot of tenders which are there which are in very advance stages of finalization, but the commitment button has not been pressed yet. We are in the hope that it should happen in the course of FY19 .

Exports were up and contributed to 45% of revenues versus 30% in FY17. The EBITDA per metric ton post FOREX adjustment for the year came in at Rs. 7,831 which is almost Rs. 4,000 lower than the same period for the previous year and can largely be attributed to the leakages that happen due to raw material price increases, particularly steel where there is no hedging mechanism. And then some of it due to blockage of funds in the working capital from the GST as mentioned before.

The segment's order book stands at Rs. 1,209 crores as of 31st March, with exports comprising 47% of the current order book. The order inflow for the last year FY18 came in at Rs. 2,327 crores which is 11% higher than the previous year. Of this Rs. 2,327 crores of order inflow, 49% came in from exports, so it is almost half of it domestic, half of it export. The situation in the domestic market continues to be very competitive for conventional type conductors due to the reduced intrinsic overall tendering that has happened during this period. As well as some of the conditions are not very favourable when you are trying to do fixed bids in this whole tariff based competitive bidding.

Our expectation is that there will be consolidation in the industry happening at all levels, right from people bidding against the TBCB tenders, EPC contractors and then down to conductor manufacturers. We also feel that at this stage with the whole system still evolving in terms of execution under this TBCB environment, and for the first time last year the whole mechanism was challenged with a lot of price inflation. We feel that it is prudent for us to follow an approach with stronger risk management strategies. There may be some effect of short-term business loss and there will be some effect on margins in the short-term, but it is much safer for the company to actually pick and chose domestic business. And as a consequence we have followed a strategy where we have increased our exposure to exports.

Our conductor production and sales volume in the quarter were at record high levels with the volume coming in at almost 56,000 metric tons, that is up 38% year-on-year. Revenue is up 53% at Rs. 894 crores. We saw fresh order inflow of about Rs. 691 crores with 51% coming from exports for the quarter. So, EBITDA Per Mt. post the FOREX adjustment for the quarter actually was quite badly affected, it came in at Rs. 5,732 and largely because of big impact on the steel, and in some cases aluminum prices also.

We are targeting to increase our high efficiency conductor contribution to 20% of revenues by 2020 and we still feel quite confident that given the movement of the market and the direction in which it is moving that number should still happen. We have also received approval for conductors that go into railway electrification, these are copper conductors. In a tender that opened earlier in this month of May 2018, Apar was the lowest bidder and we are expecting to receive an order of about Rs. 400 crores of this new copper conductor for execution in FY19 itself. So this of course opens up a new avenue for business for the conductor division. And we feel that it is a very strategic move, given that there is a tremendous pressure to move the railways towards less diesel and more electrification. And total outlay plan of Rs. 35,000 crores has been put together.

We also expect better operating efficiencies to come in FY19 with the manufacturing now having settled at Jharsuguda and with the access to molten metal already in place. So that is a quite a lot of information we have given on our conductor division.

In terms of our specialty oil segment, we have delivered the highest annual volumes of about 388,500 KL which is 10% higher than the previous year in volume terms. This volume growth happened in our automotive oil side, transformer oil side and the industrial lubricant.

Consolidated revenue came in 27% higher at Rs. 2,162 crores, it was on account of both volume as well as higher price coming from the increase in petroleum products. Our Hamriyah plant crossed 50,000 KL production and sales in its first year of operations, and I am happy to say that in the very first year it had a cash positive financial performance. We were not able to cover depreciation, but we have covered all cost and delivered a cash positive number. Exports accounted for 37% of revenues for the division, which is up from 33% a year ago.

On the automotive loop segment we had a 34% increase in the volume growth in the year and we have reached about 33,500 KL in terms of volume. The sales increased both to the auto OEMs as well as to the B2C segment which is through our distribution network. The second half post the GST implementation actually saw quite a smart growth, and our expectation is that this trend will continue in FY19.

The revenue from the segment for the quarter was up 36% year-on-year at Rs. 591 crores. Again, we saw big jump on the automotive volume side where we saw 49% growth on the automotive volume in the fourth quarter and industrial oil volumes were up also 20% year-on-year, transformer oil was up by 7% in the quarter. So, EBITDA per KL after FOREX adjustment for the quarter increased to Rs. 5,280 from Rs. 4,421 a year ago. So this came in from economies of scale, it also came in largely from a better product mix that we ended up selling with automotive and industrial additive products having a good growth.

I will now move on to the cable side of the business. So, the one important highlight for us is that our cable business has crossed Rs. 1,000 crores in revenues this year. So this is our ninth year of operations that after Apar took over the business and we have grown the revenues from about Rs. 100 crores when we bought the business to Rs. 1,116 crores last year, revenue is up by 29% year-on-year. There was a growth of 68% in power cables and 18% in fiber optic. The elastomeric business aggregate volume was subdued because there was a massive slowdown on the windmill side, however we had significantly improved sales in solar, railways and defense, all of which actually end up giving us better contribution margin than solar. So the EBITDA margins post FX adjustment increased for the year by 100 basis points to

9.6% in FY18 from 8.6% in FY17. So, besides the product mix we have also had economies of scale taking place and some benefits on account of GST creeping in. Our plants in Umbergaon and Khatalwad were paying 2% GST whereas many of our competitors were actually in an exempt situation. So, that has definitely with GST implementation has had an impact.

The company has also initiated business in three new areas as far as our cable business is concerned, which is looking at medium voltage covered conductors which actually offer a higher level of safety and are being used or can be used for within cities as well as in forest and other areas where short circuiting is taking place due to animals crossing two wires. We have also started getting approvals with e-beam based automotive cables which go into cars, and we have already applied to the railways and got permission at the first stage for starting the railway harness business. As the Indian railways want to start outsourcing harness manufacturing to a larger extent, given the fact that our cables constitute a very large portion of the total value of a harness, this is a business area that we have looked at entering.

So, cables from a quarterly perspective delivered a growth of about 20% at Rs. 336 crores as compared to Rs. 280 crores from a year ago. The EBITDA margin post FOREX for the cable business increased by 200 basis points for the quarter to reach 10.4%. So actually through the year we have had continuous improvement happening on the EBITDA margin percentage. The cable business continues to see opportunities, as I mentioned earlier in power cables, in elastomeric cables which are in solar, railways and defense. And also in this year we are expecting to receive some orders for our fiber optic cables from BSNL and from BBNL as they look at connecting the villages.

So to summarize, I would like to state that we are cautiously positive as we enter FY19. We clearly see opportunities in business growth, especially in the power sector, transportation which is automotive and railways, as well as in defense which in our case is primarily Indian navy. The GST implementation has largely been positive for a company like us, barring of course some of the issues which are faced on cash flow due to exports. We are quite hopeful that some of those will get sorted out on a permanent basis in the course of the next few months.

In that backdrop, however, we expect challenges to come from commodity fluctuation. We have also seen a fair amount of currency fluctuation. And then there are a lot of global, political cues throughout the year that are having impact on various economic parameters. But having said that, from all the action and investments that we have made at Apar, we believe that we are a much stronger company today as we enter FY19 and are probably amongst the best placed in our peer group in terms of being able to get after opportunities that exist in these defined fields.

So with this I come to the end of my comments. I would like to thank all of you for joining our call. And at this point we would be happy to take questions please.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Vikrant Kashyap from Kedia Securities. Please go ahead.

Vikrant Kashyap: Sir, I have two questions. Sir, do you still see a higher raw material price of say steel and aluminum would put pressure on our margin in FY19 or do we see to pass on and see uptick in EBITDA margins?

Kushal Desai: Well, very difficult to predict what is happening in commodities today. Our sense is that the largest part of the increase seems to have already happened. If you see the steel prices are up by almost 200% from their lows and aluminum has actually tasted right up to $2,800 per metric ton which was primarily driven by sanctions. So you see one of the reasons why I brought up saying that these challenges from commodities are also happening from global political cues. Rusal as an aluminum producer is 6% of global aluminum production and suddenly due to the effects of the trump administration they wanted no dollar denominated transactions to happen. So as a consequence there was a sudden increase that took place on account of price of aluminum. This is little bit difficult to predict, but we have tried to factor in as much hedging and as much control as possible in a scenario like this. And that is one of the reasons why I mentioned that anything which we see risky we are looking at not wanting to really participate in.

Vikrant Kashyap: Sir, your presentation also talks about most of the CAPEX has been done for the company, so what will be our CAPEX guidance for 2019?

Kushal Desai: Well, we have completed our CAPEX of Rs. 660 crores but we continue to want to put in CAPEX where we are seeing 20% growth happening on our cable business. We are seeing opportunities even in our conductor side where we want to look at this copper CTC conductor, which is a copper transpose conductor, very specialized conductor that actually go into a transformer. So there are other opportunities which are there, on oil side we have seen tremendous growth on the automotive business and we have a plan to further double our capacity of automotive blending and packaging. So our expectation is that our CAPEX will be in vicinity of around Rs. 90 crores to Rs. 100 crores of projects which we will initiate, may not all fructify in one year, but in about 18 months a lot of this should go in.

Vikrant Kashyap: And your guidance on top-line and margins for 2019?

Kushal Desai: So, it is a little tricky for us to give a very clear guidance. Our sense is that the growth will remain reasonably strong. We do not want to give guidance on margins because there is just too much of fluctuation happening. But our expectation is that our conductor volumes for next year will be somewhere in the range of about 185,000 to 190,000 metric tons which is up from about 166 for this year, that will include some of the material which is going in for copper for the Indian railways. Our oil business we are looking at going from about 388,000 KL to about 415,000 KL to 420,000 KL. And cable business we are looking at increasing turnover at Rs. 1,100 crores to approximately Rs. 1,350 crores to Rs. 1,400 crores. So, that is the sort of growth volume which we are looking at. All three businesses seem to have clear opportunities out there. The profitability side is a little bit more difficult to predict with all these moving parts which are there, but our internal business plan is higher than what we have achieved in financial year FY18.

Moderator: Thank you. Our next question is from the line of Aditya Waghle from Equitas Investment. Please go ahead.

Aditya Waghle: I would just like to ask two things, of course the guidance you commented on; and secondly, there has been increase in our interest cost for the quarter so what could be the reason, I mean I see our non-current long-term borrowings are up about Rs. 162 crores, so can you comment on that?

V.C. Diwadkar: Basically, throughout the year close to about Rs. 70 crores was stuck up in GST, plus the LIBOR interest has increased, LIBOR which was at about 1.4% has increased to about 2.35% by end of the year. So throughout the year the LIBOR cost has increased. There is an open period FOREX which is there which is about Rs. 19 crores which we adjust in EBITDA actually.

Aditya Waghle: Secondly, the conductor segment we have gone in for contract manufacturing for this quarter, how is that?

Kushal Desai: Yes, some volumes we outsourced in terms of getting heavy toll manufactured, because as I mentioned in my comments that there was a tremendous slowdown that happened straight after GST because a lot of contracts had to be, purchase orders had to be amended. And in some cases the government bodies had come back asking for benefits to come in from the GST savings. And the estimate for these were all over the place, so it took a few months for the whole process to settle down. And so as a consequence there was a big surge that was required in the fourth quarter to deliver the products. So, not only did we run our own facilities at full capacities but we actually had to outsource some of the products, that also had some effect on the margins. The reason why we wanted to go ahead and do this was two reasons, one is obviously we did not want liquidity damages to come and hit, but secondly in some cases these TBCB and all were under a fix price, so every time you keep moving your position there are contango costs and other costs which are associated with hedging. So putting all in all together it was best that we actually flushed out all the orders and came up to date with it. And that is what we ended up doing in Q4, that is why we see the volume numbers being extraordinary high and the margins also being affected a little bit on a per ton basis. But we are on a pretty clean slate as we get into FY19.

Aditya Waghle: And we would be expecting quarterly volumes around 40,000 - 45,000?

Kushal Desai: Yes, absolutely.

Moderator: Thank you. We have the next question from the line of Anand Jain who is an individual investor. Please go ahead.

Anand Jain: There are two or three questions that I have. The first one is more in terms of the finance cost have increased significantly in the last quarter, so what should we expect the normalized finance cost from here on?

V.C. Diwadkar: Out of debt finance cost the open period FOREX is there, as I explained earlier that open period FOREX we adjust in the EBITDA, so that should not be considered as finance cost. If you see our investor presentation we have adjusted that in EBITDA.

Kushal Desai: But there will be a higher incidence of impact of LIBOR. If you compare it with FY17 versus FY18 the impact is almost close to 1.3% to 1.4% which is the delta that has happened. And that LIBOR has a major effect in terms of financing all the purchases that are there across all the three divisions.

Anand Jain: But even if I look from a QoQ perspective, which was like 31-12 to 31-3…

V.C. Diwadkar: So main difference is this open period FOREX, there was a FOREX fluctuation which happened which we are adjusting in EBITDA, because that benefit is captured in EBITDA.

Anand Jain: Okay. So we should not be seeing this from next quarter onwards?

V.C. Diwadkar: Yes.

Anand Jain: So the second question that I have is on the conductor side. So as I understand there are three levers in terms of margin improvement that I can see in the conductor business, one is of course that now with the Jharsuguda plan coming up we will be having kind of transport savings which otherwise we would be shifting aluminum and bringing it to our plant on the western side. So that is one. Second, of course GST impact because some of our competitors were having tax advantage of around 2% in the previous regime. And third is usage of molten aluminum which again would reduce our raw material prices. So if I were to look at all these three components, can you just give me a break of; A, first of all, am I right in assuming the impact that these three would have? And B, what kind of impact do we see in margins because of these three and has it played out or has it not played out?

V.C. Diwadkar: As far as these three items which you mentioned, the second one is not true because we are also having that 2% advantage, we are supplying from our Athola plant which was having that 2% sales tax benefit. As far as the first point is concerned and third point is concerned, that is correct actually, the molten metal benefit is around Rs. 1,000 per ton. And first point benefit that will depend on the place where the incoming about Rs. 1,000 to Rs. 1,500 benefit will be there on incoming logistics. And as far as the outgoing logistic is concerned it will depend on where the project is located. All those projects which are on the eastern side or the northeast side, actually there the benefit will be there.

Kushal Desai: Even in Central India, I mean Andhra Pradesh, Madhya Pradesh, Chhattisgarh, Jharkhand, all those areas. There are two more levers which are there, one is with respect to growth that will happen on the HTL side. So, last year we had some amount of profitability getting knocked out even on a high temperature conductor because of the increase that happened in steel and all these other commodity prices, including aluminum. And some portions of the HTL, because these are all fixed price, it is a complete conversion turnkey job that is taken, that crept in. And it was a very sudden and a very quick increase. So, we do not have an expectation that the kind of delta which we saw last year is something which is sustainable to go ahead in future years. So the HTL's profitability will be definitely better in FY19 is our expectation compared to what it was in FY18. And finally, we have got a new product line, as I mentioned we have already received, we are L1 on Rs. 400 crores of this railway conductor, that actually opens up a new business avenue for the conductor division.

Anand Jain: So, one question that I have is, what is our guidance for percentage of high temperature conductors?

Kushal Desai: So this year it was about 14% of our revenues, our current plan we are expecting to reach 20% by 2020 but our plan for this year we should see about 2% to 3% increase, so we are looking at around 17% or so for high temperature conductor as a percentage of total conductors.

Anand Jain: Sir, last question that I have is on low order book, I think this is probably the lowest order book which I have seen from quite some time in terms of the conductor side of the business. So, how do you explain this, is there like some kind of weakness in the overall market itself?

Kushal Desai: So, one reason why you are seeing a dip in the order book is because we executed very large amount of orders in the fourth quarter. So you are kind of lining yourself now to start booking fresh business. However, we have about almost Rs. 500 crores of orders in the pipeline where we are L1 and looking at negotiation going on with the private party for which the order is likely to come in our favor. In addition to that, the cycle itself has shrunk. So when you have come to this whole tariff based competitive bidding you have got the ordering being done through EPC contract, and EPC contract is compelled to the way Power Grid and some of the other state utilities operated, they have a much shorter procurement cycle. So they place the order and they expect a larger delivery in a shorter period of time. So, considering all that the dynamics of the market itself have actually changed and this is something which we bought up over a year. So if you go back to various earnings calls you will see the same impact is there. It is not an unusually low order position, order positions have been lower than this in the past.

Anand Jain: The last question that I have, again, every time you give guidance, I think this is the first time in the last few conference call that I have been attending that you are kind of reluctant to give guidance. Why is that so? Is it just the volatility of raw material that are coming in?

Kushal Desai: See, it is easier for us and we have given guidance in terms of what we see in terms of volume. There is a definite difficulty in terms of the way things are happening. You see your aluminum prices going up from Rs. 2,300 to Rs. 2,800 in three days, then coming back to Rs. 2,300. So there are just too many moving parts which are unpredictable and being driven by Twitter handles and these sort of things. So that make it a little bit difficult in terms of giving numbers, because if we give number we would like to back it up pretty seriously. Having said that, there are a lot of hedging and a lot of risk management strategies obviously that are going on behind the scenes in terms of this, but the volatility in the current business environment is about as high as it has been. Also, as I mentioned this whole TBCB matter which is there, the tariff based competitive bidding for conductors, the business model is evolving because if you see last year was the first year where there was so much of inflation that happened on raw material. And the way the bidding goes is the tariff is a fixed price that has built and then the developer ends up placing orders on EPC contractors and then EPC contractor in turn by conductors and towers and various other thing. So that whole chain actually requires a mechanism for taking into account this volatility in raw materials. And right now, there are various stages at which this whole process of evolution in that is taking place. We from our side are actually pushing EPC contractors and some of the TBCB participants to actually take auctions and look at hedging with a minmax. But as I said, everything comes with a cost and this being based on reverse auction and things like that, it is taking some time for the model to actually fully fall in place. So, it is a little tricky situation where there is a lot of opportunity out there, but at the same time there is risk, if you don't manage it properly you can be in trouble. And in fact, one of a very large competitor that we have on the conductor side have really had a tremendous walloping because of the kind of prices that they bid on a fixed price basis. So, that is not public information yet but that will probably come out in the next few months.

Anand Jain: So, if I might ask, who are our main competitors here?

Kushal Desai: So, on the conductor side we have Sterlite Power, we have Hindustan Vidyut, we have JSK and we have Gupta Power and Infrastructure, these are like the principle competitors.

Anand Jain: And when you talk of consolidation, do you really see some of these competitors going out of business or being ready for a merger or acquisition kind of a thing when you spoke of consolidation?

Kushal Desai: Yes, very possible.

Anand Jain: So we are looking inorganic if the opportunity is there?

Kushal Desai: Well, on the conductor side we do not really see any great benefit in terms of inorganic opportunities because we believe that our plants are at the right place, we have the capability of adding machinery, best in class machinery and having the best cost position coming through that. So, all the other businesses there may be opportunities, but we are open if something sensible comes up we are always ready to look at it. We have a reasonably good balance sheet in place that can support….

Moderator: Thank you. We have the next question from the line of Dharmesh Rajdev from BMA Wealth Creators. Please go ahead.

Dharmesh Rajdev: My question pertains to the finance cost again, while you said Rs. 19 crores is attributable to the open period FOREX, how much is because of increase in LIBOR?

V.C. Diwadkar: If you remove that Rs. 19 crores then how much will remain. You are talking about quarter or…?

Dharmesh Rajdev: In quarter.

V.C. Diwadkar: Rs. 33 crores - Rs. 34 crores. So LIBOR will be about Rs. 4 crores - Rs. 5 crores extra will be there on account of that.

Dharmesh Rajdev: And what about the stuck of fund in GST Rs 70 crores?

V.C. Diwadkar: That impact will also be there for the quarter.

Dharmesh Rajdev: Yes, so how much, can you attribute that?

V.C. Diwadkar: Exact numbers are not there, but you can say that the normal suppose interest cost is around 10% or so, then Rs. 70 crores stuck-up on average basis, so about Rs. 7 crores throughout the year. We got the money in the end and the new money got stuck up, in the end they had done some refund mela. So we got almost most of the money, about Rs. 50 crores we got in the end of the year from 15th March to 31st March.

Moderator: Thank you. We have the next question from the line of Ankit Soni from Karvy Stock Broking. Please go ahead.

Ankit Soni: So, I would like to have a conductor order book in volume terms.

V.C. Diwadkar: 74,000 is the volumes order book, and the orders in pipeline is about 41,000.

Ankit Soni: And another thing is like we gave guidance of around 10,000 EBITDA on the conductor side reaching in financial year 2019. So, do you like to tone down that a little bit and what could be like HEC contribution financial year 2019?

Kushal Desai: As I mentioned earlier, we are not really wanting to give any guidance on our EBITDA per metric ton for our conductor business in FY19. So we have a certain volume number in place and there are too many moving parts, and our sense is that actually we will do better than we have done this year. But it is very tricky to just take the number in for the next 12 months, because anything can happen tomorrow morning with Rusal. Mr. Trump for example said that unless and until Mr. Rusal reduces his equity stake in the company these so-called sanctions which he has withdrawn can be re-imposed. So it is too trickier a situation for being able to just throw in number for the whole year, so we are refraining from giving that unfortunately.

Ankit Soni: But then we will not be expecting 10,000 mark this year?

Kushal Desai: It could be 10,000, it could be less than that, so I am not being held to that number at this stage.

Ankit Soni: Okay. The new initiatives on the cables side we see a lot of opportunity on the railway business, can you just throw some light over there, like how could be the opportunity and all?

Kushal Desai: So on the railways there are three engagements that we are having, there are two on the cables side where we are supplying electron beam cables directly to the railway entities which are doing their own harness and cabling. The second on the cable side is the railways themselves are now looking at wanting to outsource the harnessing. So actually that gives us a much greater control, because obviously whatever harness business we end up winning our cable only will go into the harness as opposed to today where for the harness there are three other companies which are actively competing with us. The total volume though of harnessing which is going into bogies itself is projected to be significantly higher. So our railway business on the cable side we are expecting growth on these two dimensions and on the conductor side it is based on the railway electrification which is the copper conductor that you see runs above the railway to which the engine is hooked on to. So these are the three areas where we see opportunities on the railway side.

Ankit Soni: And any number, how big it could be, any number sort of?

Kushal Desai: So, our railway business actually doubled between FY17 and FY18, this is on the cables side, and our sense is that it can grow anywhere between 50% and 70% between FY18 and FY19, considering some new railway harness business we will get, plus the direct cable supply.

Moderator: Thank you. Our next question is from the line of Divya Dalal from Systematix Shares. Please go ahead.

Divya Dalal: Sir, my question pertains to the oil business. In the oil business on the presentation we have mentioned that we have won new businesses to supply all major HVDC projects with transformer oil in FY19 and FY20. Can you put more color on this as to are these enquiries or you have some…..

Kushal Desai: No, so here actually there have been several tenders from Power Grid over the last two years and some very large, if you are following the transformer companies there have been orders placed on GE and now ABB has received a very large order last year. And besides that there is an order which BHEL is also having as a licensee of ABB. So, we have now won the oil business to supply these HVDC transformers from two entities and the third one is in the pipeline which is from GE-Alstom, from ABB and we are in the process of closing the business with BHEL which will also follow ABB between they are licensee of ABB as far as this particular project is concerned.

Divya Dalal: Sir, what could be the value or the volume here?

Kushal Desai: So, the volume of oil if you consider there are two phases of ABB approximately 6,000 kilo liters and BHEL is about 1500 and balance quantity left of GE is also about 1500. So we are looking at in the range of almost about 9 million liters of oil which will go in between FY19 and early part of FY20, or through FY20. And we will be the only Indian supplier to be supplying transformer oil to HVDC installation.

Divya Dalal: And sir in terms of oil business, now since the auto lubes has picked up, in your commentary you also mentioned we will look to grow this. Apart from these big-ticket orders on transformer side, any other uptick we are seeing on the transformer side to come back?

Kushal Desai: So, the general demand on the transformer oil side is expected to be quite strong. In fact, most of the transformer companies have reasonably good order books in place, especially those who are on the upper end, the higher voltage levels. Also, the distribution companies have been getting reasonably good order flow from this Deen Dayal Upadhyaya side. So we are targeting actually a 7% increase in transformer oil volume in FY19 over FY18.

Divya Dalal: And sir in terms of margins will you be able to give some color in terms of since the mix will now be a little bit more of power transformers as compared to earlier, can we see some better value-added products coming or some pricing improving there?

Kushal Desai: So, our sense is that the mix will be richer than it is in FY18. And so we should see some improvement fundamentally taking place. However, there has been so much fluctuation happening and we do not really know where this crude is finally going to land up. So what happens when you have this base oil and crude prices increasing fairly sharply, it also affects the profitability for us on the automotive and the industrial side, because the cycle for us for recovering that price increase is longer than in the case of transformer oil, because it does not go through that full distribution chain. Also, with OEMs the pricing is fixed for a quarter at a time. So, if an increase happens somewhere in the middle of the quarter then it kind of gets adjusted in the following quarter's pricing. So that has actually taken a little bit of sheen out because we have seen crude prices constantly going up. And even in the first quarter some impact will be there from that. If it stabilizes at the current level, then we will see pretty stable working from the second quarter onwards.

Divya Dalal: And sir on the conductor side you mentioned the total volume, and exports is around 47%. So there in terms of competitive intensity or in terms of growth are we seeing any risk in terms of pricing on the export orders, barring commodity risk?

Chaitanya Desai: No, I do not see any risk in terms of the orders on hand. Also, the orders that have come in during the course of the year, I think the situation should be kind of as normal as before.

Kushal Desai: So, we have taken already LME hedge positions wherever fixed price orders are on exports. So that business model is very well defined. The issue has been more where the TBCB thing has come up.

Moderator: Thank you. Our next question is from the line of Varun Agarwal from BOA Axa Mutual Fund. Please go ahead.

Varun Agarwal: Sir, my question is on your margins on the conductor side. You mentioned that the benefits from molten metal and some logistics benefit, can we assume at least some part of that benefit will flow in this year?

Kushal Desai: Yes, definitely it will flow in this year.

Varun Agarwal: Can we maintain at least the minimum margin?

V.C. Diwadkar: Because molten metal started just at the close of the year, somewhere in February or March, and quantities were also lower. So the full benefit we will be able to see now. And the Jharsuguda plant we are increasing the capacity throughout the year, it started with 30,000 and it ended with 80,000, now the Jharsuguda plant is 80,000 capacity. So definitely you will be able to see those benefits.

Varun Agarwal: And sir on railway orders you said on this copper, will this be during this year or…

Kushal Desai: Yes, the tender was in the month of May with a delivery schedule which used to happen prior to the close of FY19. The Rs. 400 crores which we are supposed to deliver has to be delivered by March 2019.

Varun Agarwal: So, how big can this be opportunity for us overall going forward this particular railways electrification, if you can just elaborate on that.

Chaitanya Desai: Actually, the railways has big plans, as you would be probably reading also about. So earlier the total demand in India used to be close to may be one-fifth of what we are expecting to happen in times to come. So definitely there is a room for new entrant like Apar. But also overall we see lot of possibilities in this railway side.

Varun Agarwal: This quarter is just an initiation of the overall business, but do you see during the year more orders from railways coming in?

Kushal Desai: Railways and also EPC companies were doing the work for the railways, but we have gradually going to build up our capacity bringing a new business for us.

Varun Agarwal: Any CAPEX required for this business?

Kushal Desai: We have incurred already the CAPEX for this quantity what has been talked about in the past and some small debottlenecking we may do during the course of the year as we get in more business.

Varun Agarwal: Sir on the railways harnessing side you said there is some new opportunity can come in when railways are going to outsource the harness business so if you can elaborate more on that again how will the opportunity there at that part?

Kushal Desai: The railways harness side from what I am able to understand is that the business is overall 1000 crores a year and the way the railways have been doing it today is they buy the e-beamed cable from the approved sources and then they give us separate outsource contracts for doing the harnessing from various people who are harness manufacturer. So today they want to move away from that and actually do everything on a turnkey basis. So they will give the tenders that will be for a harness which includes cable connectors and all this just like how the work has been outsourced to the EPC people, building transmission line etc. Similarly, you will have a harness contract which is given similar sort of situation is there even with the automotive companies who are placing orders on harness manufacturer for automotive harness.

Varun Agarwal: But on the railway harness side this will only be supply side there will be no EPC there because I mean they will be seeing on their own.

Kushal Desai: You actually wire a harness and hand it over to the particular railways division.

Varun Agarwal: Out of 1000 crore how big can this be first?

Kushal Desai: Well, there are many harness supplier there who are approved, but there are four cables companies that are approved to supply railways cables and not all of them are actually coming in to the harness business. So we see that we are in a very advantageous position because of our cable itself is over 60% of the cost of the finished harness products. It is early days it is a new move, but it clearly over the next few years this will be a significant product line that could add 300, 400 crores over a span of 2, 3 years. At the end of getting 20% share it would be a 150, 200 crore opportunity for us.

Varun Agarwal: On the cable company, which are the companies which are competitor in this segment other companies?

Kushal Desai: They are all private entities the Huber-Suhner which is based out of Switzerland there is a company called Radiant Technologies which is out of Hyderabad again it's a subsidiary of a US company and there is one company out of Pondicherry which is called Siechem Cable. So these are the other three people who are approved in the railways as of today.

Varun Agarwal: Question on the oil business side, sir overall weight age comes to around 8%, 9% volume growth so there in terms of realization are there any drivers for the improvement in EBITDA margins due to product mix or due to some validation?

Kushal Desai: Driver will be in transformer oil largely products which is going for the HVDC these high-end transformers and the major drivers will be the growth on the industrial and automotive side.

Varun Agarwal: So here also I mean there will be some improvement over the last year number right.

Kushal Desai: This should be because this crude stabilizes we should be able to in Q2 we will have a stable price point for automotive and our industrial product and then that should then continue through the rest of the year. We have been having some amount of leakages because there has been increase in not only the base oil there has been increase in the cost of additive, there has been increase in cost of packing material and freight and logistics. So every angle has actually been having some inflation in the last few months.

Varun Agarwal: One last question on the overall debt side, so how do you see overall working capital cycle during this year what level does it stabilize or what number of days should we take going forward?

V.C. Diwadkar: Working capital cycle this oil is about 72 days debtors, inventory is around 60 days and this conductor has slightly increased. It has gone to close to about 85 to 90 days because of the high efficiency conductor because in higher efficiency conductor the payment scheduling is different. You get 65% first then you get 25% then last 10% something like that so number of days has slightly increased as far as conductor is concerned and as far as cable is concerned the number of days has come down actually that is also around 72 days.

Varun Agarwal: So basically it will maintain at this level.

V.C. Diwadkar: It will maintain at this level actually and maybe in the railways we understand that the payment cycle is faster in railways as of now.

Varun Agarwal: Overall basically debt ideally should not go it should come down during the year.

V.C. Diwadkar: Overall the debt should come down, provided the commodity prices it will be driven by commodity prices. If the commodity prices go up then naturally we require more working capital.

Moderator: The next question is from line of Sandeep from Quest Investments. Please go ahead.

Sandeep: You mentioned about three new areas that Apar is getting into you mentioned about railways harness, you mentioned about copper conductor and you also briefly mentioned about automotive cables. So I just wanted to understand how is the margin profile in these new products, new business?

Kushal Desai: See these are three areas which are actually in the cable side of the business because the first one is medium voltage covered conductors. So these medium voltage covered a lot of conductors which are running in the last mile are actually exposed today and the government has tried to and the electric authority has tried to substitute it with what are called aerial bunch conductors but they have not been very successful with that whole process. So these medium voltage covered conductor actually offer a much higher degree of safety which is there. It is a very specialized conductor which is there and we are competing today only against Raychem which is international company. So the margins are certainly better than what they would be in the case of this power cable. However there is a lot of effort going in on our side to popularize the use of this and in fact it is the answer to problems which are there for all these animals which are dying in forest like elephants getting electrocuted, birds getting electrocuted because in three phase if the animals touches two phases of the three it is short circuited whereas moment you have a covered conductor that process is completely eliminated and we have many cities in India which has evidence interest in this and there are tenders at various stages which are coming up for this medium voltage. So to answer your question the margin profile on medium in MVCC definitely higher in power conductor and at the moment there are only two companies that has been I am sure others will join and try to come in products, but there are only two companies have been bidding against all these tenders right now**.**

Sandeep: How about railways harness and automotive cables?

Kushal Desai: In case of railways harness we expect that we will have a better margin profile then just selling the cables. We are already selling cable to harness manufacture and we will continue to do that, but if we end up getting turnkey business of railways harness then our expectation is that our margin would be higher than just selling the cables and secondly, I think we would be in a better position to get a higher share of the overall business where you are more control in terms of the entire bidding and delivery to the railways. As far as the e-beam auto cable is concerned, we do not see that as high margin business, but it can be a good volume driver and it is a very good flow business because this will what would go into ultimately all the passenger car manufacturer. So the customer would be people like Minda, Motherson Sumi, Tata Yazaki etcetera.

Sandeep: Now with growth that industrial oil and automotive you must have seen, does these two business together account for about 20% of our overall oil business?

Kushal Desai: It is around 15% by volume and close to 20% by value because the value of these oils is higher than white oil and in fact distribution are somewhat, etc., approximately 15% by volume and 20% by value.

Sandeep: And the margin on these two sub segments would be at least twice the margin of overall weighted average margin for oil?

Kushal Desai: The automotive is about double of what it would be the bulk business in the case of industrial is somewhere in between so its 1.5x.

Sandeep: And lastly you mentioned export the contract for about 36% - 37% of our oil business including the Hamriyah entity also in export business or that is separate?

Kushal Desai: Actually 37% is our overseas business so it includes the Hamriyah volume as well as the volume which is being physically exported out of India.

Moderator: The next question is from Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel: Most of the questions have been asked and answered. I just wanted to again probably the touch be the same point on the conductor side which has been discussed, is this volatility on that aluminium price what we have witnessed in the month of April because of the US government decision, will this impact our near-term profitability?

Chaitanya Desai: Basically, it will not impact the profitability on the order already taken but going forward lot of our clients who have taken the firm price business they will hold on till the LME reduces. So that will have impact on maybe volumes for the Indian clients who have had this problem with the LME having shoot up and then come down to some extent and still not to the levels that they would like and what they are bid for and that would have an indirect impact on us so that is one thing. And the other thing about the cost in India itself with the premium may go up because of the producers now in the world would like to divert the production to USA where the premium has gone highest. So definitely the 6% production volume which has got come out of the world system would have some impact to the rest of the world market. So we think premium may go up generally and that may have impact in the medium and longer-term because not the margins per se but the premium will go up so it will impact everybody in the industry and for people who have bid already with a certain premium in the costing to those people it will get impacted.

Maulik Patel: So what premium what would have we built the current premium is significantly higher than what we had bided for that side?

Chaitanya Desai: No, not us. I am talking about the people who have bid the jobs like the BOOT people and TBCB people, they will have an impact and even some EPC parties when they bid on a job they have gone into certain LME assumptions and the premium assumptions. So some extent we have hedged at our end whatever we could and we have locked in some contracts from the physical side. So by and large we are okay, but as we are trying to increase the prices now with the premium going up etcetera then buffering more cost due to the hedging cost as Kushal mentioned earlier. We will see a situation of little transition currently and we are also little hours to taking on too much to this under these very volatile conditions right now. The one part which also was touch upon is there is some business where there is no PV formula like the high efficiency conductors. So there now whatever is getting bid out we have to again factor in certain assumption in the costing on the LME and on the premium side and from that point of view again we are being little averse on pricing very sharply with our normal margin instead we are trying to build in some buffer to take care of this volatility which may happen because currently the world is not clear that what will ultimately happen with regard to the Trump administration and results.

Maulik Patel: Earlier in my discussion with the management we got impacted into the situation where we have already put in a tender, but the tender has not been open right where we cannot go and hit that quantity right. So is this situation still there because now we have mentioned that the contract from the EPC players are less or it also went slow, but whatever we had bided earlier but not has been warn. I think will you see impact on that particular part of the business?

V.C. Diwadkar: That happens on TBCB now in this TBCB business what happens that the developers before bidding he takes from EPC contractor also and he also takes from the conductor manufacturer a fixed price bid. So when you bid on a fixed price at that point of time you cannot go and do the hedging you can take some call and put option, but that is also a cost. So during that period if there is a movement then it hits up. If we get a fixed price order and somebody says yes today I am giving you fixed price order you go and take a position that is much better, but from the bidding stage if you have to give fixed price then it is a concern.

Maulik Patel: Just a last question so what is the CAPEX number we have say for this financial year and probably for the next financial year?

Kushal Desai: We have got projects in the pipeline which we got approved now which are approximately 100 crore in total, but the execution of that will happen partly in FY19 and there will be some spillover into FY20. One big portion of that is actually looking at this copper CTC which is copper transpose conductor so that is almost 50 crores. It is a very specialized conductor into the transformer and there are only two manufacturer in India that actually manufacture this product. So this possibilities of growing business in India as well as overseas and we see ourselves as a particularly strong party with relationship in the industry because we are the largest transformer and manufacturer and we deal with every single transformer company. So it seems like a good opportunity which is there which has been evaluated and we are just in the process of now embarking on finalizing equipment and all that.

Maulik Patel: Just a last question historically whenever the raw material price goes up in INR terms our working capital generally goes up significantly higher and this was particularly the problem little bit on the higher side when the oil was at 100 and rupee was at 67 which was around in year 13, 14 again raw material inflation is kicking up, will our working capital goes up significantly will it increase our transaction cost for the hedging and the interest cost?

V.C. Diwadkar: Definitely because both the hedging as well as the interest cost they are driven by the value as the value of commodity increases it will definitely have impact. So there are two impacts. One is the value impact, and another is the rate impact the LIBOR is also increased you might be knowing, but everybody is impacted.

Maulik Patel: Will we try to compensate that through the higher margin or probably EBITDA per ton or let see talk about which is probably not possible into the conductor segment because of the volatility in the aluminium prices, but in a normal condition premium is not high will we try to have an higher EBITDA per ton?

V.C. Diwadkar: We try to do that actually we are aware that below EBITDA cost are increasing so we try to factor that.

Kushal Desai: And also at the end of the day the cable business today because traditionally Apar Transformer Oil and speciality oil and conductor business, could you see that the cable business has been growing at a rapid pace the addressable market is very large, the address of market of cable is more than 5 times the addressable market for conductor. So that business has been growing is becoming quite a significant business and the speciality product which are there are actually yielding as you have seen there has been a 200 basis points increase just in the fourth quarter and our expectation is that margin profile should be something between 9% and 10% EBITDA for FY19 at the higher volume between 1350 to 1400 crores which we are targeting.

Moderator: The next question is from Ankit Gupta from IndiaNivesh. Please go ahead.

Ankit Gupta: I just wanted to know the debt number as on 31st March 2018

V.C. Diwadkar: long term debt is about 190 crore out of that about 30 crores is current portion actually which will be paid off and the short term is about 170 crores and cash and cash equivalent is about 264 crores.

Ankit Gupta: Sir our interest cost during the year was I think around 125 crores out of which you said that 19 crores is due to FOREX and 70 crore capital so adjusting both of them it would be around 100 crores. So 100 crores on a debt of 360 crores what kind of cost of borrowing are we looking at?

V.C. Diwadkar: There is another factor which is there actually because we do this supplier credit. Most of the imports suppliers are giving credit of 30 days, 60 days or something like that then the further credit is done through the letters of credit. So we open letters of credit which says that 30 days interest is free and balance with interest that is why I said that when the LIBOR increases our interest cost increases.

Ankit Gupta: The second question which I have is that due to increase in crude oil prices our overall input cost for Lube oil has gone up significantly in Q1, so how much of it would be pass on in our pricing?

Kushal Desai: We are actively working with clients for increases and in most cases, we have already succeeded in getting some increase or the other, but in some cases increase in two phases it negotiate but in two phases. In few cases it is finalized but it will be applicable from first of July onwards this is the next quarter. With various stages and total number of customers if you take into account even the automotive and industrial runs into almost 3000 plus customers so it is a big exercise passing on increases, but our sense is that if the crude remains in this level then sometime in Q2 you will reach that stability across all the product line.

Ankit Gupta: But Q1 would be tough in terms of EBITDA per ton or something.

Kushal Desai: Inflation is hitting on all the accounts as I mentioned earlier it is based on additive packing material because all petroleum based all your cans and you know steel prices have gone up for drums and things like that so both polymer and steel increases are there and freight has gone up very substantially. So every area the increase is there so of course we are seeing success in terms of getting higher prices, but I think the full impact of this would come only sometime in the second quarter not even in the beginning of the second quarter.

Ankit Gupta: I think April and May it was very steep rise in crude oil prices which was unprecedented I think I have got it.

Moderator: The next question is from Anand Jain who is an individual Investor. Please go ahead.

Anand Jain: Most of my questions have been answer just one last question on the capacity utilization side if you can give a rough idea about capacity utilization in different divisions and how do we see it as the year progresses?

Kushal Desai: If you go on the conductor side we have a nameplate capacity of close to 180,000 tons on the aluminium side. There is some additional capacity coming on the copper side, so we see reasonably given an higher in 80,000 tons guidance for total volume, so it will be 95% sort of capacity utilization based on the current order mix if you are looking at. In case of the oil business we have room on the transformer oil side why it was all the bulk product side. As far as the automotives and industrial is concerned we are currently running at fairly high utilization about 80%+ but we have an ongoing CAPEX program at the moment to double that capacity. So moment that goes through in FY19 then you will have significant room on that front. On the cable side, we are pretty much maxed out on the power cable side. We have room on the optical fiber which is running only at about 50% capacity utilization right now. We also have a lot of room on the cable side where we are running currently at around 60% utilization. So there are some CAPEX programs to look at increasing power cables but otherwise we are reasonably for FY19 whatever we need to do to achieve FY19 plan all the CAPEX is already in place whatever we are talking about is to go beyond FY19.

Anand Jain: If I were to just look at purely from an FY19 prospective like for example power cable we are running full, Elastomeric we are 50%.....

Kushal Desai: When we say full we attain full capacity meaning running flat out is by in the fourth quarter of the year of FY18. So when you take FY19 and the fourth quarter available then that is where the growth is going to come from.

Moderator: The next question is from Sandeep from Quest Investment. Please go ahead.

Sandeep: To the Oil side, to the extent we have inventory that much hedge will be available to us against rise in prices right because we will always be carrying some inventory with us.

Kushal Desai: Typically we carry two months of inventory. So that hedge is available where I have been quite cautious and this thing is that this time we have seen an increase in every single facet of the supply chain. So there is an increase on base oil and there is also an increase which is there on additives, there is an increase on packing materials because steel has gone up and polymer gone up and there is increase also on freight. I mean every aspect the cost has gone up and we have mechanism where you know we negotiate months to months and these are on transformer oil and sort of bulk product but on automotive and industrial the cycle is a much longer cycle.

Sandeep: But on rest of the products which is about 80% of our volume, the re-pricing can happen within the period for which we have inventory.

Kushal Desai: We have got increases in some cases we have got increase but has been split into two something applicable from month x something applicable from month x + 1 that sort of stuff. We will manage to wait through this maybe there will be some leakages, but it is not going to be a disaster situation.

Moderator: Ladies and gentlemen that was the queue. I now hand the conference back to the management for closing comments.

Lokesh: Thank you all the participants for participating in the Apar's Q4 FY18 call. Thanks for joining.

Moderator: Thank you very much. With that we conclude this conference. Thank you for joining us ladies and gentlemen you may now disconnect your lines.