Deepak Nitrite Limited

Q4 & FY 2011 Results Conference Call

May 11, 2011

Moderator: Ladies and gentlemen, good afternoon and welcome to Deepak Nitrite Limited Q4 FY'11 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need any assistance during this conference call, you may signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rishab Barar of Citigate Dewe Rogerson. Thank you and over to you sir.

Rishab Barar: Good afternoon everyone. We welcome all of you to Deepak Nitrite Limited Analyst and Investor Conference Call. We shall discuss the performance and financial highlights of Q4 and FY 2011. We have with us today Mr. Umesh Asaikar, CEO, Mr. Sanjay Upadhyay, Vice President Finance, and Mr. Sanjay Deshpande, DGM Finance and Treasury. We will begin this concall with opening remarks from the management team following which we will open the floor for an interactive question and answer session. Before we begin I would like to mention that certain statements in this call may be forward-looking in nature and a disclaimer to this effect is included in the investor release and the concall invite, which was sent to you earlier. I would now like to hand over the floor to Mr. Umesh Asaikar. Thank you, and over to you sir.

Umesh Asaikar: Good afternoon everyone. Thank you for joining us on this call. I shall take you through the operational performance and key highlights during this quarter, after which I will hand over to Mr. Upadhyay who will take you through the financial performance. We are pleased to report a healthy operating performance in Q4 FY'11. We reported revenues of Rs. 193.3 Crore compared to Rs. 162.1 Crore in Q4 of the earlier year FY'10. This is an increase of 19%. On an annual basis the company has reported revenues of Rs. 672.2 Crore, a growth of 24% when compared to revenues of Rs. 542.2 Crore in FY'10. PAT for FY'11 of Rs. 25.8 Crore is higher by 29% when compared to PAT of Rs. 20 Crore in FY'10. The company has announced a dividend of Rs. 6 per share of Rs. 10 each for the year ended March 31, 2011. This year we achieved another landmark by crossing annual revenues of Rs. 650 Crore. We are also proud to say that our company has excellent initiatives planned for the coming year and we are on a noteworthy growth trajectory. We continue to focus on debottlenecking activities at all our facilities. Each and every business segment including organic, inorganic and fine and specialty chemicals have all contributed to achieving a robust performance this year. This past year we have been able to significantly increase our volumes by 23%, which has contributed to increased revenues.

Out of the total increase of Rs.130 Crore in revenues more than 50% is due to incremental turnover from new products launched. Businesses like our fuel additives brought us revenues of about Rs. 62 crore This business contributes to diesel additives, petrol additives and aviation additives and we see opportunities in all of these segments within the fuel additives space. This was an initiative that came into existence through our efforts at our R&D facilities and we are now bearing the fruits of this business as this business has contributed to almost 10% of our revenues with an excellent growth prospect for the future. Other new products introduced in the past like xylidine derivatives and colour formers have also shown healthy growth rates. Our colour intermediate business has performed well and we have seen a healthy growth from this business with an increase of 16% in volumes over the previous years.

Domestically business has shown a growth of 34% from Rs.282 Crore in FY'10 to Rs. 378 Crore in FY'11. Domestic sales now contribute 57% of overall revenues, while the share of exports has fallen to 43% of revenues, this is mainly due to our domestic business performing very well and in absolute terms revenues from exports are still very healthy. Most of our exports are to Europe and our growth in this region has been steady, but we also penetrated into newer and difficult markets like China and USA. We have done extremely well in these markets and are hopeful that this will help our business to grow further in the upcoming financial years. We achieved a turnover of Rs. 47 Crore in the US market, an increase of almost 50% and Rs. 35 Crore by selling our products in China. It works to our advantage that global manufacturing for the chemical industry is shifting towards India and China, which will provide us with more opportunities for growth. For the year ahead, we are focusing on executing our expansion plans, which will help us to enhance our overall production capacity and will be excellent drivers of growth for our business.

At Dahej we are setting up manufacturing facilities for a fine and speciality performance chemical which will result in to forward integration of one of our existing products DASDA. We will require a capital outlay of Rs. 150 Crore for this project and we expect revenues from this project to be in the range of Rs. 350 to 400 Crore at full capacity utilization. We are also planning to expand our facility at Nandesari in Gujarat. This expansion is especially being executed for growth on our inorganic intermediates business through which we will target domestic market as well as export market like in the US. With a capital outlay of only Rs. 50 Crore we expect annual turnover from the project to be at Rs. 120-140 Crore at full utilization. Both these projects are estimated to be completed in the next 15 months. I can proudly say at this point in time that these projects alone will help us to exceed Rs. 1,000 Crore in revenue in the next two years. A quick word on our supply chain. While there has been a fair amount of volatility in price of crude and resulting volatility in our key raw material we are in a position to pass on the increase in price line and thus we were able to maintain the margins.

To conclude I would like to mention that with all our current businesses progressing smoothly, new products like fuel additives and xylidine derivatives performing extremely well and significant expansion plans under way we are poised towards an excellent growth trajectory in the future. That brings me to the end of my opening remarks. I will now hand over the floor to Mr. Upadhyay, our Vice President Finance who will take you through the financial numbers, over to you Mr. Sanjay Upadhyay.

Sanjay Upadhyay: Thank you. Good afternoon everybody. Thank you for joining us on this call. I will briefly take you through the financial highlights. Revenues in Q4 FY 2011 stood at Rs. 193.29 Crore compared to Rs. 162.1 Crore in Q4 FY 2010 up by 19% mainly driven by increase in volumes by 18%. EBITDA for Q4 FY 2011 is Rs. 16.05 Crore against Rs. 14.33 Crore in Q4 FY 2010, an increase of 12%. PAT for Q4 FY 2011 is Rs. 7.81 Crore, higher by 18% when compared to Rs. 6.61 Crore in Q4 FY 2010. For the full year FY 2011, revenue stood at Rs. 672.24 Crore higher by 24% when compared to Rs. 542.21 Crore in FY 2010. PAT for FY 2011 of Rs. 25.8 Crore is higher by 29% when compared to Rs. 20.11 Crore in FY 2010. We are pleased that DNL has announced a dividend per share of Rs. 6 on a face value of Rs. 10 per share. Last year the dividend was Rs. 5 per share on face value of Rs. 10 per share; total outgo will be Rs. 7.3 Crore including DBT. For the quarter we have been able to increase our volumes by about 18% compared to the previous quarter last year. Where raw material prices are concerned during the quarter there has been pressure of input cost but we were able to maintain our margins. Other operating costs have risen to Rs. 121.96 Crore in FY 2011 compared to Rs. 110.31 Crore in FY 2010 due to increase in utility cost that has increased due to increase in volumes. Interest cost has gone down significantly due to reduction in average debt and also with cost of borrowing being lower. The net debt equity ratio is 0.24 as on March 31, 2011 as compared to 0.3 in the previous year. Now, I will take you through the revenues on a segmental basis. Inorganic segment, revenues from this segment for the quarter is at Rs.30.75Crore compared to 29.01 Crore in Q4 FY 2010. Volumes have grown by 3% in Q4 FY 2011 as compared to Q4 FY 2010. This segment contributes almost 16% of the total revenue. EBIT margin for Q4 FY 2011 was 17%. Organic segment, revenues from this segment for the quarter is Rs. 116.78 Crore compared to Rs. 91.69 Crore in Q4 FY 2010. Volumes have grown by 32% in Q4 FY 2011 as compared to Q4 FY 2010. This segment contributes over 60% of the total revenue. EBIT margin for Q4 FY 2011 is 8%. Fine and speciality, revenues from this segment for the quarter is Rs. 55.31 Crore compared to Rs. 49.43 Crore in Q4 FY 2010. Volumes have grown by 5% in Q4 FY 2011 as compared to Q4 FY 2010. This segment contributes about 30.35% of the total revenue; EBIT margin for Q4 FY 2011 is 9%. This brings us to the end of our discussion. Now we would address questions that you may have. Thank you.

Moderator: Our first question is from the line of Hardik Shah from KR Choksey; please go ahead.

Hardik Shah: What are the EBITDA margins that you are targeting for the expansion at Dahej and the Rs. 50 Crore expansion at Nandesari?

Sanjay Upadhyay: Around 15% for both.

Hardik Shah: What is the funding structure that you are looking at?

Sanjay Upadhyay: The total requirement is around Rs. 200 Crore. Our debt to equity is currently very low. We have got the ability to borrow, so partly it will be funded through internal accrual then balance will be paid.

Hardik Shah: So how much debt you are looking at?

Sanjay Upadhyay: Say around Rs. 160 to 170 Crore.

Hardik Shah: What is the current cost of debt that you have?

Sanjay Upadhyay: Current cost is very low, our borrowing as of today is around Rs. 58 Crore where the long term portion is only Rs. 22 Crore, rest all is working capital and since we are exporting, another 43% turnover comes from exports, our average cost of borrowing is around 6.5%.

Hardik Shah: Do you have ECB for this?

Sanjay Upadhyay: No, as I mentioned these are working capital borrowing, not ECB. It is in foreign currency of course.

Hardik Shah: For expansion also, you will be looking for foreign currency loans.

Sanjay Upadhyay: Yes, there are exports of these projects, we will have an actuali as well as lower interest cost.

Hardik Shah: What is your rough calculation for the cost of debt that you have taken after expansion?

Sanjay Upadhyay: That I think we will come back to you once we finalize the financial institutions.

Moderator: Our next question is from the line of Paras Adenwala from Capital Portfolio; please go ahead.

Paras Adenwala: Could you just give us a brief review of the reasons behind good performance in the recent past and also your outlook for the future?

Umesh Asaikar: There are many reasons; number one is our new product segment has done pretty well. More than 50% of increased revenues have come from new products. The business segment, fuel additives, which we started last year has done to our satisfaction and it has reported a revenue turnover of Rs. 62 Crore and is doing well in all the applications that we have developed. These applications, these products have been developed in our own R&D. The volumes have gone up by approximately 23 to 24% across all sectors helping us to increase our market share outside India as well as in domestically. The manufacturing base is definitely showing signs of shifting towards Asia and within that in India and China and you would see therefore that there is a very robust growth in our domestic market shares and domestic revenues also. Domestic revenues have shown 34% growth over last year. Good energy management, good conservation of various kinds of utilities, significant improvement in efficiencies, in operations has contributed quite a lot to this performance.

Paras Adenwala: How do you look at the future?

Umesh Asaikar: Future can be answered in two ways, one is short term that is this coming year and the other is long term. About long term we already talked about the kind of projects which are on our hand and they will all fructify within about 15 months and the future projects that we have planned are going to significantly improve EBITDA margins. We expect it to be around 15%. The turnover of investment in these new projects is going to be high, better than what kind of turnover we are having today in terms of investment, so we expect the future of there projects to significantly contribute to the profitability at all levels of our company. We would get past the Rs. 1,000 Crore mark in next two years time. We are at around Rs. 670 Crore or so now, so we will get past Rs. 1,000 Crore mark in 24 months time. In the short term in the coming year we are reasonably confident of growing by around 20%.

Paras Adenwala: I am glad that you outlined the strong growth that you are envisaging for the next two years but what is it that is going to be driving those demands?

Umesh Asaikar: I think all the sectors, we are mostly in the intermediates arena and therefore we supply it to application segments like colours, like agrochemicals, like the petrochemicals where we sell our fuel additives and so on. I expect that all these business segments would grow in the coming year and secondly the agrochemicals per se have not performed very well globally, in the year which passed by. Agrochemical goes through its own cycles, also depending on the performance of monsoon across the globe. I expect that agrochemicals will perform well this coming year the way it performed in 2008-2009, so that will also possibly help us drive, I do not see demands compressing or demand going down. I do not see any recessionary trend happening in any of the business wings to which we are catering to and I expect the growth story to continue especially in Asia. Also we have already talked about our forays in to China and US.. I think our US turnover has doubled to almost Rs. 46-47 Crore and we would continue our growth story in the US, similarly we will continue to strengthen our presence in China, so we already have a significant presence in Europe in our export markets, so all this put together I am very positive about the future ahead, the immediate future ahead also and in this year 2011-2012 and I am confident about 20% growth.

Paras Adenwala: Could you give us a split up of your sales turnover segmentwise, customer segmentwise?

Umesh Asaikar: Talking about overall split up, we were a 50:50 company till last year in terms of domestic and exports, sometimes it was 51, sometimes it was 49, this is the first year where the exports have grown, exports turnover have grown corresponding to the earlier year by I think 14% or so, but because domestic grew by about 34%, the split has become 43% of export and 57% of domestic, then another thing the percentages have undergone a slight change because the nature of the denominator has changed. The fuel additives segment was almost 10% of companies turnover at Rs. 62 Crore last year, that is the year that we are talking about has changed the nature of denominator. Earlier it was colours, agrochemicals and so on, fuel additives is a new business segment that has come and that had also initiated the percentages, so therefore agrochemicals in terms of percentage might have gone down, but I am very enthusiastic about it.

Sanjay Upadhyay: See I will just give you a comparative thing. In 2009-2010 our colours showed 58% of total revenue, 32% was from agro, fuel was 3%, pharma was around 3% and others were 4%. In 2010-2011 the colour remains at 58% but all figures are on a higher bid, agro is 25%, fuel is 10%, pharma is 2% and others is 5%, this is a broad break up of our segmental revenue.

Paras Adenwala: In terms of your profitability margins, segment wise, would the agro division be the most profitable or is it the colours division?

Sanjay Upadhyay: It is very difficult to answer because agro has got various products going to various segments, so it is a mix of both, certain products of fine and speciality also going to agro; which contributes very well to our margins. If you see our segmental performance like inorganic, organic and fine and speciality, there you will find these percentages, but then the agro products are finding applications in largely two segments organic and fine and speciality.

Paras Adenwala: I am sure you are going to be pushing your sales to customer segments, which are more profitable; it is only from that perspective that I am trying to understand where is your actual profitability line?

Sanjay Upadhyay: Profitability largely it will be in inorganic and fine and speciality.

Paras Adenwala: You mentioned about your operating margins, EBITDA margins shooting up to about 15% in the next two years and they are currently at about 8-8.5%.

Sanjay Upadhyay: No what we said is that new projects will be at around 15% EBITDA margin.

Paras Adenwala: So the CapEx that you are doing right now which would fetch you a turnover of about Rs. 350 to 400 Crore on full capacity, that is what is going to give you 15% EBITDA which means currently you are at about Rs. 650 Crore with about 8.5% operating margin, the incremental Rs. 400 Crore that you will get, will be 15%.

Umesh Asaikar: Yes, they will correct the operating margin, I think it is more than 9%

Paras Adenwala: What is it that you are doing different in the new capacity which you have not been doing so far?

Umesh Asaikar: When you are planning a new project it gives you lot of chance to draw everything on a drawing paper, so to that extent it we be more efficient, manufacturing process management it will be energy conservative, it would be labor productive, far better than what we get a chance to do, so that is the advantage of any new project, so I think we are trying to put various kinds of process controls, the way we are managing the asset base, I think it will be much more efficient and the markets that we are aiming at, the application segment that we are aiming at, could also offer us some kind of advantage in terms of operating margins if you have very widespread presence in various kinds of segments, not every segment is highly profitable, so that also gives a chance, the new projects aim at better paying market, application performance based chemicals which definitely allows you to facilitate better margins also because if it is an application performance chemical then there is a very close interaction with the customers and to that extent also opportunities are thrown up to us of which we will make full use.

Sanjay Upadhyay: Adding to this, the margins in the segment of the two projects what we have undertaken now, fine and speciality and inorganic are relatively high and secondly these are all forward integration, we are starting from base that is raw material and then building block to the end product and the selection of products, this gives you an opportunity to aim at an higher margin, so this definitely is going to result in higher margin because now this is forward integration to our existing product line only.

Paras Adenwala: You said that this new facility would be ready in the next two years?

Umesh Asaikar: Right.

Paras Adenwala: By when do you expect this facility to be operating at full capacity utilization?

Sanjay Upadhyay: Full capacity would be three and a half years.

Paras Adenwala: So it is one-and-a-half year after commissioning.

Sanjay Upadhyay: Right.

Paras Adenwala: How are you going to be funding this capital expenditure?

Sanjay Upadhyay: The total outlay is around Rs. 200 Crore, as of today our debt equity is only 0.24 and long term debt is already Rs. 20-22 Crore in the books , so we are aiming at debt and internal accruals both and with that also we will not cross 1:1 debt equity.

Paras Adenwala: And all this is going to be funded completely from debt and internal accruals, there is no equity dilution.

Sanjay Upadhyay: No.

Paras Adenwala: How is the pressure on working capital in the current business?

Sanjay Upadhyay: In the current business, you must have seen our numbers, it is not very high, we are managing it really well, you must have seen the interest cost, our average borrowing has also gone down in the last year, so that way we are fairly comfortable on the working capital front.

Paras Adenwala: Being an industrial product manufacturer what is the kind of pricing power that you have because you mentioned that out of the 20% topline that you have grown, 19% is from volumes and 1% I assume is pricing power or maybe due to product mix, so whatever escalation that you might see in your raw material prices or other cost of production, are you in a position to really pass it on to your end customer?

Sanjay Upadhyay: It depends on the segment but by and large we are able to pass on if it increases. Pricing power does not mean that you can increase the price to anyt rate but like the concern on commodities or whatever people are having, that we are able to pass on today, the increase in our customers and the base is also with us for the past so many years and they also understand the pricing formula and long-term arrangement what we do here, there is a back to back tie up of raw material also as and when we take any of the long-term orders we also see that the raw material is also tied up and people are willing to pay the price which is a genuine price increase that everybody knows.

Umesh Asaikar: Our business model is B2B business and therefore we are in a close win-win kind of a relationship with our customers and therefore it is not an opportunistic profit or loss that we are subject to, so far as we are prudent in management of supply chain and we have this good relationships with our customers, we are in a position to pass on the material price, input factor cost increases to our customers in a formula based manner.

Paras Adenwala: You mentioned that you should be touching a turnover of over Rs. 1,000 Crore from the current Rs. 650 Crore in the next two years which means this is without any help from the new capacities that you are likely to commission.

Umesh Asaikar: The new projects also will help because they are going on stream in 15 months time.

Sanjay Upadhyay: The total turnover what we are aiming from new projects is around Rs. 550 Crore and it will be up and running, three years from now, so we may not achieve full capacity next year but a part of that will be part of our revenue.

Moderator: Our next question is from the line of Paurav Lakhani from Prime Securities; please go ahead.

Paurav Lakhani: Our fastest growing segment is organic intermediates and if you see the PBIT margins have started off with 4% and then went a tad below 7%, again dropped to something around 4.5% and now again it is up to 7.7% and similarly even ROCE has kept on fluctuating, , Could you give us a number going forward?

Sanjay Upadhyay: In the segment you must have noticed the turnover is the highest and it has a mix of products. The margin of course as you rightly mentioned is 5 to 8%. On an average I would say it will remain around 6 to 6.5% or 6 to 7%.

Paurav Lakhani: And the ROCE, it started at 13% and ended the year at around 25%, so can we safely assume around 15% is sustainable?

Sanjay Upadhyay: Yes.

Moderator: Our next question is from the line of Prasanna Bidkar from Dalal Street Investment Journal; please go ahead.

Prasanna Bidkar: I just wanted to know the impact of debottlenecking, meaning the new expansion will be okay, but what amount of volume growth you are expecting from this debottlenecking of your old plant?

Sanjay Upadhyay: When we say debottlenecking, we have a stream at Nandesari, Baroda for fuel additives. Most of our plants are multiproduct plants, but sometimes you may have to let go the opportunity even if it is available to you because plant is running at full capacity, so there is a separate stream for fuel additives which we have done last year. We have also expanded capacity at Taloja where our hydrogenation takes place, so there also it is a small investment when the capacity goes up, so when our turnover increases, of course this helps us in my existing business only, but when we are talking of 20% growth it comes from these small debottlenecking measures, and it gives an advantage to you for the topline.

Prasanna Bidkar: In the past we have seen that the majorly growth is on the volume front, could you expect that some growth will come from the realization front also going ahead?

Sanjay Upadhyay: Growth will come but to that extent the prices are going up because ultimately we are passing it on to the customer, so to that extent of course if the base price goes up, product price goes up, the end product price also goes up, to that extent yes, but it will be a mix of both the volume as well as value.

Prasanna Bidkar: You mentioned about good growth in American markets and China. Are you looking for other new markets or you will be focusing on these two?

Umesh Asaikar: We are in the European market, our efforts have been to add a few important customers in the European market on which we are working on and we will see some fruits this year, that is point number one, number two point is to increase our share amongst the current customers for which efforts are on, it is not that any customer would follow a sole supplier policy, generally they would love to have more than two suppliers, so effort has been to increase the share at customer's desk. American market, yes we are highly focused on that and we have identified a few products especially for American markets and we are very confident of good growth in the American market in the coming year also and in China we want to be there, we want to grow because China is an acid test for us, for our cost competitiveness, for the initiative that we take to improve efficiencies of all our opportunities across the board, how are we able to compress the business cycle, etc. So China is a good acid test and we would continue to be in China and continue to grow there.

Moderator: Our next question is from the line of Aditya Agarwal from ICICI Bank; please go ahead.

Aditya Agarwal: Since you are expanding on this capacity, you are expanding on inorganic and fine specialties, I can see that your organic margin has also increased EBITDA margin so you are not expanding on organic?

Sanjay Upadhyay: Currently whatever plant we have is not inorganic but then what happens is that it is a forward integrated project, Where we set up a facility, there, could be some product of captive consumption here, so to that extent you get that advantage, but otherwise if you see last year we have grown in inorganic because of fuel additives which will continue to grow, that turnover comes from fuel additives which was in organic, but these two will be largely in inorganic and fine and speciality.

Aditya Agarwal: Are you expanding on the same technology that you have currently or is it something advanced you are looking which will reduce your cost or production?

Sanjay Upadhyay: Definitely because when you set up a new plant, you have got that opportunity to take the latest technology.

Aditya Agarwal: Is there any specific technology you have bought or you are in negotiation with?

Umesh Asaikar: It will be much better and it will be much more efficient than what we have on hand, it will certainly help us to improve our operating margins substantially.

Aditya Agarwal: Will it be in a phased manner or full capacity will start once the entire CapEx will be done?

Sanjay Upadhyay: The turnover will come in a phased manner. As mentioned earlier that 100% capacity we will reach in around three, three-and-a-half years time from the commissioning of the plant.

Moderator: The next question is from the line of Dhiraj Sachdev from HSBC; please go ahead.

Dhiraj Sachdev: How will the fuel additives side of the business grow this year and what are the margins in this?

Umesh Asaikar: The fuel additives portfolio consists of good margins, very good margins and some kind of lower margins because it caters to different applications, some cater to mass diesel, some cater to petrol, some cater to aviation fuel and so forth, this is point number one, point number two point, fuel additives, we are at Rs. 62 Crore and I am more than confident that it is in a take-off stage and is doing very well from April 2011 onwards, so therefore we will report substantial growth over Rs. 62 Crore both in terms of topline as well as in terms of profitability for fuel additives segment in the coming year.

Sanjay Upadhyay: It is going to our organic sector, you must have seen the margins are low and today the higher turnover comes from bulk chemicals, this is a mix of fine and speciality and bulk both, so largely it comes from the bulk segment, so margin remains in the range of around 10%.

Dhiraj Sachdev: Can you just give us an estimate of what is the total market size of fuel additives and how it is growing?

Umesh Asaikar: Firstly, fuel additives per se in India's efforts to cater to Euro 4 and Euro 5 norms is a thing which started very recently in the last year or so or may be one-and-a-half years since we started. We are in time and we are growing along with the kind of environmental norms that India as a country is observing. Our fuel additives segment is mostly focused on the domestic market at this moment and we are trying to develop certain export markets for that, so therefore being in an initial stage, it would show substantial growth rates this year and next year also, so I would expect a growth rate of more than 20% in fuel additives.

Dhiraj Sachdev: Though it is in inception stage, what is the total market size in terms of numbers?

Umesh Asaikar: This particular point of time when the year ended, it was approximately Rs. 90 to 100 Crore, and everybody is trying to fall in line and trying to improve the efficiency of their fuels, it will grow at a faster rate, it would not be that kind of a growth, I expect it to grow in quantum, how much quantum I am not in a position to predict right now, but it can go to Rs. 150 Crore or so this year and then to that extent we would be riding that growth story but Rs. 62 Crore will be a very substantial growth in this coming year also.

Dhiraj Sachdev: So you have almost 60% market share?

Umesh Asaikar: More than that, so to that extent if it goes to Rs. 150 Crore we are hopeful of crossing Rs. 90 or 100 Crore certainly.

Dhiraj Sachdev And blended margins will improve because you mentioned earlier that the margins can range from worse to good depending on whether it is used or mixed in diesel, aviation or petrol, so the margins forecast will only improve from here on.

Umesh Asaikar: Yes.

Moderator: As there are no further questions I would like to hand the floor over to Mr. Umesh Asaikar for closing comments.

Umesh Asaikar: Thank you very much for being with us this afternoon. If you have any further questions please contact Mr. Sanjay Deshpande or our investor relations team, we look forward to many more interactions with all of you in the future. Thank you very much once again. Have a great day bye.

Moderator: Thank you. On behalf of Deepak Nitrite Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.