



“Kamdhenu Limited Q2 FY2018
Earnings Conference Call”

November 30, 2017



MANAGEMENT:

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Moderator: Ladies and gentlemen good day and welcome to the Kamdhenu Limited Q2 FY2018 Earnings conference call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Satish Agarwal - Chairman & Managing Director of Kamdhenu Limited. Thank you and over to you Sir!

Satish Agarwal: Good afternoon and a very warm welcome to everyone. Along with me I have Mr. Harish Agarwal, Chief Financial Officer and SGA, Our Investor Relation Advisor. I hope you have received our results and investor presentation by now. For those who have not, you can view them on our website.

This is our first conference call with the investors and Analysts. So let me start with a brief introduction on our company Kamdhenu Limited. Kamdhenu is a largest TMT selling brand in India. We are India's leading company dealing with manufacturing, distribution, marketing and branding of TMT Steel Bars. We are into the paint business also.

Let me brief about the steel business. Kamdhenu Limited has a manufacturing unit in Bhiwadi in Rajasthan where we focus for research and introduce new products based on customer requirement in the market. We currently have a strong TMT product portfolio, which includes Kamdhenu TMT, Kamdhenu SS10000 and Kamdhenu Nxt. Our products are quite superior compared to other peers. Our products are used in all types of construction, ranging from building to dams.

Kamdhenu believes in the asset-light model and therefore we have created a franchisee business model for developing the brand leadership in steel bars PAN India. We provide design and technology to the franchisees and also assist them to upgrade their facility wherever necessary. The investment made in the upgradation is done by the franchisee itself.

Franchisee is also required to pay an upfront fee to Kamdhenu for signing the user agreement. We are associated with more than 75 franchisee units to manufacture steel



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bars, structurally steel products and colour coated profile sheets. These franchisee's manufacture products based on technology, design and quality specification provided by Kamdhenu.

Through these franchisees we are selling products for over more than Rs. 6,000 Crores under the Kamdhenu brand. We have 6,500 exclusive steel dealers across India. These are a committed chain of dealers and distributors connected with franchisee or sales depot created by the Kamdhenu on PAN India basis.

Since we have franchisees, dealers and distributors in each state they ensure quick delivery of the TMT bars. We ensure delivery within 24 hours to any place in India. This model of ours is a win-win situation for all those associated to be us. Kamdhenu provides franchisee units with expertise and experience for an efficient business, which ensures quality that gives comfort to end customers.

For franchisee's this is a ready platform in a niche market giving facelift to them and also to unorganized players which can leverage our brand Kamdhenu and provide them with the exceptional distinctiveness, which enables them to on premium on their products. Kamdhenu provides them the complete access to marketing network across India.

Having a Decentralized Outsourced Manufacturing Model helps us. Communication with local manufacturers become easy. Real time conservation result in a better understanding of the specifics and preferences of the products by the customers. The small quantities are also delivered efficiently. This helps us to penetrate even in the smaller Tier II, Tier III cities of the country. There is saving in freight as well as transportation cost with the manufacturing near to the end consumer.

Kamdhenu through its franchisee has a capacity of manufacturing 25,00,000 metric tons of TMT bars, 5,00,000 metric tons of the structural steel, and 2.5 lakh metric tons of color coated profile sheets. Through the franchisee model we made Rs. 41 Crores last year. Our vision is to increase our annual production capacity of franchisee business to 50 lakh metric tons and have a royalty income of over Rs. 100 Crores by 2020.

Coming to our Paint Business, in 2008, we have setup our own manufacturing unit in Rajasthan for decorative paints under our flagship brand Kamdhenu. We are currently amongst the top paint companies in India. We have more than 4,000 dealers across



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associated with us in our paint business. We have an installed capacity of more than 46,000 tons per annum having 40 products across 10+ product categories.

We at present have 32 depots for sales and quick services to the dealers, with presence in more than 21 states across India. We also have a complete range of decorative paint products, which include exterior and interior emulsions, water based primers, wood finishes, aluminum paints and textured and designer paints. we have the newest offering within the premium luxury wall finished segment. We also offer an exclusive range of latest global trend in wall finishes, vibrant colours, textures and coatings etc. We have 30 designer galleries in operation across India and we provide one stop shop solution to the customers as well as vendors. Our target for the paint business is to focus on tapping the underpenetrated market, capture market share from unorganized players and improve our product portfolio which would target paint premiumization.

I would like to hand over the line to our CFO, Mr. Harish Agarwal to update on the operational performance of the company. Thank you very much.

Harish Agarwal:

Thank you Sir. I will take you all through the financials of the company.

Revenue for H1 FY2018 are Rs. 498 Crores as compared to Rs. 361 Crores in H1 of FY2017, a growth of 38%. Since we have a franchisee model, which is asset-light we should analyze on the basis of profit before tax not on the EBTIDA level.

Total brand turnover including all franchisee for H1 2018 are at 3,824 Crores, a growth of 61% from H1 of FY2017. For H1 FY2018 our steel business contributed 83% whereas our paint business contributed 17%.

Profit before tax for H1 FY2018 is Rs.9 Crores as compared to 6 Crores in H1 FY2017, a growth of 60%.

Profit after tax for H1 FY2018 is 6 Crores as compared to 4 Crores in H1 FY2017 a growth of 51%.

With this I would like to open the floor for question-and-answer.

Moderator:

Thank you. Ladies and gentlemen we will now begin the question-and-answer session. We take the first question from the line of Dhruv Agarwal from Crescita Investment. Please go ahead.

- Dhruv Agarwal:** Good afternoon Sir. Congratulations on a good set of numbers. Sir my question is regarding your advertisement and sales promotion expenses, so if you see the trend for the past six years if we combine both the expenses as a percentage of sales it has gone up from 4.8% to 7.1% for FY2017. Going forward how do we see the trajectory of this expenses on the percentage of sales?
- Harish Agarwal:** As the sales go up, the percentage of branding and the marketing expenses as well as sales promotion expenses will come down as it is not directly linked to the sales. There are some expenditures which are fixed. So it will come down as we increase sales.
- Dhruv Agarwal:** So we can see it stabilizing at around 7% or do you see it touching 8% in the coming two to three years?
- Harish Agarwal:** It will be around 7%
- Dhruv Agarwal:** Thank you
- Moderator:** Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.
- Sanjay Jain:** I have two questions. One is how is the steel domestic demand for the construction site?
- Satish Agarwal:** Our main product is the TMT Bars. The demand for TMT products is continuously increasing and we foresee that as per the Pradhan Mantri Awas Yojana they are committed to supply at least 2 Crore houses by 2022 of which 1 Crore houses have to be constructed by 2019. If we consider this, then at least 10 Crores metric tons of TMTs bars are required in the next five years. This is over and above the existing infrastructure activities going across India and that is why Kamdhenu is planning to double its manufacturing capacity through franchise route from 2.5 million tons to 5 million tons in next five years.
- Sanjay Jain:** But are you seeing any progress on the ground because overall picture on the demand growth of steel, which we look at the JPC data it, is showing a 4%, 5%?
- Satish Agarwal:** You are right. During the last five to six months, the demand was steady. Fortunately, as you can see from our results, the Kamdhenu products demand and supply and the sales is upwards. While the other manufacturers or producers are facing acute problem in the demand, Kamdhenu products are liked by each and every one and the demand for the Kamdhenu products is increasing day-by-day and as you can see the topline of the



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company has increased by 52%. So I think from November there is an increase in the demand and hope that in future the TMT bar demand will continue to increase.

Sanjay Jain: We have an asset-light model business but why are our return ratios very low like we have single digit ROE. Asset-light model, with the franchisee and the brand that we are building, the return ratio should be much higher?

Harish Agarwal: That is right. In the past we were focusing on the establishment of brand and incurring expenses on the brand so the bottom line was lower which led to lower ROE but in the near future you will see better ROCE and ROE ratios.

Sanjay Jain: What is our business model? When we have the franchisee, so we get franchisee fees. So is it leading to volume or how does it work?

Satish Agarwal: First we charge a signing amount, an upfront fee and thereafter we charge on a per ton basis of sales that is ranging from Rs.300 to Rs.450 depending on the area-to-area premium in that region.

Sanjay Jain: So this is recognized as revenue right?

Satish Agarwal: Yes.

Sanjay Jain: This upfront fee is charged in the year of signing or this also spread over longer period?

Satish Agarwal: The upfront fee is charged in the year of signing of the agreement (normally the agreement is for three years) and we recognize this as the royalty income.

Sanjay Jain: Like first year of the agreement you will get a revenue and for two years there will be no revenue from this signing part but you will get on per ton basis right is that correct.

Satish Agarwal: Yes.

Sanjay Jain: Thanks.

Moderator: Thank you. The next question is from the line of Ajay Khandelwal from BOI AXA Mutual Fund. Please go ahead.

Ajay Khandelwal: Thanks for the opportunity. Sir what is your market share in TMT bars?



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Harish Agarwal: If you look at the branded products across India, there are two categories across India in the TMT bars one is the unorganized, unbranded products across India. The second one is the branded product like Tata Steel, The Steel Authority of India, JSW, JSPL and Kamdhenu. In the branded market, we have a share of more than 15% to 20% in retail.

Ajay Khandelwal: What is the proportion of branded versus unbranded Sir?

Harish Agarwal: Branded, unbranded is 50:50.

Harish Agarwal: Throughout the regional level you will feel that slowly, the unbranded goods are diminishing because TMT Bar is a secured product and nobody can take any risk for the building. So the main problem with the unbranded product is they are not able to utilize even they are 15% to 20% capacity that is why Kamdhenu is growing rapidly. The steel growth is 8% to 10% throughout India, but Kamdhenu is growing at a faster pace, everyday we are having offers for joining new franchisee but since the opportunity, the area, the demand factors we are with, we have a considered view of joining new and new franchisee with more capacities.

Ajay Khandelwal: Sir my second question is that in last five years if I look at it we have spend some Rs.250 Crores on advertisement whereas if I look at our sales for last four years, the branded sales have not increased much so from Rs.5500 Crores, it has moved to Rs.6000 Crores in last four years whereas our expenses in last year itself was Rs.180 odd Crores. we are spending Rs. 60-70 Crores a year on branding whereas our EBITDA is almost 35 to 40 Crores so what kind of profitability do we have in mind because we are spending twice the amount of EBITDA that we spend on branding. So can you tell us what is the breakup of the branding expense between paints and the steel business?

Harish Agarwal: Right now I am not having the data for the breakup of advertisement and branding on paint and steel business. I will take your question offline through SGA, but in the near future you will find that our topline and bottomline, will definitely improve. This year we will cross our brand turnover by Rs7500 Crores.

Ajay Khandelwal: On the TMT business through the franchisee what is the total royalty that we have earned in these two quarters, last year it was 42 Crores right?

Harish Agarwal: Last year it was 42 Crores (FY17) and for H1FY18 it is Rs.29 Crores.

- Ajay Khandelwal:** My third question is: this paint division from 2010 to 2017 it is around Rs.170 Crores to Rs.180 odd Crores. So if you can share your business plan because in the last seven, eight years there is no growth in revenue whereas I assume our dealer network must have increased and I do not think right now we are breaking even in paint division so what is your view on paint division?
- Harish Agarwal:** We are working on the different expertise in the paint business as you know we have 32 sales depots across India so we have a huge transportation costs and we have also some establishment cost for Rs.200 Crores sales we do not require 32 sales depots, it can be done with the 20 depots, but we are penetrating our products across India and in the near future we will be able to enhance the sales volume by 20% to 25% per annum in the paints business.
- Ajay Khandelwal:** Sir what is the EBITDA right now in paint division because I think EBITDA level will also be negative?
- Harish Agarwal:** No. EBITDA is not negative. It is around 5% in paint business.
- Ajay Khandelwal:** Our working capital total is Rs.150 odd Crores so how much is linked in paint division and steel division?
- Harish Agarwal:** It is 50:50. Since there are 32 sales depots so we have to maintain level of minimum level of inventory at each level for the different colour, shades and pet sizes so inventory is more in the paint business as compared to steel.
- Ajay Khandelwal:** So we are not planning to throw down some depots and rationalize them but we are looking to increase our sales right or we are looking to cut our cost by reducing depots which are not working efficiently?
- Satish Agarwal:** We want to enhance our market base and sales, not by cutting down the expenses, but by enhancing our market share.
- Ajay Khandelwal:** But for last seven to eight years there is practically no growth that is why I am asking?
- Satish Agarwal:** Yes you are right but now we have also realized the fact and we are working on the different strategies for outsourcing the low valued product on the regional level. So it will boost our topline and bottom line.

- Ajay Khandelwal:** Can you tell us that when we take Rs.300 to Rs.450 per ton from franchise what is our cost there? Since this product directly goes from franchisee to the dealers, so what is our cost there as all these numbers flow directly into our EBITDA is that right?
- Satish Agarwal:** The cost includes branding expenses, marketing expenses, and various schemes for the dealers and distributors and we also have a dedicated team of 300 marketing people to manage this so all these cost is attributable to the royalty income.
- Ajay Khandelwal:** Sir what is the cost per year approximate number?
- Satish Agarwal:** That would be around 60% of the royalty income broadly.
- Ajay Khandelwal:** In terms of profitability do we have any guidance for this year, next year and the year after because if we do Rs.100 Crores franchisee income and Rs.40 Crores kind of profitability Then what is the paint division contribution that will be in three years time?
- Satish Agarwal:** In the next three year we are planning to have Rs.500 Crores turnover from paint business.
- Ajay Khandelwal:** And what will be the margins at Rs.500 Crores.?
- Satish Agarwal:** It would be around 13% to 15% on EBITDA level.
- Ajay Khandelwal:** So which is what other paint companies have between 15% and 20% EBITDA Margins.
- Satish Agarwal:** Yes. The net profit margins would be around 8% to 10%.
- Ajay Khandelwal:** Fantastic sir, okay Sir, thank you all the best.
- Moderator:** Thank you. We will take the next question from the line of Sandeep Jain from Oxygen Research. Please go ahead.
- Sandeep Jain:** Your debt has gone up consistently during the last ten years. So are there any plans to reduce this?
- Satish Agarwal:** No. We do not have any long-term loans from the bank or institution. It is only the working capital facility and it is needed for the steel and paint business. Not for the franchise business.



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- Sandeep Jain:** Kamdhenu has a franchisee model for branded products, so does our competitors like Tata Steel, JSW have any such franchisee model to sell their products?
- Satish Agarwal:** No they do not have. It is only Kamdhenu which has the franchisee business model in the TMT sector.
- Sandeep Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nitin Dharmawat an Individual Investor. Please go ahead.
- Nitin Dharmawat:** Your EBITDA margin are sub 4% and they are coming down since the last four quarters (on a year on year basis) so what gives you the confidence that this will improve (steel and paint business) further considering the fact that we are more like a trading organization rather than a manufacturing organization?
- Satish Agarwal:** Yes you are right. We are a branding and marketing company but if you see the result for the last four to five quarters, the bottomline is increasing but you are right that we have to further improve the EBITDA and PAT level.
- Nitin Dharmawat:** My question is what gives you the confidence that EBITDA Margins will improve going ahead. I understand that you wish to improve this, but what will make it improve?
- Satish Agarwal:** I think we have to understand that strong brands like Asian, Berger, Nerolac, Kansai are present in the market for more than 100 years or 80 years and we are ultimately fighting with them and now after a long experience and a long working we have created a brand and we are now in a position to sell all the luxury emulsions, the premium products in the market. Kamdhenu is progressing in the luxury section and the premium sections and everywhere it is acceptable at the correct price. Till date we have expensed a lot of money in creating the network, in creating the painter's royalty, in creating the dealer's royalty and a lot of money was invested on reaching to the consumers also. Now I think that period is over. We are now in a position to leverage the same products as in the paint business we have started one outsourcing unit in Udaipur for manufacturing of 5 products and one more unit in Ghaziabad for distempers and putty products, in this way we are trying that in regional level we can setup some certain franchisee units for outsourcing the low cost item where the freight burden is very much on the company. In terms of outsourcing of the product, first we create the brand, then we create the demand and only then we can say for outsourcing



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of the product. Now in the paint business we are in a position and that within a span of three years we will be able to reach the target of Rs.500 Crores and I think at that level you can recognise that it as a manufacturing company or business paint company.

Nitin Dharmawat: Okay got it Sir.

Moderator: Thank you. The next question is from the line of Didisha Kundu Roy an Individual Investor. Please go ahead.

Didisha Kundu Roy: I have the same question on how the company will increase the profit margin

Satish Agarwal: As sales volume increase in the paint business and as the royalty income increases in the franchisee business, the EBITDA level and PAT level will increase. By 2020 we are keen to have Rs.100 Crores of the royalty income and Rs.500 Crores from paint business so by this the topline and the bottomline will definitely increase substantially.

Didisha Kundu Roy: Are you thinking to spread your business pan India?

Satish Agarwal: Yes. We already have a pan India presence in the paint as well as steel.

Didisha Kundu Roy: Thank you.

Moderator: Thank you. We take the next question from the line of Suraj Shah an Individual Investor. Please go ahead.

Suraj Shah: My first question is that we currently have around three types of TMT Bar so are we in a process of introducing any new TMT products in the future?

Satish Agarwal: I will share with you that Kamdhenu is the very first company which is there in India that has changed the commodity into brand and quality. Presently, we have four products, Kamdhenu TMT, Kamdhenu SS10000, Kamdhenu Nxt and one more new product which is going to be launched so I understand that we have always worked hard in Kamdhenu, R&D is working round the clock and that is why I think rest of the people copy us that is why we leave them at the back. The R&D unit in Rajasthan helps us in developing new products and in the coming years you will see new products coming into the market. Whenever a new product/brand is launched like Kamdhenu Nxt (this year), a lot of expense is incurred that goes into advertisement and marketing campaigns because this business is such that first we have to create and launch the brand, and only after this through the franchisee route we generate a substantial



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amount.. This is what is the most fascinating thing about the brand and that is the beauty of the brand.

Suraj Shah: Sir are we looking to expand our current capacity or are we looking to just stick to the franchisee route?

Satish Agarwal: We are interested to double the entire capacity through the franchisee route and we planning to invest 700 Crores to 800 Crores only through the franchisee. We are not having any idea of expanding the capacity of our existing plant in Rajasthan because that unit is used only for the training of the staffs, training of the quality people and R&D of the new products.

Suraj Shah: Sir can you provide a geographical mix in terms of our sales and franchisee distribution?

Satish Agarwal: Sure. SGA will provide you the geographical mix and in each and every area you will find a Kamdhenu. When you go to Kashmir to Kanyakumari, you go Kutch to Assam everywhere you will find a Kamdhenu dealer, may be at every street.

Suraj Shah: Sir how do we give incentives to our franchisees and dealers on our regular basis so can we know a few details about the same?

Satish Agarwal: In this particular model we have the unique USP that Kamdhenu products are having a premium ranging from Rs.1500 to Rs.4000 a ton in different parts of the country as per situations. So the average out premium of the Kamdhenu product is Rs.2500. Out of this Rs.2500 premium, normally Kamdhenu charges a royalty of Rs.350 a ton, Rs.350 ton is charged by the distributor, Rs.1000 is the margin of the retailer on the counter and Rs.700 to Rs.800 is normally the margin of my franchisee and this is the strength of the Kamdhenu product and you can analyze that this brand is creating or generating profit of more than Rs.400 crores a year out of that we are just having only Rs.60 or Rs.70 crores though rest is invested retained throughout all the network and that is beauty of Kamdhenu.

Suraj Shah: Thanks a lot.

Moderator: Thank you. The next question is from the line of Sandeep Jain from Oxygen Research. Please go ahead.

Sandeep Jain: Sir regarding the capacity utilization, what is your current capacity utilization?



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- Harish Agarwal:** It is around 65% - 70% of the existing TMT capacities
- Sandeep Jain:** Is there any plan to increase it further or is there not much demand? What is stopping you to increase it further?
- Harish Agarwal:** There is a demand of Kamdhenu products across India, so we are planning to double this capacity through the franchisee route from 25,00,000 MT to 50,00,000 MT. However, first we will increase the capacity utilization to 85% and at the same time; we will work on the enhancement of the production capacity because it takes time to create the facility. So, over a period of time, you will see an increase in the capacity and side-by-side we will enhance the capacity utilization of the existing franchisee units.
- Sandeep Jain:** Your 100% manufacturing brand done only by you or do you outsource to, some third party and after check quality, check your global brands and something like that?
- Harish Agarwal:** In our franchisee model, we depute at least two people in the plant of franchisee to monitor the raw material as well as finished products and to look after the operational issues and we allow franchisee unit to directly sell their products to the dealers, which is appointed by Kamdhenu, so we do not buy the material and sell to the dealer. It is a direct purchase and sale, franchisee directly purchase material from the raw material manufacturers and produce in their plant and sell to the marketing network of Kamdhenu.
- Sandeep Jain:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Ajay Khandelwal from BOI AXA Mutual Fund. Please go ahead.
- Ajay Khandelwal:** Sir we have earned last year Rs.40 odd Crores from royalty, Rs 200 Crores from paints, what is the other 600 Crores in the topline?
- Harish Agarwal:** This is Rs.200 Crores from the manufacturing of our TMT Bar from our Bhiwadi unit and Rs.400 Crores from the marketing of the TMT Bar manufactured by the franchisee units, there are some areas where corporate clients or big developers do not want to deal with a franchisee unit they want to deal with Kamdhenu so we buy material from the franchisee unit and sell to them those are interested to make dealing with Kamdhenu only.
- Ajay Khandelwal:** Okay that is why you said that it is better to look at EBITDA and PBT level because you have sales number actually will not convey the right picture?



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I am asking because see if next quarter there is no such arrangement between a large builder then directly only the franchisee fee you will get so your reported sales number will look small but actually your EBITDA and PAT number will look in line about how the business is growing, correct?

Harish Agarwal: If we increase the sales volume after marketing and purchase from franchise unit then margin in EBTIDA and PAT will increase.

Ajay Khandelwal: No Sir my question is if we do it directly from the franchises and give the materials to big clients then it would not show it in our revenue?

Harish Agarwal: Correct.

Ajay Khandelwal: So your revenue in each quarter will be very volatile?

Harish Agarwal: Yes, it might be volatile.

Ajay Khandelwal: But the profitability number of yours will be strong?

Harish Agarwal: Yes, of course. We work according to the margins. What we do is the people who do not want to deal with or purchase the materials from the franchisees then they can give an order to Kamdhenu on a bulk quantity basis. They will fix an order for one month. So we give it on fixed prices and sell the materials to them. What happens in this is we keep a little margin in this and hence we purchase this through our franchise and we do not work on any other brand. There are two types of income in this, the royalty business which is there through the franchises, we charge the royalty from the clients and this is as per the royalty agreement and the materials which we buy and sell in that also we keep some margin.

Ajay Khandelwal: Sir second question on cash generation now we have Rs.100 odd Crores borrowing total 150 Crores of working capital so next two years what will be your cash? Can we be able to generate free cash?

Harish Agarwal: Yes of course we can generate free cash. The working capital which is here of 100 Crores in that we do not have any turnover.

Ajay Khandelwal: What I am saying is because our profitability will also go up, we should be able to generate Rs.70 to Rs.80 Crores in one year itself?

Harish Agarwal: Yes.



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- Ajay Khandelwal:** After that why should we have debt because if you see we have an interest expense of around Rs 10 to Rs.12 Crores.
- Harish Agarwal:** We will repay the debt. As and when the internal accruals increases then we will surely repay the debt and we will reduce the borrowing cost. This is what our planning is.
- Ajay Khandelwal:** Yes Sir since we have around Rs.13 to Rs.14 Crores interest expenses and if we generate cash from EBITDA then ideally you can pay that down and that number will also come down?
- Harish Agarwal:** Surely. We have this planning. This is what we will do.
- Ajay Khandelwal:** We will reduce the debt. Perfect Sir. Thanks a lot.
- Moderator:** Thank you. As there are no further questions I now hand the conference over to the management for their closing comments.
- Satish Agarwal:** Thank you. I take this opportunity to thank you everyone for joining on the call. I hope we have been able to address all your queries. For any further information kindly get in touch with us our Strategic Growth Advisors, our Investor Relation Advisors. Thank you once again. Thank you.
- Moderator:** Thank you. Ladies and gentlemen with that we conclude today's conference. Thank you for joining us. You may now disconnect your lines. Thank you.