“Kamdhenu Limited Q1 FY20 Earnings Conference Call”

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MANAGEMENT: MR. SATISH AGARWAL - CHAIRMAN & MANAGING DIRECTOR, KAMDHENU LIMITED
MR. HARISH AGARWAL – CFO, KAMDHENU LIMITED

Moderator: Ladies and gentlemen good day and welcome to Kamdhenu Limited Q1 FY20 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs opinions and expectations of the company as on date of this call. These statements are not the guarantees 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 an 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, 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, CFO and SGA, our Investor Relation Advisor. I hope you have received our result and investor presentation by now. For those who have not, you can view them on our website.

Kamdhenu is the largest TMT selling brand in India and we are the largest TMT retail seller in India with around 90% of our sales being retail sales. Before we move on to discussing the performance for Q1 FY20, we would like to re-iterate that we have changed the strategy for our steel TMT business. As per new strategy, we have decided to bring in more efficiencies in our own manufacturing and increase market share by way of leveraging our brand and our asset light business model. In line with this we have reduced our focus and sales done to B2B segment which we call it as a trading sales. This shift in the strategy has led to increased margins, better efficiencies with higher ROE and ROCE, reduced working capital requirements. Based on this change in strategy, despite of difficult market conditions we have grown our like-to-like profit after tax by 14% year-on-year basis to Rs. 6.8 crores. We have started FY20 on a strong note despite the slowdown in the steel industry due to our business model. We have been able to improve our overall sales volume by 20%. This was mainly driven by our strong execution strategies and our brand pull created through our large distribution and marketing strength. Our focus will remain on high margin business that is B2C sales. As you all know we have expanded our own steel manufacturing unit to 1,56,000 metric tonnes per annum from the existing capacity of 72,000 metric tonnes. The new capacity is now gradually stabilized and the utilization has grown gradually in this quarter also. We expect it to further improve in this financial year. This will help us innovate newer products going ahead which will generate higher premium for our brand. For the quarter, our royalty income has also shown significant improvement and has grown by 29% to Rs. 24 crores. The company is on course to beat its target of Rs. 100 crores as royalty income during the financial year. We also aim to achieve a Rs. 150 crores of royalty income by FY22. Along with this we also expect to add more franchise capacity going forward and reach the 5 million MT per annum capacity by FY22. Our branded B2C sales for the quarter stood at Rs. 2,629 crores and we have a target of reaching total brand Revenues of 20,000 crores by FY22. The branding momentum has continued in this quarter as well. The company has spent a sum of Rs. 18.8 crores on branding and marketing and another Rs.7.9 crores was spent by our franchise on brands. We believe that infrastructure development will play crucial role in achieving the government's vision of making India a $5 trillion economy by 2024. This along with shift in consumption patterns for unorganized to organized players augurs well for our brand Kamdhenu which is already a well-established brand in the country.

Now coming to our Paint business. During the quarter, a major fire broke out in the paint factory of the company due to which the inventory at the factory, property, plant and equipment got damaged substantially. There had been no human casualty in the said fire incident. The carrying amount as on date of fire of inventories, property, plant and equipment damaged in the fire was to the tune of Rs. 45.68 crores. The inventory, property, plant and equipment so damaged in the fire were validly insured and insurance policies were effective as on date of this fire. The company has filed insurance claim of Rs. 45 crores with the insurance company and the process of assessing the claim settlement has been initiated and is underway. The management of the company is confident that the amount claimed from the insurance company is certain to be realized valid and subsisting insurance policies, accordingly the company has recognized insurance claim receivable as on 30th June,2019 amounting to Rs. 45 crores to the extent of amount claimed in our books of account.

Our board has recommended a hive off of the paint division through a demerger into a separate mirror image shareholding company .Due to the fire at our Paint factory in April, the process of hive off has been slightly delayed and we expect the hive off to be completed by the end of this financial year which would result in independent and better management focus on both the business, better operational efficiencies and unlocking value by listing both as different companies. Due to the fire at our paint factory, we had some disruption in the business. It had been decided on immediate basis to outsource production of the paint products from third party manufacturers at various locations. The company has ensured the quality standards by deputing our own technical team at the manufacturers plant. The paint business has assumed normalcy. Now I would like to hand over the line to Mr. Harish Agarwal to update the operational performance of the company. Thank you.

Harish Agarwal: Thank you sir. I will take you all through the financials for Q1 FY20. First about the steel business. Since the last 3 quarters company has recouped his business strategy by reducing B2B trading sales and focus on improving efficiencies on own manufacturing and on franchise based business model which have led to increased margin and better efficiencies with the higher ROE and ROCE. Even during the challenging time, volume through the franchise route which is our main business model has increased by 20% to 6.32 lakh metric tonne as compared to 5.26 lakhs metric tonne in Q1 FY19. Our aim is to increase our capacity to 50 lakh metric tonne by FY2022.

Total Steel turnover including all franchise was at Rs.2,629 crores in this quarter. Royalty income through franchise is up by 29% to Rs.24.4 crores as compared to Rs.18.9 crores in Q1 FY19. Profit before tax for the steel business grew by 26% to Rs.12.8 crores as compared to Rs.10.2 crores in Q1 FY19. Profit after tax for the steel business also grew by 44% to Rs. 9.5 crores as compared to Rs. 6.6 crores in Q1 FY19. Now coming to the paint business, as mentioned earlier, we had a major fire in our paint plant in April this year which disrupted the paint business for some time. In order to meet substantial demand of our paint products and to reduce impact of disruption of manufacturing facilities, it was decided on immediate basis to outsource production of the paint product from third party manufacturers at various locations. The company insured the quality standard by deputing its own technical team at the manufacturers plant. Due to the immediate outsourcing plan, we were able to still have a revenue of Rs. 40 crores from the Paint Division in this quarter. In our own paint plant, we are going to start a stainer section partly within this week and some portion in the month of October. By end of this financial year, the paint business will be stabilized and resume normalcy.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Kunal Koladia from Anova Capital**.** Please go ahead.

Kunal Koladia: Sir, my question is more on an industry perspective. So recently we have seen a reduction in prices of our TMT steel bar. So just wanted to know that what is the impact on our business due to this?

Satish Agarwal: See, there is a slowdown in the market in the steel business. But as you know about our particular model that we work on franchise model and so we are not affected by it. When the slowdown happens in market, the sales through our particular model also increases as there is problem in sales of unbranded products. So it is an opportunity for us when the slowdown happens in market or when there is reduction in sales of unbranded products. So if you see in our results, the company has made almost more than 20% growth in franchise business. So like as I have said in my opening remarks, we plan to reach to 50 lakhs tonnes capacity by 2022. The speed with which the demand is expected to increase in future, there is no doubt, in the last six months the demand was sluggish, but Kamdhenu is giving support by improving the quality of unbranded products by combining with our brand. So like that if you see in our business, our volumes are increasing and also the income. The effect is not that much over us because secondary manufacturers who are there, there is a comfortable gap between raw material and finished products which everyone gets in manufacturing margin. Those who have mines and coal blocks and those whose raw material prices are fixed, they had a huge impact because of this.

Kunal Koladia: Okay. So are we trying to say that with the reduction in steel prices, you are able to integrate the unorganized sector to the organized by connecting them with your franchise?

Satish Agarwal: Yes. That is a good opportunity for us.

Kunal Koladia: Okay. Going ahead, how much will this impact our royalty income?

Satish Agarwal: This year we are planning to cross Rs.100 crores and as I told you by FY22, we hope to cross this royalty income by more than Rs. 150 crores.

Kunal Koladia: Right. So in Q1 FY20 I suppose our royalty income has been around Rs. 25 crores, so do you plan to maintain this same run rate for the next 3 quarters?

Satish Agarwal: We will definitely try and hopefully we should achieve it.

Kunal Koladia: Okay. Could you give us a rough number if we have added any franchise unit in this quarter?

Satish Agarwal: It is a continuous process. Either franchises are added or their capacities are added. As we prefer that first of all that the existing franchise units increase their capacity. If the potential is there and franchise is not in a position to add the capacity then we have new franchise. So it is a continuous process and so some units are added in each and every quarter.

Moderator: Thank you. The next question is from the line of Ankit Agarwal from Arc Capital. Please go ahead.

Ankit Agarwal: Sir, I have one question on the steel business. So sir, given the slowdown in demand, what is the expected volume growth in the steel business?

Satish Agarwal: We have already achieved a growth in volumes, ~20% in the first quarter and I think this pace will be continued throughout the year.

Ankit Agarwal: Okay. Sir, is that including the franchise sales?

Satish Agarwal: Yes, of course. My own manufacturing sales will be more than 50%-60% this year but the franchise sales will be increased by 20% at least.

Ankit Agarwal: Sir, a couple of questions about the paint factory incident. So, have we started with our manufacturing operations again?

Satish Agarwal: See, due to the paint incident which has happened, we have formed an an outsourcing business contract on immediate basis.. We are seeing this as an opportunity. As of now, three units are manufacturing for us, one is in Udaipur and one is in Ghaziabad and the third one is also in Secunderabad. Other than this, we plan to start our Stainer business in our existing unit, in the month of August. . Most likely, we are trying to finalize for a date in next week. So lot of work is going on this. Our emulsion division will partly start working from October onwards and in December it start on full-fledged basis. So like that we have 4 units for outsourcing and one will be of our own. We think that with the coverage that we have this year we will be able to cover and will meet out the sales for the period that we have lost.

Ankit Agarwal: Were you able to recover all the loses?

Satish Agarwal: See, for the losses, as we mentioned, it is around Rs.45 crores. We have submitted that to the insurance company. And the process for evaluation is going on We have accounted for ~ Rs. 0.68 crores loss in our books too. Other than that Harish can explain to you in detail.

Harish Agarwal: The process for evaluation is going on. The insurance that we have is valid and it is fully insured for all the assets which we have lost. So we are not foreseeing any further loss.

Ankit Agarwal: Lastly, when will our full plant start working at full capacity?

Harish Agarwal: See, the plant that we have, we have divided that to two parts for the time being. In the front portion, we will start the production from this month onwards and rest in October. The back portion where damage is little more, over there the assessment is going on now. They have taken samples and they are assessing the building as to how much we need to dismantle and how much we can do with the support system. So that process is going on now. So hopefully it will be over in one week to ten days. So the work is going on in full speed in the front portion and will start soon. But only after getting the assessment report, we will be able to tell you that by when will the plant start. But by the end of the financial year, our substantial portion in production will start from this plant.

Moderator: Thank you. The next question is from the line of Kunal Sukhwani from Crescita Investments. Please go ahead.

Kunal Sukhwani: Sir, could you give any specific timeline on insurance claim settlement?

Harish Agarwal: As we all know, that it is a process and in a large claim you can understand there are so many agencies involved., So there is a forensic team, then there are a forensic auditors, 2-3 surveyors are involved and the claim has to be passed through the regional and divisional office, Everyone is involved from the branch office to the head office level. So it takes time. It is very difficult to predict the timeline on this.

Kunal Sukhwani: Okay sir. And sir, since you are outsourcing all for the sale of the paints products now and, so will we be able to maintain similar margins in paints business as we were doing prior to incident when we were manufacturing by ourselves?

Harish Agarwal: Yes, almost same.

Kunal Sukhwani: Okay. And sir one question on steel. Sir could you throw some light of the current demand scenario of steel as there is a lot of news about the slowdown going on?

Harish Agarwal: There is a slowdown and we are also hearing this news from various sources and in the news channel also. But as far as we are concerned, our business has increased by 20% which you can see in our result and will continue to increase by atleast 20%. In the last year Q1 FY19, we were having the franchise sale of 5.2 lakh metric tonne and this time we have 6.32 lakh metric tonnes.

So there is a growth of 20% from Q1 FY19 to Q1 FY20. So we are not seeing any slowdown in our company because of our asset light business model and unique business model.

Kunal Sukhwani: Sir, one more question regarding our advertisement spends. Are we going to maintain similar run rate of spends in the coming quarters?

Harish Agarwal: Yes, we will try to maintain for the quarters in this year.

Moderator: Thank you. The next question is from the line of Chintan Desai from Param Capital. Please go ahead.

Chintan Desai: Sir my question is pertaining to the steel business, and is divided into two parts. On the steel front, could you tell us what would be our volume growth and what would be branded sales for same quarter last year? Just wanted to understand what would be the realization impact?

Harish Agarwal: In the last year Q1 FY19, the sales was 5.26 lakh metric tonne.

Chintan Desai: Sir, what was the branded sales in value terms?

Harish Agarwal: It was Rs.2,900 crores and this year we have volume of around 6.32 lakhs metric tonnes, but the sales in value terms is Rs. 2,629 crores because of reduction in the steel price.

Chintan Desai: Right sir. Sir could you tell us what would be the volumes or volume growth in our own manufacturing business?

Harish Agarwal: Volume growth, is around 44% from the immediate previous quarter. In the Q4 FY19, we were having 13,432 metric tonnes and this time we have made around 19,306 metric tonnes. So it is a growth of around 44% in our own manufacturing.

Chintan Desai: Okay sir. Got it sir. My second question, just strategically on the paints business, if we are able to maintain similar margins, what is our thinking on manufacturing versus outsourcing because typically profitability must be much higher if we manufacture. So just wanted to understand on the profitability front in paints business, if we were to manufacture in this quarter what would have been our EBIT or some sensitivity on that front?

Harish Agarwal: In fact we have to understand the overall decorative paint segment. So there are three types of paints. One is powder based, second is solvent based and third is water based emulsions which is the high-value product. Today we are outsourcing all product as our production capacity is closed. So we are outsourcing each and every item from the third party manufacturer. In future we have the planning to outsource powder base and solvent base and in our own plant we will manufacture only water based emulsions and high value product like the stainer, colorant and emulsions. So this will enable us to achieve the best combination of attaining higher margins.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique Asset Management. Please go ahead.

Pratik Kothari: Sir Couple of questions. Sir in the original manufacturing business if I look at and heard it correctly, our volumes are roughly 19,000-20,000 metric tonnes for the quarter, right?

Harish Agarwal: Yes.

Pratik Kothari: So our average realization for our franchise and for our own manufacturing say per metric tonne per kg would be roughly the same, about Rs.40-Rs. 45 per kg, current pricing?

Harish Agarwal: Current price in Q1 FY20 was around Rs. 44,000.

Pratik Kothari: Is this price for ours or for the franchise one?

Harish Agarwal: This is for the franchise.

Pratik Kothari: And I think ours also should be very similar?

Harish Agarwal: Nearby. It is slightly higher than the franchise.

Pratik Kothari: Okay. We used to talk about whatever we will manufacture in-house will be high end or some complex product versus what the franchise does, so shouldn't we expect higher realization?

Satish Agarwal: I have given you the apple-to-apple. I think you are talking about the Kamdhenu SS 10000 product, it is around 8% higher than the normal price.

Pratik Kothari: Because what I am trying to compare is our own in-house manufacturing versus what our franchise does, so are the products same, right?

Satish Agarwal: We are manufacturing in our plant, two types of products. One is similar to franchise and other is high value premium product. The high value premium product is higher by around 8% of the normal product and even in the normal product, our own manufacturing prices are slightly higher than the price of the franchise unit.

Pratik Kothari: And sir also our royalty for the quarter, I mean if you compare it based on say per kg of what a franchise sold or in terms of percentage revenue of what they sold, it is higher than what we used to do historically. So is there any change in terms with our franchise?

Satish Agarwal: For the average realization price in this quarter it was Rs. 385 as against Rs. 360 in the same period of last year.

Pratik Kothari: So has the contract been revised now?

Satish Agarwal: No, it is the average price. The contract is being renewed at the higher price. It is a continuous process. There are some agreements which was renewed in this quarter and some are in the previous quarter. So whenever we renew then we increase the royalty by Rs. 25 or Rs. 50 depending on the area to area where the premium is there.

Pratik Kothari: Sir, but how sustainable it is because for the franchise, the final price of steel TMT bars have come down significantly. I mean we see 20% volume growth, but revenue growth for them is 10% lower. But sir we have been able to extract higher royalty from them sir. So how sustainable it is sir?

Satish Agarwal: Our franchise unit is not impacted by the pricing because they are into the secondary market. They are taking material from the market and rerolling it and selling to the market. So as and when prices of finished product reduce, simultaneously the prices of raw material has also decreased. So there is no impact on the franchise pricing or costing or anything.

Pratik Kothari: Okay fine. Sir, could you tell us with which company is the insurance policy that we have for our paint business?

Satish Agarwal: It is with United India Insurance.

Moderator: Thank you. The next question is from the line of Mukul Agarwal from Param Capital. Please go ahead.

Mukul Agarwal: Sir, in this current year FY2020, we have a target of royalty income in excess of Rs. 100 crores and first quarter we have been doing Rs. 24.5 crores royalty income and subsequently our PBT is roughly Rs. 12 crores and we have a target of 150 crores royalty income for FY2022 which his incrementally Rs.50 crores more. So what could be the impact on our PBT which incremental royalty, because I believe our advertisement and sales promotion expenses will freeze at one point of time and will we get the fruits of royalty income going up flowing into the PBT?

Satish Agarwal: Mukulji, what you are saying is right. So now in this period, in this first quarter, there is a slowdown in the market and we are trying to bring unbranded products under the Kamdhenu umbrella to some extent. So for that we are required to work on ground level on lot of marketing tools. The franchise units are also participating in this and if you see our promotional work on Zee News, Zee Business and in addition ABP News, the work we are doing for promoting brand, that is happening on lot of level. Instead of that we are doing a lot of foreign tour through dealers and franchises. The expense is little high this time for us. But as I told you in the report, this year first quarter company has spent Rs.18.8 crores and Rs. 7.9 crores is done through franchise. So your question is valid that how much we can reduce at this stage on branding and marketing and that will reflect in the bottom line. So I think this year first quarter, since paint sales was curtailed, and there were lot of overhead expenses which we carried on paints and fortunately in second quarter, hopefully during Diwali season we may be able to recover this. So I think that our branding and marketing expense in this year will increase 5%-10% compared to the last year, not any more. But in May-June-July, due to outsourcing of paint, there will be some impact there But I think if our royalty is increasing by 20%-25% gross, then definitely our advertising and marketing cost will be hardly 10%-12% or maximum 15%. That way 10%-15% impact will be directly on bottom line and we are hoping that to happen..

Mukul Agarwal: Right. So sir, we are seeing that. As our royalty income increased by 29% and PBT increased by 44% this quarter, what I am trying to say is in the coming 2 two years, say by FY22, if it becomes around Rs.150 crores plus royalty, then if our royalty increases by 50% then can PBT increase 100% in next 2 years? That is my question.

Satish Agarwal: It is difficult to tell now about what will happen in future. It could be more or maybe we may incur some expense on this. This is actually the requirement of the market and also there is degrowth in steel, a lot is happening in steel industry. I will share a number with you. Last year steel prices on our own manufacturing was Rs. 47,000 per tonne and this time in first quarter it is Rs.42,000 per tonne plus GST. Our price has come down by almost Rs. 5000 per tonne from Q1 FY19 to Q1 FY20. And for franchise also the price came down from Rs. 43,000 per tonne to almost Rs. Rs. 38,000 that is around Rs. 5000. Our value added product which is Kamdhenu SS 10000, since it is a premium product ,that we get we have higher realization than franchises by around Rs.4000.

Mukul Agarwal: Great. Sir, my second question is on paints. In Q4 2019 we did sales of Rs.85 crores. Now this year because of the fire , we incurred some loss but as paint business overall is doing well, so can we expect in FY21 there would be same run rate of around Rs.85 crores if there is a growth of 10%-15%. Will we be able to do sales of Rs. 400 crores, in FY21 in paint division alone?

Satish Agarwal: See, now it is in initial stage. Like we have discussed this earlier also that in August end itself, mostly in this week itself, the stainer and colorant division which we are going to start. I think tomorrow we will intimate the exchange that we are going to start and in October the emulsions which is the premium products range will start.

Mukul Agarwal: Sir, not this year. I am saying about next year, when we must have started full-fledged?

Satish Agarwal: I am telling about the same, now with the existing capacity and with our outsourcing we will be able to manage in this quarter and so by this Q4 we think we will be able to do more than Rs. 95 crores sales and we have thought of crossing Rs.100 crores. And what you told is very valid, it is very conservative number that in next year by FY21 we will be able to make much more than Rs.400 crores.

Mukul Agarwal: So sir, will we be able to breakeven in paint division?

Satish Agarwal: In terms of breakeven, I think Mukulji, we will try our best. this March also will try to be in breakeven.

Mukul Agarwal: So your promise is that next year there will be two companies in FY21, after 12 months, so both companies will be profitable. Steel is anyhow profitable, will paint also be?

Satish Agarwal: 100% promise. No doubt in that.

Mukul Agarwal: So sir, then you should do buyback of share or buy share on your own because any paint company drives on sales and market cap and if you make paint business profitable of around Rs 400 crores then combined market cap will also be Rs. 250 crores.

Satish Agarwal: We will definitely think about it. We have been thinking in those lines but with your suggestion we will definitely have a look at it.

Moderator: Thank you. The next question is a follow up question from the line of Kunal Sukhwani from Crescita Investments. Please go ahead.

Vijay Sarda: This is Vijay Sarda here. Sir, you have spent Rs. 18.5 crores in this quarter in the advertisement from the company's side and Rs.7 crores was done by the franchise. Could you give a bifurcation in terms of advertisement expenses done in steel and paints division

Satish Agarwal: It is very difficult to give a number as we do it jointly. Two things are involved in this. One is the advertisement done through electronic media, Facebook or Television. Other than that there is advertisement done on wall paintings, posters and there are hoardings on the highways. Third thing that is we spend on providing branding support to the marketing dealer and help in the conducting of the meetings for architect, mason etc.We also conduct other programs for the engineers. There are other schemes which we give them, like foreign tour, and it is also a part of this. There are lot of common contacts between the steel and paint business. There are lot of franchises there, we try to reduce our expense. So for lot of events we do jointly and the big events are conducted separately. It is little difficult to segregate into single company.

Harish Agarwal: More over Sardaji, we do advertisement on brand rather than products. When we do advertisement of Kamdhenu brand so both products get leverage, steel and paint both.

Vijay Sarda: Sir, I just wanted to understand basically in short that once there is demerger, since the steel brand is much more known than the paint, so then overall profitability in steel business l increase if ad spent is less, right? As Mukulji was also asking the question, in terms of conversion of your PBT, as your royalty increase, then it should be much higher because I suppose because the predominant spend that is happening that is more towards paint. So once it gets allocated to paint business, once they get demerged, then profit in steel business will improve substantially. What I wanted to check because you might be supporting the franchise at the dealer level. But your Kamdhenu Saria brand is very well known than the Kamdhenu paint at this point of time. So going forward this steel business will be much more lucrative from that point of time if it gets demerged?

Harish Agarwal: On what you are saying after the demerger, we are working for the allocation of expenditure. So we are working in detail on what will be the expense for steel and what will be for paint once the companies separate.. Both teams are working separately, paint division team and steel division team. So we will go forward by making a roadmap. We will have to do something different for expenditure, there is no second thought.

Vijay Sarda: Sir secondly, has any timeline for the demergert?

Harish Agarwal: We have planned 31st March 2020 to make them separate.

Vijay Sarda: Sir just last thing, like what Mukulj was saying we can buy. Have we sold something because as of today our stake is around 60.5% from 61%. So have we sold some in anticipation of the SEBI regulation that has come that we need to reduce it, so have we sold it last quarter?

Harish Agarwal: We have not sold a single share of ours. After IPO, we haven't sold any share.

Vijay Sarda: Sir, in this have we allotted anything in preferential shares last quarter, because it is showing a little less holding, 40 basis point less?

Harish Agarwal: No, there was an allotment in terms of ESOP. Around 1.5 lakh share were allotted in ESOP because of which promoter shareholding has reduced.

Vijay Sarda: But sir with regards to the SEBI regulation I think there is just a paper on that. So last time when we were discussing that, definitely we can consider buyback as an option because with regards to SEBI regulation till now nothing has happened. As going by the regulation, it is just a paper. If it is there also then, we have many options if we want to decrease it further. But on a value basis I think if the paint business is demerged then that will have a much more value added steel profitability. Profits will definitely increase as your royalty thing goes up. So I think more on that, if you take two business out then valuation is too cheap at this point of time. So we can consider at least buying back option at some time of time.

Satish Agarwal: We got your point, we will think of definitely.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you sir.

Satish Agarwal: I take this opportunity to thank everyone for joining on the call. I hope we have been able to address your all queries for further information kindly get in touch with or strategic growth advisor our investor relation advisor. Thank you once again.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Kamdhenu Limited we conclude this conference. Thank you all for joining us and you may now disconnect your lines.