"Escorts Limited Q3 FY 2021 Earnings Conference Call"

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MODERATOR: **MR. MUKESH SARAF – SPARK CAPITAL ADVISORS INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Escorts Limited Q3 Earnings Conference Call, hosted by Spark Capital Advisors India Private Limited. As a remainder, 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. I would like to add that some other statements that we make in today's discussion will be forward-looking in nature. I now hand the conference over to Mr. Mukesh Saraf from Spark Capital Advisors India Private Limited. Thank you and over to you, sir.

Mukesh Saraf: Thank you, Mallika. Good evening, everyone. And on behalf of Spark Capital, I welcome you all for the Escorts' Q3 FY '2021 results earnings conference call. I also take this opportunity to welcome the management team from Escorts Limited. Today, we have with us, Mr. Bharat Madan – Group Chief Financial Officer and Corporate Head; Mr. Shenu Agarwal – CEO, Escorts Agri Machinery; Mr. Ajay Mandahr – CEO, Escorts Construction Equipment; Mr. Dipankar Ghosh – CEO, Railway Equipment Division, and the Investor Relations team.

We would start the call with some brief opening remarks from Mr. Madan. Over to you, sir.

Bharat Madan: Thank you, Mukesh. Good evening, everyone, and thank you all for joining us on the earnings call for the third quarter ended 31st December 2020. We trust each of you is safe and healthy. I am pleased to share with you our Q3 standalone performance, that also happens to be our best ever quarterly performance so far.

Turnover during the quarter was up by 23.5% at Rs. 2,017.4 crores as against Rs. 1,633.4 Rs. in previous fiscal. Agri Machinery and Construction Equipment segment continue to outperform, segmental revenue growing by 28% and 13% respectively and Railway segment revenue down by 5.7% on year-on-year basis. Tractor sales volume went up by 25.7% year-on-year to 31,562 tractors, our highest ever quarterly volumes. Construction Equipment sales went up by 20.1% year-on-year to 1,254 units. Highest ever quarterly EBITDA at Rs. 364.1 crores is up by 71.5% as against Rs. 212.3 crores last year in the same quarter. EBITDA margin is now up by 505 basis points, which now stands at 18.1% as against 13% last year same quarter.

Your company continues to be debt free with sufficient available liquidity for growth at almost Rs. 2,700 crores as of December 2020. PBT at Rs. 276.5 crores is up by 79.8% as against Rs. 209.4 cores last year same quarter. Net profit up by 83.4% year-on-year to Rs. 280.7 crores, our quarterly ever highest, as against Rs. 153.1 crores last year same quarter. EPS stands at Rs. 21.28 as against Rs. 12.81 last year same quarter on a standalone basis.

Now moving on to segmental business performance, starting with the Agri Machinery business. Domestic tractor industry volumes went up by 26.8% to 2.6 lakh tractors as compared to 2.04 lakh tractors in last year same quarter. The on-ground demand remained positive across states on the amount of pent-up demand from lockdown period, favorable macroeconomic factors resulting in strong rural cash flows and continued government support in Agri sector. Our domestic volumes went up in Q3 by 24.2% at 30,072 tractors as against 24,219 tractors in last year same quarter. Despite full capacity production, the demand outpaced supply, resulting in all time low stocks during the peak festival time. However, as demand subdued post the festive season, inventory was built back. About 60% of our domestic sales came from above 40 HP tractors, resulting in significant model mix gains during this period. Export industry went up by 27.8% year-on-year in quarter three to 26,400 tractors, whereas our export volumes were up by 67.4% Y-o-Y to 1,490 tractors. EBIT margin for Agri Machinery business went up by 564 basis point to 20.1% as against 14.5% last year same quarter, our highest ever. While operating leverage helped, we maintained huge focus on cost efficiencies. With continued efforts around channel expansion, that total dealer count is now close to 1,090.

Although pent-up demand is more or less over, the industry macro factors continue to support the industry growth. Good and uniform availability of water, better retail financing penetration, the start of commercial use demand, record crop production, along with hold up of most crop prices are factors helping continue industry growth. Coupled with the low base effect, these factors should propel industry further in Q4, making this fiscal a record year for the tractor industry. Going forward, while we do not expect any significant supply demand gaps, rising inflation continues to be a cause of worry and is likely to impact Q4 margins this year despite a partial pass-on to the market.

Coming to the Construction Equipment business:

Our served industry comprising backhoe loaders, pick and carry cranes and compactors grew by 14.5% in Q3. Crane industry grew by 28%, but due to COVID-19 and cash flow issues in markets, the pick and carry crane industry has shifted to price sensitive hydra segment. The compactor industry grew by 27% and backhoe loaders grew by 11%. Our total volumes, manufactured as well as traded products combined went up by 20.1% to 1,254 machines as against 1,044 machines last year same quarter, sequentially is up by 52.7% as against 821 machines.

Revenue for the quarter at Rs. 244.73 crores correspondingly up by 13% and sequentially is up by 56%. During the quarter, we sold 58% of total pick and carry from hydra category with lower margins as compared to previous fiscal when it was 45%. EBIT margin for the quarter was at 7.5%, an expansion of 270 basis points year-on-year and expansion of 580 basis points quarter-on-quarter. This strong performance was matched by our various operating matrices and cost control measures that we have spoken about many times in the past. Looking at good traction in quarter gone by and along with green shoots of economic revival, increased order flows, we expect the same momentum to continue for the medium-term, at least for next four to six quarters.

Coming to the Railway Equipment division:

Revenue for the quarter ended December 2020 was at Rs. 117.4 crores. During the quarter, we have executed 69.2% of total orders from new projects category, with more import content and lower margins as compared to previous fiscal when it was only 44.2%. EBIT margin now stands at 12.7% in quarter ended December 2020, as against 18.4% in last year same quarter, impacted mainly due to volume, product mix and one-off provisions towards GST rate differential in respect of orders executed post September 2019 after the due dispatch date when GST rate underwent revision.

Indian Railways is still not running its full operations due to unprecedented COVID-19 pandemic situation, and has done revision in the production plans, affecting fresh order tendering and order inflows. Order book for the division at end of December 2020 was more than Rs. 330 crores, that would get executed in next six to eight months. We have seen good pickup in the order inflows during December 2020 and expect that tendering process will get back to pre-COVID levels by end of Q4 of the current fiscal. For FY 2021, we now expect Railway Equipment revenue to be flat as that of last year and margins for the segment are likely to be closer to last year's levels.

Now I request the moderator to open the floor for Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mukesh Saraf from Spark Capital Advisors. Please go ahead.

Mukesh Saraf: Sir, my first question is regarding your market share. I mean, in this quarter, our overall market share has gone up. But we also see that the 30 HP to 40 HP segment has seen a higher increase, sequentially I am looking at, between 2Q and 3Q. Could you give some sense on this, because in general, the industry was shifting more towards 40 HP to 50 HP, so is it just a mix because of the regional kind of exposure we have or something to do with seasonality or have you taken some actions in this segment? Could you just give some sense on that?

Shenu Agarwal: Thank you for the question. Let me just say on the market share overall and also on the segmental market share, that a lot of this has been driven by the availability of products and by different supply chain issues that we faced, not just in quarter three but also in the whole year, so far, right? So, it is not a true reflection of the things, of the demand or of the strength of our company and the market. It is more of a reflection of what we could make at what time. So, discounting that, to that extent if you see our YTD market shares, segmental market shares, you will see a definitive upward trend in 40 HP to 50 HP market share and actually a degrowth in 31 HP to 40 HP, right? So now overall, of course, we have degrown in market share by about 40, 50 basis points on YTD level. But we have increased in 40 HP to 50 HP, and that was our goal from last many years as we were churning out more and more higher HP products.

Mukesh Saraf: Right. My second question is, if I look at consolidated numbers, I see that there is an income from either associates or JVs to the extent of Rs. 7 crores this quarter. Could you give some sense on that, because we haven't seen that higher number in the past?

Bharat Madan: So Mukesh, as you know, we had done the acquisition of 40% stake in the sales company of Kubota in India, who are called Kubota Agri Machinery India. So, this basically reflects the profitability because, again, they are part of the tractor industry and you have seen the tractor industry doing extensively well in this period, especially in this quarter. So, when a collision happened only in the first week of October, so this actually number basically is coming from the consolidation of that JV in the accounts.

Mukesh Saraf: Okay. But this will also have, say, probably the initial losses of the plant, which is started, the 40% stake in that JV as well?

Bharat Madan: Yes, so that obviously right now is in losses, so we have not really started making money there. So, though the sales have started there, so we had good sales in this quarter in that plot, too. But most of the supplies there have being sold to the sales company, so really if you would look at the integrated margins, which is what has been getting reflected now, because in both the companies we hold 40%. So that debt what you see here is the combination of these two.

Moderator: Thank you. The next question is from the line of Hitesh Goel from Kotak Securities. Please go ahead.

Hitesh Goel: Sir, my first question is on the tractor business, you said that inventories are back into the system, so can you give us some sense on the retail demand and how is it panning out in January per se? And what is the inventory levels? And second question is also related to the commodities cost, what is the kind of pricing you have taken in January and what is the cost pressures that you are seeing right now?

Shenu Agarwal: Hitesh, so first of all, on the retail momentum and the inventories, as we have seen month-on-month for last several months, the retail momentum has been very, very strong. And of course, some inventory buildup has happened in December and January, not just for us, but for all the players. Because December, January is not as strong as you know September, October, November peak, so most of the players got a chance to kind of build back some inventories. But overall, the retail momentum has been extremely strong, right? So, even if we discount December and January growth to some extent for the buildup of inventory, although the inventory at the industry levels are still not at the pre-COVID levels, they are still below that. But still, we have like at the industry level and also Escorts level we have a healthy inventory right now. So, yes, retail momentum is strong, all macro positive factors are in place. As Bharat said, going forward we do not see that pent-up demand factor to support the industry, because most of it we believe has already been covered so far. But despite that, the macro acro factors are extremely, extremely positive and the rural cash flows also are very, very strong right now. So, we think that the momentum will continue.

Coming to pricing, we had taken a price increase to partially offset the inflation that we had so far, and also the expected inflation in future. So, we had taken a price increase in middle of November, in advance of other players. So, on a quarter three basis, more or less we will cover the inflation, but quarter four, the inflation is still going rampant. And there will be some pressure this this quarter on margins because of inflation because we are not in a position to do a successive price increase so soon, although we are planning for a price increase in early quarter one next fiscal.

Hitesh Goel: So, in January we have not taken any price increase, right?

Shenu Agarwal: No, we took one in middle of November. So, most of the industry players took a price increase and either late December or January early, but we took it in middle of November.

Hitesh Goel: Okay. And what is the kind of cost pressures you are seeing? So, I mean, my question is, how much can the tractor margins fall to in fourth quarter?

Bharat Madan: So, Hitesh, overall, looking at the commodity price inflation, the estimate is I think on the sales side it could be anywhere between 4% to 5% cost escalation, which can happen. And so, the price increase what we have taken in November is about 2%, so there can be 2% to 3% pressure on the margin, this can happen in this quarter. Also, we will be watching the industry closely and if the competition takes the price increase during the quarter so we can also take that call. But yes, this is a sort of situation where we are today, unless prices on our commodity side start softening, which doesn't look like as of now.

Hitesh Goel: Okay. But in budget they have taken a 5% import duty cut, right, so steel prices should come off?

Bharat Madan: Yes, but it's a very small component. So, it's not a major component for the steel industries.

Moderator: Thank you. Next question is from the line of Gunjan from JP Morgan. Please go ahead.

Gunjan Prithyani: Just to follow-up on the margin, just to get this clear, you said 500 basis points is the incremental impact. And the price increase taken is about to 202 percentage points, so net, net 300 is yet to come in the Q4, is that understanding correct? Or 500 basis point is completely incremental?

Bharat Madan: No, so 500 is a total for both the quarters combined. So, like you are saying the 2% has been passed on, so it effectively addresses the inflation which was there in Q3. So Q4 is an estimate as of now that can go up by another 3%. But we are not sure whatever actually happens, but as a sort of estimate, which you are seeing the pressure of the prices today, so the margin impact can go up to the level, and obviously it will actually depend on how much the inflation actually happens in the quarter.

Gunjan Prithyani: Okay, got it. And just on the margin perspective, we were expecting some of these reversals on the fixed cost also to happen in the second half of the year, because first half was quite in a lockdown, so we were cutting down a lot of spend. So, is all of that reverse normalized? So incrementally, the only adverse factor is commodity or is there anything else that we should keep in mind when we are making our numbers?

Bharat Madan: So, I think on the fixed cost side, as we said, as the institutions start going back to normal, so the costs are also starting to come back. So, most of the cost, which was likely get reverse, during the lockdown period, so in the Q3 we see a lot of pressure of this cost are again coming back to the system, which is reflected in these numbers also. So, I think as the pent-up demand subdues, so obviously there will be pressures to start building up in this other cost category too. So, as you can see, I think maybe it would be a good idea to consider the same level as FY 2019 numbers, maybe build some momentum over that because of the higher volumes.

Gunjan Prithyani: Okay, got it. The second question I had was on the exports. So, we are consistently seeing this 500 units a month volume on the export side. Can you talk about it, is this anything to do with the Kubota JV? And overall, how should we see the whole export business scaling up once the incremental capacity comes on stream?

Shenu Agarwal: Yes. So, on exports we have a very strong order book as of now, and the order book has been there for last many, many months now. But because we have not been able to produce to the demand, at least until middle of December, so we have not been able to fulfil all the demand, right? But still, I mean, we have been prioritizing or balancing the priority between domestic and exports, all through the last five, six, seven months. And we have been able to do better on exports than last year. But still our order book is very, very strong. So, as we start producing more, as the supply chain issues start getting sorted, you will see a considerable increase in exports numbers.

Gunjan Prithyani: Sir, anything you want to talk about the order book or once the new capacity comes on stream, how much scale up can happen on the export side? And I just need a clarification, is this under E Kubota brand or these are normal Escorts branded exports that are happening?

Shenu Agarwal: So, so far everything is more or less directly under Escorts. The E Kubota shipments have started, but nothing significant as of yet. But of course, in future, they will be quite significant. But a lot of actions, a lot of efforts are going on, on kind of making those products available and doing some minor engineering changes etc., etc. So, E Kubota so far has not been a factor, but in future it will be a factor. As far as overall export numbers are concerned, we are going to do significantly better than last year. And then next year also we are taking a pretty aggressive number as our goal, because next year some volumes would start creeping in from E Kubota as well.

Gunjan Prithyani: Okay, got it. Just his last one from my side, any clarity on the cash usage or incremental discussion with Kubota, how we are taking forward the whole association?

Bharat Madan: So Gunjan, I think we will get more idea on that by March, because they had actually delayed the overall plan for India discussion because of the COVID situation in Japan. So, they are working on this and they will come back to us by the end of February. And we expect to take it up to our Board to sometime in the month of March then we will also let you know by that time how it's going be used.

Moderator: Thank you. The next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.

Mitul Shah: Sir, congratulations on a very strong performance. Sir, I have a question on inventory level, industry-wide tractor inventory broadly remained in the range of 80,000 to 90,000 pre-COVID level on an average basis. Now, after this festival, inventory fell down to roughly 45,000 and again it is coming back close to like 60,000, 65,000 right now, so still it is 20,000 below the normal level. So, do you see any change in the dynamics of the industry in terms of these as a new normal for inventories, means, lower working capital and lower interest outgo? Similar to other OEMs and other tire companies are indicating, or do you think that people will start pushing more inventories in coming months?

Shenu Agarwal: Yes. Mitul, so, I mean, directionally, it is right that there have been a lot of learnings, especially on the inventory side or the working capital rotation side for all the tractor players and people have been much more cautious about not keeping unnecessarily high inventories. So, a lot of changes had happened, a lot of internal systems, internal outlook has changed on this issue, as you have seen with Escorts as well. However, I mean the situation is different manufacturers, and different manufacturers will have their own kind of policies or outlook on how they want to deal with this issue in future. But more or less, on an aggregate level, I would say that we will see some reduction in inventory levels in terms of number of days going forward. So earlier if the inventory used to be, let us say, at whatever like 35-day level, then I would think that it might come down to like 25 to 30-day level. We don't see a drastic reduction in the number of days, but yes, some reduction in number of days we do see at the industry level.

Mitul Shah: Sir, second question is on the tractor industry growth for coming next year or coming three, four quarters. For current year YTD South has outperformed only, roughly around 46% growth for South and nearly 25.5% for West. So, these two regions where we are slightly weak, has outperformed. So, for next year, do you think it to reverse on this trend will continue and we may see market share pressure on this front?

Shenu Agarwal: Yes. So, see, Mitul, in the long-term, we all know that South and West will grow more than North and East, because of the fundamental reasons of just tractor penetration or tractor horsepower per hectare or other factors. So in the long-term, that is true that South and West is going to grow, and that is why Escorts a few years back had taken kind of a call to double, triple our assets in these markets and try to gain our market share in these markets, which is which is definitely helping us now. Of course, our market share overall in the first nine months have dropped, but that is more of the issue of the gap between supply and demand. I mean, our stocks have been very, very low even in the peak festive periods and therefore we lost a huge amount of sales. However, for next year, I think the gap between South, West versus North, East will subdue a little bit, because not many states are showing very, very good signs of recovery and industry growth, for example, Rajasthan, MP and Gujarat, and even to some extent Bihar and UP. So, I think that gap will reduce for the next year at least. But in the long run, yes, South and West will continue to outgrow North and East.

Mitul Shah: Thanks, sir. My last question on Construction Equipment, right, this level of volume, roughly 1,200, 1,300, we have done 7% plus EBIT margin. So, if we assume this as a more or less quarterly average of around 1,200 to 1,300 units, do you see margins to grow double-digit roughly 10%? And if yes, then what else can be done in terms of either cost saving or pricing power or a product mix? If you can highlight that.

Ajay Mandahr: So basically, we are working in the cost side, we have worked on the cost side, we have worked on the pricing side also, along with products and the fixed cost reduction. That has all been in-house, but this is the kind of inflation that we have seen play on the strong side. So, assuming that this kind of margins are possible, actively that will depend on what kind of inflation that we foresee coming forward. And on the loading side, okay, we will be looking at the loading, we are doing well. I think more or less, we should be comfortable as long as the inflations are under control

Mitul Shah: Sir, but my question is related to the pricing power, how is the industry-wide situation on pricing power front, sir?

Ajay Mandahr: Very difficult to say, because we feel that up till mid-December the inflation impact on the issues was about 6% to 10% if you look at the utilities and other commodity inflation. Even after that there has been inflation on the steel side. So, on the inflation, see, we have an impact of about 6% to 10%, depending on the machines that we are talking about. And this kind of price increase flexibility is not there in the market, because the contractors are not getting increased rates on these machines. So, many of the manufacturers have not even increased price but we have gone ahead and increased the price, passed on the inflation to the market. So, I would caution on the fact that these cost synergies of margin, which was basically combination of 2019, but inflation does play a very big role on this. The customer base is not in a position to absorb all the price increase that is happening in the market.

Moderator: Thank you. The next question is from the line of Amyn Pirani from CLSA. Please go ahead.

Amyn Pirani: Sir, my question was on the supply chain constraint that you talked about, and this has been a problem for other players as well. So, at this stage, are there any specific components which are still causing a problem? And how do you see this situation improving over the next few quarters?

Shenu Agarwal: So, the supply chain situation was bad, I mean, until about middle of December, and it was not as bad but it was very complex, because we would see like something or else going wrong in some part of the country or some particular supplier, and we were just kind of juggling around with a lot of issues. But the situation is much better, so largely like most of the supply issues have been sorted out, I think the constraint now is more or less limited to a few flyers, the one biggest one of that is for the fuel injection pumps, where we are still not able to get the required quantities that we want. But I think more or less everything else is quite on track, right? I am not saying we will not get any surprises in future, but the possibility of that is quite low now.

So, just speaking for Escorts, we have been producing more than 10,000 tractors consistently, right, but you know the demand in the peak season is much more than that for us. And therefore, we went literally out of stock. But now since the demand levels of industry levels have subdued as compared to the peak season, so now we have we are fine as far as the total number of tractors we need. And then we have been able to fill back some stocks also.

Amyn Pirani: Okay, that's helpful. My second question was, I think in the initial remarks you mentioned that I think the non-agricultural usage or sale of tractors has also gone up, unless I am mistaken. So, what are the trends you are seeing there? And do you think that the thrust on investments in the current budget increases the probability of such use going higher in the coming few quarters?

Shenu Agarwal: Definitely, because see, in the COVID times, the demand for non-agri usage was actually very, very low. And most of the demand came from the agri side. But going forward or already we are seeing the demand coming back on the commercial usage side. And going forward, also this demand will be much higher. And we think, at least for the next three or four quarters, this demand will be actually more than what we used to have, commercial side demand because just the pent-up recovery has not happened on this side, the pent-up demand has fully recovered on the agri side, but not on the commercial side yet.

Amyn Pirani: Okay. And can you share some numbers, like on a steady state basis how much is commercial, it's 15%, 20%? And where would it be today if you can share some numbers.

Shenu Agarwal: It widely ranges from state to state, but I think on the country level it should be somewhere between 25% to 35%. But in some other markets like Bihar, Andhra Pradesh, even Madhya Pradesh, this could even be as high as 40% - 45%.

Amyn Pirani: Okay. But right now, we are lower than this number across all the markets, almost all the markets?

Shenu Agarwal: Yes, right now we are very low. For the first nine months we are probably like half of that.

Moderator: Thank you. The next question is from the line of Prateek Poddar from Nippon India. Please go ahead.

Prateek Poddar: Sir two questions. One is, I mean, I didn't ask that, but could you just talk a bit about what were the growth rates in retail demand for the month of December, January for the industry per se? And second is, for the upcoming rabi season how is the farmer sentiment? And what kind of growth at the retail level can we look forward to or you are expecting?

Shenu Agarwal: Yes. So, as I said, there has been some inventory build-up in December and January from all the players more or less. So, the numbers that you see on the retail side would be a little bit less than the numbers you will see on the wholesale side in terms of growth. But it is not like a hugely major factor, because the retail demand is still very, very strong. And as I said, we think it is going to be strong for some time to come at least, because the macro factors are very, very positive. Although, like I said, although the pent-up demand recovery has happened on the Agri side, but the commercial side will present new opportunities going forward. So yes, I mean, I can't give you kind of an exact number for how much was the growth from the retail side, but I don't think it is very far off from what you have seen on the wholesale side.

Prateek Poddar: Got it. And rabi season and expectations for the upcoming rabi season from a farmer sentiment perspective?

Shenu Agarwal: Yes, I mean, rabi season is going to be quite strong, I think as strong as the kharif season the last time, because the sowing has been very, very good and the prices are holding up. And MSPs are also very, very strong. So, I mean, rabi is going to be tremendous, the commercial demand is going to come back in months to come. So, yes, we see a strong outcome, I mean, this quarter we see a very strong outlook.

Prateek Poddar: And sir just lastly, I am not getting into the numbers, but the growth rates in retail would mirror the wholesale growth rates that we have seen in the month of December and January, is it a fair understanding?

Shenu Agarwal: No, it will be slightly less than the wholesale numbers. So for example, like the industry grew 46% in December, roughly, and probably I think 33% to 34% in January, so retail numbers would be slightly less because some of the stock has been built back by almost all the players. But it is still very strong. I mean, it would difficult for me to give you an exact number, but yes, it is still like quite strong. It's not that there is like a big difference between wholesale and retail, although there is some difference.

Moderator: Thank you. The next question is from the line of Vikram from Maybank. Please go ahead.

Vikram Ramalingam: Sir, my first question as on e-tractor. I mean, the immediate first question to that is, we are sure we are going to go ahead with e-tractors in India, right, or that itself needs to be discussed in March?

Shenu Agarwal: Sorry, Vikram, can you repeat that, e-tractor you mean electric tractors?

Vikram Ramalingam: Yes, E Kubota I mean, the E Kubota tractor. You have quoted that we are certainly planning to introduce that in India, right, or that also needs to be discussed?

Shenu Agarwal: No, so Vikram, there is no strategy to have a combination of our brands in India so far, right. So, E Kubota is a brand that is destined for outside India only. In India, we are going to compete with each other with our own brands. So, for example, we have two key brands, Powertrac and Farmtrac and Kubota has Kubota, right. So, all three brands will be present independently in India. But outside India, we have created a brand called E Kubota where Escorts tractors are redesignated with, of course, some engineering changes as well, some changes in styling, etc. And they will be exported through Kubota network. So that is what this Kubota is about.

Vikram Ramalingam: Yes, but the recent news that you have got some certificate from one of the institutes, and you being the only tractor manufacturer who is the first one to get the certificate. I wanted more color on that one.

Shenu Agarwal: Okay. So, now that is a totally separate issue, that has got no relation with Kubota, right? So what we did was, we developed an electric tractor and we were the first in the world probably, to have an electric tractor commercially rolled out about two years ago. We started exporting to Europe first and then to many countries. We have recently started exporting to USA as well. Now, we are planning for a launch in India, but for a launch in India we require Indian certification from Indian authorities. And that is what you have seen in the news recently that we were the first company in India to get an electric tractor certified from the Government of India. So now since it is certified and we are now able to sell, then we are now planning to launch it in India.

Vikram Ramalingam: Okay. By then, any idea?

Shenu Agarwal: Yes, we are still making some plans, it will be soon, it will be within the next three to six months. But we haven't finalized the exact date or the method yet. So, we will come back to you as soon as we have those plans finalized.

Vikram Ramalingam: Alright. Actually, my other questions have been answered, but let me take the opportunity to ask us this. This farm protest that we are seeing has been in and around some of your key markets, and this protest has been on for the past couple of months at least. So, any challenges that has had an effect on retail sales or your sales numbers?

Shenu Agarwal: No, no, not at all. So, no effect of the protest at all on tractor industry. I mean, if you look at Punjab and Haryana tractor industry in January, you will be like surprised by the kind of growth they have achieved.

Moderator: Thank you. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

Shyam Sundar Sriram: On the Construction Equipment side per se, given there is a good momentum in terms of the road construction and other activities that are announced by the government recently. I am just trying to get your perspective on how do you see the industry going forward? And typically, what is the lead time for equipment mobilization ahead of the start of the project? And are there -- are the customers still facing any financing challenges when they buy the Construction Equipment per se? That's the second question. The third, with all these, for FY 2022 for us, can we expect volumes to be around 8,000-odd units between the cranes, backhoe loaders, compactors, all put together? Is that something that is possible?

Ajay Mandahr: See, the potential for Construction Equipment, if we look at the Budget and if we look at the government's plan to recover by creating demand and creating employment, I think infrastructure is the best way forward. And that has been realized by the department also. So a lot of investment during the COVID time also was happening. Now, the demand side we are further strengthening the capital outlays that the ministry had talked about yesterday in the Budget. So I think there would be a continuity of growth in Construction Equipment. The numbers are I am not sure at this point in time can we compounded the numbers. But good forward, the position that is coming from ICEMA and other related bodies, the numbers could be pretty high and maybe next year will be as big as fiscal year 2019. So, that is also possible. And what was your first question? I think I have answered the second and third, I think.

Shyam Sundar Sriram: So I was trying to say, what is the typical lead time equipment mobilization ahead of the start of the project? I mean, how does the Construction Equipment buying purchases with respect to the project start, what is the lead time, just trying to understand that dynamics.

Ajay Mandahr: See, there is no specific time in the Construction Equipment. When the construction is announced for the projects, you have the earthmovers ready, So the construction phase starts from very beginning, once you start on a project, when you get a green signal, and you have the go-ahead clearance. So it's a continuous process receive clearance from different places different places and different times. So we have three segments with us which is earth moving segment, the road construction segment, and the material handling segment. So our equipment is coming to use. So, there is no specific lead time right now to giving you. Plus, there is really a demand that has been created, because a lot of investment in the previous years have gone into infrastructure, so they are new projects which are at different stages of construction.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Sir, despite a strong growth in high HP segment, your realization just grew 2% Y-o-Y in third quarter, it went down 3% quarter-on-quarter. So, can we assume the discounting is increasing in the high HP segment?

Shenu Agarwal: No, please don't assume that. Discounting overall is at very low levels right now in the industry as compared to usual discounting. And I mean, as I said, it is not a good reflection of the market or of market shares, since we were going through a lot of supply chain challenges, so it is more of a reflection of what different players could build or could make. And everything that anybody could make got sold, right. So let us just wait for a better time to make a judgement on the market shares on between segments.

Abhishek Jain: So what was the reason of this 3% quarter-on-quarter down on average realization despite the price increase taken in the mid of November?

Bharat Madan: So I will explain. So obviously, one is the product mix. So as we mentioned, the more than 40 HP segment in Q2 was very strong numbers, so we had almost 63% of our sale coming from higher HP tractors, which has come down to 61% now in Q3, which is also the trend we have indicated will start coming in once the commercial demand starts going up, the move will happen to slightly lower HP tractors compared to what we are seeing in the second quarter. So that is a swing which has happened. And then also, within Farmtrac and Powertrac also there is a swing which has happened more in favor of Powertrac in this quarter. So this has resulted into some adverse mix in this quarter. So it is much better compared to last year where the swing is almost positive on the higher HP side by almost 7% even now. But in Q2, the swing was almost 10% positive compared to last year. So even though compared to last year we are still better in mix, but quarter-on-quarter there is a dip which has happened to the extent of 3%.

Abhishek Jain: Okay, sir. Sir, in third quarter we have seen a significant growth around 60% Y-o-Y in Southern market, and market shares has also improved to the 4.5% to 6.5%. So can you give some color? Is it because of this inventory refilling or network expansion?

Shenu Agarwal: Sorry, can you repeat the question? I didn't understand it very well.

Abhishek Jain: So in Southern market, we have seen a significant growth in third quarter, around 60% growth on the volume front. And the market share has also improved from 4.5% to 6.5%. So just wanted to understand, is it because of this channel receiving or it is because of your network expansion plan?

Shenu Agarwal: Okay, so you are referring to South?

Abhishek Jain: Yes.

Shenu Agarwal: Yes, I mean, we started our journey like three years ago in, South and since then we have been continuously growing. It's like a major whitespace for us, right. So I think it is a result of that, it is not just result of any one thing, but overall our actions in South, which include channel actions, which include product actions, which include various projects that we are doing, which places our band very differently in the Southern market. So it's a combination of all that and. And I think you will continue to see that growth in South because we haven't touched the desired levels yet. We want to go to a double-digit market share, which we haven't so far, but we have done quite well in last three years. So yes, I mean, it's the result of everything.

Moderator: Thank you. The next question is from the line of Raghunandan from Emkay Global. Please go ahead.

Raghunandan N.L.: Congratulations on stellar numbers. Sir, my first question to Shenu sir. FY 2021 industry growth can be as high as 20%. On this high base, how do you see FY 2022 growth outlook for the industry? And what are the incremental growth drivers that you are seeing?

Shenu Agarwal: Thank you for the question. And thank you for your comments. It is slightly early to comment on FY 2022, because we have to see a few things that are not yet on the surface, especially the predictions on the monsoon. Although, I think the first unofficial or official, I don't know, but first some kind of prediction has come from the Australian Weather Office about FY 2022 monsoon, which seems to be normal, but let us just wait for this. But other than monsoon, of course, there are a lot of positive things that are happening in the industry, whether you talk about crop production or crop prices or the government schemes and availability of water, availability of retail finance. So all that is positive. I think the only worrying factor is how the monsoon is going to go. And the other one, of course, is that we are sitting on a very, very high base after having gone through roughly 20% increase this year. So let us just wait and watch the monsoon predictions. And then we should be able to give you a better estimate for next year. But I think, right now we can say that it should be better than this year. How much better? I think we will be able to say something by March or April.

Raghunandan N.L.: Thank you, sir. And all the best on that. My second question was to Bharat sir. Every year company has been generating strong cash flows. What are the thoughts on increasing dividend payouts ahead?

Bharat Madan: Thank you, Raghu. You haven very supportive all this while, so we will take this matter to the Board now. You are always looking at the building of this cash kitty within the company and then company has been generating good free cash and looks like the amount will continue. So definitely I am sure the Board will take liberal view. So how much and what, we don't know. I mean, we will leave it to the Board discretion to decide that.

Raghunandan N.L.: Yes, sir, hoping for that increase. My last question to Dipankar sir, on the Railway side, with the tendering coming back to pre-COVID levels, how do you see the growth prospects going ahead?

And also, Bharat sir referred in the initial comments about margins going back to the normal levels. So on both these factors, if you can elaborate and take us through how we should look at it from a next two, three years, it will be helpful. Thank you.

Dipankar Ghosh: Thank you for the question. I mean, as Bharat, in his opening comments mentioned, we as an industry was going through almost a subdued output because of, I mean, the main passenger segment not running much, except for few, obviously, the freight train was running, but that also was not running properly, except for the essential services. But now what we see starting from December, we see the overall tendering run rate improving a lot and we are pretty hopeful that in this particular quarter, we should be having a significant amount of tender coming out to build our order book for the coming quarters. And we should be back again to our whatever growth percentages we have been growing for the last three, four years. You would have seen our growth, so we should be back again to our growth percentages. And the other good positive driver is that we had a very positive budget for the railways, where people are talking about almost Rs. 30,000 crores, Rs. 40,000 crores in the rolling stock investment. So if that only stock investment does happen, we will see a huge amount of growth for the component industry like us.

Moderator: Thank you. The next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.

Kishan Gupta: So basically, wanted to understand, have you people seen any change in the cyclicality of the tractor industry over the last few years?

Shenu Agarwal: You mean cyclicity of the tractor industry in the last few years?

Kishan Gupta: Yes.

Shenu Agarwal: Not really, I mean, if just analyze that last several years, like 20 years or so, you will still find some trends on cyclicity, right, which have not changed drastically. Of course, there is some change from cycle to cycle, so that will always be there. But nothing of major significance.

Kishan Gupta: So, considering that the cyclicality of the industry has not changed, how much is that going up, specifically the tractor business scale?

Shenu Agarwal: That's kind of a wide subject and very debatable. But I think some of the experts have said that tractor industry could saturate probably at the level of 1.2 million to 1.5 million units a year. I mean, we are quite far away from that. So we shouldn't be worrying about that too much right now. Yes, but I think we are far from saturation, because, I mean, if you look at just tractor penetration per household, or just per acre, or you look at power available in the farm per acre, I mean, we are nowhere near the world's best or even the world's average. So the upside is quiet, quite large.

Kishan Gupta: Okay. And is there any sort of integration between your different business units like Agri, Construction and Railways?

Bharat Madan: So there is some synergies in the backend operations, so like we have a common team now for the backend for Agri and Construction Equipment business, but both have their different fronted structures, and Railways is totally different business. So, to some extent, between Agri and Construction, yes, you should look at the larger global players, most of them have both the businesses together because of the common backend which operate, but front ends are different for both the businesses.

Kishan Gupta: And what about raw material procurement, is there some commonality?

Bharat Madan: Not much. So, except this, we some common supplies going from the tractor business to construction, like transmission or some of the engines which we supply to them. So, that's why on the backend side there is some integration, but the other component what they buy are different from what they use in the tractor industry.

Moderator: Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: Sir, just one question. You indicated you did 5% cost increase over Q3 and Q4, so that reflects what, 15% increase in your commodity basket?

Bharat Madan: Sorry, come again.

Chirag Shah: Sir, the 5% increase that you referred to, cost increase that you need to pass on, both effectively mean a 15% increase in your commodity basket?

Bharat Madan: No, not 15% increase, so it is a 4% to 5% on the sales line, and commodity will be almost two-thirds of that. So effectively on commodity prices it will be about 6% to 7% increase.

Chirag Shah: Okay. But in ROE, everything is not commodity, correct? There is a lot of value add, so pure commodity, how much that would be as a part of….

Bharat Madan: Other products if you look at, for our products major part is commodities only, it is basically steel, it is casting, forging, sheet metal and lever. So these are sort of four basic components which essentially is part of commodity, 90% is commodity here.

Chirag Shah: And sir, your comment on the industry growth for F 2022, two questions. One, the trend between different HP, so is it also a North South or a regional mix issue that the HP mix is very different? Point one. And second, assuming monsoon outlook is normal, as of date can we expect a double-digit growth in F 2022?

Shenu Agarwal: Okay. On the HP side, I mean, it has been a trend for last many, many years that the higher HP tractors are going faster than the smaller HP. So the very, very low HP, which is like some bit of a specialty tractor segment, and that trend is going to continue. The reason that we saw an extraordinary increase in 40 HP and above HP segments this year as compared to the normal trend was that the commercial demand was very subdued while the agri demand was quite high. And agri, normally the farmers are switching to higher HP, the commercial demand is still, most of it, I mean, I am not saying there is nothing in higher HP, but most of the commercial demand by volume is more towards smaller HP or the lower HP. And that is why we see an extraordinary rise in the higher HP share. Going forward, as the commercial demand comes back, the higher HP share will reduce from the current levels, but it will still stay higher than the previous years. So that is my response on the HP shares.

On FY 2022, as I said, let us just wait until March or April, and then we will be able to give a better estimate on what we think FY 2022 would be. Right now it seems that it would be better than FY 2021, as I said, but how much, we will have to wait and watch.

Chirag Shah: Sir, one last question if I can squeeze in. In a normalized year, generally tractor retail sales happen largely in four months, right, the four months would account for like 60% of retail sales. That trend would have changed currently given the way the pent-up demand has come. So next year, the retail should be a normalized pattern, is the understanding correct?

Shenu Agarwal: Yes, that is right. So next year, the retail sales would fall in the normal pattern. So this year was an extraordinary event because of the pandemic. And therefore, we saw very high sales in July, August, September, etc., also, which is normally a weak season. So yes, you are right, next year it should normalize to previous year's levels, the distribution of sales in various months, I mean.

Moderator: Thank you. The next question is from the line of Nishit Jalan from Axis Capital. Please go ahead.

Nishit Jalan: Most of my questions have been answered, just two small questions. Firstly, on capacity side, can you share your plan and timeline in terms of capacity ramp up over the next one year? And secondly, can you talk a little bit about your medium-term plans on the export side, especially once you start integration with Kubota and that kind of wraps up? So not looking at the near-term numbers, but at least from a three-year perspective, how should we look at exports in terms of volumes? Thank you.

Shenu Agarwal: Yes. So, on the capacity side, we are pumping in investments within our existing premises, most of these investments are on the machining side as well as on the supplier side, because on assembly side we have no constraint in making more tractors. And we are hoping that by the middle of next year, we will be able to get to somewhere around 12,000 to 13,000 tractors a month of capacity. Now, I am not talking about theoretical capacity, we are talking about actual production that we can churn off. And going further, we are also ready with the next level plan which we will put in action as we see how the industry behaves and how our volumes behave.

But we are ready with that blueprint as well within the same premises. So that is on capacity side. And your other question was?

Nishit Jalan: Medium term export plan.

Shenu Agarwal: Right. Yes, so export, as you know, we have very aggressive plans. We have invested a lot of money in last three or four years, both the product side and on the market side. So product side we have churned out all kinds of products in different HP ranges, up to about 110 HP. On the market side also we are putting a major effort on market development. We are already into like some prestigious markets like Europe now and very successfully exporting there for last two or three years now. The plans are very ambitious, we want to at least triple or quadruple our current levels of exports in the next seven to eight years, and the association with Kubota will help us significantly in achieving that kind of a goal.

Nishit Jalan: Sir, if I can squeeze in just one other question, just wanted to understand, farm implement as an industry is still very, very small in India, have you started to see any pickup on that? If you can share what are your revenues or industry revenues in that segment? How have they done this year versus last year?

Shenu Agarwal: Yes. So, you are right, farm equipment other than tractors, like implements and attachments, there is a great future in India because there is a huge upside available. If you look at any world market outside India, especially in the Western countries, you will see that implement attachments industry revenues are very, very high as compared to what they are in India, or even if you look in terms of the ratios of the tractor top-line revenues at industry level. So, India has a lot of potential. Now, we know that this sector was totally left to the unorganized sector until about three or four years ago, and now every organized player in the farm equipment sector is trying to set up business around the farm implements and attachments. And so is Escorts, so we started about two years ago and we have already started distributing small bouquet of products through our existing channel. And we are going to spend or invest more and more into this side of the business, which is farm implements and attachments. The upside is really, really large, but let us just wait and see how this develops over the next few years, before kind of putting a number as to what kind of business India could have on farm implements, the opportunity is tremendous.

Nishit Jalan: Sir, just one follow-up on this, what according to you needs to fall in place or what are the key leading indicators you are watching out for to see before we start seeing a meaningful realization of this opportunity? So opportunity has always been there, but so far, in India, because of fragmented land holdings or whatever reason, we have not seen this translating into real opportunity. So what needs to change per se, that we start seeing this in terms of numbers?

Shenu Agarwal: So there are three steps. The first one always starts with the customer. So I think the Indian farmer is realizing more and more, as the farmer is getting more educated and aware, and is focusing more on kind of commercial aspect of farming, that a good tool behind the tractor would actually help the farmer raise the productivity level. It's not the tractor, tractor is just a prime mover, of course, a tractor plays a very, very important role. But it is ultimately the tool behind the tractor which actually helps in the right kind of farming practice, right. So, that awareness is very, very high right now. Now, if you look at the penetration of various new implements and attachments in the country in last five years, I mean, it is probably like 30, 40, 50 times more than what we had seen in the previous five years, right. So, awareness is now there, the pull is now there.

The second thing is the technology, right? So, we have to have the right technology for India, and it is not just a question of getting the technology from overseas countries, but it is also the question of getting the technology right for India, for the reasons that you just mentioned, because of landholding sizes, etc. So, that is I think where the industry is taking some deep steps right now. A lot of product development is in the offering as we speak by many companies.

And the third step is, of course, to scale it up, to find the right business model to scale up. Because as you have rightly said, everything and anything cannot be sold in India the way it is sold in the western countries. Because, for example, if you want to sell a very sophisticated harvester, the price of that harvester could be anywhere in the range of Rs. 20 lakhs to Rs. 40 lakhs, or even in some cases, in some crops it can go up to like Rs. 1 crore as well, right. So, on both the manufacturing side as well as on the market business model side, there will have to be some new solutions that have to appear. And that journey is also on now, so there are different models being tested, being experimented in the country right now. So, I think it will all come together, because the opportunity is there and the will is there now, and awareness in the customer is there. So, I think it will all come together in the next three, four years. And we will see a major uptake after that in this sector.

Moderator: Thank you. The next question is from the line of Jeetendra Khatri from Quantum Advisors. Please go ahead.

Jeetendra Khatri: Sir, I just have two questions related to implements. Sir, what percentage of your revenues would be coming in from implements like rotavator, harvester, etc.? And what would be the margins there?

Shenu Agarwal: Okay. So, it is very, very insignificant right now, as it is for most of the companies. As I explained that we have just started on this side of the business, so right now it is extremely uncertain or insignificant. But in future, yes, we have good plans to increase this side of the business. And margins also, I mean, we shouldn't worry about right now because it is kind of right now a mix of trading versus manufacturing type of setup. But in future, I think this business has the potential to have at least 15% margin.

Jeetendra Khatri: Okay, so structurally it is margin accretive, right?

Shenu Agarwal: Yes, structurally it is, but it will take a few years to reach to those levels as we mature both the technology and also the manufacturing setups.

Jeetendra Khatri: Okay. And sir, second is, what would be the product life cycle in a typical saturated market like Northwest? And new market like Bihar or UP or central India, which are more of budding markets, what would be the life cycle like?

Shenu Agarwal: You mean life cycle of the farm?

Jeetendra Khatri: Average usage, like, for how much time the first buyer will be using it, and then he would be passing it on, and so on and so forth.

Shenu Agarwal: Yes, I will give you some guestimates around that. So, there are two typical trends that we are seeing, one is that life cycle is getting reduced as the tractors are being used for more and more number of hours, right? So now you can see proliferation of tracker usage quite a bit. So when we were like kids, we wouldn't see any tractor on the roads or on the construction site, now you will see many enterprising farmers in India, who would not just do their own job, they would also kind of rent the tractors to others to do their jobs and also sometimes take it out to the construction sites and roadsides, etc., and make income out of the tractor. So, as that proliferation is increasing, the number of hours being put on the tractors are getting higher and higher. And therefore, the life cycle is getting lower. Also, the return on investment in a tractor is getting better because of the higher usage. So, the trend that we are seeing is, in some markets where the average replacement cycle used to be eight to 10 years or even more, has even come down to three to four years in some cases. But it depends on various factors, so it varies from market-to-market quite a lot.

Moderator: Thank you. The next question is from the line of Kishore, an individual investor. Please go ahead.

Kishore: I just want to know what is the R&D spend from the overall revenue, what does the percentage of R&D spend?

Bharat Madan: Kishore, so generally it remains in the range of 2% to 2.5% for us, this includes revenue as well as spend in R&D by the company.

Kishore: Another thing, in your R&D, like any aggressive plans on R&D, because we could see like intense competition in the market. And like you said also your products are also being released by the competitors and all.

Bharat Madan: So, I think as mentioned by Shenu also, I think we have increased spends on the R&D in the last four or five years. If you look at the last five, six years, the kind of money which got spent on the product development side, especially in the R&D side has been huge, almost Rs. 400 crores to Rs. 500 crores now. So I think it's an investment which will start paying back now going forward. But from our perspective, we continue to give a lot of focus to the R&D side, and we are also working a lot really on the innovation side to the R&D. So it's not just the current business what we are really looking at, but also what future can hold for this industry. So I am sure, I think we are willing to put in the money as is required to be put in there. So there is no restriction as such on that. But so far, I gave you the range, which is what we are spending so far in this range. And especially looking at the Indian context, the quantum looks quite good as of now.

Moderator: Thank you. That next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.

Mitul Shah: Sir, I have a question on Railway segment side. What do you see for next two, three years point of view? Do you think that 15%, 20% CAGR would continue or it can be even higher?

Dipankar Ghosh: Thank you, Mitul, for the question. We are confident that we will continue with our CAGR what we have been maintaining in the next two, three years or beyond that, as the overall industry opens up. And the amount of budget allocation, which is happening to railways, and also particularly to the rolling stock sector, we are pretty confident that we should be doing better, if not much better than what we have been doing for the last four, five years.

Mitul Shah: Sir, going forward, the contribution from new products would continue to increase, right, directionally? And these are relatively slightly lower margin products. So do you think margin territory which was around 20% EBIT would come down now and settle around 15%, 16%?

Dipankar Ghosh: Actually, the new product initially when we introduced, that was with a lot of import content. We have developed our own localized products; we are just going through the approval process. So another six months or so, once the approval is obtained from railways, then we will be back again to those EBIT numbers what you are talking about. We don't see a decline of the EBIT numbers going forward, rather, it should be same if not better, at least from an 18%, 19% or better.

Mitul Shah: Thanks, sir. And last question on the CAPEX for next year, FY 2022. What is your thought process on such a high cash? We are now building any aggressive dividend policy or anything on that front?

Bharat Madan: So Mitul, dividend policy is already there available on our website, so right now I think we are within that. So it only defines the maximum cap what we can distribute in terms of dividend. But on the CAPEX plan, the company is in the process of doing the budgeting exercise right now, and the numbers had to go over the board sometimes, maybe towards end of this month or beginning of next month. But that indication is, I think the kind of spread which we were playing earlier, will continue somewhere in the range of Rs. 200 crores to Rs. 300 crores sort of cash. But this year, due to the COVID situation, the spend level has been lower than really what we planned, which is about Rs. 250 crores so actually may not be to that extent and some of it may get spilled over to next year. So let's see, I think this is one of the topics which is being raised by lot of analyst investors and going to be, again, discussed by our board. So I am sure they will take cognizant of this fact and also looking at the free cash that the company will be generating year-on-year.

Mitul Shah: Sir, Kubota plant is already operational now and ramp up would also happen by this quarter also, so next year there won't be any major investment in that JV or still it will continue?

Bharat Madan: You are right. So this year, I think there is a lot of unlocking which happened on the working capital side, which led to very healthy cash flows this time. So that may not be the case going forward too, this is the first time we have seen the company has gone back to the negative working position in the last two quarters. But I think as the pent-up demand goes down and you go back to the normalcy, maybe things may not remain as rosy as it is today. So I think you will have to keep the situation on the watch. But having said that, still I think the companies the ability to generate free cash and meet all this requirement definitely is there. So definitely there will be good liquidity which will be a level for distribution.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management, Mr. Madan, for closing comments.

Bharat Madan: Thank you, ladies, and gentlemen, for being present on this call. For any feedback and/or queries, please feel free to write into us at investorrelation@escorts.co.in. Thank you very much and have a good evening. And stay safe and healthy.

Moderator: Thank you. On behalf of Spark Capital Advisors India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.