"Welspun India Limited Q1 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Welspun India Q1 FY2021 Earnings Conference Call hosted by Systematix Institutional Equities. 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 would now like to hand the conference over to Mr. Ankit Gor from Systematix Institutional Equities. Thank you and over to you Sir!

Ankit Gor: Thank you Janice. Good evening everyone. On behalf of Systematix, we welcome one and all with Q1 FY2021 Earnings Call of Welspun India. From the management side we have Mr. Rajesh Mandawewala, Managing Director, Ms. Dipali Goenka, CEO and Joint Managing Director, Mr. Akhil Jindal, Group CFO and Head Strategy and Mr. Sanjeev Sancheti in a President Finance and CFO. Now I would like to hand over the call to Ms. Dipali Goenka. Thank you and over to you Madam!

Dipali Goenka: A very warm welcome to all of you to our Q1 FY2021 investor call. I hope that you, your family and colleagues are well and safe and are taking the necessary precautions. I will cover the key business update for the period and continued focus on optimum capital allocation. Mr. Sanjeev will take you through the key financial highlights for the quarter.

As we updated you are in the last earning call in June 2020, our plant for shut from last week of March, the first half of April due to government imposed lockdown on account of COVID; however, we could quickly restart operation with all the safety protocols in place. This was possible on account of vertically integrated facilities where we have based an entire ecosystem. On pricing of vertically integrated plants covering, weaving processing and cut and through cotton warehouse, vendor, ancillary parks, workers colony skill development center etc, proximity to ports has helped us to resume operations and get connected to the global supply chain, although we saw low utilization of capacities in April, it improved in May and further picked up in June. I am happy to share that at present our plants are running to close full capacity.

Many countries in Europe and USA have started easing down on the restrictions, with majority of the stores back in operations. All the global big box retailers, selling essentials were operational during the last quarter and have been continued upsurge. Hence we have seen steady demand from these retailers, which have now come almost to pre-COVID level.

Departmental stores were largely closed in March and April but most of them have also resumed operations.

As we speak today big box retailers with massive footprint have become a destination for all kind of shoppers including those would have not been visiting such stores. Since our sales are skewed towards the retailers selling essentials, we are witnessing a sharp jump in enquiries and increased sales every passing month. So to say June 2020 month sales has come close to the level of June 2019 sales. Order book looks strong for Q2 FY2021 and projections for rest of the year look robust. Our newly launched Martha Stewart brand licensed products has seen great success in the US market both online and offline despite COVID challenges.

As stated during our last call we have forayed into health and hygiene, vertical in shortest possible time. With focus on health and hygiene related products such as masks, coveralls, medical gowns, disposable bed linen, towel, disinfectant wipes, etc., for a frontline workers and consumers. This was possible by leveraging our vertically integrated woven and non-woven capabilities. We also have a complete keen to setup for manufacturing these products and fully except BI accredited lab. We have launched reusable cloth mask with anti-microbial range and patented Nanocore mask with water repellent finish. We amongst very few players to have BI certification for three ply surgical mask. We are also making coveralls and medical gowns, both disposable breathable and non-breathable variants. We are the first company in India to be BI certified for the coverall product. We will very soon be launching our anti-viral range and exclusive partnership with Healthcard Australia. Our products are under certification for CE and the US FDA Class 1 listing is already done for supplying to global markets. Opening up of exports will offer a promising opportunity, given that we have strong relationship with all the major global retailers and hospitality partners who are seeing high demand for these products.

We see huge potential in the advanced textile business most of our customers wish to establish a secure supply chain with us. We have seen a big uptick in demand from downstream product like wet wipes for which we play the role of private label manufacturing partner with addressing market size at $15 to $20 bn. Our current capacities are already fully utilized. Further, due to the changing consumer behavior towards health and hygiene there is a demand for PPE product as well as disposable solutions. Hence the board has approved today an investment of Rs.495 Crores for advanced textile vertical to be spread over two years. It is a planned capex for augmenting our hygiene PPE products, non-woven and bleached cotton capabilities. The proposed investments meet the hurdle rate threshold 18% to 20% IRR.

While the investments in augmentation of Spunlace and wet wipes capacity will be Rs.345 Crores. We are also simultaneously building up cotton bleaching capacity at Rs.150 Crores seeing an increased demand from fem care and baby care segment globally. This is a twin-pronged strategy then we will exploit the domestic as well as global demand for cotton based non-woven fabric. Our products have met stringent criteria of large MNC players and we are in discussions with us for long term offtake.

These investments will give us revenue of around Rs.500 Crores in the third year of operations at 75% capacity with operating margin better than core business margins.

The above capacity enhancement thus helps us to stride the disposable solution range that a mask market to the niche across personal health and hygiene, baby care, personal care, feminine care and adults care segment.

The head winds caused by the spread of the pandemic has forced businesses across geographies to focus on E-commerce. Growth and penetration of e-commerce has accelerated and we continue our enhanced focus on e-commerce businesses both globally and the domestic markets. We are ramping up our e-commerce presence with our own brand Christy and spaces as well as omni-channel and market place. During the quarter, our domestic e-commerce business grew by 29% year-on-year with just 45 days of activity while our global e-commerce business grew by 100%+ year-on-year. Spaces has also become one of the top online brands and Myntra in home category. During the quarter, our own website spaces.com doubled its sales year-on-year and christy.com witnessed record breaking sales. In FY2021 we are targeting 100% growth in our domestic e-commerce business and around 150% growth in our international business from e-commerce. Our own brand like Spaces, Welspun, Christy and licensed brand Martha Stewart along with the innovation capabilities will act as key growth catalysts for this channel.

Domestic business has revived from June 2020 as most states are easing down restrictions and trade activity has started to pickup. While Domestic retail business clocked Rs.250 Crores in revenue in FY2020, the revenue in the current quarter has been sluggish due to the lockdown impact. However, we plan to mitigate the shortfall through a new vertical health and hygiene. Spaces continues to be consistently the No. 1 brand in SIS format in bed and bath categories and 2nd most popular brand in Premium Category. The distribution network for this Spaces brand has increased significantly and products are currently available in 350 towns and 2005 outlets. We continue to see a grand opportunity in Welspun as a mass brand, it is the second most popular brand in mass market category and it is currently present in 46 cities, 3014 outlets and 52 distributors.

The company continues to invest significantly in building its brands and the current profit of the company is after investment in building brands and channels of distribution. The company had spent around Rs. 100 crores in the last financial year towards its brand building efforts.

Significant travel cuts across the globe with restrictions hit the Hospitality segment. It may take a little while before we start seeing traction. As most countries have now lifted enforced hotel closure, we are seeing demand picking up.

In case of flooring solutions, the export business is looking promising. The total size of addressable export market is more than 20 billion, currently 80% of hard flooring market which is equivalent to $3 billion, a service by China and customers are looking a derisking dependence on Chinese vendors. In case of hard flooring, we are seeing faster product and facility approvals by large US based importers. We had entered into a long-term strategic arrangement with one of the largest US distributor for hard flooring. This has enabled us to secure 50% of our current capacity of hard flooring. As external situation keeps improving, we expect every passing quarter to be better than the previous one. In FY2021, we expect at least 50% of the flooring revenue to come from exports business. As we see better visibility in the business in the calibrated way we entrust rest of the balance capex.

In flooring solutions, we would be the only brand in the market, offering safety & convenience of one day installation (COVID safe installation) to the consumers. Considering the present scenario this would be the key consumer considerations from health and hygiene perspective. In addition for the commercial flooring we are also the only brand in the markets offering made in India product this is comparatively better service and lower lead time due to our nationwide preference. We have around 475 outlets including 100 plazas pan India. In the back half of the year, we will increase the network to around 900 such points.

On capital allocation:

We would also like to discuss our capital allocation strategy. It has been our endeavor to allocate capital efficiently in order to enhance stakeholder value. Hence over the last few years our net debt has reduced, even though we have added capacities in various businesses, including our investment in the flooring business.

Our total net debt reduced to Rs. 2,653 crore in June 2020 as against Rs. 2,962 crore in March 2020, a reduction of Rs. 309 crore, while Net Debt of our textile business reduced by Rs. 348 crore to Rs. 1,976 crore.

Our strategy on capital allocation is to:

a) Calibrate our capex based on the cash flow available; and keep it around the total depreciation charge

b) Maintain a steady dividend distribution of at least 25% of standalone profit

c) Continue to invest in our brands across geographies and channels and

d) Continue focus on reduction of Net Debt; we have already reduced net debt in our core business by Rs 1,000 crore over the last 2 years and would continue to allocate cash flows towards net debt reduction

Today any capital we are allocating, is after a comprehensive discussion and exercise which is supervised by the board. Any capital invested is with view to grow with a significantly higher margin than the current average margins.

I would like to re-emphasize that we have been able to withstand all the past and present challenges because of the investments we have done in innovation, digitization, brands, talent and sustainability, which may not be visible directly in the top line in the short run, but will help create a sustainable organization with stable growth and strong margins.

I would like to announce a few leadership appointments recently in various parts of the businesses.

We have strengthened our leadership team at flooring to deliver on growing business aspirations. Mahesh Shah will now be leading the Indian business. He will be responsible for designing and implementing growth strategy in line with domestic business vision. Mahesh is known to have turned around loss making company by redefining strategy and has in past built a great retail franchise.

Nemisha Ghia has joined us as Head of Domestic Retail Business. She has worked with reputed companies across e-commerce, FMCG and telecom industry. Her immense experience in sales and distribution and e-commerce will enable us to drive further growth.

Rajendra Mehta has joined us as CHRO of WIL. He brings comprehensive years of 25 years of developing and executing strategic human resources across diverse industries.

As you would all know our Altaf Jiwani has taken over major responsibility within the group from July 2, 2020, Sanjeev Sancheti has taken over as a CFO of WIL from July 2, 2020. He is a senior professional with over 27 years of experience across diverse functions including corporate finance, M&A and alternative strategies.

We wish all of them a long and successful association with Welspun. Now I would like to hand over the call to Sanjeev to provide all the updates on Q1 financial numbers. Thank you.

Sanjeev Sancheti: Thank you, Dipali Good evening ladies and gentlemen. Many thanks for joining Q1 Welspun India concall. I will give a brief overview of the financial numbers for the quarter before we open for Q&A.

As mentioned by Dipali, our plants were shut from last week of March to first half of April, due to government imposed lockdown on account of COVID. Due to this we saw lower utilization of our capacities in April, but it improved in May and further picked up in June. This impacted the Revenue and EBIDTA of the current quarter, which are down by 30% and 36% respectively from the corresponding quarter of the previous year. However at present our plants are running close to full capacities. We are extremely happy to share that in spite of one of the most difficult times in the history of the company due to lockdown we have been able to achieve an EBITDA of Rs. 238 crores and Operating Margin of 19.6% % in the current quarter.

Our total income during the quarter stood at Rs.1216 Crores versus Rs.1736 Crores in Q1 FY2020 while the volume fell by about 37% during lockdown the average realization increased by about 10% aided by better mix and stronger US dollar.

Home Textile revenue stood at Rs.1185 Crores versus Rs.1718 Crores and Flooring Revenue stood at Rs. 25 crores vs Rs 10 crores in Q1FY20

Emerging businesses which including flooring, retail and advanced textiles contributed about 10% to the topline

Despite macroeconomic challenges we have reported EBITDA margin of 19.6% in this quarter versus 21.4% in the previous quarter of the same year. In a floor business EBITDA margins stood at 22.1% steady Y-o-Y.

Profit after tax stood at Rs.49 Crores versus Rs.150 Crores in Q1 FY2020. TTM EPS stood at 4.05 versus 2.32 in the same period last year.

We would like to re-emphasize that we are fully integrated and hence are in a much better position to manage supply chain related risk which has been acknowledged by all stakeholders. This has enabled us to very quickly restart in term close to pre COVID levels in June 2020. We have used this opportunity to look deep in to our costs and have been able to rationalize cost and improve efficiency across functions and supply chains which will help us significantly going forward.

The borrowing level has come down substantially led by this excluding flooring debt is down by Rs.348 Crores while overall net debt for the company is down Rs.309 Crores and stood at Rs.2653 Crores.

While we calibrate our capex based on cash flow and return threshold we estimate our capex for the current financial year to be around the year depreciation of around Rs.500 Crores.

On the forex front, we have been continuously following the board proof policy to sell 50%, 60% of our receivables on boarding sell one basis. The impact of the current spot will reflect in our revenue with the lag effect that is from the end of this financial year. We continue to hedge 50% of our future receivables currently.

Average exchange realization for this quarter was 72.7% versus 71% in the corresponding quarter last year.

Over the next three to four years, India has great opportunity to capitalize on the present anti-China sentiments across the globe. Large global businesses are expected to recalibrate their supply chain strategy and this may bring in great opportunities for companies like Welspun to have deep relationship with some of the largest retailers in the world.

In the midst of the pandemic surroundings around that uncertainties it may not be prudent to give guidance for FY2021 while we are well equipped to navigate through these challenging times and continue to pursuit our long term goal of sustainable growth and deleveraging our balance sheet, we would like to assess each quarter as the progress till the time the global normalcy returns.

With this I will leave the floor open for Q&A. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Bhavin Shah from ENAM Holdings. Please go ahead.

Bhavin Shah: Congratulation on excellent set of numbers all across in the difficult times and press release also mentioned the strong outlook so it is good to see that the company returning to normal very fast. Just a few questions on since there are many things in the press release so first thing I think you mentioned the advance textile capex of Rs.495 Crores over two years and revenue potential of close to Rs.500 Crores in year three. I think we are already growing this advanced textile business by close to 30% so should we assume this as incremental of Rs.500 Crores over and above the normal growth rate?

Rajesh Mandawewala: Bhavin, our current capacities is by and large in most of the products that we do are now getting utilized close to full. So this year the growth will come from the existing capacities but from next year onwards we are able to rely on the expanded capacity for which the capex is currently planned and executed and the capex is going to get executed over a two year period and should be good to deliver this Rs.500 Crores of topline and at 75% so if the utilization is more than 75% the topline is likely to be better than that as well so that is the way we are currently planned.

Bhavin Shah: Okay if I summarizes this current Rs.300 Crores business can grow at best to Rs.450 odd you need capex so including this capex in third, fourth year we reach Rs.1000 Crores odd right?

Rajesh Mandawewala: That will be our endeavor, Bhavin.

Bhavin Shah: On the health and hygiene segment which is the new segment and you mentioned few things on it so is this see just a domestic potential or are you looking at both domestic and export market and in that segment how much capex that you are putting and what kind of revenue numbers you are looking at or what kind of market opportunity and what Welspun is targeting because this is very large segment and I am sure you would be focusing on few segments only so what is our target you are saying this is the new thing which has just come up, you had some products but which were very small but now this opportunity is growing so you can give some guidance there what numbers or what kind of business potential we are looking over next three years?

Rajesh Mandawewala: I will take this question as well. Bhavin we have the base ready for let us say this foray into the health and hygiene because as Dipali mentioned we are vertically integrated both across woven and non-woven fabric supply base and also that said this in terms of finishes that need to get this supplied particularly on the health side of the business so right now we have set up for about five or six products which is coveralls, medical gowns, surgical masks, N95 masks, and also our existing products which let us say just we are adding this anti-microbial, anti-viral features to our product portfolio so there is not significant capex that is going behind it is about let us say this pivoting this and little bit of our existing capacities into this developing products for the health and hygiene segment. Now to your question on whether this is a domestic play or an international play it is both so this let us say this clearly set up in both the markets for domestic whereas as Dipali mentioned so we already have a distinct network and over and above that we are engaging with several this potential partners for a strategic lines but I think we are very well positioned for the global markets as well and we need to get ourselves up so we are currently certification you cannot exports these products without certifications both within the European and American markets so we are undergoing that process but we believe that is a huge amount of potential on the international side as well. Now it is too early for us to quantify the opportunity so we will walk before we run as I said we have not put in too much of capital expenditure into creating this facility and there is nothing in terms of large capex that we are incurring which cannot be put to alternate use we have been in the health and hygiene space, we have been making wet wipes and disinfectant wipes and all those things so there is significant capex as I said that is getting incurred and this we will have to walk and test both the domestic and international markets as we open up for us but the early signs are good, over the next few months we might be in a better position to quantify so right now this very early days but the signs are encouraging.

Bhavin Shah: Yes and just my last question on the flooring part of the business then I enter the queue. So flooring good to hear a strategic tie up with the US player for 50% of hard flooring capacity so any guidance here since we already reduced the EBITDA loss of flooring from Rs.60 to Rs.27 odd Crores so since the press release mentioned 50% of the capacity is booked I assume that close to Rs.200 Crores to Rs.250 Crores business potential and if yes then how does that ramps up because I believe hard flooring and soft flooring was 50%-50% of the capacity and if 50% of your hard flooring is book sot that number would be close to $30,$40 million worth of business so when does that start and how does that ramp up and what is the breakeven point there.

Rajesh Mandawewala: Good so look as you are all aware this is a startup and I will with counter asking you a question if you can, you know there is a pandemic situation, so anything that we say this has to be in light of let us say system, samples and if all things are normal the numbers that you mentioned are let us say achievable, but we are in a pandemic situation and as things clear out, we will be in a better position to turn the table and let us say the guide in the numbers, but for the current year we will need to be cautious, but the signs are good, we feel much better about the business on the international side and the domestic business will take a little more time to take off that international side of the business is looking promising and on the domestic side also, see in a current situation like this, we will get in and install floors into the homes of the people and we are capable of getting out in a day or two, so very clearly nobody would want this people hanging around the house for 15, 20, 30 days to change your floor and so on and so forth. So, this I think clears out as the pandemic situations clears out, we believe that this has conviction our value proposition both in the domestic market as well as this rebalancing of the supply chain in the international markets will actually play in our favor.

Bhavin Shah: Thanks Rajesh. Best of luck to the entire team.

Moderator: Thank you. We take the next question from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: Thank you so much. Good evening to the entire management. Sir, my first question, just to understand how the quarter went because I understand April was something that you would have completely seen the impact of lockdown hardly revenues would have been recognized. So, looking at the revenues you have done for the quarter, is it that we were at close to 100% utilization in both May and June?

Dipali Goenka: I will take this question. April, we actually started commencing when the government opened up the lockdown for manufacturing post April 21, 2020. So, April actually was absolutely practically 10% of our capacity and May and June, we started seeing kind of around 70% to 80% of our capacities working. The advantage that we have and I will reinstate again is that a complete ancillary parks, workers colonies around on a complete vertically integrated operations, but that helped us and for us with the pandemic I think I am also sure that the health of our people was prime so taking care of them in the terms of giving them whatever that needed to be done for immunity to get everything done, so that they could be safe and secure and they could feel safe and secure has been the whole objective. So, May and June for the capacity working at 75% to 80% and now as we see the second quarter coming in we have now started taking up to 85% to 90%.

Nihal Jham: Dipali would it be wise to say that as you mentioned I think people look back the future calls are most of the Q1 order has been probably does not by the Big Box retailer selling essentials and department stores are more or less absent for the entire process?

Dipali Goenka: It is primarily the Big Box retailers and we started with USA, but then Europe and UK also opened up, and generally the trend has been towards the groceries and those kinds of retail outlets that have seen the complete impetus of demand, but as the department stores and Discount stores also opening up in America, people have started again stocking up for the inventories I think as for the last quarter.

Nihal Jham: That is helpful. Last thing on this is that do the domestic sales or the branded business excluding Hygro has any significant contribution this quarter or they contracted in revenues?

Dipali Goenka: You know that the pandemic in India and the major lockdown happened in this quarter. And India started opening up in fact very recently and so there has been a very minor contribution to retail around obviously 2% to 3% into what we are seeing, but I think we see the upsurge coming in the next quarter because that is the time India is opening up, festivals are coming up, so I think the momentum looks positive.

Nihal Jham: That is helpful. My second question was on flooring. In Q4 you mentioned that the board was looking at reassessing the flooring business about as market showing the potential. I just wanted to check, has there been any incremental update since then about that you can share on that.

Rajesh Mandawewala: Of course we also mentioned in that board meeting that there will be a committee of independent directors appointed to look into various possibilities, which we have done, so they are working on it and this we also mentioned this to be August before they come up with the recommendations. So that work is happening and the upcoming the next Board meeting we might have something as the recommendations from the independent directors.

Nihal Jham: That is helpful. So, last question from my side. Rajesh, if I have to look at the current advance textile topline I think it will be around 300 Crores, if I am right. I just wanted to understand what is the category that the current revenues are targeted at?

Rajesh Mandawewala: It is all health and hygiene, so the products by and large you can say about 90% of the revenues come from the health and hygiene, come from raw materials, come from finished products, by and large directed to health and hygiene, baby care, and Fem care, which has been the heart of our business. There is another part of our business, which is filtration and related products, so those let us say there is potential for us to grow in terms of utilizations that the health and hygiene business is throttling pretty well right now and the revenues are around 300 Crores mark that you mentioned.

Nihal Jham: As you mentioned that we could potentially with a capacity working like next year considering the rate at which it is growing so would there be a need to possibly expand that line of the business or that of course you need to phase out a little bit for now?

Rajesh Mandawewala: Which is what the capex is all about.

Nehal Shah: But this is for different line of business, this is more into PPE and more into health?

Rajesh Mandawewala: Most of the capital expenditure is for the similar kind of products and of course we are also adding this cotton bleaching facility because from a sustainability perspective we see that as a longer term trend, but then that also just will become an input to the existing products that we do.

Nehal Shah: I will come back in the queue.

Moderator: Thank you. We take the next question from the line of Prerna Jhunjhuwala from B&K Securities. Please go ahead.

Prerna Jhunjhuwala: Congratulations, fantastic set of results. Thank you for the opportunity. Just wanted to understand your capacity utilizations. From FY2020 presentation we see you are at 74%, 75% in bed linens and around 78% utilizations in rugs and carpet for the full year. Can we assume that we are better off than these capacity utilizations going forward, because as a company we are at 80% utilization currently or more than that?

Dipali Goenka: I would maintain the same here because these are the peaks that come in the quarter, Prerna. So, Q2 we may see an upsurge because of the demand and the markets need that are there, so that we will balance out as a kind of a capacity of around 85% overall across. It is pretty robust in these pandemic times, I would say.

Prerna Jhunjhuwala: Madam, can you guide us on your demand on various segments, because when we look at the towels would be the hygiene products the demand is better, but how is the demand in the bed linen side of thing and what is in capex side, I guess it would be too less on that side.

Dipali Goenka: I will just give you a small perspective. It started off with an upsurge with towels being the hygienic product, but the demand for bed sheets and rugs and carpets also surged and I think, you would appreciate like sitting at home people have started looking at DIY and decorating their homes and that has become a very important aspect for lot of people so we focus on bed sheets, because of hygiene again and carpets and rugs because of the whole DIY décor has actually seen an upsurge there.

Prerna Jhunjhuwala: Madam, the initial commentary also talked about improvement in product mix which led to improvement in realizations. Could you highlight something there as well? What kind of product mix improvements and any kind of price negotiations happening in this kind of an environment because of cotton prices coming down or it becoming very favorable to us any kind of price negotiations happening on the company from the customers?

Dipali Goenka: These are actually, I think, first of all I will take the product conversation. I think the product mix has improved because we are patch in contribution more of the hygro more across the towels and sheets and I think that is the kind of product mix we definitely see across. So, I think definitely right now I will not be able to comment because these are kind of conversations that are definitely not something that I will be able to talk about right now.

Prerna Jhunjhuwala: Thank you. I will come back in the question queue.

Moderator: Thank you. We will take the next question from the line of Resham Jain from DSP Merrill Lynch. Please go ahead.

Resham Jain: Thank you for the opportunity. Congratulations on good set of numbers. I have two questions. First is on flooring business you have already highlighted, but just to get a clarity that do you see that the current losses which are there by the end of 4Q this should see the losses closer to the zero kind of number? Do you feel that that is possible?

Sanjeev Sancheti: Of course it is possible, but having said that, I had to call it out as we are in a pandemic version and so a lot will depend on how the world pans out, but assuming a normal world, hopefully the year should be entirely possible.

Resham Jain: Thank you for that. My second question is related to the comment actually which you made during your last call when you said that second half should be much better in terms of the overall margins, given the falling rupee as well as the lower cotton prices, so is that you have continued to maintain that or is there any change over there?

Dipali Goenka: We will continue to maintain that.

Resham Jain: Thank you. That is it. Thank you very much. All the best.

Moderator: Thank you. We take the next question from the line of Giriraj Daga from KM Visariya. Please go ahead.

Giriraj Daga: Just a couple of question. Sir, in the advance textile capex, if you can just give some more light in terms of what kind of capacities you are adding in terms of number of pieces or any number like that?

Rajesh Mandawewala: Your line is not very clear, friend, but if I understood your question correctly, so by and large, the capital expenditure is to grow capacities of the existing products that we are doing. There is a part of the capex which is about 150 Crores which is going into building a cotton bleaching plant but also that capex will also go into servicing the existing products that we do. That is the large capacity. We are expecting this 500 Crores kind of a revenue as we start using 75% of the capacity of the new capacity that we are setting up and the products are not too much, you say the products that we are currently doing, so there is no special capital expenditure. There is very little I would say very little capital expenditure for let us say the products that we are not currently doing. So, I hope that answers your question.

Giriraj Daga: I will put it this way what are the demand we are seeing on this side of mask and PPE, assuming that there is no demand comes after two years will we be able to utilize the capacity?

Sanjeev Sancheti: As I said there is no significant capex happening for this specific product like PPE, so whatever investments that are going, are going for let us say the existing products which we are doing outside existing products that we are doing for five, six, seven years that we have been in the business. So there is nothing and there is no capex that is getting incurred which for example is at risk, tomorrow if let us say this powerhouse stops selling this investment will go down the brim. No these are products which are multiple application and we have been selling these products over the last five, six, seven years. So there is no risk of let us say the capital expenditure from that perspective.

Moderator: Thank you. Ladies and gentlemen that seems to be the last question for today. I would now like to hand over the conference over to Mr. Ankit Gor for closing comments.

Ankit Gor: Thank you, Janice. On behalf of Systematix, I thank you one and all. I would hand over the call to the management if they have any closing comments. Thank you and over to you.

Dipali Goenka: That is it from our end as well. Hope everybody is safe and well. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Systematix Institutional Equities that concludes this conference. Thank you all for joining us. You may now disconnect your lines.