"Gujarat Heavy Chemicals Limited Q1 FY21 Earnings Conference Call"

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MODERATOR: **MR. ROHIT SINHA – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY21 Results Conference Call of GHCL Limited hosted by Emkay Global Financial Services.

As a reminder, all participants' 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 touch-tone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Rohit Sinha of Emkay Global. Thank you and over to you, sir.

Rohit Sinha: Good evening everyone. I would like to welcome the management and thank them for giving us this opportunity. We have with us from GHCL Mr. R S Jalan – Managing Director and Mr. Raman Chopra – CFO & Executive Director (Finance). I would now hand over the call to them for the opening remarks. Over to you, gentlemen.

R S Jalan: Good evening and a warm welcome to all of you on today's Earnings Call of Q1 FY21 Results. I am joined by Raman, our CFO, along with Sunil and Abhishek from finance team.

As the global CoVID crises evolve even further, we are now witnessing a much wider impact on the economies around the world. These are the trying and uncertain times and understandability there is sense of unease and concern. The Lockdown has resulted in suppression of demand at large and more severely in non-essential categories. However, since last month, we are witnessing improvement in demand outlook in general. This will have a ripple effect which will help in revival of economies.

The economic crisis due to COVID-19 have impacted Soda Ash Markets around the world due to demand erosion in downstream sectors, especially Glass Industry. The manufacturers worldwide are sitting on inventories and had to resort to cut down the production levels. The situation was no different in India where owing to subdued demand, Indian Industry, also had to lower the plant utilization. Due to focus on hygiene, Detergent sector in India has witnessed the fastest recoveries with improving offtakes. The Flat Glass Industry has now started back with some construction & Auto industries commencing operations, currently they are reportedly working at around 70% capacity. Accordingly, we expect overall soda ash demand to recover by at least 10-15% in the coming quarter with progressive improvements in the next two quarters. However, until the situation of oversupply persists there would remain a pressure on the pricing. We are positive that the impact of the same will partially mitigated by focus on operating efficiencies and cost consciousness.

In Textiles, the first 2 months witnessed huge demand contraction due to lower retail activities due to COVID outbreak. Both Apparel and Home Textiles initially witnessed lower offtakes as consumers remained away from the market place. However, it is believed that the pandemic would result in shifting of supply chain from China to India that will benefit both the Spinning and Home Textiles. Also with the restrictions now easing out, it is likely to improve demand for garments and home furnishings. We expect a quarter on quarter improvement beginning Q2 this year.

I would now request Raman to take over to discuss this quarter's financial performance.

Raman Chopra: Good evening and a very warm welcome to all of you in our first earning call for FY21. The performance has been significantly impacted during this quarter due to COVID in terms of both top line and profitability. Revenue for the quarter is 440 crores as compared to 879 crores of Q1 FY20, is down by about 50%. This is primarily due to lower operations because of COVID-19 and lower selling prices as compared to Q1 FY20. EBITDA for the quarter is Rs. 84 crores as compared to 222 crores of Q1 FY20 and is down by 62% mainly due to lower volumes and pricing due to COVID in both the segments. Consequently, EBITDA margin for the quarter is 19% as compared to 25% in Q1 FY20. The profit after tax for the quarter is 17 crores as compared to 103 crores of Q1 FY20. Overall net impact on profitability is around Rs. 100 crores during the quarter due to COVID.

In chemicals segment, the soda ash sales volume has been impacted by about 34% due to demand disruption in the downstream sector, i.e., detergent and glass, as the country remained in lockdown mode for over a month in the quarter. Oversupply and slowdown due to COVID further impacted the soda ash pricing. There has been a 14% decline in realization over Q1 FY20 whereas a major part of it had already happened last year which has been informed to them. The April-June quarter saw a decline of about 2% over Q4 FY20. Accordingly, the quarter registered a revenue of Rs. 346 crores in chemicals as compared to 588 crores of Q1 last year. EBITDA for the quarter is Rs. 80 crores as compared to 188 crores in Q1 FY20. The EBITDA margin in the chemicals segment has come down to 23% as compared to 32% in Q1 FY20.

The textile segment also witnessed a severe impact of COVID outbreak as there was no major activity for the first 40 to 45 days and the revenue for the quarter is therefore Rs. 94 crores as compared to 292 crores in Q1 of FY20. EBITDA for the quarter was 4 crores as compared to 34 crores in Q1 FY20 registering EBITDA margin of 4.8% during the quarter. ROC for the quarter is 13% and ROE is 15%. We generated a cash profit of 50 crores from the operations and we lowered our debt by Rs. 48 crores during the quarter.

We now welcome discussions on the performance and would be happy to take up all the questions that you may have.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Good evening sir. I hope that everyone is well and I pray to God that things should improve from here so that things normalize for everyone and everyone's life normalizes, which has not been the case for the last 4 months.

Firstly sir, at this time we have not come up with the volume data. If you could share what the production and the sales number. I am not looking for comparison. I am looking only for this quarter's data.

R S Jalan: As you know that there is a severe competition in the market at this point of time, it is always advantageous for us at this point of time we give you numbers on the basis of the utilization. As we have indicated that production almost around 50% on the capacity and the demand is down by 34% as compared to the same quarter last year.

Saket Kapoor: Sir, I am just putting emphasis on page #25 of the presentation. It points to a much grimmer picture globally. If you could dwell more on the same. You have given the reason why this specification is there on page #25.

R S Jalan: First of all, let me give you our views in terms of the overall soda ash business globally. As you know that the COVID has made an impact across the globe. No country has been spared from this pandemic, and therefore, the impact of this has been felt across the world. All the major soda ash producers or the consumers, everywhere there is an impact. If I start with the largest producer and the largest consumer China, of course, we don't have the exact data from China from any source. We don't have any other country's also the data at this point of time because everybody is restricting their data at this point of time. However, my understanding at this point of time is that China has reduced their production recently and their demand is also down by almost around if I can say in the 1st quarter for them which is the 2nd quarter, I think their demands are almost down by 30%. However, all this data I am saying based on my experience and based on whatever discussion we have offline with many of the representatives of China or global soda ash experts. A similar situation you will find in every part of the world, and therefore, everywhere you will find the demand has been reduced. Now, people have started reducing the production also. But by the time, some inventory buildup has happened globally. Same thing applies to the Tukey, same thing applies to the US, and same thing applies to the Europe and everywhere.

Our understanding and second thing as I want to highlight, now what we are seeing is gradually things are improving more than what we expected at the beginning of the pandemic. And our sense is that because of this production cut, the excess supply situation which has been built will get neutralized over a period of next 2 quarters. Probably, you will find a more demand/supply balancing happening after that. And that will help you in terms of if you look at things will be improving significantly beyond that and 2021-22 probably will be a much better year because one thing also happening is that everywhere the investment which was happening or what committed to the soda ash has been withheld at this point of time. Therefore, when the demand recovery will take place, I think supply enhancement will not happen. All the investment which was planned in the US or in China whatever information we have, that has all been put on hold. Probably, that will help the recovery faster in the next year.

Same thing applies with the soda ash in India, and just I want to give you a small update on this. If you look at the quarter 1, you will find chemicals demand degrowth was around 40%. Glass was 95% if I am talking about the glass bangle. If I am talking about the glass containers, 45%. Flat glass was 60% down. Therefore, all along, there was a demand degrowth. However, I am seeing this clear recovery in the quarter 2 and quarter 3 and going forward. Now, if I can say for India, you will find that all the glass plants are almost now started – flat glass I am talking about. Bangles also started. So, probably by the end of this quarter, probably to some extent, a large portion will kind of get to a normal situation. This is what my understanding is. Of course, it all depends on reoccurrence of the pandemic and things like that I don't know, but otherwise, we will see a good recovery going forward.

Saket Kapoor: Sir, on anti-dumping duty part

R S Jalan: I just want to update you; anti-dumping as I have informed in the earlier call, on the 2 countries specifically to Turkey and US industry has filed the petition and interim relieves are waiting to be at the highest level of anti-dumping department; that may happen. I don't know when it will happen, but it is only waiting for the final concurrence from the highest level.

Saket Kapoor: Sir, on REKOOP if you can add some point on it that our venture which we have done with Reliance I suppose. if you can throw some light on it what is the development on that front and the recoup. What we have done?

R S Jalan: In the textiles, we have launched this REKOOP with a lot of expectations out of this REKOOP and we have been able to place that product also in one of the very prestigious retail in the UK, but unfortunately, the customer expectations or the customer offtake has not happened the way we thought of. So, sales are down in the REKOOP and probably that is giving a little bit of a demotivation to us along with that retailer also because the customers somewhere are not willing to give a kind of a premium for the sustainability, and second, somewhere the reluctance on the part of usage of the recycled polyester somewhere is not being seen. So, probably at this point of time, I would not say that I have a good news on this, but we will keep on pursuing this, and now based on this pandemic, maybe some more focus comes on the sustainability and that can give some upside on that brand. Probably, time will tell. But at this point of time, I don't think we have a good news to share.

Saket Kapoor: Sir, flue gas opportunity and glass panels were used for solar panels. Are we into it? If you can just take into context what has been told in the Reliance AGM by Mr. Mukesh Ambani as far as flue gas using them. They are also going to trap carbon dioxide. Are we working on this ? Because REKOOP, if I am not wrong, Reliance was one of our partners. Are they looking to this flue gas opportunity? Because if that happens, we will get a very sound partner with us with deep pockets and we can leap forward where we did to achieve the 10,000 crore enterprise value target which you have. If you can throw some light or views or thoughts on it.

R S Jalan: Flue gas as I have been telling in some of these calls, we are very excited about the flue gas overall opportunity in that, and that is where the sodium bicarbonates are being used to neutralize the flue gas. And that at this point of time, there are some trials which have started in some of the government PSUs where some material of sodium bicarbonate has also gone, but because of this pandemic, some trials have not happened. Probably, that is taking some time. In the meantime, we did a complete detailed marketing study by some of the experts and we definitely see a big opportunity in the flue gas where the sodium carbonate can be used and we are ready for our plan once the opportunity comes on making investment because there is not going to be a very large investment on that opportunity because sodium bicarbonate has to be produced from soda ash. We are ready with the plan and everything. The question is only when the demands come.

So far as the partnership is concerned, at this point of time, it will be premature from my side to speak about that partnership, but definitely we are looking at some opportunity of a partnership if something which is under discussion if it happens.

Saket Kapoor: You are in talk with PFG funds?

R S Jalan: It will not be possible for me to speak more on this.

Moderator: The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Sir, we have seen that there is a substantial cost reduction during the quarter – other operating expenses. Certainly, it will be of concern to the plant utilization level, but how much of this cost saving has occurred which is probably one time in nature and which is permanent reduction in terms of cost due to certain measures that we have taken at our end?

R S Jalan: It's a very valid question. As you rightly said, the cost reduction which you are seeing in the figure to a great extent is related to the lower activity which is happening in the plant. However, some are permanent like interest cost. One of the prime focuses for us is the interest cost where we see definitely a good improvement happening going forward on that. So, we have taken a lot of initiative on the interest. Similarly, on the overheads, on the employees cost, on all those things wherever it is possible, we are taking that. In terms of numbers, at this point of time, I don't think I will have a specific number to give it to you, but management is very-very focused on controlling costs, we are spending a lot of time on looking at every opportunity of a cost because we understand on one side if our revenues because of the pandemic have been impacted, therefore we have a responsibility to look at all the cost. A very detailed exercise is going on everywhere. We have created a team for this, we have created a group of people where a lot of new ideas are being compiled with. The work is going on, on this. In the 1st quarter, I don't think you will find too much big numbers on the cost reduction, but a lot of initiatives are being taken on this.

Rohit Nagraj: Thanks for the clarity, sir. Another question is in terms of Q1 performance. If we look at the utilization level, it was about 50%. However, demand is down by about 34% which implies that probably we had some kind of inventories at our end during the end March and we have consumed those inventories during the quarter. How is the situation in terms of inventories for us and generally in the industry?

R S Jalan: You are very right. On one side, the inventory reduction happened across the industry. Production in our case is around 50% whereas the demand degrowth is around 34%. Obviously, this 16% of reduction has happened to the inventory. So, surely the inventory at the end of March was much higher as compared to that in the end of June; the inventory has gone down. And probably, this, at this point of time, is reasonably, I say, optimum level. Maybe a few thousand tons more, but the same thing will apply to other competitions also. The overall level has gone down in the industry.

Rohit Nagraj: Sir, just last clarification. In terms of imports, has there been any reduction in imports in Q1 because of the COVID-19 issue and how we expect the situation to go ahead from imports' perspective?

R S Jalan: Very important question and very valid question. Almost the import is down more than 50%. I have the numbers in front of me. This quarter, the number of imports is roughly around 115,000 tons against last year the same quarter was 260,000 tons. Almost more than 50% reduction, and this reduction which primarily also, as I said, the glass industry has been very severely impacted and the major import comes in the glass industries. Now, the glass industry will improve. So, automatically the import number will also increase. However, our understanding is, overall this year, the number will be much lower as compared to the last year, which will be in my understanding not less than 30% reduction should be there.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: First question on the utilization guidance for quarter 2, you are saying that 50% will go up to 70% which means that 350 crores of revenues will move up to around 500 crores and that would mean because of the cost saving on imports, etc. So, we will broadly be at the same EBITDA level as Q2 of FY20. Is that understanding right?

R S Jalan: Like I said, at this point of time, our understanding is that utilization level will be much better than the quarter 1. It should be around 70%. Obviously, on the other side, the cost will also go up because variable cost and fixed cost. There are many costs which are linked with operations of the higher capacity will go up. How the number will pan out? At this point of time, it will be very difficult to speak about that number, but yes, this number will be reasonably better than this quarter.

Sarvesh Gupta: As per the presentation, you are saying that the sales number for inorganic chemical segment can increase by around 40% from Q1 to Q2. Is that understanding right?

R S Jalan: Which page number you are referring to in the presentation?

Sarvesh Gupta: Page #10 of the presentation. utilization is 50%. You are saying next quarter it can be 70%.

R S Jalan: In this slide, what we are talking about is, due to the lockdown and its impact on the downstream sectors saw a decline of 34%, revenue down by 41% due to the COVID. Consequently, EBITDA is down by so and so. Utilization levels are expected to be in the range of around 70%. That is what we are saying. I am saying same thing that my utilization level in the 2nd quarter should be in the range of around 70%. How that number will be panned out, EBITDA number will be panned out? Probably, that number will be coming out in actual numbers.

Sarvesh Gupta: If we forget about Q2, but for the 2nd half of this year, if you can give us some guidance on how the revenues can be for both the segments, textiles and inorganic chemicals, that would be helpful.

R S Jalan: At this point of time, we can only give you a broader understanding like I told you on the inorganic chemicals, as I said, inventory level should be maintaining at a level where we are. Probably, you can make that number of 70% utilization probably will be sold. On the other side, if I look at in terms of the pricing of soda ash, as I mentioned last time if you remember, I said that the pricing will be slightly marginal and could be down. In this quarter, vis-a-vis the March quarter, there was a drop in the prices by 2%. I don't know because of this oversupply situation of import and whether the further price softening is there. If we remember my speech, I have said we definitely look at some possibility of a further price reduction may happen. How that will shape up? At this point of time, not very clear to me also honestly because the situation is very volatile.

Moderator: The next question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: I was just wondering historically we have been at around between 80-crore PAT to around 100-crore PAT. Listening to your guidance, is it prudent to think that in the 2nd half, we will reach at least that 80-crore 90-crore PAT that we used to do earlier or are we still not sure about something of that sort?

R S Jalan: Very valid question, but like I said, the situation is so volatile at this point of time. It is very difficult for me at this point of time to give you any number on that. Probably, you have to wait for this quarter. Let the situation be more stable in this quarter and then probably in the next quarter when we have a call, probably it will be more prudent for me to talk about that number. But yes, I can definitely say one thing. Things will be much better than what the number is in this quarter. That much I can say.

Shikha Mehta: Sir, in the textiles division, do we have any idea of when we would be positive? Because I think this quarter again we have had a loss. Next quarter Q2 or Q3, are we seeing any sort of change?

R S Jalan: Surely, definitely there will be a significant improvement in the textile business going forward because in this quarter, one thing we must remember that 1 month was completely stopped, which is not the likely scenario for the next any quarters at least I am assuming at this point of time. So, definitely the number will be significantly better

Shikha Mehta: Can we expect a positive number or a neutral number next quarter?

R S Jalan: Definitely it should be a positive number I guess at this point of time.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir, actually we could not finish the discussion on the textiles segment. If you can give us some color on the performance that we can see in the 2nd half for the textile division.

R S Jalan: Yeah, like I said just now that in the 1st quarter what we have seen is the plants at both the locations for more than a month were stopped and definitely we are seeing 2 things. One, on the home textile, we are definitely seeing at this point of time some demand upside is there. Of course, there is one challenge in that business at this point of time is the labor availability because of the migrant labor. But demand upside definitely is there in the business. How long that is going to be sustainable is a question which I don't know right now. Because the people at this point of time are living in the home and they are spending money on their home furnishing. Therefore, that demand upside is there. Going forward, my understanding is, definitely the neutralization should take place on this once the situation becomes a little normal.

On the spinning side, definitely because the garment has not picked up yet, therefore, some challenge which I see till the garment situation improves. But, like I said, overall I see the numbers are much better as compared to the quarter 1 and probably overall also I would say that not very difficult numbers on the textile side as compared to last year as well.

Sarvesh Gupta: On the demerger side, are we planning to do some more formalities from our side? Because since March, we haven't heard anything on what is happening on that. Have we put the process on hold as of now or we are working behind?

R S Jalan: We are working behind that completely. And let me update you on that and I think we have updated on our presentation that we have already filed our application to both the stock exchanges. As you know that the process is, 1st to file the application with the stock exchanges which we have filed. We are in the process of filing with the CCI and the schedule is going on. Of course, because of this pandemic, some delay has happened but still our internal target is to maintain that 12 to 15 months' time target which we have kept from the date that board has approved. We are still holding that. We have not put that process on hold.

Moderator: The next question is from the line of Rajeev Agrawal from DoorDarshi Advisors. Please go ahead.

Rajeev Agrawal: My first question is just understanding your thought process around the greenfield projects for soda ash. Given the overcapacity in soda ash, can you just update where you are and how you are thinking about that?

R S Jalan: Very very valid question Rajeev. If you remember a couple of quarters back, a detailed thought I had given. But still let me repeat that thought. At a short period of time, probably you can say that there is an oversupply situation. However, if you look at the number of years of data and you try to collate the data, you will find that demand & supply have always been in a balanced situation for a longer period of time. Keeping that long-term objective, what we did is and when you put up a greenfield project, the first thing what you require is a lot of time that is required for buying the land as well as various environmental approvals or the government approvals that takes maybe 2 years, 3 years, you don't know. And along with that, a lot of associated activities like salt field or your limestone mining and all those things. And there, your capital cost is almost very small. We have started that exercise 1-1/2 years back. Still we have not been able to cover the entire land. We have not been able to buy the entire land. So, our first objective is, we want to complete the land buying and get all the environmental clearances and that may take another 1 years’ time. After that, we will see that how the demand/supply situation is there and then only after that, we will be committing any capital to the greenfield project. This project which we are doing, we are buying the land and taking all the environmental clearances will be very handy for us whenever we want to decide on going for this project.

Second thing I just want to highlight is, also at that time what we thought was that we will try to do two things; on one side, we will go in a manner so that the capital investment in one go is not a very large investment; second, our debt/equity ratio or our leveraging we will not go beyond the level of 1:1. Keeping both these things together, we will take a right decision once the land thing is completed and we see clearly in the next few years how the demand projection looks like.

Rajeev Agrawal: Can you just talk about the CAPEX requirement for this year across various businesses?

R S Jalan: Broadly my understanding is that whatever the projects which we have taken last year, probably some investment will be required on that. On the other side, like I said, some balance investment on the land will also be required. My guess is, it will not be more than 100-110 crores kind of investment into the entire CAPEX and that is largely on the unfinished project of last year as well as the greenfield project and some marginal investment into our normal routine CAPEX which happens in all the 3 businesses.

Still let me tell you one thing. We will still be in a position to reduce our debt significantly this year.

Rajeev Agrawal: So, would you have some sense of where our debt would be by end of the year?

R S Jalan: My sense is, I will be in a position to reduce my debt by another 150 to 200 crores.

Rajeev Agrawal: So, maybe below 1000 crores by end of the year?

R S Jalan: Because in this quarter itself, we have been able to reduce the debt by 50 crores and also we have paid 100 crores of our LC, what you call non-fund usage of the bank limits, that also we have paid. So, overall we have almost reduced our debt including the LC by 150 crores this quarter itself. Of course, when the activity will start, LC usage will start again and probably therefore I said 150 to 200 crores kind of a debt reduction plan we have for this year.

Moderator: The next question is from the line of Sumant Kumar from Motilal Oswal Asset Management. Please go ahead.

Sumant Kumar: Sir, could you discuss more about the import scenario in India and what is the price decline in spot market and in contract market?

R S Jalan: At this point of time, different countries are exporting to India and like I said just now that this quarter, there was a more than 50% reduction in the import, and going forward also, we are definitely looking at a much lower import. However, on the other side, the demand will also be lower overall or the year as a whole. If you remember last time I had indicated that overall demand contraction will be roughly around 12% to 15% in India because of this pandemic. Having said that, in terms of the pricing, there is a different pricing for the different countries. There are a few countries which are very small in their volumes, their prices are much cheaper, but on the other side, their quality is also not as good, and they are not a regular supplier to this market. They are just like simply dumping the material since they have it which the prices are not sustainable, and we are not at all looking at those prices as a competition to us. But regular exporters from US and Turkey, I think they are in the range of around $200. My sense is $200 to $205 is the price which they are offering at this point of time. Along with that price, we will have all other costs and things like that.

Sumant Kumar: So, how much decline is there?

R S Jalan: Maybe $10 to $15 kind of a thing if I look at in the last 2-3 months or maybe $15 to $20.

Sumant Kumar: 5% to 7.5% kind of….?

R S Jalan: Yeah, and 2% price reduction I just said in our cases also happen as compared to the March quarter.

Sumant Kumar: A 2% decline in particular month or overall quarter you are talking about?

R S Jalan: No, I would say that they mainly happen in May and June.

Sumant Kumar: So, what is the price reduction pre-COVID and post-COVID?

R S Jalan: Like I said, 2% reduction in the price.

Sumant Kumar: Post-COVID?

R S Jalan: Yeah, post-COVID.

Sumant Kumar: Compared to pre-COVID.

R S Jalan: Yeah. If you look at quarter 1 of 2020 versus this quarter, the price drop is around 11% to 14% because in the peak, quarter 1 of 2020, the prices were at the peak, let me put it that way.

Sumant Kumar: What about the contractual…. you have more than 50% also the contract. What is the price reduction there?

R S Jalan: There it will be only when the contract gets over.

Sumant Kumar: We have quarterly contracts; we have 6 months and annual also.

R S Jalan: This 2% reduction I am talking about is reduction in the overall because every customer has a different pricing depending upon their volume, depending upon the location which they have, depending upon the competition. Many things are there in that.

Sumant Kumar: So, this 2% you are talking about is spot market reduction or blended?

R S Jalan: No, I am talking about overall price realization has been reduced by 2% in this quarter as compared to last quarter.

Sumant Kumar: That's why I am talking about can you bifurcate whatever the contractual is going to come, that price how much it is going to decline when it is coming for the negotiation?

R S Jalan: I don't have a ready answer on this. I can only say that because like I said, there is a volatile market at this point of time, it's very difficult at this point of time to predict how the likely scenario will be there in the price.

Sumant Kumar: In the spot market, you said 2% it will be higher, right? Pre-COVID and post-COVID price reduction in the spot market?

R S Jalan: No, I don't think there is a big difference between the pre- and post-COVID. This 2% which I am talking about is primarily slightly more in the spot market because of the contracting but not a very significant difference if my understanding is correct.

Moderator: The next question is from the line of Chirag Singhal from First Water Fund. Please go ahead.

Chirag Singhal: Sir, most of my questions have been answered, just one question. What is the maintenance CAPEX?

R S Jalan: Last year, we have spent roughly around 50 crores, Raman?

Raman Chopra: Yes, Rs. 50 crores. And that we charge to revenue. We don't do it as a CAPEX. And this year, approximately, if I look at the number, it will be around maybe Rs. 5 crores or Rs. 7 crores lower, not much difference as compared to the last year.

R S Jalan: Because we never want to compromise on the maintenance. That's what our philosophy is because our best utilization, our most efficient plan that is primarily because of our focus on the maintenance and we charge all this cost to the revenue.

Moderator: As there are no further questions, I now hand the conference over to the management for closing comments.

R S Jalan: As I have been always saying, from our side, we are trying our best to do the best in terms of the productivity, in terms of the overall profitability. Of course, this quarter has been a challenging quarter, but I am sure that we will be doing a much better performance in the remaining 3 quarters.

And thank you very much Rohit and team for your wonderful job.

Moderator: Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.