PENNAR INDUSTRIES

Date : 12.08.2022
Place: Hyderabad

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai - 400 001	The National Stock Exchange of India Limited BandrakKurla Complex, Bandra East Mumbai - 400 051

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Conference Call Transcript - reg.
BSE Scrip code: 513228 / NSE Symbol: PENIND

Dear Sirs,

With reference to the subject cited above, Pls find attached conference call transcript.

We request you to take the above information on record and acknowledge the receipt.

Thanking you,

Yours faithfully,

for Pennar Industries Limited

Mirza Mohammed Ali Baig
Company Secretary & Compliance Officer

"Pennar Industries Limited Q1 FY23 Earnings Conference Call"

August 10, 2022

MANAGEMENT:	**MR. ADITYA RAO – VICE CHAIRMAN AND MANAGING DIRECTOR, PENNAR INDUSTRIES LIMITED** **MR. SHRIKANT BHAKKAD – VICE PRESIDENT (FINANCE), PENNAR INDUSTRIES LIMITED** **MR. J S KRISHNA PRASAD – CHIEF FINANCIAL OFFICER, PENNAR INDUSTRIES LIMITED** **MR. MR. MANOJ – HEAD (CORPORATE AFFAIRS), PENNAR INDUSTRIES LIMITED** **MR. K M SUNIL –VICE-PRESIDENT (CORPORATE STRATEGY), PENNAR INDUSTRIES LIMITED**
MODERATOR:	**MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to the Q1 FY23 Earnings Conference Call of Pennar Industries Limited hosted by PhillipCapital (India) Private Limited. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you, Sir.

Vikram Suryavanshi: Thank you. Good morning and very warm welcome to everyone and thank you for being on a call of Pennar Industries Limited. We are happy to have with us the management of Pennar Industries for question-and-answer session with investment community. The management is represented by Mr. Aditya Rao – Vice Chairman and Managing Director, Mr. Shrikant Bhakkad – Vice President (Finance), Mr. J S Krishna Prasad – Chief Financial Officer, Mr. Manoj – Head (Corporate Affairs) and Mr. K M Sunil.

Before we start with question-and-answer session, we will have opening comments from the management. Now I hand over call to Mr. Aditya for opening comments. Over to you, Sir.

Aditya Rao: Thank you Vikram ji. Thank you Moderators. Warm welcome to all the stakeholders for our Q1 FY2023 Financial Results Conference Call. Thank you to all of you for taking the time to join us. We will follow our standard formats for our conference call namely I will first provide an overview of our financial results. I will specifically focus on profitability, liquidity and growth as the metrics that we cover. This will be followed by commentary from our CFO Mr. Shrikant Bhakkad and Mr. Krishna Prasad post that we will open the conference call for questions from our stakeholders. With that structure in mind, we will get started.

I will first cover profitability. For the first quarter FY2023 and then in June 2022 we recorded consolidated net sales of Rs. 699.98 crores almost 700 crores. The corresponding quarter in the previous financial year saw record sales of Rs. 488.31 crores this represents growth of 43.35%. Our PBT for Q1 was Rs. 18.74 crores which compares with the PBT of 9.03 crores in the previous quarter in Q1 last financial year which is a growth of 107.53%. Our cash PAT which is PAT plus depreciation was Rs. 29.88 crores and this compares with the cash PAT last year of 19.10 crores.

Next, I will cover our liquidity or a working capital. We have reduced our working capital days from 80 days to 78 days. We also believe that further improvements are in line and we will

continue to work on these improvements. Our annualized ROC for the first quarter was at 17.07% ROC being calculated as EBIT divided by total capital employed.

Finally, we will come to growth. Our BIW plant in Chennai has achieved sustainable cash profitability and will achieve its target profitability by October this year. Our subsidiary in the US Ascent buildings continues to grow on the back of a large order book and we are confident of consistent improvements in our bottom line. Our PEB and Hydraulic business units also are projecting substantial growth. Based on these growth vectors the next quarter will again see double digit growth in revenue and PBT when compared with our PBT for Q2 last financial year.

Furthermore, we will be also expanding a capacity in PEB for India, solar modules capacity and also engineering services. This will allow us to continue high growth rates in both our sales and PBT for the next few quarters.

In conclusion, I would like to thank all of you again for your time on this call. As always we will continue to focus on sustainable revenue growth, profitability growth, liquidity and capital efficiency. I look forward to answering any questions that you have for us. With this, I will hand over the call to our Krishna Prasad for their comments.

Krishna Prasad: Thanks Aditya. Welcome to shareholders first quarter FY23 earnings call. In the key matrices, there have been increase in terms of revenue by 43%, EBITDA by 40%. PBT has also doubled from 9 crores to 18 crores, cash PAT has increased from 19 to 30 crores. So, all the major matrices we have shown the increase and in terms of working capital number of day we have reduced by another 3 days. There has been overall if you see in terms of the balance sheet while the revenue has gone up by 43% while compared to employee you would have some questions and I would like to clarify those questions before.

There has been increase in terms of employee expenses, the employee expenses have been predominantly increased on account of the new facilities that we have added in our Ascent increments and the settlement agreement that we had at some of our plants. Depreciation has increased predominantly on account of the new CAPEX that we have added which is not there in the corresponding Q1 FY22 last year. The finance cost we will continue to see a declining trend in terms of the finance cost as a percentage of the net sales. So, finance cost has also decreased as a percentage of the net sales there. Overall, we had a good quarter and we continue to do well with the growth keeping in mind.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nilesh Shah from Arrow Investments. Please go ahead.

Nilesh Shah: So, I have a couple of questions I think Mr. Shrikant clarified on the employee cost on the Ascent side so that cost is now 69.9 crores which was for the year, last full year we had around 200 crores as an employee cost in fact in the last conference call Mr. Aditya has mentioned

that you would be probably lower than the 200 crores. So at this rate it looks like we will be at 250 crores plus for the entire year, is there anything that you can give a forward looking guidance on in terms of the employee expenses one and the overall profitability targets for the year we are at 2% for the quarter in PAT margin, is there anything that we will be looking at in terms of PAT margins or will we remain at these levels?

Aditya Rao: The two questions you had was on what would our fixed cost for the year be and from where we are right now what would be the presumably rest of the year and whether 200 crores that we had last year we would have that cost or different cost. The second question you had on a 2% PAT and potential improvements on that. So, the fixed cost for the year are not comparable in the sense that for Ascent specifically which was one of the major reasons for the rise and also wage settlement at our manufacturing plants. These are the two big factors which resulted in the increase. For Ascent we are now including our bonuses which were primarily included in our variable cost and the fixed cost. So that is the reason for that we can de-market that and give a better breakup of it so we can, but it is not a fixed cost it is actually a variable component to very good performance that we are seeing from our S&P. That being said we do have measures in place to control our fixed cost. At this point, I would not be able to give you an exact number what we would add for the financial year, but I can assure you it is not going to 250 crores or anything near that. A lot of the bonuses were taken, lot of onetime events in this and what you will see a moderation in fixed cost and for the overall year you should look at a number that is around what we had last year itself we are not going to see a massive increase on that. Now the caveats to this increases in our engineering services and increase in our other subsidiary. So, if we do have events where we need to take a call to increase it there may be small increases, but no way near the 250 number which we had mentioned. So, we will keep you appraised of those changes as they come, but as of right now we are projecting stability in fixed cost and the increase that you see is primarily because of two reasons Ascent bonuses and other onetime variable cost which are now attributed in fixed cost based on our conversions with our auditor and wage settlement at our India manufacturing plants. The question on your 2% PAT if you look at the last few quarters something you would have seen a consistent rise in our PAT margins. We can commit to further improvements on this. Our overall goal is to get to net profit margin closer to 5% which we think is appropriate for an engineering industry and the net cash PAT margin of closer to around 7% to 8% which is cash plus depreciation. So that is what we will work towards. Right now we are at about 350 basis points away from that from a cash PAT and PAT point of view, but a lot of the revenues were adding as high margins. So, as a revenue scale these numbers will tend to go up.

Nilesh Shah: So, would it be safe to assume a yearly guidance of 2,800 crores on the top line and something in the range of 4% net PAT?

Aditya Rao: Effectively if I say rest of the questions will be effectively giving guidance for the year, but what I can commit to is quarter-on-quarter improvement on PAT margins and revenue so that I can commit to, but I would hesitate and please do excuse me I will not give guidance for the whole year and PAT margins.

Nilesh Shah: One last question on the new acquisition in France we had 1,80,000 Euros, was it a debt free acquisition or are we having any other incremental expenses in addition to the debt for that acquisition?

Aditya Rao: There is some amount of debt, but not a very material amount. We are talking single digit low crores, but we will confirm the exact number to you. We have just completed the acquisition, but the consolidation with our balance sheet and our numbers has not happened that happens from Q2 onwards. We will get back to you and also make sure all of our investors and stakeholders are also aware of these numbers, but as of right now there is a small amount of debt which is there with that company.

Moderator: Thank you. The next question is from the line of Ulas P Master, an Individual Investor. Please go ahead.

Ulas P master: You have announced a buyback of shares and what I find is that before last 10 days we were making hardly any buyback around 10,000 shares only during a last 10 days I think the buyback has picked up to nearly 1 lakh shares, but the total quantity is still much below what we had sanctioned earlier by the shareholder I it was 50 crores, so can you explain what is your strategy of not fulfilling the total quota of the buyback, if you feel that the share is underpriced or if you want to reward the shareholders I feel that the buyback should have been more aggressive and you should try to complete your target of 50 crores. To add further even in your previous buyback when the stock price crashed around 15 or 18 I think you are not buying aggressively and that was the best time for you to buyback unfortunately I do not know for what reason the management decided to not to go ahead aggressively with the buyback, so can you explain what is your reasoning or strategy behind these buyback, do you want to reward the shareholder or you just want to just show to the shareholders and to the public that you have announced a buyback. My second question is that in March 2019 and 2020 you had a profit before tax of 93 crores and 139 crores I think the first quarter of the current year is one of the best year for most of the industries including engineering industries, but unfortunately what I see the numbers we are still no way near whatever PBT we had achieved in 2018 and 2019, so can you explain or give reasons what is the reason why even after such an inflationary environment we are no way near the profits before tax of 2018 or 19?

Aditya Rao: There were two questions you had asked one was on the rationale for the buyback and perceived slow pace in executing the buyback and the second question was on our PBT scale up specifically how this financial year relates to profit here which is 2018. On the buyback the board has taken a call that after their analysis to go ahead with announcing and executing a buyback we have announced and we are executing a buyback. I can assure you we will fully comply with all loss with relation to the buyback and we are currently as declared our intention was to get to 80 lakh shares we have got back over 40 lakh shares and we will continue to scale our purchases with a certain timeframe that we have in mind, but I would not be able to comment on exactly how much amount we will spent and how many shares we will buyback, but I can assure you that we will be fully compliant with all the relevant loss. Second regarding

the PBT what we have this financial year specifically in the first quarter and how it relates to the previous year. We are quite confident that we are at a long term trend of PBT increase and we are also quite confident that we will be able to meet and cross our peak profit that we have recorded in previous years and we are working to make sure that happens. There is certain amount of cyclicality in this so I would suggest not taking 4x of the first quarter we tend to have a very strong fourth quarter. We also tend to have a good Q3 as well. So, based on our current trends and a growth vectors with a PEB business doing quite well with Ascent doing very well, with our tremendous amount of improvement in our BIW outlook and our engineering services business doing well, hydraulics business doing well. I am quite confident that we will do better than our peaks years too, but having said that we will not be giving any guidance of this financial year or beyond, but I can definitely commit to consistent growth and eventually crossing our peak profit which was achieved about three years ago.

Participant: My question on buyback was not on compliant side my question was what are the reasons why we are not completing our buyback sanction amount even in the previous buyback also we did not complete the amount and except for last 10 days the progress on the buyback was very slow, so are there any reasons that why the management is going very slow on the buyback?

Aditya Rao: We have a certain mechanism in mind for the way we want to do the buyback as I had said before we will be compliant and I understand your question is not about compliance, but I can assure you we will be compliant. More than that if I were to give you exactly what mechanism we would use and how much we are going to buy that would be inappropriate in my view. So, at this point this is recognition, and I am okay to share.

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

Vikram Suryavanshi: We have seen significant improvement in profitability from subsidiaries as well so would it be possible to highlight which are the subsidiaries which are really seeing good traction and particularly comments on the PEBs are we seeing margin improvement also at PEBs or it is more on a revenue traction and impact of that?

Aditya Rao: So, there are two questions I think you asked how our subsidiaries are doing and specifically on PEB are we seeing margin improvement. The subsidiaries which have done very well are Ascent that is one of our subsidiaries which has done exceptionally well and is continuing to project a very high growth rate in terms of both revenue and in terms of profitability and I am quite confident that with increase scale up of capacities that business unit will continue to do well. How I buy I feel that this will happen is because it is a combination of factors where we will be expanding capacity, we have an established presence and an execution capability now and our market share is very low. So, that is regarding our subsidiary performance. Regarding PEB specifically the order book has gone up, revenue has gone up, margins have remained stable. So, the expansion or improvement in net margins for PEB has been because of scale and not because of any specific improvement in margins beyond maybe 100 basis points here

and there, but going forward we believe that the low base effect will definitely come into play here. So, I think what we see in line for our PEB business is a dramatic improvement in the overall net margins consequently contributing quite well to the entire company's net margins because on the back of this revenue increase because right now we are at a low PBT levels primarily because our operating margins go there higher than 10%. Our net is substantially lower, but as we increase revenue and even if we increase revenue by about 20 crores, 30 crores were dropped down to bottom line or at least PBDT is our operating profit in that revenue. So, any additional revenue is coming in at a reasonably high. So, I am quite confident that PEB net margin will improve as the entire company net margins.

Vikram Suryavanshi: And how on overall export we have done in this quarter and particularly tubes as well as other export business, so you can comment on that I think that would also be helpful?

Aditya Rao: All of our export business has scaled up; hydraulics has scaled up quite well as has our engineering services business which engineering services it is designed exports we can call it that and both of these business units will do well or even better in Q2. Our overall exports are at a peak. Overall, our international revenue should we see a much over $80 million it is quite encouraging.

Vikram Suryavanshi: And what kind of growth we are seeing in the engineering services of it is possible in revenue also?

Aditya Rao: I think we can share that so our engineering services revenue on a per month basis which is what I would say right now is about 5.5 crores. We see this number going closer to 6 or 7 in the next couple of quarters and the operating margins are quite strong, net margins would be 20%, 30%. So, it starts adding quite strongly to the PBT.

Moderator: Thank you. The next question is from the line of Vijay Kumar an Individual Investor. Please go ahead.

Vijay Kumar: I would like to have a commentary from Aditya about how the trend on operating margin has behaved from FY16 to 22, there has been a significant drop in operating profits, what were the choices that we took which led to this drop and how are you planning to recoup this that is one. The second one is the Q1 of this year is a significant bump up in revenue, but still our operating margins are around 8%, what are we doing to take this up and then when are we going to get to double digit margins in spite of Ascent contributing higher margin business contributing, why are we still stuck at 8%?

Aditya Rao: Your question if I understood correctly is about the margins operating margins we have from 2016 and the decline in those margins up to the current year which is 2022 and what are the reasons for those that margin decline was and the second question you had was when we will get back to double digit operating which I am going to interpret is double-digit EBITDA percentage. In 2016, through all the way up to 2018 and 2019 a very big component of our

profitability was our railway business units specifically for coach and wagon business where we use to supply ICF, NCF and other wagon manufacturers. These are high margin revenue. Now this revenue due to combination of factors some part of it being hysteresis on the part of the railway board, some part of it being increased competition from other vendors who are classified as part 1 suppliers has resulted in a lot of uncertainty in their revenue and decline margin. So, it was a double impact where the revenue from that business were used to be about 400 crores per year felt to something approaching 200 crores right now and additionally even the margins of that business which used to be around 20% felt from that to a lower number. So, that in effect is the reason why 2016 to 2022 there was a fair amount of up and down in our margin profile. However, we are now much less dependent on railways business unit or any one business unit for that matter for a profitability is several high margin businesses and by higher margin I mean businesses with an operating profit margin after variable not EBITDA, but margin after variable North of 15%, North of 20% in the case of services North of 30% also. So, we have several of these contributing and when we add revenue which is of better quality, better margin then consequently all of these things drop down to bottom line and tend to take our bottom line up. I fully agree that our net profit or even our cash PAT percentage which is at around 4.5% is low. So, engineering companies typically tend to do substantially better than that, but an answer to your question of EBITDA reaching about 10% we will achieve that in this financial year sustainably not a decline again, but we do not see any more risk like we had for railways in the future for our business which is why if you look at post pandemic we have been committing and delivering on revenue and profitability increases. Railways there are signs that there may be some comeback from that, but it is not an event that we are counting on and honestly we are moving away from government and PSU revenue and the vast majority of our growth, of our CAPEX, of our revenue now will be private sector CAPEX so that is my answer to your question.

Moderator: Thank you. The next question is from the line of Nilesh Shah from Arrow Investments. Please go ahead.

Nilesh Shah: Just a follow up question I mean probably things are not in our control in terms of how inflation is proceeding, how interest rates are rising across the world. We have had a 17% to 18% increase in our year-on-year interest cost and overall we spent something like 80 crores interest on the debt that we serve as including your bills and discounting of bills and other things, so how well-prepared are we to see if there is further 0.5%, 1% hike in interest rate even our RBI has been increasing rates, rates have gone up to 2.5% in the US and probably their FED is going to hike more rates and how well prepared are we to actually absorb the impact of higher finance cost. Given that I mean obviously given the impact of higher revenue the percentage of finance cost has decreased, but at a constant currency term we are still at around 80 crores per annum. If there is an increase of 0.5% to 1%, if you have a detrimental impact on the overall profitability, so how well are we prepare to rein fence around the finance cost, is there anything that company is planning ahead in terms of repayment of debt or reducing the overall debt or how well are you geared up to actually meet the rise in increase rates?

Aditya Rao: As you had mentioned the vast majority of our debt is working capital debts and the vast majority of that working capital debt is non cash LCs. So, effectively as revenue increases that number will increase and we really do track and I had mentioned this in our previous conference calls we do benchmark ourselves for certain percentage of profitability which is high I think it is at 3.1 right now, it is on the higher side. I think more appropriate number would be lower. I think that comes about by working capital efficiency, the working capital days reduction brings that under control. So, in the event there is an interest cost rate hike. So, what happens the mechanism we have that brings that into control and make sure that we do not have a precipitous rise in interest cost without a corresponding increase or without any increase in revenue the controlling factor that we have in that is the payment terms we offer our customers. So, when interest cost increase if we have a net capital cost of 8%, 9% and that increases by 50 basis points. Accordingly, the amount of credit we can give our customers in terms of account receivable or amount of inventory we can hold for our customers will be adjusted downwards. What that tends to do is effectively make sure that our overall interest cost as a percentage of our revenue stays constant or stay stable and also means that obviously the rates are higher that means the amount of non-cash and short term debt that we use also declines that is the way we control for this and we do not currently believe that even 50 or 100 basis points increase in interest cost, even if that does come about we will not see a precipitous increase in our interest cost because of that reason. Our interest cost will only go up if our revenue goes up. More importantly you can count on that number 3.1% to be sustained and improved upon.

Nilesh Shah: So that answers quite a bit so in the sense if your working capital improves obviously the debt levels will be maintained we do not have an extra impact and our profitability is kind of insured is that right?

Aditya Rao: That is correct sir.

Nilesh Shah: So, the second part of that question was on the inflationary impact of products as well. In fact there has been a lot of drop in the commodity prices there especially seeing that all and we have got a higher amount of inventory, so is there any reduction or arrangement with customers that you have to down side or re-bring the orders back to a little bit lower level or any customer demanding a lower price or are we still ahead with the existing orders in the same pro rate that we have to see it?

Aditya Rao: We do not believe, we monitor all the risk that can potentially affect our revenue and profit projections and cash flow projections. We do not see raw material price variations or any inflationary trends on those as metrics that will strongly impact our profitability. The reason for that is twofold. One, while we hold substantial inventory all of that is usually on the back of order books that are already in place so there is no price revision if the price happens to fall. So, we are not stuck holding on the high cost inventory. Second thing it does happen is we do have a quarterly rate contracts. So, when there is a price increase or price decrease we have the ability to play within a quarterly contract pricing and also spot market pricing. So, if spot

market price is lower we tend to buy more from a spot market suppliers, if our quarterly price is lower we tend to go with quarterly. So, it affords us some immunity in a sense, any volatility in raw material price whether that be appreciation or depreciation. As of right now actually people are projecting a slight decrease of over 3% to 4% in some of our raw material pricing and we do not believe that will impact our margins. In fact, in the last one year you would I am sure you are aware that specifically steel prices and other commodity prices have been on a little bit of roller coaster ride and even when the price increase has happened 20%, 25%, 30% in a quarter which happened I think over the last one year. We have not had a corresponding impact on our inventory or write down. So, we are quite secure in that we are a quick pass through, a very large increase or very large decrease may have a one-month impact of some portion of that, but a quarterly numbers will not be impacted because of raw material price variations. We are very careful that we watch for that.

Moderator: Thank you. The next question is from the line of Ulas P Master, an Individual Investor. Please go ahead.

Ulas P Master: This is a follow up question on whatever guidance or indications you have given there are two, three questions on the margins front. One is that in one of our major line of business tube investment is one of our main competitor I believe tube investment has done very well, so how does our operating margin compare with tube investment, secondly on the margin front again excluding the railway business how does our present margin or even the margin for the first quarter compared with the peak margin of 2018 and 19 and the third question would be I believe one of the earlier concall you had given some indication of some unutilized land I think it is around 150, 170 acres correct me if I am wrong, so where is it located and what is the present approximate market price per acre and how close it is to the land which we sold a couple of years back?

Aditya Rao: There are three questions asked one was a comparison of our product profile and margin profile in the tube investments. The other was if I understood correctly margin comparison of our current margin operating versus what we had in 2018 I think was the year that you use and the third was on free land assets of the company possess. Regarding tube investments tube investments as a company like us which has a very broad product profile. The areas which we do compete in is in CDW tubes and especially the rates here. From a revenue point of view those are very large business units for our TI and also TI has some product capabilities within those verticals which we do not currently have but are trying to register. This means some special grade alloys which they make which we do not and also in larger diameter tube 8 inch plus that is something that TI provides that we do not. Our margins are comparable we both supply to the Indian automotive industry, we both export to the US. Our operating margins with them are comparable, but if you are comparing the entirety of tube investments to us I think it would be important to bear in mind that tube investments has multiple other businesses which do not compete with this they have a cycle business which is different from us. They have a consumer electronics business with the acquisition of Crompton which is different from us and they also have a lot of automotive door and frame businesses which PAT now with our

ERW lines it is not exactly competition, but it is in a similar ancillary business. So, comparison of our tube CDW output alone and special grade output alone can be made, but in my view and I maybe wrong on this, but I am not sure I know we do not, but I do not know if TI also reports those as a separate segment. So, it would be difficult for us to compare, but from what I know the market it is my impression that we source similar operating margin after variables. So, there are scale difference as well where contribution maybe comparable, but EBITDA may not be. The second question which is on a margin comparisons now versus 2018. I do not have back 2018 numbers right now, but I can guide you to as I have said previously our railways business being predominant contributor to profitability back in 2016-17 and 18 it would be lower right now. However, with the growth of our higher margin businesses on the net profit basis, on the EBITDA basis and also on the operating profit basis we are not far away from climbing back up to where we were at a larger scale as well which we will make sure that we cross as an answer to your question previously. We are aiming to cross and substantially grow over our peak profitability in the previous years. So, that is the second question. The third question is I think it is called unutilized land I can give you an idea of the total land assets we have, but I would not be able to provide commentary on the current land prices. Pennar has plants across India, we have plants in the US, we have now have plants in Europe as well. In India right now the total land assets we have some of it use, some of it not used would be closer to about 350 acres and I would not be able to provide commentary on the exact value of that land. As you are aware we have or you might be aware I think we had mentioned this we have disposed off some land that we have not been using about 5 acres and we did at a certain price this is about three years ago and my understanding is that there has been a substantial appreciation on land value on top of that. Since those are the statement of fact I can comment on as far as the land is concerned. The precise valuation I will not be able to comment.

Ulas P Master: My question was on unutilized land and utilized land and secondly about the margin front also I wanted you to compare our operating margin excluding the rail business between 2018 and the current margin?

Aditya Rao: So, if you exclude the railway business our current margins would be superior to what we had in for all other business units would be on overall superior basis. Now we do have multiple revenue streams each one having its own margin profile. So, we will endeavor to get that clarity at a later time and we will communicate that to all our investors as well, but on an overall basis I can definitely say our margins right now if you look at our contribution margins for the whole company would be 15% plus and at that point of time it was slightly slight of 15% so it is higher now than it was before.

Ulas P Master: On the land part?

Aditya Rao: Land part I will not be able to comment further than what I have said sir I understand your question on unutilized land. We do not classify it that way we treat them laid down area rather than misspeak and give you a wrong number I would suggest that is the information we can comment on right now the total land assets we have.

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

Aditya Rao: Thanks to everyone of you who have asked us questions. We are glad to have you on board as we continue on our growth journey. I have taken note of all of your questions and your comments and I believe we are in very broad agreement that we need to make sure that our margins improve, our capital efficiency improves and also that we cross the peak profitability we generated in previous years. I would like to commit to you on behalf of management that remains our priority, it remains our goal post and again on behalf of the company I will commit that on the following quarters we will continue to see consistent improvement in our revenues and profitability growth while making sure that we are capital efficient Thank you very much for your time.

Moderator: Thank you. Ladies and gentlemen on behalf of PhillipCapital (India) Private Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.