"Pennar Industries Limited Q1 FY-21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Pennar Industries Limited Q1 FY21 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. This conference call may contain forward looking statements about the company which are based on beliefs, opinions and expectation of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital. Thank you and over to you, sir.

Vikram Suryavanshi: Thank you Steve. Good morning and very warm welcome to everyone. Thank you for being on the call of Pennar Industries. We are happy to have with us management of Pennar Industries is here today for special for question and answers with the investment community. The management is represented by Mr. Aditya Rao – Vice Chairman and Managing Director, Mr. P. V. Rao – Joint MD, Mr. Shrikant Bhakkad – Vice President (Finance), Mr. Manoj and Mr. K. M. Sunil.

Before we get start with the question-and-answer Session, we will have some opening remarks from the management. Over to you, sir.

Aditya Rao: Thank you. Welcome to all the stakeholders of Pennar to the Q1 FY2021 Investor Conference Call. I hope that everyone is safe and well and everyone is taking all necessary precautions of the pandemic. I will first put an overview and my comments on the first quarter performance post which our Join Managing Director Mr. P.V. Rao will brief you on the performance of the company. Our CFO Mr. Shrikant Bhakkad will then provide details on major financial metrics and post this we will open up the quarter questions from our investors.

So for the first quarter we saw the company bear the brunt of the COVID pandemic with enforced lockdowns shut all of our factories, engineering centers and at our customers allowing us to perform only at about 30% of our pre-pandemic revenue levels. Our substantial fixed cost base and high levels of working capitals saw us better higher post operating profit cost than the operating profit that we had. So we generated a net loss of 34 crores. Now the entirety of this impact was foreseen as per plan so to speak. And we have tracked very close to our assumptions for Quarter 1. As we guided you during the last conference call we expect Q1 to be negative, we expect Q2 to be better and we expect Q3 to be better than that. We can improve on that projection a little bit. During the quarter we have initiated steps to ensure that the company's liquidity remains strong. Our profitability has achieved in the quickest possible time frame and our growth strategies revised keeping a long-term objective unaltered. After ensuring that our new COVID protocols and processes can protect our employees and our stakeholder safety, there may be achievement of profitability and reduction of working capital to 2 months as paramount concerns.

We are glad to commit that from July we have re-achieved profitability and we have done this without retrenching a single employee. The challenge now for us is to get back to the level of profitability we had prior to the pandemic and to then exceed that level of course. We believe that this will be achieved within this financial year. To do that there are two areas of focus for us; firstly we want to ensure that all of our business units turn profitable in the next 3 months. This will push of the cumulative profit for the company. As of right now about 60% of them, we have 11 various business units in the company, 6 of them are profitable and the remaining 5 are not ensuring that we invest in projects that will create new revenues and operating profit is the next initiative we have and we are consequently making investments in automotive, BIW in the US markets tubes and engineering services.

So the total CAPEX will commission this year will be around Rs 75 crores and we are quite confident that the combination of our addressable markets recovering and new CAPEX will allow us to regain our pre-pandemic monthly profitability in this financial year itself.

On the working capital front we have initiated a companywide exercise to reduce all business units to 2 months of working capital. Over the next two quarters I believe that this will result in a dramatic change in our capital efficiency and it will allow us to reduce our interest costs without impacting revenues.

Now we generally do not give guidance but considering the special nature of our circumstances, on behalf of the management I would like to guide us to a Quarter 2 which is substantially higher in terms of revenue and a positive net profit.

On one other note, the Board has also decided to offload any unused land assets in the company. Consequently the company has entered into an agreement for sale to sell Rs 5 acres of unused land that we have for the sale price of about Rs 20 crores. Now in conclusion I am confident that the worst is behind us and the rest of this financially will see sustained growth in our profitability and in our capital efficiency, both of which are our guiding lights. On that note I would like to hand this over to our JMD, Mr. P.V. Rao for his comments.

P.V. Rao: Thank you Aditya. Good morning everybody and I welcome all the stakeholders of Pennar to this call. As explained by Aditya, we had tough time due to this pandemic and because of which our revenue has come down to net revenue is Rs 166.2 crores compared to the net revenue of Rs 537.8 crores in the corresponding period last year. EBITDA is Rs -13.3 crores compared to the EBITDA of Rs 55.2 crores in the corresponding period. So there is a PAT loss after minority interest of about -34 crores compared to the PAT after minority interest of Rs16.5 crores in Q1 FY20. The reasons already have been explained by Aditya, why we have come down by 30% in revenue and then why we have reached the PAT loss of Rs 34 crores has been explained by Aditya already.

We have a healthy order book positions as of now, the order book as on 1st of August for PEB, is about Rs 513 crores, water treatment solutions is about Rs 57 crores and the Railways is about Rs 192 crores. Engineering solutions division has excelled in its performance and has recorded 20% increase in revenue on the quarter-on-quarter basis. Soas informed by Aditya the Board has approved to sell the extra land what we got in Patancheru that's about Rs 5 acres to the consideration of Rs 20 crores. We are going to sign the element of sale, sale-deed very soon.

We have plans to—as explained in the last meeting itself we have plans—to expand abroad. so we have a company called Pennar Global in the US and we are now setting up a steel products business there and we are in the process of setting up a PEB metal buildings and steel structures business. We are already in the process of advanced stage of acquiring the existing company. So we will be very soon for pointing a CEO and then put an established business there which we are expecting to start during in about 6 to 8 months of time. That's from my side and I request Shrikant to brief on the financials in detail.

Shrikant Bakkad: Good morning everyone. In terms of net sales; we were Rs 534 crores last year in Q1 where it is Rs 162 crores, a decrease of Rs 372 crores predominantly on account of lockdown of almost 2 months that we had in April and May. The other income is Rs3.47 crores versus Rs 2.58 crores and this predominantly on account of the treasury income that we have.

In terms of employee benefits; Rs 41 crores of cost has come down to Rs 29.29 crores. In terms of finance cost more or less we are same in terms of the Q1 versus now, prominently on account of the LCs that where we had the payments. The finance cost generally consists of two things, one is on the interest cost and another is on the bill discounting cost. The LC cost is approximately half of it and then rest of the amount is predominantly on the bill discounting part of it. So this resulted due to the pandemic and lower revenue, this has resulted in Rs 45 crores of loss. On account of the tax impact, the PAT is Rs 34 crores. We are able to reduce our receivables by almost Rs 40 crores from March to now and inventory close to around Rs 20 crores.

We have good liquidity with us, on account of reduction in the current assets we are standing on good liquidity with us and this will be used to increase our revenues in the coming quarter. The gross profit ratios and other things have been healthy. There is no decrease in terms of gross profit ratios. With this I handover the mike for further questions by the investor community.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vikram Suryavanshi from PhillipCapital.

Vikram Suryavanshi: How is the situation now particularly in terms of , PEB orders in terms of mobility of our products, so you can give some idea?

Aditya Rao: On PEB I will defer to Mr. P.V. Rao for his comments. On Railways orders remained quite strong, close to about Rs 200 crores. Solar our order book has been extremely strong, higher than it has been pre-pandemic. We continue to look at solar is a sector that is doing quite well and we expect that to continue. Other project-based businesses or our water treatment projects and environment treatment projects and the order book there also is quite strong at about Rs 57 crores.

P.V. Rao: PEB as I told you we have order backlog of about Rs 513 crores. Yes enquiry levels for the last 3 months have to some extent come down but we are confident that because of the boom in e-commerce business the orders will flow in the time to come. But in my opinion to reach pre-pandemic level it will take time, maybe 6 to 7 months time it will take. But we are positive on that with the new initiative of setting up a unit in the US. So definitely to some extent that can be addressed, the shortfall that's what is going to happen in India that's going to happen in US. We are going to have facility which is up and running in the next 6 to 8 months time and by that time India also will catch up and reach the pre-pandemic level that is the expectation.

Vikram Suryavanshi: In India which are the prominent sectors where we are seeing demand for PEB right now? is it like are we saying that we are thinking something but picking like other industries and USA in fact our earlier thought process was like, we will outsource the designing and most of this designing part of this PEB structure to advantage for our employee cost differences. What will be the size because I heard from this call is that we also look at the manufacturing of components in US so what would be the size and scope of that to venture, so if you can give some color on that?

P.V. Rao: In India if you look at the sectors that are still placing orders on us are potential sectors like pharma, e-commerce business and then fertilizers business and then structural steel by companies like Reliance and all where they build these Jio towers, so they are still alive and orders are pouring in for us. As explained by Aditya, solar module structures we have the highest backlog even compared to the pre-pandemic level also. So that is well poised for a good growth in the times to come and yes, we are expecting another 6 to 8 months time event the industrial buildings also there will be some demand increasing in the consumption of different products and people will start expanding the existing units and starting the new units.

So we are hopeful on that. With regard to US, yes the PEB market is intact even during this pandemic time also because we keep enquiring about the PEB companies in the US because as it is we are working for a one big PEB company for engineering services, so we keep track of their market potential, addressable market and all. So we are hopeful because we want to start PEB, we want to have structural steel and we want to have components business also there. So we got a good deal in acquiring some mold company and in the process of establishing and we are very bullish on the US entity growing up and then starting its revenue and 6 to 8 months time.

Vikram Suryavanshi: Just to clarify, this Rs75 crores capital expenditure plan include the acquisition in USA also?

Aditya Rao: Rs 75 crores CAPEX is inclusive of BIW project of our US investments and our engineering services investment.

Vikram Suryavanshi: How is this outlook on tube segment or particularly demand from auto segment post BS-VI norms and to what extent we are seeing the recovery?

Aditya Rao: Tubes is scaling up well. It is still not back up to its peak performance but it has turned profitable as a business unit and we further expect with our Tubes IOR investments as well we expect our volume to climb back up, so we are quite bullish on tubes for the next few months.

Moderator: The next question is from the line of Marshall Michael, from an Individual Investor.

Marshall Michael: How do you see the growth prospects over the next 3 years as in capability wise how is the company positioned and what are your targets in terms of topline in margin over the next 3 years aspirationally? And secondly this current level of order book, are you comfortable with it in terms of annual sales this translates to around sort of 4 months of sales, is it normal level because PEB business—please correct me if I'm wrong—but contracts normally would be execution contracts would be 8 months to 12 months, so with the current level of order book are you comfortable?

Aditya Rao: I will answer the first part of the question and on the order book as relevant to solar and Railways Mr. P.V. Rao will collaborate and give you the picture. As far as our aspirational growth targets are concerned for the next 3 years, our current base case assumption is over next few quarters we increase our capacity utilization our addressable market comes back in a gradual manner, posted a little bit with our CAPEX initiatives in sectors which are doing quite well such as solar, such as engineering services and of course our US market. So from our revenue point of view I think in this financial year obviously we will not be because we had a lull in the first quarter, second quarter is better but still less than what it was in the second quarter last year. It would be difficult for us to achieve the revenue that we had last year. But I think with Q3 and Q4 looking the way we are the way we are projecting it right now, the key metric we have to look at is when do we re-achieve the revenue and profitability that we had before the pandemic and the lockdowns and all of this started. We believe that will be within this financial year, probably in the fourth quarter. Post that we just reestablished because by that time we think by the calendar year, middle of next year definitely there is hope that there is some amount of vaccine that comes around, if not a vaccine there is definitely a better treatment options and certainly some amount of herd immunity perhaps. But certainly nobody is saying that the situation will continue as it is with depressed addressable markets, with depressed consumption activity indefinitely. So our base case is that our addressable markets recover to a large extent by the middle of next year and investments we are making allow us to grow quite quickly over the next few years. So we have a 5 year strategy plan. We think the cause of this pandemic has been to delay that entire plan by about nine-months. So our goal will be to keep growing at double-digit rate over the next few years and hopefully in a couple of quarters from now, three quarters from now we can begin the task of putting of re-achieving everything that what we were at before this started and then our growth line re-establish itself. That's our base case right now.

P.V. Rao: With regard to the PEB yes, because of this pandemic though we have good order backlog, there are some projects on hold. It is true that there are some projects on hold because of various reasons. But we expect that they will come back to us to continue with the projects by around November-December. That's what we are expecting and we currently are at roughly about Rs 30 crores) in PEB, only PEB if you look at it and we try to as soon as we get the release of those hold projects and all we will definitely reach the pre-pandemic level. But it will take time. I would think it will take 6 to 8 months time to reach pre-pandemic level of revenue in PEB.

Aditya Rao: And order book in Railways and other businesses we have, we are okay, we are satisfied with it.

Moderator: The next question is from the line of Forum Makim from Equitree Capital.

Forum Makim: Are we doing any work on the Defence side?

Aditya Rao: We are but I would be hesitant to share, a lot of those contracts are donned up. They are executed to a subsidiary Pennar Enertech the joint venture that we have and I can certainly assure you the subsidiary is doing well and its revenues are scaling up. But I will not be able to share individual order details.

Forum Makim: What were the debt levels as on June?

Aditya Rao: The overall debt is about Rs 484 crores.

Moderator: The next question is from the line of Dileep Sahu, an Individual Investor.

Dileep Sahu: This is a question to the management regarding the clarity of the next 3 to 4 years. As an investor I must say I am quite confused in terms of, there are so many divisions consuming so much of capital, giving so little risk adjusted return and in the last 3-4 years we have tried many things, we have tried to get into retail, we thought solar business is not good and now we think that solar business is turning around. Now we're getting into US and I think committing a lot of capital. Can you tell me and there are so many divisions, there are double-digit divisions for company with so many business lines with so many diverse requirements. Can you give me an idea about where you are going to commit capital, is it going to be domestic, is it going to be Defence, is it going to be Water, is it going to be US, where are you going to commit capital and what is the criteria to decide to fund or not to fund? You have talked in the past about capital efficiency and focus and being very rigorous about returns. But somehow even without COVID that hasn't really happened, so as an investor I must say I am quite disillusioned with the way things have happened. Can you please comment on this?

Aditya Rao: Firstly thank you for the question. It is very well put. Let me try to answer it in a way first that describes our thought process on how we structure ourselves, one and how we allocate, make capital allocations decisions. I think the description of those two things will address some part of your question. So the way we are structured right now is the company broadly gets divided into three verticals, our product-based businesses where we manufacture various components and products and systems primarily steel based, that is one part. Second would be projects where we execute projects such as pre-engineered buildings, such as water treatment projects and also solar projects. In some of the steel is a substantial part of it like it is in PEB we are 45% the cost is steel and of some it is not. The third aspect is services where we provide engineering design services and that can cover structural engineering which is primarily steel and perhaps civil also and civil engineering as well but also mechanical engineering design and other things. So broadly we look like a diversified engineering company hence the vast diversity in terms of revenue streams. Now while we pocket ourselves into those three pockets, into those three sectors so to speak; the individual business units in the company are obviously massive because each calls for a different kind of market sector. But the asset base that we use to cater to all these sectors is very similar. So the production processes, the capabilities we use include things such as roll forming, fabrication and design. So if you combine these 3-4 capabilities that define everything that we do. So I understand that we come across quite often as a company as focusing on a lot of things but release the same capabilities chasing market opportunities and the market opportunities, when we try to give a little more detail, we tend to describe it across 11 verticals. As opposed to our ability to deliver a profitability I would not comment on the last 1 year-2 years but if you were to take the medium-term into account, I can comfortably say that we have absolutely delivered revenue growth, profitability growth and capital efficiency, yes. I think that is something that we do define ourselves to have as a very important priority for us and I would have to agree with you that we have not obviously met expectations over there. So we would work on that and we have decided in our board meetings also, we discussed about capital efficiency being a very important metric and going forward we will make sure that, that we refocus on that and make sure that we reach a certain ROCE and only then do it. But it hasn't been heavily deficient on an overall basis either. So that's my answer as far as how we structure ourselves as concerned. Now how do we decide whether to invest in a business or don't invest in a business; we do a check on whether we have a competency in that business. Do we have capabilities, do we have competences? So when we say Defence, it's a Defence PEB or it's a Defence hydraulics order or it's a Defence tube order. It is not that we are making something else which we have never made before. As I had said our capabilities set determines what markets we get into and we try to describe those markets, it looks like we are being very diverse. When we see Pharma, whether we make a building for the Pharma sector or we in the building for a Defence sector it's a building. So in that sense our capital allocations strategy is, we deploy capital into CAPEX into working capital only if we feel that there is a sustained market opportunity that exists over there. Unfortunately what has happened that in some of our sectors, some of them like solar, the market view has been extremely volatile and unfortunately that does result in us giving you a volatile picture. But if you were to take COVID out on the revenue front, on the EBITDA front, on the PAT front, I must respectfully disagree with you there hasn't been that much volatility. Sure we are not as capital efficient as we want to be that I would agree with you but not on the other metrics. So going forward we will continue to invest in our capabilities which remain the same. There will be no newer capabilities which are dramatically different from what we have which will be invested into and we will try to constrict our communication to these three verticals, products, projects and services, so that there is less confusion and there is less ambiguity in this. But on the capital efficiency front we continue to take them as a priority and by next quarter we will hopefully give you some metrics to which you can hold us accountable such as a minimum of 20% ROCE on any capital that we employ and hopefully we will be able to give you those commitments and that's my answer to your question sir.

Participant: My second and last question is I think we all know that we are in a very difficult cycle. There is a conference of a lot of negative factors not only COVID but also economics and stuff like that but we all live in the hope that the cycle will return and hopefully the next 6 to 12 months the cycle will return. My question is when the cycle returns how ready we are to take advantage of the changing scenario? And which is one business; I just want one business where you think you will bag the house, and you will make a real success of that one business. I am not talking about structural steel or in terms of geographies. I am talking about one focused business where you think will change the fate of Pennar Industries for the next 3 years? Can you just tell and thank you for the answer in advance?

Aditya Rao: The first part of your question we remain well prepared to take advantage when addressable markets come back. The key metric we see is, if we have liquidity and we have an ability to build up then we will be very able to grow when the market grows. On that I would give us a very high capability to immediately ramp up revenue, should the market turnaround and we expect a lot this to actually practically happen next year, frankly speaking. We will have moderate growth over the next few quarters but if we were to get a suddenly increase in size by 30%-40% we absolutely have the ability to do that from a liquidity point of view and from a manpower point of view and engineering talent point of view as well. Now to answer your question I will pick two instead of one, not to perfect answered your question; I will pick Railways and our Precision Engineering Business which is we call BIW which is what we are investing capital into. I believe both of those can change the complexion of our company. They are both scalable universes, they can individually exceed the size of the current company right now from a revenue point of view and if we focus on them and give them the capital they need which is our absolute intent then barring short-term dislocations such as COVID and general economic malaise, over the medium term which I would define as 3-4-5 years; these two verticals I believe can dramatically improve it and they look very good on the margin front; both of them are in excess of 20% in terms of EBITDA and they also look very good from a capital efficiency point of view by extension of 2 month working capital cycle, 20% EBITDA means that ROCE is very good and more importantly they are scalable also. We believe that they can each exceed if done well the size of the company right now, depressed though it is so those are the two sectors.

Moderator: The next question is from the line of Vikram Suryavanshi.

Vikram Suryavanshi: What is the current cash level on books and by when we can see conclusion of this the land sale deed that is my first question and second thing regarding 2 month working capital target for each businesses, currently any way businesses are down so working capital is under employed. Are these sustainable targets for even on expanded growth for next year or going forward?

Aditya Rao: Few questions on that. The first I think was the cash position, so Shrikant that is…

Shrikant Bakkad: 80 crores we have in terms of the cash that we have which includes our investments as well.

Aditya Rao: And the working capital equity and…

Shrikant Bakkad: And the unutilized working capital.

Aditya Rao: So that's as far as the cash flow is concerned, quite strong. We have liquid cash for close to a year of our burn rate right now. We are profitable now so we don't need to worry about that per se. Our working capital now has to be used for creating revenue growth. Now the second question, your asked was the land sale; we expect that to be completed in the next couple of weeks in its entirety. The agreement for sale will be entered into post deal, it can be a few days from now. Completing the transaction completely by the time we speak next, I am sure that all aspects of the transaction would be completed in all respects. That's as far as the land is concerned. What was your other question, sorry, the second part of the question?

Vikram Suryavanshi: Working capital target for 2 months for each business. So would they start sustainable even from next month, growth next year or going forward, that..?

Aditya Rao: In spirit of answering the question which the previous caller had post I think it has to be sustainable. I don't think we can have a higher number than that and I don't think is realistic and we are very clear as management and our board is very clear that we have to hit those numbers. If we don't hit those numbers, we have to take some tough decisions. So from our side we can commit you that, that remains the target and we believe it to be realistic, it's not aspirational, we believe it to be realistic. A lot of our competitors do similar numbers, so maybe a little bit of stretch here and there but we will draw the lakshman rekha so to speak at 2 months to ensure that we remain capital efficient.

Moderator: The next question is from the line of Swaminathan, an Individual Investor.

Swaminathan: I just have a suggestion regarding the segment reporting. You had just mentioned that you have around 11 verticals, 3 types of businesses and all that but what is happening is all these engineering segments are being put into diversified engineering segments, so it doesn't really come out as to how much is solar and how much is railways. It will be better if you could just put this in the segment reporting or at least give it as a part of the investor presentation, that will go a long way. That's my only suggestion, thank you.

Aditya Rao: We understand and I know we owe clarity to our investors, it's critical and this is a moving target. We are working on this; we will also have discussions with you off line to see what is the most appropriate structure.

Moderator: The next question is from the line of Marshall Michael, an Individual Investor.

Marshall Michael: One question is how do you see the competitive intensity in the current scenario and sort of logical assumption is that given the current environment it would be extremely competitive hence the question would be that, are you targeting new orders at the expense of margin as in picking new orders at lesser margins and this is obviously on the projects business and if not then what is the threshold margin that you or the cut-off margin that you keep when it comes to deciding whether to take up a project or not?

Aditya Rao: So we have controls in place which determine for each kind of business what the market determined operating profit is and in spite of the obvious market turmoil and in spite of obviously there being a collapse and demand we have not needed to compromise and we have not compromised on that. I am unsure what the reason for that is, I was fully expecting a lot of our PU heads to come back and say that look we need to reduce prices to get orders but we have actually not done that. We were not needed to do that, they have not come back to me and told me that. If you look at the gross profit numbers they remain pretty much the same Shrikant what would you say that… It's almost exactly the same. Very slight decrease perhaps but…

Shrikant Bakkad: There has not been substantial decrease in terms of the gross profit where we were prior to the pandemic and now except and this is mostly off the order. Only the decrease is slightly because of, one of the higher profitable business has a lower revenue that's the reason overall margin is decreased. Otherwise there is no decrease in terms of margin from gross profit level from 48% to 39%.

Marshall Michael: Just one more question if I may, considering the competitive intensity for Pennar Industries what is the differentiator? What has been the feedback from clients? How do you stand out when it comes to past project deliveries and fast track record and do you get any project awards on a preferential or a nomination basis? Has that ever been the experience? How do you stand out amongst competition in a very competitive industry obviously?

Aditya Rao: Our differentiators are that we have in house a set of capabilities which are quite difficult to get right completely. So lot of our competitors will have roll forming capabilities, some of them will have very good fabrication capabilities but if you look at India the combination in and when I speak of us or value-added steel businesses, the combination of roll forming pressed and drawn components, blanking, fabrication, special grade material processing. There is only one other company that comes to mind to me other than Pennar in India and that's T.I. So I would say that would be for our value-added downstream steel businesses that would be one of the key differentiators. In other businesses it's other things of course. If you look at us in our railways business for example a very key differentiator is the fact that we have achieved the scale and the size that is necessary in order to or put a wide variety of railway subsystem as opposed to some put focus on any one. So in a sense I would define both our broad range of capabilities and the ability to apply those to one order, to one customer as our differentiators.

Moderator: Next question is from the line of Chandra Janiani, an Individual Investor.

Chandra Janiani: My question actually what's on the drawing board in terms of product and development for your Hydraulic division? What is your aspirational sale for this division in the next couple of years? Can we expect to get into sub-assemblies in the next 2 years? Is the division primarily export driven and is your business model and this division primarily or being a contract manufacturer to private labels?

Aditya Rao: So Hydraulics is while a good profitable division, it's a primarily export oriented yes its high margin. We are continually in investing capital to grow its size and scale but the market opportunity is quite vast. So as we deploy more capital into its others such as Wipro and others will so we are also diversifying into customized cylinders, telescopic cylinders which will have up by November. So while the size is small at about Rs 30 crores for a year, we believe this business can scale tremendously. So we are deploying capital into it but as of right now I don't have a projection for you for how long it would take for us to scale this business up but we are quite excited about this and it's primarily export oriented. Did I cover all of your questions or?

Chandra Janiani: Yes, you did. My second question is actually relating to your new railways plant that you are putting up in Raebareli. I am just guessing you are doing the CAPEX for that in stages like you are doing it over a period of 3 years. Once this plant is fully operational what kind of revenue can you project from this plant? Is it capable of doubling your railway revenues like to 800 to a 1000 crores?

Aditya Rao: No, it couldn't double it but it can increase it by about a 20% increase, initially. The initial capacity that you are setting up will result in that increase. The products also would be similar to what we are already doing; it is in the addressable market increases by a lot. We can supply to MCF, RCF and others and specifically companies such as E C Blades are the company we are trying to compete against their and they are larger than us in railways. So I am quite optimistic that the addition of this plant will result in a very substantial addressable market increase which should drive at a minimum 20% growth but probably more than that.

Chandra Janiani: And my last question is Aditya history suggests that a downturn has proved to be the best time to invest in substantial CAPEX and you wait for the cycle to turn. Are you a believer on this and secondly is it okay to say that over the next 2-3 years you would have, you would have put in substantial CAPEX to double the revenue of this company over the 5 years?

Aditya Rao: Don't take in wrong way sir but I have now come around to the view that the pandemic horrible as it is, has actually been and please don't take this a wrong it's I think it's been a good thing for the company. It forced us to take a very strong look at ourselves to make decisions we would not have taken otherwise. I can comfortably commit to you that we are going to re-double, refocus our efforts completely on capital efficiency. I think that where we are standing right now it is important for us to never go into a shell and say we are not going to deploy capital. Opportunities exist, opportunities are still coming up. I think we have to force ourselves to recognize where the opportunities are which we have done. We know exactly where to put our money; we should deploy capital. You have a racing analogy when you are breaking and you are taking a corner in a car you accelerate through the turn at the peak, I think that's where we are right now. We have made the half the turn and at this point now it's time for us to deploy capital smartly, wisely, not waste money. This is our investors' capital; this is our shareholders capital. When we are sure that this will result in a revenue and profit increase, we should go ahead and deploy. It answered your question doubling from, I would not use now because now it's easy for me to answer but even as if you look at where we were about let's say Jan-February before the pandemic started; I am absolutely confident we will double the sales number and obviously consequently the profit number on that within the next 5 years. I think we will do it substantially before that.

Chandra Janiani: I have a last question again. My question is actually relating to this new subsidiary that's been opened this Pennar Global Metals. By metal building components do you mean the primary frame, the second frame, the grades, the purlins etc. is that what you are going to supply?

Aditya Rao: No, so Pennar Global Metals would be for our tubes CDW sales in the US. So effectively we worked with companies like Salem and and others. So we believe there is a possibility for us to generate an excess of $10 million in sales just from our CDW Tubes products so we want to enter that business. Consequently we have added a value-added plant, small plant it is not heavy CAPEX at all. It's of $1 million and we have invested in that and we think that, this will allow us to better sell our tube products for which we have a substantial amount of capacity. That's Pennar Global Metals.

Chandra Janiani: Aditya is there an opportunity for you to export PEB component from India to the US like predominantly if companies like Cornerstone Building Brands need your products, are you willing to supply them metal building components from here to there. Is there a cost till manufacturing in the space compared to India? Is it cheaper in India for you to send it from here to there?

Aditya Rao: There is but so Cornerstone is a company we do a lot of other work with. So I won't comment specifically on supplying to them but yes building components in the US remains a substantial possibility.

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

P.V. Rao: Thank you very much all of you, all the stakeholders for participating in this call and to the best of our ability we have answered the questions already posed by the investors and thank you very much once again.

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