“Arvind Limited Q2 FY22 Results Conference Call”

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MANAGEMENT: MR. JAYESH SHAH – WHOLE-TIME DIRECTOR & CHIEF FINANCIAL OFFICER
MR. SAMIR AGRAWAL – CHIEF STRATEGY OFFICER

Moderator: Ladies and gentleman, good day and welcome to the Conference Call for analysts and investors for post results discussion for quarter 2 Financial Year 2021-2022 of Arvind Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Samir Agarwal. Thank you and over to you sir.

Samir Agarwal: Thank you. Good afternoon and thank you all for participating in this call to discuss our results of Arvind Limited. for the 2nd quarter of financial year 2022. Joining with me today, is Mr. Jayesh Shah – our Executive Director and the Group CFO.

At the outset, I am very pleased to start by sharing that we have clogged the highest profit before tax and profit after tax numbers, since the demerger of Arvind Engineering and Arvind Fashion which you all recollect happened about 10 quarters back. Overall, during this quarter, the basis of characterized by surge in volumes across all segments and high prices of import raw materials in parallel to that. Most of our business secured price increases to offset import cost material and that helped maintained unit operating margins.

Also, during this quarter, the government announced the much-awaited RoDTEP rates apart from the PLI and MITRA schemes. To get into specifics, overall, the revenues for the second quarter stood at Rs. 2115 crore, which was 62% higher than Q2 of last year, the EBITDA margins were at 11% compared to 10.3% last year. Our profit before tax (PBT) stood at Rs. 116 crore and the net profit was Rs. 70 crore. Included in these numbers is EBITDA is RoDTEP income of previous quarters of Rs. 18 crore.

Textile revenues were, Rs. 1711 crore, which was 68% higher than the Q2 last year, Denim shoot out 25mm of fabric, after a gap of seven quarters. Woven volumes also grew to a healthy 31 mm. Garment volumes were up at 9 million pieces. In general, apparel demand continues to stay buoyant across all segments in all markets.

Our key global accounts continue to deliver strong results and positive commentary as demand has bounced back post recovery from COVID across the board. This has also resulted in strong volume growth in wholesale brick and mortar channels, across key US and European customers. Domestic brands and retailers continue to place orders, even though there have been price increases, it is keeping the demand quite strong both for Diwali as well as beyond.

Input cost continue to increase or remain high. Cotton prices continue to soar as reflected in Shanker6 prices that are quoting around Rs. 61,500 per Canby. Even though the prices for US cotton remains strong as biggest selling places like China and Turkey continued buying. Other raw materials also saw increase in prices, partially driven by higher freight cost and more recently hike in energy prices.

We have been able to pass on most of the cost increases and as a result, textiles delivered an EBITDA of 11.3%, average price realization in denim stood at Rs. 214 meter and woven at Rs. 176 per meter. ROCE in textiles business sale closed to 20% in this quarter.

Our advanced material business clogged a robust 60% growth in the topline, EBITDA margins in AMD stood at around 12%. The 2-3% pressure on AMD margins was a result of lag in price increases to offset the higher input cost and lower than plant dispatches. Also, in this business we have a long lead time order book, so that lead some of the delay in passing on the increase in the cost as well.

Net borrowings which have increased from Rs. 1950 crore in FY beginning to Rs. 2141 crore by June 30^{th}, came down to Rs. 1881 crore as of 30^{th} September' 2021. Looking forward in Q3, we expect the demand to continue staying strong, we expect revenues to grow by almost 40% year-on-year basis and 3%-4% sequentially, we will continue managing the RM sourcing tightly while securing the corresponding price increases from key customers. As a result, we expect to improve our absolute EBITDA as compared to Q2 of current FY. We are also working up on building up our investment plants to capture the opportunity opened up by the PLI schemes. We will share the details of the same at an appropriate time. Otherwise, we continue to be very calibrated in the capital expenditures with the aim of further reducing our net borrowings.

So, this concludes my opening remarks and now I invite you all to ask questions. Thank You.

Moderator: Thank you very much, we will now begin the question-and-answer session. The first question is from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: Sir three questions from my side, first is that, how easy was it with our customers to take the price hike decision and also given the current state of raw material inflation continuing, is there a need for further hikes and how possible or easy with that?

Jayesh Shah: The cost increases have been like quite unprecedented as you know and the good thing is that the demand for the product is very strong, number 1 and number 2 the cost increases across the board for all the participants, so as a result we have been able to keep increasing prices to take, it is not full in mitigation but significant part of the cost portion we have been able to take care by increasing the prices, we believe that the current price increases that you see which is in the last one month also there have been further price increase and there, as a consequence you will see price increases in Q3 as well compared to what we had in Q2. It is an industry wide phenomena led by commodity price increases, so all the brands, the all our customers do understand that, as you know the cost of fabric in any garment, in any MRP of a garment would be 15% - 20% and a 5% - 10% increase in that will have to be factored in by the brands and they do understand and we are able to kind of increase prices. Of course, there is a lag effect because every time you increase price, the cost keeps rising even at a faster pace, so to that extent you do have an impact on margin percentage but we are more or less able to cover our unit cost increases.

Nihal Jham: My second question was that if you could just give a little more clarity on the advanced material business, that there obviously the growth remains exceptionally strong and first what has been the price hike in the 60% growth that we have seen and second is specifically, which are the segments which are driving such strong tractions in these segments?

Samir Agarwal: So Nihal Hi. On AMD, like I had explained in the previous call it is comprised of 3 segments or business or sub segments. One is human protection which is more specialty apparel for people like FR and military and so on and so forth, the second is industrial products which is belting and filtration and so on. And the third is composites. We have seen topline growth across all our segments and I know it is a result of the secular demand increase which will be happening around and, in the industries. At an aggregate level this is pretty much as a plan. Now, as far as the specific topline growth in this quarter is concerned, it is also a result of the fact that in the previous quarter there were shipments which were not able to send out because of ballistic issues which got build in this quarter. So, to some extent, this is I would say slightly more extraordinary by about 10 odd % percentage point but by and large it is tracking the plan which we have which is to grow this business by an aggressive above in any case.

Nihal Jham: Samir just one related point on this would be that, there would be definitely a component of maybe getting a higher wallet share from customers or new customers also which would be happening right because the kind of growth even if I take the 10% off, it is still significant and not that the industry would be seeing that growth. So, just on that, is it that we are increasing wallet every quarter or is it that new customers are getting onboarded, how are those trends moving ahead?

Samir Agarwal: Both, so we have a set of 4 accounts which we have developed in last 3-4 years and they continue to have more and more composite task. So, that gets us a higher wallet share within the categories we are supplying and most of those customers are happy to add categories as well which they were not working with us, so it is both getting a better like to like growth and a wallet share on the business we are doing, as well as getting new books of business.

Nihal Jham: I just had one last question if I may, that in the commentary you mentioned that lot of orders are getting preponed, so is there a possibility specifically when in Q4 when ideally most of these orders could be dispatched that there, there could be a lull in demand, considering that most of these orders are ..

Jayesh Shah: So, looking at the current inquiries that we have from customers and the kind of understanding that we are reaching, Q4 looks to be, I think it will be equally a strong quarter in terms of demand. The other thing as you possibly know that even the Indian market which is also in a very buoyant situation and most of the retailers and brands do not hold inventory and as a result we believe that even Indian market demand is not to the full potential as of today but it could further increase the or order book may come more from India as well in Q4, so we do not see a situation of a one-time dip, so to say in Q4, however over next 6-9 months, it may just start tapering off, you know whatever is excess demand but not really impacting a very large volume dip.

Moderator: Thank you. The next question is from the line of Kirti Jain from Canara HSBC. Please go ahead.

Kirti Jain: First of all, excellent performance, much above what you had guided during the last quarter call also, much above that, that is what I would say. Sir with regard to the PLI opportunity, what are the things we will be looking to do in the PLI sir? That is the first question I have.

Jayesh Shah: So, Kirti as you know and I think we spoke in the earlier call also, that there are certain product categories that Arvind is focusing on and Arvind is not focusing too much on the so called our traditional textile business which is cotton based denim or woven business, in terms of growth of course we are focusing to make most out of it but in terms of growth we are looking at leisure fabrics, we are looking at multi, I mean the man-made fibers, we are looking at advanced materials, so good thing is that the PLI scheme is actually directed over the areas that Arvind has been focusing since last couple of years and trying to get the expertise in those businesses, so for us PLI scheme is a very welcome development. We have started working on preparing proposals, our proposal to government, there are a few things we need to clarify, which we have already submitted our recommendations, which is adding a few product categories which are very vital for, from overall global demand point of view but they are currently absent, so we are requesting government to add that and we would look at investing over Rs. 300-400 crore in next 2-3 years. In product categories which are man-made fiber and advanced materials.

Kirti Jain: Okay sir. Sir my second question is with regard to our accelerated business opportunities which we are getting, this quarter also we have got 50% growth on quarter-on-quarter basis, sir given that our capacities are filling fast, what will be our CAPEX plan for our textile business, sir?

Jayesh Shah: So, we have still the headroom to grow a little bit in denim, we have capacity to grow in woven, we have capacity to grow in our nets business, we have capacity to grow in garments, in fact you will see garment volumes rising quite well in Q3 and Q4, in fact Q2 also would have been good but the delays in shipments resulted into lower volumes this quarter, so we have good amount of, still available opportunity to grow and we have been outsourcing a lot, so for us even that opportunity exists. So, I think for us to continue is growing between 8-10% for next year or so, we do not really need to invest substantially and as I just said that we are preparing plans to invest Rs. 300-400 crore in the product categories that we talked about, so we are looking at healthy growth over next couple of years on the volume side, so price will change based on the cost but otherwise on the volume side, so the rupee value may change but volumes will certainly keep rising.

Kirti Jain: Okay sir. Sir my last question, sir when will you think the pricing power can improve for our textiles business, if you can give some highlight on that that will be great sir?

Jayesh Shah: I think the fact that we are able to increase the prices in this situation is a good indication that we have a bit of a goodwill in the market, our products and our customers like our both product and service levels that we give them, so we are in a healthy situation and I think the margin, if you look at percentage margin, if you were to read, not at the price but if you were to convert that into percentage margin, if for example, if the rupee or rather the cost-push had not come, our percentage margin would have been significantly higher. Here said, it will remain on a lag effect till the prices settle down. So cost, when this settles down, you will see the EBITDA margin in percentage term to start catching up to a very high, say reasonably decent number. So, till that time, you know you are passing on the cost, you are making absolute unit contribution as much as you were making earlier with some kind of lag effect but not necessarily in percentage terms because earning on such a high cost-push, a percentage on that would be difficult in a B2B business.

Kirti Jain: Correct sir, further more inflation is happening know, so we are able to pass on that inflation know, like quarter margins would be looked upon ….?

Jayesh Shah: So far, yes. I think you know this price increase; I was just telling Nihal also on this question, that the cost of fabric is not that high in the MRP of a garment. So, we are able to talk to our customers and we have been so far able to increase prices and it has been an industry phenomenon. I think this we will continue to stipe or increasing prices so long as cost-push is there, other steps also we take. For example, increasing volume and getting operating leverage to kind of maintain our margin and also re-engineering a product, we do not talk much about it but that is also a very key component to be able to maintain profitability without affecting or fully passing on the cost-push to the customer.

Moderator: Thank you. The next question is from the line of Sagar Parekh from One Up Financials. Please go ahead.

Sagar Parekh: Yes, Mr. Jayesh and team, good evening and congratulations for excellent performance. My first question is; on these other segments, so you know in the last seven, eight quarters we are continuously seeing this other segment showing losses, right?

Jayesh Shah: Right.

Sagar Parekh: So that is pushing down the overall margins to that extent, so my question is; a) which are the other segments within the others which is driving these losses and when can we see at least a break even in this other segment on a consistent basis?

Jayesh Shah: So, you know, in the recent couple of quarters and particularly this quarter I would say, the reason is that, a large component of our others segment, is our water business, which we are nurturing in our company. that business is doing extremely well on the some are, on the project that we are getting are the business the way it is being built, however that project has been very badly hit in this period because of the cost-push that we have got, we have contracts which are at a fixed price and the cost-push has been as high as 60% to 80% and that has led to, and we are you know, as a result the margins have been impact, eroded completely for certain projects that we are under going right now. That should get over in next quarter, so till that time we will see the negative but we do not see that continuing beyond that.

Sagar Parekh: Right, so water is the only segment which is dragging the overall other segment margins?

Jayesh Shah: The largest part of that is water, the other is a very small component, which we continue to sustain, which is our Arvind internet business but that is a very small area.

Sagar Parekh: Yes, that is very small.

Jayesh Shah: Yes.

Sagar Parekh: So Q3 we will still continue to see others losses but then from ..

Jayesh Shah: Not as much as what you saw in Q2 but it will be smaller and will go away after.

Sagar Parekh: Okay, so from FY23, fair to assume, this will be at least zero to positive.

Jayesh Shah: Absolutely.

Sagar Parekh: Okay, great and second question is on the CAPEX. So H1 CAPEX is about Rs. 80 crore, Rs. 85 crore, if I am not mistaken. So, I believe you were looking to spend about Rs. 100 crore, Rs. 120 crore for the year.

Jayesh Shah: It will be below that, it will be within that number.

Sagar Parekh: So, we have already sent Rs. 80 crore, right, in the H1, so H2 will be negligible then in terms of CAPEX.

Jayesh Shah: Yes, that is correct. So, either the H1 number there was one, the amount has come as in CAPEX on the books but there was an advance paid already in the previous year. So actually, from a cashflow perspective, the amount spent is not Rs. 80 crore, it is only Rs. 40 crore but overall we will not be exceeding Rs. 100 crore, Rs.125 crore during the year.

Sagar Parekh: And on the de-leveraging part, we are on track for another Rs. 200 crore, Rs. 300 crore de-leveraging for the H2?

Jayesh Shah: The answer to that question is, yes, we are on track but I want to get it in these two ways. One for example, or let me complete that. For example, in October itself we have reduced debt by Rs. 50 crore or so far, so it is on track to that extent, however as you know, there has been, the cost-push has been very high and that obviously result into increasing working capital in absolute number. So far, we have been able to maintain or managed that as well. The second thing which we are completely, you know we are currently, we do not have a view, is whether we will have to invest for a short period of time in cotton based on what the market conditions are and what kind of order book we have and whether we need to hedge it or not but if at all we do that, it will be like a self-liquidating in amount, we buy cotton and we consume and money comes back. So, to that extent, we are unsure of that but subject to these two carriers, yes, the answer is that we will be reducing debt because we do not have a CAPEX program with this year.

Sagar Parekh: Right and in terms of that land sale, Ahmedabad land sale is non-core that we were looking at, any kind of update on that?

Jayesh Shah: Yes, so we have received about Rs. 70 crore out of Rs. 150 crore we have targeted this year by September and we hope to get Rs. 150 crore and a little more than, by end of the year.

Sagar Parekh: So, another Rs. 70 crore, Rs. 80 crore for H2 then.

Jayesh Shah: That is correct.

Sagar Parekh: Okay perfect, and my last question would be on the advance material division. So as the opening remarks were, you know you mentioned that there was some lag in terms of taking the price increases, so fair to assume that going forward we will be back to 14%, 15% EBITDA, which we did earlier?

Jayesh Shah: Actually, so Sagar when we reach a stable price situation, both in textile and AMD, we will be able to come back to the normalcy in percentage margin. So, you know, because the cost-push has been continuous, it comes but always keeps us you know, and a parentage terms with a lag of 3 to 4 months.

Moderator: Thank you. The next question is from the line of Prerna from B&K Securities. Please go ahead.

Prerna: Congratulations, sir on a strong performance despite cost inflation that you have witnessed in your businesses. I had few questions with respect to sustainability of demand. So currently, there is lower inventory with customers also, which is also helping us in taking price increases. That is what I have understood in the call as of now, so could you please correct me and guide me on how strong is the demand in domestic and export market across businesses and till when do you see that this lower inventory in the system for the customers would help us, over the next few quarters?

Jayesh Shah: Prerna, so I think the key reason why the demand is strong is because customers are buying upfront and because you have less inventory, there is a surge in volume. I do not think the surge in volume will continue, the way you saw 20 million becoming 25 million or 22 million of woven becoming 31 million. I do not think you will see a 10 million quarter, nor do we have that capacity. I think the point is that, whether the demand, the customer demand will continue so we believe that, that phase of the sudden spike which has come, has led us to increase our capacity utilization to a very high level. From here on, the demand may remain stable or may go up by a percentage 2 or 3, but it will not be a surge in the demand that you saw in the recent past. The reason, what we were trying to explain to you, was why you are seeing a surge in the sales or the volumes in the quarter 2. So not for all times to come, that there would be such a low inventory or surge in the customer demand. The second thing is that, there are sectors which are, which we have discussed in the past also, which is helping Indian industry in general, textile industry in general, which is China plus factor, which is also, as we have on-boarded several customers, we have got demand and orders for products from the same customers that we were servicing, which they were not buying from. So those are additional factors why we feel that the demand for us, at least, for the capacity that we have and additional 8% to 10% that we want to grow should not be a major area of concern.

Prerna: Okay and sir, how are we placed in garment business now? We have seen improvement in utilization, you are saying, improvement further, …

Jayesh Shah: Very good situation we are in, we have significant improvements, we have, our plants are completely full and you will see the, you would have, has there not been a delay in shipments because of containers and all. You would have seen that in Q2 but you will certainly see that in Q3.

Prerna: So, what could be your annual utilization?

Jayesh Shah: I think we are hoping to end or end the year at a run rate of 50 million garment.

Prerna: Sorry, I did not hear you properly Sir.

Jayesh Shah: So, let me repeat, run rate of 50 million garment in Q4.

Prerna: Okay, this is actually very encouraging sign because you have mentioned about you capacity being 55 million pieces approximately, so there will be capacity expansion in garments also and how is the profitability in that business because you have mentioned about unit margins in woven and Denim but some ..

Jayesh Shah: It has improved considerably because of the utilization number 1, and as you know the RoSCTL rates, which was scrapped, also been restored, so with that, margins are going towards, they have not reached, but somewhere it is inching towards double digit and we hope that when we end the year or in the quarter 1, we should be there.

Prerna: Okay, and sir one clarity on PLI scheme, the scheme is quite restrictive in terms of 25% growth every year on the CAPEX that you do, so based on the asset turnover in textile business, it is possible to achieve those kinds of growth every year. They have not seen any company delivering 25% growth in any CAPEX that has been done in five years.

Jayesh Shah: So, government has been very intelligent in, clever in using this. So let me try and explain to you, what they have tried to do. What they are saying, invest Rs. 300 crore or Rs. 100 crore and you achieve Rs. 600 crore sales in year one, these are the criteria, Okay. And then you achieve 25% more every year, that is another criterion but what they are not telling you or what they have not written, or what they have not stopped you from doing, is to do incremental investment year on year and keep achieving the turnover.

Prerna: So that is interesting.

Jayesh Shah: So, Rs. 300 crore is not the maximum investment, it is the mean investment.

Prerna: Okay, so you can invest further every year and attain that kind of growth, that is also okay.

Jayesh Shah: That is the thinking of government, they are pushing you to do that.

Prerna: Okay understood and sir last question on AMD; is the current run rate sustainable of around Rs. 300 crore every quarter?

Jayesh Shah: Over to you, Samir. So, I must say there is a cost inflation as well in the revenue but Samir you want to answer about this revenue targets and how you see?

Samir Agarwal: Prerna, like I mentioned earlier, you know we have ambitious plans and you know solid double digit goes to something, directionally I would say, we are on track and I think there is enough head room**,** okay. Now specifically, some part of what you saw in Q2, obviously the results of some postponement of shipping and some cost inflation, so that will add expense, you know those two factors will not be playing in all the future quarters and hence what you saw in Q2, will not repeat exactly as it is but directionally, we are on to have the kind of solid double-digit growth for sure.

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

Sanjay Shah: Good evening, Sir, thank for the opportunity. Sir my question was regarding, as you cited very optimistic view about the domestic demand, where there is still very low inventory lying with the manufacturer, so how do you see the trend internationally since our export is more than 60%, if I am not wrong and we have seen good tailwinds and headwinds both on that side. Can you run us on that side, how we are doing on export and what you see future about it?

Jayesh Shah: I think export demand in general is very strong right now as you know US market on in general, for all product categories, is very strong, not only textile and that applies to us also. That is a one, I would say reason why export demand is strong based because that demand in both Europe and US is stronger. The second is, as we have discussed in the past is that here has been challenges in terms of supplies from China and now Vietnam as well, for various reasons including some cotton man human rights related reasons and al and as a result, there has been a shift in supply chain, you know, also from those parts to India and I think as a result Indian, we are seeing a continued strong inquiry and interest from our customers in both Europe and the US.

Sanjay Shah: Now, what these logistic issues and all, are they becoming hurdle to us right now?

Jayesh Shah: It is, supply there are quite a few issues in terms of, so availability of raw materials to price, cost of raw materials to availability of containers to cut a choking at the border of Bangladesh where a large quantity of our fabrics are being shipped because of the non-availability of warehousing on the Bangladesh site, so there is a very long, I think with an unprecedented amount of truft choking has happened in Bangladesh border. So, all of these are challenges, so I mean there are yes, to answer in short, yes.

Sanjay Shah: Sir my next question was regarding, Sir you sounded very humble by saying that you can grow 8%, 10%, so do you not think it is very conservative what you are talking or are you talking on volume terms because value wise, because of price appreciation, we have done very good in these two quarters, so how do you see that?

Jayesh Shah: I think I would not want to change what I said, and it is a combination of both; price and the volume, of course. I was talking more on volume rather than on price because in value terms we may go down if the raw material prices go down. We may not grow, in fact we may have a negative growth if the cotton has to come back from 60,000 to 35,000, for example. So, I was talking about purely volume related growth.

Sanjay Shah: In stable circumstances, we will at least grow by 8% to 10% in volume, as that you want to say, right?

Jayesh Shah: We are talking about next couple of years, we have head room to grow at that way.

Moderator: Thank you. The next question is from the line of Nishit Rathi from CWC. Please go ahead.

Nishit Rathi: Great performance Mr. jays, I think commendable way the team has managed such challenging times. If I understand it right, I just wanted to ensure that all I have understood it right; 1) you are saying that there has been the revenue growth, the spurt that in the revenue growth is also because of the low stock that was there but you are saying that, going forward you may not see such spurt on a quarter-on-quarter basis, but the revenues will remain constant. So, we might have taken, what we might have seen is a big spurt but you are saying that the spurt is more or less sustainable, that is the first point that I wanted to understand.

Jayesh Shah: The answer to that would be that we are not seeing a de-growth.

Nishit Rathi: Perfect, so you are saying that we have reached the new normal, this is the new normal in revenue which we will kind of maintain out there. We may not see similar kind of growth but this kind of revenue we may sustain, is that understanding correct, firstly?

Jayesh Shah: These kinds of volumes we may sustain.

Nishit Rathi: Perfect, so that is point number 1, so we will sustain these kinds of volumes. Now, the second point is, these kinds of volumes, we have seen a massive cost inflation and that cost inflation is the reason why our percentage margin looks lower but we have been able to maintain our EBITDA in overall terms, that whatever increase we have said, we have gotten that. You are saying eventually, the inflation will come down but when the prices normalized, does that mean that even the pricing, our pricing what we have seen on a per unit basis, will that also kind of normalized, which will mean that you know, there will be some pressure on the realizations or do you think that the realizations might also sustain and you might actually see the spread increase which will mean that you know, at some point of time EBITDAs will grow.

Jayesh Shah: No, I think if you see currently what has happened is that whilst we have been able to get our unit margin intact and we have been able to increase price and as a result, due to increase in volume we have been able to improve significantly the absolute earnings that we have made during the year, in the quarter. We believe that, as the cost stabilize at some level, high, low, wherever, there would be, we will be able to adjust because the lag effect will go, the margins as a percentage which is, you know if you were to compare it with H2 of the last year, we were at 12+, we are at close to slightly below 11 right now, so that percentage or so, margin which has gone away, we want to try and recover that at, when the costs are stable. I do not change, we will be able to over a period of time, improve our profitability by keeping the cost reductions in pocket because as we are putting our customers today, to give up the price increase, the customers would expect us to reciprocate when the input cost go down. However, for us to improve profitability, our continuing to grow and get the operating leverage and utilize all our plants more than 100% and continue to keep a tight leash on our overheads which we have been successful last year as you know, would give us the leverage that we get and as a result our profitability should grow.

Nishit Rathi: Correct, so Mr. Jayesh I fully appreciate what you are saying, I am just trying to understand you know, in my mind right see, when you say that you pass on the benefit of the cost to the customer, it to some extent means that you will lower your realizations, right? And if it on an increased base and lower realization, there is a third component wherein you have not got in any benefit of, so basically what you are basically saying is, your revenues on an overall revenue basis might come down a bit but your profit margins might go up a bit, which will mean that you know, even your EBITDA level, absolute EBITDA might remain very similar to where we are today but the margins will look better. Is that understanding correct and eventually then incremental EBITDA, the growth should come through volume growth.

Jayesh Shah: The answer to that is, yes, that more Arithmetic per our effort should be to increase EBITDA by improving efficiencies, by utilizing plants more, by re-engineering products, by improving service levels, so our effort will be, to not remain where we are, our effort will be to keep going ahead and improve our overall absolute relative performance of both, profits and the RoCE.

Nishit Rathi: So just to summarize, we have reached the new normal in terms of revenue and EBITDA, now from hereon for us to grow eventually, the path for that will be volume growth and efficiency improvement, right? It is the volume and the ASR will be a wash, when the cost come down, the ASR will also to some extent come down but eventually the path will be higher efficiency and better volume growth, right, that is the way to think about it?

Jayesh Shah: That is correct.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question. I now hand the conference over to Mr. Samir Agarwal for closing comments, over to you sir.

Samir Agarwal: Alright, thank you everybody for your engagement and participation, we will see in one quarter ahead. Thank you, bye.

Jayesh Shah: So, thank you everyone and wish you a very happy Diwali, thank you.

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