"Asian Paints Limited Q3 FY2018 Earnings Conference Call"

January 22, 2018

ASIAN PAINTS MANAGEMENT

MR. K.B.S. ANAND	: MD & CEO
MR. MANISH CHOKSI	: PRESIDENT – SUPPLY CHAIN, INTERNATIONAL & IT
MR. JAYESH MERCHANT	: CFO & COMPANY SECRETARY, PRESIDENT – INDUSTRIAL JVs
MR. R.J. JEYAMURUGAN	: VP – FINANCE
MR. PARAG RANE	: CHIEF MANAGER – FINANCE
MR. ARUN NAIR	: MANAGER – CORPORATE COMMUNICATIONS

ANALYST:

Mr. GAUTAM DUGGAD
Head of Research, Institutional Equities : **Motilal Oswal Securities**

Moderator: Ladies and gentlemen, good day and welcome to the Asian Paints Limited Q3 FY2018 earnings conference call hosted by Motilal Oswal Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Gautam Duggad, Head of Research, Institutional Equities, Motilal Oswal Securities. Thank you and over to you Sir!

Gautam Duggad: Thanks moderator. Good evening everyone. I welcome you all on behalf of Motilal Oswal Securities for the third quarter conference call of Asian Paints. We have with us Mr. K.B.S. Anand, the Managing Director of Asian Paints along with his team. Without much ado, I will hand over the call to Mr. Arun Nair. Arun over to you.

Arun Nair: Good evening everybody. Welcome to Asian Paints Q3 Investor Call. We have the management team here led by Mr. KBS Anand (MD & CEO). Mr. Manish Choksi (President - International, IT, HR and Chemicals). Mr. Jayesh Merchant, (CFO and Company Secretary, President -Industrial JVs), Mr. R. J. Jeyamurugan (VP - Finance), Mr. Parag Rane (Chief Manager – Finance) and myself Arun Nair (Corporate Communications). Now I request Mr. K.B.S. Anand to take the call forward.

K.B.S. Anand: Good evening everyone and welcome to the Asian Paints Q3 FY2018 conference call.

ECONOMIC ENVIRONMENT :

The Indian economy, which had witnessed disruptions on account of demonetisation and GST rollout, seems to be on a recovery path. GDP growth for the September quarter was up at 6.3% as compared to 5.7% in the June quarter, arresting the slide witnessed for five straight quarters. Demand conditions for the paint industry though recovering still remain a little subdued.

The overall global economy continues to show strong resilience and continues to expand ahead of expectation. Advanced economies have been doing well and we are also witnessing broadening recovery in the emerging markets. Firming commodity prices are also aiding growth of the export oriented emerging countries.

FINANCIALS :

Consequent to the introduction of Goods and Service Tax (GST) with effect from July 1, 2017, Central Excise Value Added Tax (VAT), etc., have been subsumed in GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act 2013, unlike Excise Duties, levies like GST and VAT are not a part of revenue. The figures and growth percentages have been suitably adjusted to make the revenue from operations for the periods up to June 30, 2017 comparable.

Asian Paints Consolidated Results, Q3-FY'18 : For the Quarter ended December 31, 2017, Revenue from operations has increased by 10.9% to Rs. 4267.49 Crores. PBDIT increased by 17.7% to Rs. 891.18 Crores. PBT increased by 19.7% to Rs. 858.55 Crores. Net profit after non-controlling interest (from continuing operations) increased by 21.6% to Rs. 554.64 Crores as compared to Rs. 456.18 Crores in the previous corresponding period.

Asian Paints Consolidated Results, 9M-FY'18 : For the Nine months ended December 31, 2017, Revenue from operations increased by 10% to Rs. 12351.46 Crores. PBDIT increased by 3.5% to Rs. 2357.68 Crores. PBT increased by 2.2% to Rs. 2284.87 Crores. Net profit after noncontrolling interest (from continuing operations) increased by 1.9% to Rs. 1488.24 Crores as compared to Rs. 1460.69 Crores in the previous corresponding period.

Asian Paints Standalone Results, Q3-FY18 : For the Quarter ended December 31, 2017, Revenue from operations increased by 11.3% to Rs. 3587.43 Crores. PBDIT for the quarter increased by 21.9% to Rs. 818.1 Crores. Net profit increased by 24.2% to Rs. 528.97 Crores.

Asian Paints Standalone Results, 9M-FY18 : For the Nine months ended December 31, 2017, Revenue from operations increased by 10.6% to Rs. 10378.36 Crores. PBDIT for the period increased by 5.1% to Rs. 2135.27 Crores. Net profit on standalone basis increased by 3% to Rs. 1403.37 Crores.

BUSINESS REVIEW - DECORATIVE

The decorative paint business registered single digit volume growth in the current quarter.

On a sequential basis, material prices have been inching upwards. There was no price revision in the quarter. We had effected one price increase in the month of May 2017 of 2.68% on the back of a price increase in March 2017 of 3%.

BUSINESS REVIEW - INDUSTRIAL

The automotive coatings JV (PPG AP), witnessed good growth in auto OEM and General Industrial business on the back of strong performance, auto, two-wheeler and commercial vehicle sales. The Auto Refinish segment also saw a good uptake in the third quarter.

The Industrial coatings JV (AP-PPG) registered decent growth in the quarter led by strong performance in the powder coating segment.

BUSINESS REVIEW – INTERNATIONAL

In the international market, units in Bangladesh, Oman, Bahrain, and Nepal witnessed good growth. The Greenfield manufacturing capacity in Indonesia was commissioned in the second quarter of the year and the business has picked up well. However, the international group performance was affected by adverse exchange rate fluctuations, especially currency devaluation in Ethiopia and Egypt. Raw material procurement continues to be a concern in these markets due to forex unavailability.

Financials of the current quarter include the financials of Causeway Paints Sri Lanka, which was acquired on April 3, 2017. Hence the numbers are not comparable with the financials for the previous year.

BUSINESS REVIEW – HOME IMPROVEMENT

Both the segments within the Home Improvement business - the kitchen business under Sleek and the Bath business under Ess Ess have registered good rates in the quarter.

In December 2017, the company acquired the balance 49% of Sleek from its erstwhile promoters. Sleek is now a wholly owned subsidiary of the company.

CAPEX

The capex plan for the standalone company for the current year is about Rs.1200 Crores. This includes spend of Rs.1000 Crores on the two new paint manufacturing facilities being setup at Mysuru in Karnataka and Vizag in Andhra Pradesh in South India. The first phase of both those plants would be commissioned in the next financial year.

GOING FORWARD

The initial hiccups of the rollout of GST have settled at the trade channels; however, we need to see a smooth rollout of GST reporting requirements, e-way bills, etc., to avoid any further disruption in the supply chain. Raw material prices for some key raw materials continue to inch upwards. We are reviewing the trend very closely and will take appropriate pricing revisions.

The forex situation in the markets of Egypt and Ethiopia continue to be a key cause of concern.

Thank you everyone. We are happy to take any questions you may have.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We take the first question from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta: Versus our expectations the second quarter of a pickup in decorative demand in second half it seems to be more, do you now expect it to be more back-ended and if you could kind of help clarify what has been the reason in terms of the miss that you have felt, was it low stocking frequency, was it something else could help clarify that?

Management: See when you compare two years, they are the impact of Diwali, monsoons, and other factors. This year the Diwali was much earlier than last year, so the Q2 and Q3 of both the years are not strictly comparable from the demand context; so while we have seen an uptake in demand after the impact of GST, we still maintain that demand is not as good as we would like it to be. It has not reached the levels of the pre-GST period in our opinion.

Avi Mehta: It has not yet reached and Sir what has been the reason in your opinion just wanted a kind of understand that?

Management: We think overall economic growth has still not reached the numbers it was reaching earlier.

Avi Mehta: Secondly you highlighted towards sequential increase in input cost; what is the thought over there is there any capacity linked or any one off reasons for such increase or do you expect this to, if you could share your thoughts on that as well and would we need to kind off then take price increases that was the only question from my side?

Management: Raw material prices are dependent largely on the movement of commodity or the key chemical commodities, which are based both on crude, which we are seeing an inflationary trend over the last two quarters as well as certain key raw materials like titanium dioxide, MMA, butyl acrylate, etc., which are worldwide traded commodities and their worldwide prices have gone up.

Avi Mehta: Like last time you had indicated there was a possibility of one off capacity shutdown that had happened, which is why this increase may not sustain?

Management: In the case of MMA, it still has not come back on stream.

Avi Mehta: That has not come back, so is the expectation now a firmer input cost is that how we kind of obviously barring any unforeseen change in crude, but as of now would that be a fair estimate to take that we expect input cost to remain more hard or inflation to kind of remain very strong is that some understanding that we can take away as of now?

Management: As of now, we have seen an increase is what we are telling you. How it will be next year or next quarter we cannot really predict.

Avi Mehta: That is all from my side Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Manoj Menon from Deustche Bank. Please go ahead.

Manoj Menon: A couple of questions. One just to understand the thought process behind the pricing decisions here given the significant level of inflation what we have seen in inputs; what is that stopping you from taking some price increases given your market dominance… is it competition, is it the macros, is it just the fact that GST has been just implemented six months back just trying to understand just the thought process or is just that may be the margins were too high for comfort it could probably be all the reasons, but just trying to understand the thought process behind the delay in price hikes?

Management: You are right, these are the reasons

Manoj Menon: Fair enough. Secondly just a financial sort of a question, so as per the Section 171 of the GST Act, it is very clear that any input benefits rather or input tax benefits as well as tax reductions needs to be passed to the consumer through a reduction in prices, now obviously in paints case, there has been no reduction in the tax as such, but I am assuming that there is a certain level of input tax credit, which every company would have got including Asian Paints. Is it that some of the gross margin pressures could be mitigated by as long as you do not profit here in EBITDA level is that the definition, which will be appropriate to make?

Management: We have not taken that definition and there is no significant chunk of input tax credit that we were not availing earlier that we are getting today.

Manoj Menon: So you mean to say that so what we see now is that whatever little ITC we would have got, but would have actually got passed on to the consumer or the customer?

Management: No Manoj what we are saying is there is no significant difference in the input credit, which is under GST scenario as compared to the VAT regime.

Manoj Menon: Understood. Thank you so much and all the best.

Moderator: Thank you. We take the next question from the line of Arihant Bardia from Catalyst Global Equity. Please go ahead.

Arihant Bardia: My question is regarding the home improvement business. I see you have acquired the balance stake of Sleek, is there a renewed push towards to grow the home improvement business?

Management: Definitely. The business grew well in Q3 itself and we are quite confident of growing this business in Q4 and the years to come.

Arihant Bardia: So from an overall strategy perspective I would like to understand would you be adding more to the home improvement business?

Management: As of today we are focusing on these two segments kitchen and bath. Once we believe we have attained a certain size and certain scale and a certain manner of working in this business and we see that the models that we are putting out in the market place are working for us, then maybe there is a question of doing anything at that point of time. As of this point of time, in the near term, we do not think we are going to add any new categories.

Arihant Bardia: With regards to GST I know now things have settled a bit from last quarter do we see that the unorganized players are actually losing some sort of a market share or they are geared up and complying?

Management: Sorry, we will not be able to comment.

Arihant Bardia: Fair enough. I think that is it from my side.

Moderator: Thank you. We take the next question from the line of Vivek Maheshwari from CLSA. Please go ahead.

Vivek Maheshwari: Good evening everyone. My first question is the way in which GST is accounted versus the earlier regime, there would be some impact on the revenues, so is 11% your like-for-like revenues for standalone or India business?

Management: Yes Vivek. We have given the details also in the notes to the results, they are like-to-like.

Vivek Maheshwari: But let us say in the base quarter, the expenses will be inclusive of taxes, which is getting offset under GST from the topline, should not your topline be a bit higher than what you have reported?

Management: Anyways the 10.9% to 11% growth that we are reporting is net of excise in the last quarter for the previous year and as we mentioned a few minutes back, the input tax credit element is not much of a change between VAT and GST, so the expenses will also not be too different.

Vivek Maheshwari: What is the reason your other expenses are down like 6% YOY?

Management: So we mentioned during the Q2 call also that there was some tightening of the belt that we have undertaken on some of the expenses plus there have been some investments on renewable energy, which has also helped our power and fuel cost, so all these things added to that 6% sort of negative number versus last.

Vivek Maheshwari: This is something, which should be sustainable? My reading and my understanding still is that there is a tax element over there, which is offsetting the revenues as we have seen in case of other companies?

Management: As I mentioned Vivek, there have been some costs, which we have tried to control this year. Like I mentioned power and fuel and processing cost and some other costs. Apart from that even I think the marketing spend this quarter have been low versus compared to last year.

Vivek Maheshwari: Another bit I know this has been asked, but on the volume growth side, I remember a couple of years back when you did around 11% to 12% or early double digit you said you were not impressed because it is much lower than your expectation and at that point of time also things macro was not very conducive things in general not that good; how do you think about this volume growth just around you have not even written high single digits, so it is probably worse than that, so how do you think about, again we have seen Kansai s numbers sorry for asking you this again, but Kansai number we have again seen double digit growth, so does not that worry you as Asian Paints?

Management: We are definitely not happy with the volume growth we are getting and we want a higher volume growth; however, if you see our value growth, it is reasonable; so it is not as if we think we are losing market share, but we think the growth of the paint industry has not been good enough for us to grow significantly higher.

Vivek Maheshwari: Got it. Thank you very much and wish you all the very best.

Moderator: Thank you. We take the next question from the line of Harit Kapoor from IDFC Securities. Please go ahead.

Harit Kapoor: Sir I just wanted to check on these other expenses line again. You had said that the marketing cost also would have been lower this quarter, but there should not have been a major difference right because in the base quarter we had demonetisation where overall marketing spends including yours would have been a bit lower, so would this entire cost reduction and since you said it is not a major impact of the input tax part, so would this almost entirely be attributable to the belt tightening or cost management that you have been speaking about.

Management: Both the reasons belt tightening as well as marketing spends being lower than last time.

Harit Kapoor: The second question was on the pricing front Sir, so has there been any change on the pricing front even in select SKUs in the last month or two?

Management: No.

Harit Kapoor: None at all right?

Management: No, not at all.

Harit Kapoor: That is it from me. Thanks.

Moderator: Thank you. We take the next question from the line of Latika Chopra from J.P. Morgan. Please go ahead.

Latika Chopra: Just stretching a bit more on the demand side could you help us with any differential trends that you would have noticed across geographies, across product segments where you are probably more worried that the demand is not picking up?

Management: So, if you see, we feel the demand in the south was not very good partly because of an extended monsoon that lasted later. We have seen it revive in the month of December, so it is very tough to put things really down. Demand in North, East, etc., has been fairly good. . That's how I put it

Latika Chopra: In terms of your mix, any particular trends you would want to quote?

Management: Not really.

Latika Chopra: When you say the home improvement segment has actually done better, it seems it is purely because you are probably gaining share or you are increasing your distribution right and at a category level it is still difficult to say whether the home improvement segment has done better than paints?

Management: I mean from a market perspective, yes, as we are growing and our presence in the segment is pretty low, obviously our growth has been much better. Has the segment done better? just like paint was a little better half in Q3 and Q2 I think the home improvement segments that we are present in have also been a little more buoyant though I would say that it is not that bigger impact in a simple word.

Latika Chopra: Alright and just lastly you know your profitability for overseas business seems to have been hit more or is it the JVs, which have also seen taken a hit on the profitability more because of the difference between consolidated and standalone?

Management: Both have taken a hit vis-à-vis last year. Last year was probably our best year from a material cost standpoint and we definitely face more headwinds in the industrial business, the B2B business so it takes time to recoup any raw material price increases we got. In our international business in many markets, we face significant competition and so it is not very easy to increase prices. Obviously we are impacted by the exchange fluctuation in Egypt and Ethiopia very, very significantly, which produces its own set of challenges in terms of the absolute contribution of profit, absolute contribution of sale and profit from those geographies.

Latika Chopra: Alright. Fair enough. Thank you.

Moderator: Thank you. We take the next question from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia: Sir, thanks for the opportunity. Sir, we would be carrying inventory to some extent, so what is your visibility of raw material for the next couple of quarters because on a quarter-on-quarter basis, we have seen a little bit of improvement on gross margins and on the other side we have seen the raw material prices on a rise, so at least from the companies visibility side how do you see the gross margins going forward?

Management: We are sorry, we cannot give you gross margin guidance.

Kunal Bhatia: I am not asking for the guidance per se, I understand your side.

Management: What you have seen for an increase in gross margin is a mix of the inventories we are carrying and the change in product mix quarter-to-quarter we continually have. Same products do not sell in an identical manner throughout the year. The seasonality is how to speak out different products vary, so the gross margins vary depending on the sale of those products in that time of the year.

Kunal Bhatia: Fine.

Moderator: Thank you. We take the next question from the line of Anshuman Atri from Haitong Securities. Please go ahead.

Anshuman Atri: Thank you for the opportunity. Sir my question is regarding the water based paints with the new plants, which will be commissioned I assume this will be having more proportion of water based paints what would be the share going forward and what is the current share as of now, water versus solvent based?

Management: The new plants are 100% water based. We don't disclose these shares.

Anshuman Atri: For the industry as such how are you seeing this in the last five years and next five years going forward?

Management: It is a worldwide trend and in India water based as a percentage of sales is increasing substantially all over the world and India.

Anshuman Atri: So what would be the rough estimate of India's overall water based?

Management: You can get that data from the IPA report

Anshuman Atri: Yes, no problem. Sir, second question is regarding home improvement. After this GST implementation have you seen increase say approached two organized players more be based to do more JV wherein they could supply the products and use branding of the Asian paint in terms of other products in the portfolio of Ess Ess; more of outsourcing, so is there any such trend emerging in the industry after GST?

Management: No, as far as the basic trend whether GST would help the sales too early to say anything on that matter and whether there is a structural shift in industry where organized players would buy from unorganized players and sell into the market that I do not know about; so there is nothing for us to comment on that matter. Our sourcing and our sort of manufacturing what we are doing and those trends we are not going to. At this point in time, there is no massive change that we expect in that area.

Anshuman Atri: Thank you Sir and all the best.

Moderator: Thank you. We take the next question from the line of Anubhav Sahu from MC Research. Please go ahead.

Anubhav Sahu: I had very specific question regarding titanium dioxide, so we have seen the peak of international prices I think June, July it has bit eased off it looks like, so how had been for the company from the Asian point of view sequentially and what is the outlook you see for the international prices?

Management: I do not think we have seen any easing in that sense.

Anubhav Sahu: But could we see a similar kind of pricings, which are prevailing in Q1?

Management: Might be easier to follow the international conference call from the TiO2 manufacturers there. Difficult for us to comment on that.

Anubhav Sahu: Sir, can you give us some idea what mix titanium dioxide has on the raw material mix on the price size?

Management: About 20% of raw material cost

Anubhav Sahu: Sir, that is all from my side. Thanks a lot.

Moderator: Thank you. Next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Thanks for the opportunity. Sir, in the last 3-4 quarters you have done your best to explain the slowdown and you have not pointed towards one particular region on that, but if I see the common thread in all your commentaries for the last 2-3quarters you are outlining South India as one of the lowest growth territory for us, so is it a right understanding that our exposure to that region is higher relatively and that is why the slowdown is much more pronounced in our numbers versus competitors numbers?

Management: Yes, There is an element of truth to that.

Tejas Shah: Second question pertains to your commentary that marketing spends were low Y-O-Y now I can understand that the Diwali was in second quarter this year, but in the base quarter after November 8, 2017 roughly 40-50 days were lost because of demonetisation so even if I take average numbers, which are sequentially or historically your December quarter number, the number should have been higher versus the base quarter so is there a change in the strategy on the spend part?

Management: We really do not go with number of days and things like that. It is the time of the year when you think paint demand or paint consumption is higher. In Q3 especially for a late Diwali you don't advertise very much because cold weather is not conducive to much exterior painting or otherwise, so they are all factors that come in like this that decide the quarter whether advertising you do or don't do. I do think demonetisation had any drastic impact on the quantity we spent on marketing last year.

Tejas Shah: As a consumer if I see Kansai has stepped up the activity on advertisement fund, so they sponsored all the major cricket in last two quarters and award functions, so just wanted to understand as a market leader don't we want to outspend them on that front?

Management: We outspend them as a whole. We used different avenues of expenditure. We have not found cricket to be necessarily the best way to get what we want to achieve.

Tejas Shah: Just referring to the previous question, are we losing market share in South India because we believe Nippon is very aggressive in that region in particular, so if you can share some colour even qualitatively?

Management: Yes, they have been aggressive and any new player is going to affect us for a short term; we will handle that in due course.

Tejas Shah: Lastly if you can give some colour on dealer addition on the year so far?

Management: It has been a normal trend. We add about 3000 dealers every year and it is more less on line with that.

Tejas Shah: That is it from my side and all the best.

Moderator: Thank you. We take the followup question from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta: You have mentioned that in other expenses there was a decline because of cost saving initiatives that you have done, is there a number that you could share, what has been the kind of trajectory that you have?

Management: No, we will not be able to share any specific number here.

Avi Mehta: Secondly titanium dioxide is there any local sources that are developing for manufacturing of titanium dioxide that would can be of scale, which can help us contain or that remains an international commodity for even from an import point of view?

Management: For all practical purposes it is an international commodity. There is one large manufacture KMML based in Kerala with a limited capacity who bases the prices on the landed price in India of the imported commodity.

Avi Mehta: And there is no capacity addition that is happening in India on that front right?

Management: The Government of India is talking about working with KMML to enhance their capacity and they have promised to enhance the capacity over the next two years, but there is nothing immediate.

Avi Mehta: I understand that there was partly marketing related spends, but as you highlighted 3Q is traditionally while Diwali was one of the reasons why there would be a possible reduction, but otherwise 3Q is not marketing heavy, so would it be felt that because we are seeing a declining trend even in the growth rate of other expenses, so is it that increasing these initiatives are coming on foray and more operators like you to come or how should I look at this Sir, this is certainly a significant change in the trajectory, so what have you done differently versus because just trying to understand that in more detail if you could help us?

Management: Basically cost saving initiatives across the board in terms of some variable cost. I do not think there is any major bucket of expenditure that I would like you to target. what we have done across the board is look at where we are spending, where we could conserve, what we could do a bit differently, so it is a combination of all of these. I do not think there is only one big bucket other than the two things that was called out earlier on the call. There are some structural savings on account of use of renewable energy in the manufacturing front and may be a little bit of a drop in spends on marketing that we might would have done this quarter vis-à-vis the quarter last year.

Avi Mehta: Let me rephrase, would most of these initiatives have fructified or is there more that kind of material more addition that we are still working on what I was trying to get because the trajectory has been very, very healthy that is why I am trying to understand a little more detail?

Management: We will not be able to comment.

Avi Mehta: Thanks a lot Sir.

Moderator: Thank you. We take the next question from the line of Chinmay Gandre from Future Generali. Please go ahead.

Chinmay Gandre: Thank you for taking my question Sir. In the earlier part of the call you referred that due to better product mix also gross margins on a sequential basis were like better, so can you throw some light on this like what are you early referring to?

Management: If you study the paint industry over a period, you will understand distemper sell much more prior to Diwali. They have a lower gross margin in terms of absolute value. Post Diwali, it is emulsions much more than distemper. They were much higher per rupee, per liter gross margin than this. It is as simple as that.

Chinmay Gandre: Thank you Sir.

Moderator: Thank you. We take the followup question from the line of Harit Kapoor from IDFC Securities. Please go ahead.

Harit Kapoor: Sir, just one quick followup. I wanted to understand how the run rate has been, so you said that your demand has not been as adequate, but you know towards the end of the quarter or exit has it been that you know in November and December has been better vis-à-vis the earlier months just wanted to understand how the exit has been?

Management: If they have been, but I would not like to quantify that permanently. I think we need to see one more quarter to really see if demand is an uptake, one month up and down is due to too many factors to be able to assess frankly. It can be due to factors of competition rather than we are doing well anything I mean it is really demand uptake, let me see for one or two quarters continuously to be able to assess the demand gone up or not gone up.

Chinmay Gandre: Thanks.

Moderator: Thank you. We take the next question from the line of Anubhav Sahu from MC Research. Please go ahead.

Anubhav Sahu: Sir, I had one question regarding, you mentioned about demand, but on the supply side all the issues are over right, I mean there is no supply constraint as there was somewhat we have seen in the last quarter nothing on that side right?

Management: In India there are no supply constraints. In last quarter also, we are not aware of any supply constraints.

Anubhav Sahu: No, because of the implementation of the GST?

Management: No supply constraints.

Anubhav Sahu: In terms of demand Sir, you mean on a Y-O-Y basis you can give any qualitative comment on urban versus rural divide, if you see any turn or any pickup happening from the rural side or you see that if still to be something, which we have to watch for, for a couple of quarters how things are?

Management: We are always seeing rural demand growth better than urban demand even in the past three years.

Anubhav Sahu: Sir, in the base quarter was it more impacted rural demand is that sense and you see a big pickup in this quarter?

Management: Q3 was bad, I mean last year Q3 was already bad because of demonetisation impact. :There is no trend.

Anubhav Sahu: I am sequentially speaking so is there any incremental change in terms of, you mentioned about south on a regional basis, but on other verticals if you can mention anything?

Management: There is no change.

Anubhav Sahu: That is all from my side Sir.

Moderator: Thank you. Ladies and gentlemen as there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Management: Thank you very much for participating in our Q3 FY2018 conference call. Good day, good night and a good year ahead. Thanks.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Motilal Oswal Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.