Q3 FY2021 Earnings Call Transcript – Feb 3, 2021

CORPORATE PARTICIPANTS

- Kulin Lalbhai – Non-Executive Director
- Shailesh Chaturvedi – Managing Director & CEO
- Pramod Gupta – Chief Financial Officer
- Ankit Arora – Head, Investor Relations and Treasury

Moderator: Ladies and gentlemen, good day, and welcome to Arvind Fashions Limited Q3 FY21 Earnings Conference Call. As a reminder, all participant lines will be in 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. Ankit Arora – Head, Investor Relations & Treasury at Arvind Fashions Limited. Thank you, and over to you, sir.

Ankit Arora: Thanks. Hello, welcome everyone and thank you for joining us on Arvind Fashions Limited earnings conference call for the third quarter and nine months ended December 31st, 2020. I am joined here today by Kulin Lalbhai – Non-Executive Director, Shailesh Chaturvedi – Managing Director & CEO, Pramod Gupta – Chief Financial Officer and we also have Suresh joining us for this call as well. Please note that results, press release and earnings presentation had been mailed across to you earlier and these shall also be available on our website www.arvindfashions.com. I hope you had opportunity to browse through the highlights of our performance. We'll commence the call with Kulin providing his key thoughts about our strategy and financial performance for the third quarter and nine months ended December 31st, 2020. He will be followed by Shailesh who will share his key thoughts. At the end of the management discussion, we will have a Q&A session.

Before we start, I would like to remind you that some of the statements made or discussed on this call today maybe forward-looking in nature and must be viewed in conjunction with risks and uncertainties we face. A detailed statement of these risks is available in this quarter's earnings presentation. The company does not undertake to update these forward-looking statements publicly. With that said, I would now turn the call over to Kulin to share his views. Thank you.

Kulin Lalbhai: Thanks, Ankit. A very good afternoon to you all. I'm happy to be here to take you through our Quarter 3 results. After two very challenging quarters I am happy to report that the business has witnessed a strong recovery and turnaround. The company is firmly on the path of achieving pre-COVID levels of sale and profitability. The significant improvement in sales, along with the high focus on costs has ensured that the company was able to achieve a healthy bottom line. Moving forward our focus will be to build on the strong sales momentum, invest behind growth, continue to manage our costs, improve our working capital turns and strengthen the balance sheet.

This quarter witnessed a strong sales recovery with a quarter-on-quarter growth of 106%. The overall recovery in the retail channel was close to 70% while the online channel continued on a rapid growth trajectory with a recovery of 230% over last year. Our power brands achieved the sales recovery of 91% with the bottom line similar to the Quarter 3 of last year. U.S. Polo has already achieved 1000 crores revenue run rate with a double digit EBITDA. Tommy Hilfiger and Calvin Klein performed exceptionally well and had their highest ever EBITDA with a 30% EBITDA growth over last year. Strengthened by our Flipkart partnership, Flying Machine witnessed a 70% tertiary sales growth in the online channel in Quarter 3. Unlimited, our value retail concept achieved an EBITDA breakeven on the back of a good sales recovery and a significant cost restructuring. The emerging brand portfolio also performed well. Our innerwear and footwear businesses witnessed significant year-on-year growth. The direct to consumer part of our online business, which comprises of NNNOW.com and the marketplace model saw close to 3.5 times growth over last year and now comprises of 38% of our digital sales.

Our cost management efforts continued this quarter whilst Quarter 2 saw 38% reduction in costs, Quarter 3, the costs were lower by 16% compared to Quarter 3 last year. We remain confident of achieving our target of an overall 40% reduction in the annual cost for the current fiscal and a permanent cost reduction of 120 crores going forward.

Our working capital has also shown a significant improvement; quarter-on-quarter inventory is down by 140 crores whilst debtors increased by 80 crores due to the scale up in the business. Reduction in the inventory for the year to date adjusted for the one-time COVID provision is 250 crores. As we end Q3, our inventory position is strong and after inwarding the spring summer inventory in Quarter 4, we hope to exit the year with a very healthy inventory position. As we look to exit the year with a 100% sales recovery, we expect an increase in working capital commensurate with the growth in sales. In order to invest behind this growth without increasing debt level, the company has announced a rights issue of 200 crores. The proceeds of the rights issue will go towards funding working capital and slightly reducing the debt from current level. The release of cash from working capital and the rights issue funds will ensure that our debt at the end of the year will be over 200 crores lower than the debt at the beginning of the year.

With a healthy recovery in the second half of this year, AFL is well-placed to move towards a pre-COVID level of sales and deliver a strong bottom line due to our cost restructuring exercise. A concentrated portfolio of profitable brands will improve our operating leverage and working capital efficiencies will help improve return ratios and cash generation. We look forward to driving our six focused brands towards market leadership positions in their respective segments.

As you know, Shailesh Chaturvedi will now be taking over as Managing Director and CEO of AFL. Let me hand it over to him to share some brief remarks.

Shailesh: Good afternoon, everyone. You noticed there is significant improvement in key operating parameters, recovery, cost management, online growth in this quarter. So as I take over I'm very excited about the strength of our brand portfolio. We have six very high conviction brands. They're perfectly suited for the relaxed way of dressing that we are imagining in the post-COVID world. The entire AFL team led by Suresh has worked very hard to navigate the company through the COVID challenge and to come out stronger that's clearly seen in the Q3 results. With a much improved cost structure and a healthy inventory position we have a great platform to build from here on. Moving forward our mantra will be profitable growth. I'm very keen to take the strong portfolio to the next level with the insights into global practices that I have through my working with brands like Tommy Hilfiger and Calvin Klein. I'm really looking forward to interacting with you all in times to come. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Nishit Rathi from CWC.

Nishit Rathi: Just a couple of questions from my side. First is, the power brands seems to have recovered really well, especially Tommy and U.S. Polo. So you could give a bit of insight. Question number one, how should we think about this going forward into the next year? Second is even though the recovery is very strong, we are not really seeing the same flow through in terms of margins for the overall power brand portfolio. Where is the challenge there and thirdly, if you could just talk about, what kind of turn the power brand could see going forward in terms of inventory turn? I will ask my other question after this.

Kulin Lalbhai: We are also very happy with the way the power brands have recovered in Quarter 3 and I think the momentum moving forward should be strong. Just to remind everyone, in autumn winter, we had severely cut down our buys. We actually were running the business with a much lower freshness than one would normally have and even with that lower level of freshness, the performance has been very encouraging. Now as we come into spring summer with the full buy coming in from Feb onwards, I think that will definitely improve the momentum and improve the business. We do feel that coming out of COVID, we are well-placed. The stronger brands are seeing traction and now with the concentrated power brands that we have, we see them getting the benefits, as we emerge from COVID.

Coming to your question on bottom line in Quarter 3, I would think there are 2 or 3 reasons why the margins are not significantly higher. One is, as I mentioned, we did have lower freshness and alongside lower freshness we also were liquidating inventory. We had high sales with a lower amount of fresh goods. We did have kind of a GP impact because of that around the 150 to 200 basis points, the GP was lower than if we had the fresher stocks available in the retail channel that would be one of the reasons. The other is that we were seeing strong momentum in our power brands and especially the digital sales were so strong, the call we took was we should invest behind the power brands in this scenario. Actually compared to last year, we had a higher advertising spend in the power brands, in Quarter 3. That's kind of a 100 basis points impact on margin. I think we felt it was the right time to invest since the momentum was just so strong, especially in the digital side. Lastly, whilst the overall recovery is very strong, the retail and department stores have not come back to a 100% recovery. And, in these channels, the last 10%-15% will contribute significantly to the bottom line. As we see the months moving forward, we do believe that the recovery will move back towards a 100% in these channels as well. I think when you bring all of this together, we do expect to continue to see a strong improvement in the bottom line of power brands in the quarters to come.

To your last question, working capital has been a very-very strong focus area for us and you are seeing how quarter-on-quarter we are reducing it. And the idea is to; this is a structural change and not just a one-time kind of liquidation that we have done. There are multiple initiatives, one of course, the way we have been forecasting and working on our OTBs. We've significantly tightened all our processes around that. Another thing we've been working on for the last couple of years has been this idea of flexibility in supply chain. Today the company is in a position to almost have a dynamic 20% OTB available in season, so that if there is a last minute uncertainty in off-take, we are able to adjust that inwards dynamically. I think that has also started to show its impact.

Lastly, I would say, in our case, one of the struggles we used to face is the inventory inefficiency in the smaller brands and the non-focused brands, which are now kind of out of the portfolio. As we have consolidated towards the larger efficient brands, I think the overall turns of the business will definitely improve because of that.

Nishit Rathi: Two follow-ups on that one is basically, the best power brand year we had was in FY19. There were two issues we faced after that. There was a structural issue with respect to some part of the B2B business for Arrow which will reduce that and second was the fact that we had to adjust our inventory after FY19. So, when we look forward, what is the right base to think about FY21? How should we compare recoverability because since then FY20 and FY21 have both been abnormal years? When we look to FY22 what should we think is the right base for comparing your power brand? The second follow-up to this is that, what happened in the 2019, how do we as investors get the comfort that, what are the checks and balances and what are the data that you could share, which could help us understand that we will not see a repeat of something like that. We don't see something again, where we have to come and correct because the numbers might look good but how do I get confidence?

Kulin Lalbhai: That's a fair question. I think the first milestone that we would want to achieve is that we reached our top-line close to the FY19 level or the pre-COVID in a sense the levels that we had healthy top-line in the power brands. I think that is the first milestone. And right now, we are cautiously optimistic. We are not seeing a massive kind of potential COVID bout right now. We do hope that we will move back towards that type of top line and with an improved kind of structural costs we should hope to also get the bottom line in a much healthier space. That's what we think about the recovery.

Coming to your point around the MBO channel; I think I talked about this last time as well. It's another major focus area where the company has spent a lot of time on systems and processes.

We've got a distributor management system, a DMS in place so that we have full visibility over all the stock levels in the channels we have now put in an app-stack through which we even get a view on tertiary sales moving forward. Whilst the demand is quite strong in that channel, we were on the side of very cautiously feeding that channel. We are also working much more to actively work directly with all the top doors in the channel. It's been kind of a 360 effort because we see that as a very important channel for us to manage in a very-very tight way. And now for a couple of seasons, of course, this COVID season was a very odd one, the one that went by previously. But even before that, the kind of sell-throughs and inventory position of the season before that we saw in the MBO channel was extremely healthy. So we have had one read of our new ways of working paying off. We are again cautiously optimistic as we come out of COVID also with all these efforts that have gone in. The channel will not only have a healthy profitability but a very controlled and healthy way of growth.

Nishit Rathi: So when you said FY19 you're seeing more like 2,800 crores power brand is your first milestone to reach to, right?

Kulin Lalbhai: Yes. We are still kind of, not wanting to do too much long-term, medium-term planning. We are honestly first wanting to look quarter at a time on recovery because we believe it's not very wise to start doing multi-year projections right now. We are coming out of a very uncertain time, but fundamentals are looking good right now to come back up to where were before.

Nishit Rathi: Just the only thing that I wanted to understand is the progress on GAP. GAP was something we decided to give up. That was one and second just in case the rights issue, the rationale behind it you said the bit for growth. And secondly in case if others don't participate again are the promoters underwriting it? Just a thought on that.

Kulin Lalbhai: On GAP, we are actively working on transitioning the business out and we hope to have an update for you in the next quarter or so. That's all that I can share at the moment. On the rights issue, we are going to see a big strong bounce back on the growth of this business. We want to invest in a strong way behind the growth with the kind of strong platform we have and we want that growth to come without increase in leverage. That's why we feel to have a strong balance sheet, so we can invest in a strong way behind our high conviction bets. We wanted to bring in equity into the company and the company is just recovering from twin shock. So we thought that the equity, if all the investors get a chance to participate, then it's an equitable way for everyone to also have an upside in the business as the business recovers. That's why we felt that a rights issue is a more equitable way of bringing equity into the company and the promoters will not only take their share but will underwrite and participate in any potential shortfall in the rights issue.

Moderator: The next question is from the line of Akshay Satija from Alpha Investments.

Akshay Satija: I just have an accounting question. Could you elaborate on the depreciation that's lease based and the actual depreciation and the interest cost for nine months?

Kulin Lalbhai: Pramod, could you take that one please?

Pramod Gupta: The interest without the lease is 35 crores on the continuing business and the depreciation is 27 crores.

Akshay Satija: And for nine months?

Pramod Gupta: For the nine months, interest cost for continuing business was 120 crores and the depreciation was 86 crores.

Akshay Satija: One more question on the sourcing part, you mentioned that our margin improvement was partly because of new ways of buying. So is there any change in the garment sourcing strategy? Like how much of it are we importing any of it and do we have any impact of the duties? And also we targeted 50% of vertical integration via synergies with Arvind Limited. We were somewhere around 6%-7% since 2017. Could you give us some idea where are we right now on that level?

Kulin Lalbhai: On sourcing what I was mentioning as a new way of buying has more to do with flexibility, which means that rather than buying all our goods six months in advance and then being open to the fluctuation of the demand going up and down, we now are much closer to the demand. So first of all, we are shrinking the buying cycle from being very-very long drawn to much shorter. And secondly, we are doing a bit of real time dynamic OTB by flexible manufacturing so that if we need 100 we produce only 80 and the remaining 20 we produce in the season dynamically depending on the demand. So that is what I meant by new ways of buying. The new ways of buying are not necessarily a COGS reduction strategy. But I think we have a very strong sourcing team and we work very integrated and strategically with our vendors. So I think as a company we have a very sharp cost because of our scale advantage and because of the way in which we work in a very deep integrated manner with our vendors. We have largely an India sourcing strategy. We are not really exposed to a China sourcing risk or things like that. Over time we have even further de-risked our sourcing base so that with our India sourcing we are broadly in a very comfortable position. On your last question I am not sure I have understood it. But Arvind Fashions has never had a cost synergy with Arvind Limited. These are two separate publicly listed companies that have a complete arm's length relationship. I guess the only synergy that is there is that the two companies work closely together on product innovation. So it helps us bring cool new concepts to the market. There is no cost synergy between Arvind Limited and Arvind Fashion. It's a client vendor relationship.

Akshay Satija: Could you give me just a broad number of what percentage would be imports? Are we sourcing entirely from India right now?

Kulin Lalbhai: I think imports would be 5% to 7%. We can send you the exact numbers, but it is broadly in that range.

Akshay Satija: One last question. In our presentation we have shown the December recovery as somewhat lower compared to last year, so are we seeing a little held back again or is it something to worry about?

Kulin Lalbhai: That's a good question. I think this December was a little different, Diwali was much later this year. So I think the first 10 to 15 days of end of season sale did start out a little slower, but in January we have seen again the recoveries have been very promising, we are actually getting back into the high 80s in recovery. So right now the recovery is looking strong as we speak.

Moderator: The next question is from the line of Chetan Phalke from Alpha Invesco.

Chetan Phalke: We have mentioned a cost reduction of 120 crore on a permanent basis. Is it sustainable going forward because eventually the growth will come back? And can you give a broader idea about this cost reduction, how much of it is due to rentals, royalties or employee? Because I remember last quarter you mentioned something about lowering our royalty percentage as well.

Kulin Lalbhai: See the rental reduction is not really built into the structural piece because most of the rental reductions were COVID related. So as we exit this year those rental reductions will not really play out. The bulk of this cost reduction is in three buckets. One is on just the headquarters, the head count cost, we have kind of restructured our business significantly and so I think there is a permanent cost reduction linked to a reduction in headcount. I think today we have a much more efficient backend cost structure. That is one large component of this saving. The other large component is the supply chain cost side. We have over the last year and a half worked on significantly simplifying our whole warehousing operation, so rather than having multiple warehouses, we now have large consolidated warehouses and we have also worked quite hard on getting cost advantages due to that, both in the warehouse and on the logistics side. So there is a significant cost savings coming from that one time supply chain cost restructuring. And lastly, we have kind of worked on optimizing the select sale in our retail, kind of doing a very deep benchmarking on productivity based cost heads in the stores and in the department stores. And with that tight control we believe that a part of the selex will not be coming back in the store. So it's not the rent. It is the other selex. So these I would say are the three main cost heads which account for most of the permanent cost savings that we are talking.

Chetan Phalke: So, going forward what can be our quarterly or annual employee cost going forward? I mean, at least for the next one year or so?

Kulin Lalbhai: So, we would not want to give an employee cost forecast, but you can see our current cost structure that we are currently at. And of course there will be the natural growth on it but there will not be a dramatic growth on it. So we intend to keep our operations efficient and tight.

Chetan Phalke: On our continuing business can you give a broad or an indicative idea on how many of our stores are generating cash vis-à-vis how many are losing money as we talk today, or let's say, what was the number in Q3 FY20 vis-à-vis where it is today?

Kulin Lalbhai: See, we shut down almost 70 loss-making stores in H1 of this year due to COVID. And the idea was we would completely weed out all loss-making stores. We would still possibly have 5% to 10% of the network today at some negative CBA, but those stores are that way because we have not still reached back a 100% recovery especially in the big city malls. So, we expect those to also turn soon hopefully in the next couple of quarters.

Chetan Phalke: So broadly 5% to 10% stores are still loss-making in the overall network.

Kulin Lalbhai: Yes. I think we took our quite a fundamental call to anything that we felt had a very long path to recovery. We actually have already shut down that part of the network.

Chetan Phalke: Just a follow up question on this, with respect to unlimited this EBITDA breakeven is post-rent or this is pre-rental?

Kulin Lalbhai: Yes, it is post everything and we are talking about the fundamental EBITDA, so after all rentals and everything, we are EBITDA positive.

Chetan Phalke: So at this run rate we will continue to be EBITDA positive for Unlimited going forward?

Kulin Lalbhai: See, one thing I want to point out is that it is still a cyclical business, so not all quarters will remain the same. The festive quarter Q3 is the relatively the strongest quarter and quarter four tends to be the weakest and then quarter one is again strong. So it will go through it kind of seasonality, but in all months where we will be close to this level of sale, how we will of course be EBITDA positive and that is because we have significantly reset our fixed costs in this business. So our breakeven point is much lower now post COVID.

Chetan Phalke: So this 120 crore cost reduction that we spoke about, it includes the cost reduction in unlimited as well?

Kulin Lalbhai: Yes, it's within this.

Chetan Phalke: And any comments on the category extension in other brands as in the U.S. Polo, we have successfully done it and demonstrated it over the last 5-7 years. Anything of that sort do we see the happening in Flying Machine or in Arrow as it is struggling at this point of time. Can category extension be the way forward for Arrow or Flying Machine or other brands?

Kulin Lalbhai: Yes, I think category expansion is a key part of our strategy. I don't think the same categories are the focus areas for all our brands. And other brand I'd like to point out, which is extremely successful in its category expansion is Tommy Hilfiger. In fact more than 15% of our Tommy stores have non-App revenues; maybe I think it's actually close to 20%. So Tommy has also a strong franchise, Calvin Klein has very powerful innerwear franchise, Flying Machine, the whole idea is for our digital first strategy that we will be getting into new adjacent categories and building online first revenue streams there. So that theme will also come up and in Arrow, I mean our first focus is to get the core business to a strong bottom line, which we are expecting next year Arrow to be also EBITDA positive as a brand. And then there are definitely some ideas we have on which category extensions make sense there.

Chetan Phalke: So just one last question on the royalty, I mean we spoke about reducing our royalty last couple of quarters back. Was it a temporary phenomenon because of the COVID slowdown or there is a permanent structural reduction that we have negotiated with the brands?

Kulin Lalbhai: No, maybe there was confusion in whatever we had debated. There was no permanent royalty reduction strategy. Yes, there are some brands that would support you in a tough COVID environment. That's kind of a one-time support, but there isn't a structural reduction in brand royalties, nothing material or specific that one should take away from this.

Chetan Phalke: This is specifically for Shailesh, for Tommy and CK. I mean given the fact that these are premium brands, but if you look at globally these two brands, they do some 10 billion kind of revenue, in India we are not even 700 crores. What kind of potential do you see with respect to Tommy and CK going forward, because you kind of you have nurtured these two brands over the last decade or so?

Shailesh: You know Tommy, CK, brands are doing really well and one very special thing about Tommy and CK is that they're very well suited for post COVID relaxed way of working and we believe that growth will continue. We saw Q3, the recovery is very high, the profitability at the highest ever level. So I think Tommy and CK are so well poised with the consumers in India, they are definitely poised to grow fast here. In the super premium segment, India tends to have its own market size and compared to global world and I know that Tommy, CK, numbers are very large in Europe. But we are doing well and we are very confident that Tommy, CK, both will be very large brands in times to come in India also.

Chetan Phalke: But the growth is mainly from the top tier cities or we are witnessing some growth from tier 2 smaller towns, how the online sale for Tommy and CK?

Shailesh: Tommy and CK, both are available in 75 cities in India. People don't realize that, because they very urban and big city focus, but the distribution has already reached 75 towns through our own point of sale in India which we manage directly. So we already have good foot print and the online growth has been fantastic and our growth has more than doubled in the last two years and the growth right now also is fantastic in online world. We saw numbers in December in one of the portal, the rank of Tommy is very-very high. So the traction is good in all the channels including in online world.

Chetan Phalke: And any ballpark number on what percentage of revenues from online channels, purely the third party online or NNNOW.com online channels?

Shailesh: See before the COVID they were at around close to 15 to 20% range and during COVID it did go up. As we come out of the COVID, it will stabilize at between 20 to 25% online contribution.

Moderator: The next question is from the line of Nishit Rathi from CWC.

Nishit Rathi: Just wanted to understand the debt bridge. What is the debt as at December and if I take the 1240 crore debt that we had as of 31st March, after which we had the Rights issue on the Flipkart deal and we release some working capital and paid for losses. So if I add all of it, where am I today?

Kulin Lalbhai: We are at 920 crores of net debt as of December end.

Moderator: The next question is from the line of Nihal Jham from Edelweiss.

Nihal Jham: Two questions from my side, first of all congratulations on the recovery on 86% recovery is very much commendable, only thing just to clarify on that would the tertiary recovery also be similar or is it that there was some gap specially in the large format or MBO channel which has been felt and potentially the tertiary sales are still tracking a little lesser?

Kulin Lalbhai: See Q3 is not an MBO wholesale quarter, only some winter wear billings. So in fact MBO sales would be much-much larger, the tertiary would be much-much larger than the primary in quarter 3. So it would be actually the other way around and all the other sales in the other channels are actually tertiary. In online also as we had mentioned a lot of the sale almost 40%, this time is in a sense tertiary, because it's on our own portal and through marketplace operations. So I think what you are seeing is actually the underlying scale of the business.

Nihal Jham: But even for large format stores, there is a primary and secondary component as well. They do the billing and then they record it. So there also you're saying that the momentum is as strong as the reported number.

Kulin Lalbhai: So it's 10% kind of recovery lower on department stores, but the materiality of the difference doesn't change the overall numbers much and then if you look at something like MBO, there's a huge swing the other way. So broadly that's why I'm saying that tertiary would be very much in line, if not slightly above what we have shown as frankly.

Nihal Jham: The second question was, if I just look at the financials for this quarter, I'm trying to bifurcate the cash flow that considering we did an working capital reduction of 150 Cr and there was an EBITDA of 30 Cr, I would assume that we have generated a decent positive cash flow in after paying the interest that we will for the quarter. So on the fundraising plan; just thinking that isn’t it that there could be for the cash flow, which will naturally get generated because of the business operation which would ideally be enough to fund over working capital requirements for Q4?

Kulin Lalbhai: I understand where you're coming from, what I was trying to explain in the opening remarks is we are going to have a significant scale up if you look at the base of this year versus where we will be moving next year, in a sense almost across every channel there is a big fill that is going to go in. The numbers you saw in Quarter 3, a lot of the sales were from spring-summer stock and a very small amount of autumn winter stock. And that kind of is a one time we took a correction on our buys. And that's really worked very well for us, our inventory is at the healthiest it has been and even though we had aged stock, we were able to get a good recovery. Now we want to invest behind growth properly and this will be the first season that we will buy properly assuming of full freshness in our retail. And that is why that will come as a first fill that will go into every channel. And of course that will then follow it up with cash flow that will come once all those goods sell. But we don't want working capital in a sense to go up as we start going back behind the fresh goods and go and get the revenue back up. So that is why we feel that the rights issue is there, it will fund all the growth capital required for the spring summer buy and the future buys. And it will keep the debt at this level or slightly better than this level. So I think having a strong balance sheet, so that we can go and capitalize the growth opportunity, because we are seeing the opportunity on the six platforms we are talking about, the inherent demand and the position of the brand is encouraging. And we want to go after the opportunity.

Nihal Jham: Just last question. What is the cash balance at the end of December?

Pramod Gupta: We are a net debt company, so therefore we would have undrawn lines, so therefore when Kulin talked about 920 crores that is the net debt.

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

Ankit Arora: Thank you everybody for joining us on the call today. If any of your questions have remained unanswered, please feel free to reach out to me and I'd be happy to take them offline. Thank you for your time today.