"SIS Limited
Q1 FY2023 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to SIS Limited Q1 FY2023 Earnings Conference Call. 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. Bharat Bakhshi, President - M&A and Investor Relations from SIS Limited. Thank you and over to you Mr. Bakhshi!

Bharat Bakhshi: Thank you very much. Good afternoon everyone and welcome to our Q1 FY2023 earnings call. Along with me I have our Group Managing Director, Rituraj Sinha and also our group CFO, Devesh Desai. I hope everyone has had a chance to look at our results and the earnings note which has been uploaded on the stock exchanges and also the company's website sisindia.com.

Let me just start with a little commentary. I think broadly we are very happy to report again this quarter highest ever quarterly revenue which came in at Rs.2678 Crores which is a 12.6% year-on-year growth over the same quarter last year. So as you can see compared to last year the growth momentum certainly is coming back well especially in our India securities and facility management businesses. India securities revenues are actually up about 20.2% over the same quarter last year and facilities management is up very significantly at 39.8% over the same quarter last year, of course last year it was impacted the facility management businesses as you know were impacted especially by COVID, but it is good to see that the recovery coming back and coming back pretty strong in facilities management especially.

On the margin front I think as we have indicated in our last call we do expect margins to move back to pre-COVID levels in the next few quarters. In fact to that end the India security business has already seen margins move up by 20 basis points over the previous quarter, so we can already see the trend starting to play out. On the international front again as we have been indicating for the last couple of quarters based on what we were seeing this quarter the revenues have been flattish since some of the temporary COVID-related work on the international front has gone down, but revenue still flat because it is being offset by segments which was earlier hit by COVID and which are now coming back. International margins have reduced from last year again as we had indicated that the temporary COVID related work which we had got last year was at significantly higher margins, so that is broadly where we are on the businesses I think again I will at least close this by saying overall we are happy to see the growth recovering well post COVID across all the businesses and we are already investing for the growth that we see coming. With this I will hand it back for the question-and-answer session please. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Vidhit Shah from India Infoline. Please go ahead.

Vidhit Shah: Good afternoon and thank you for taking my question. Sir my first question was around the margin front itself, so last quarter we had indicated there was some COVID related costs which had kept margins in the domestic business subdued now my guess would be that would not be that this quarter, so I actually would have anticipated a higher growth in margins 10 or 20 bps Q-o-Q in securities and likewise in facilities as well so what has kept the margin subdued like, are there any other costs which are currently high?

Bharat Bakhshi: It is good that you refer to what I mentioned last time, there are no COVID cost this time but I had clearly and specifically stated two things on my last call one that as we go back to rapid organic growth there will be contract startup costs which will hang heavy on the margin profile. Second, I had said that as growth picks up rapidly working capital employed in the business will increase and free cash flow will reduce, so you are seeing this trend now and it will continue to play out for the next few quarters till we normalize back to our regular growth.

Vidhit Shah: Okay, I understood, would it be like just for sake of clarity be able to quantify the startup cost that we have incurred or just so that we know what like normalized margins are for?

Rituraj Sinha: I think we watch our margins of gross margin line are we saying consistently that our gross margin has been stable through the COVID period we are not taking on contracts at lower margins to drag down the overall margin, so our gross margin line is intact. Previously there were a lot of levers again I will recap and strong your memory. During COVID we had massive savings on account of travel and rental cars, etc., which were beneficial for margins, but then there were cost of PPE, there was later cost of vaccination and last year we obviously started to spend more money on back to travel and back to reviews and back to everything and we have also done a massive pre-review this last quarter, so I think there has been moving parts and pieces, some have dragged down SG&A, some have boosted SG&A and all the fluctuation happens at the SG&A level. Our gross margin is intact that is why I am so sure that will revert to 5.5%, 6% range. As far as splitting the raising costs the contract mounting cost is concerned, I will ask Devesh to organize that for you on a one-to-one basis.

Vidhit Shah: Sure, thanks. Just one followup on the gross margins that you mentioned while they were maintained at the 77%, 78% while the number that I state is the employee benefit expense in your P&L as a percentage of revenue that has gone up as well to 80% this quarter?

Rituraj Sinha: When you start-up a lot of contracts people have either idle days, say I have to start-up the contract from 1st of the month, I will mobilize people from 28th. There will be downtime; we have to bear the cost of contract start-up. There is uniform cost, there is logistics cost, there is direct cost, and there are a lot of costs which are linked to the startup of contract so you are seeing all these fluctuations.

Vidhit Shah: Okay, fine, got it and as you mentioned that working capital will obviously increase as rapid growth kicks in, so is this what we can expect as the OCF to EBITDA conversion or will it just get better?

Rituraj Sinha: I have said very clearly last time only, 100% OCF to EBITDA is not a good signal for my business that means I am growing too slow. Since our IPO indicated that our goal post is 50% OCF to EBITDA we want to be ballpark in that range and that is what we are trading towards, okay, but please do not benchmark with 100 plus OCF to EBITDA because that can only happen when you are not growing enough organically.

Vidhit Shah: Fine, got that and just one last question from an accounting perspective for the tax expense, you have around 260 million worth of deferred tax that you booked is it all of 80JJAA and should we expect a similar trend if the growth trajectory remains the way it is in the coming quarter?

Devesh Desai: Yes almost all of it is on account of 80JJAA and if it is a continuous growth then there will be at least this much of deferred tax asset created in the coming quarter.

Vidhit Shah: Thank you so much. I will get back to you.

Moderator: Thank you. The next question is from the line of Aditya from SIMPL. Please go ahead.

Aditya: Thanks for the opportunity. Sir, when I look at the number one player in facility management for India, he used to enjoy double digit margins while we had margins close to 6% to 7%, so we just wanted to understand why is there such a difference in margins, is it related to the contracts we take or we have some inefficiency as against the leader?

Rituraj Sinha: Could you be more specific sorry I could not understand who you are trying to benchmark us with?

Aditya: The BVG.

Rituraj Sinha: Sorry I am not able to answer for that, but my limited understanding is that globally if you see ISS which is the largest global listed FM player or you see any other security company ranging from Prosegur to Securitas and G4S, globally the EBITDA margin range, broad range is ballpark 6%, so if somebody was delivering double digit is complete standout performance, unfortunately SIS is not one of them.

Aditya: I just wanted to understand one more thing, we just recently did a buyback of around 500 Crores to 550 Crores, we have long-term loans of around 600 Crores, and so what was the thought process of the management, was it not feasible to pay off the long-term loans at least rather than by having a buyback?

Rituraj Sinha: Firstly, I think let me help you with the numbers, we have announced a buyback of 80 Crores I do not know how you got 550 Crores, Rs.550 is the price for the buyback, quantum is Rs.80 Crores. Number two since we listed five years back if you look at our track record, we have returned money to shareholders every single year for the first three years it was through dividends and the last two years it has been through buybacks. Over the last five years SIS has returned more than Rs.250 Crores back to our shareholders overall and sometimes we do it through dividend, sometimes we do it through buyback, these are just modes of returning money whichever is more efficient. Coming to whether it puts pressure on our organic growth requirements or our inorganic growth requirements, let me point out that SIS is maintaining a net debt to EBITDA of a healthy 1.5x. This is useful for our return on equity profile overall and I have said this before as well I do not intend to be a zero net debt company, I do not see that to be a very capital efficient way of running your business.

Aditya: Thank you.

Moderator: Thank you. Next question is from the line of Sanjay from Envision Capital. Please go ahead.

Sanjay: Good afternoon and thank you for giving me this opportunity. Sir my question was on this cash management business which we are looking at this moment and the revenues have been almost similar sequential basis; can you tell me how are we moving ahead with this cash management business and what is the market share currently which we are holding in this Indian market?

Rituraj Sinha: Like I said before, the cash management piece a lot of people discount the fact that SIS owns the second largest cash management business in the country and as you can see through the COVID period it has not had a single quarter of revenue decline and the margins are in the range of 12% to 15% ballpark now, the pipeline is very strong looking at their Q1 numbers I see that cash business could potentially be reporting its best year of growth ever in FY2023 and that is demonstrated by the fact that the quarter-on-quarter change in revenue, Q1 FY2023 versus Q4 FY2022 we have almost reported 8% change in revenue, so 8% growth in a single quarter, so if this actually plays out this could be a very exciting year for the cash business and not just growth wise but also margin wise.

Sanjay: Okay and I see that margins have declined by 22% so are we seeing some contract loss or how is this going in Sir?

Rituraj Sinha: I would request Devesh to clarify that. I think it is already in the earnings note, but Devesh could you please clarify.

Devesh Desai: The Q4 had some one-off items, so on a normalized basis we have a 22.2% quarterly increase in the EBITDA between Q1 and Q4, we had reported last time also, and we have included this time in the note also that there is a normalizing effect on Q4 FY2022 so you should read the normalized number and compare it with this.

Sanjay: Okay. Thank you so much on this. That is all from my side.

Rituraj Sinha: I think the important thing to note is that somehow SIS is valued on the SOTP basis, but the cash business is not valued at all, so that is also food for thought I guess at some point.

Sanjay: Thank you so much for this.

Moderator: Thank you. The next question is from the line of Rohan from SIS. Please go ahead.

Rohan: First of all thanks for the opportunity. I just wanted to ask why SIS has not given any investor presentation yet that is my question?

Rituraj Sinha: Our earnings note is our investor presentation; it is published every quarter.

Rohan: Sorry, but I could not see it in your website that is why I am asking.

Rituraj Sinha: It is there on the website in fact for the last 21 quarters you will find our earnings note it is there on the website. I request my team to send you a link separately.

Rohan: Okay. Thank you Sir.

Moderator: Thank you. The next question is from the line of Alok Deshpande from Edelweiss Securities. Please go ahead.

Alok Deshpande: First question on facility management, clearly very good traction there, with 400 Crores plus of quarterly number, I just wanted to understand do you see this momentum continuing throughout the year and what sort of contract wins, etc., that we have seen this quarter what are we looking for because this is one business which has come back really strong, some color on that?

Rituraj Sinha: Alok, if you remember, during COVID I pointed out very specifically that biggest winner out of COVID is going to be the FM business and I think that is playing out, the Q1 numbers are before you, I have seen the Q2 forecast, they will be fairly strong definitely all FM businesses are reporting very robust development and I am looking forward to possibly the best year of growth for FM in its history in FY2023. I am hoping that I did not say that too soon. I will just wait for H1 results to be out and at that point in time we will have a very clear trajectory.

Alok Deshpande: Sure, any monthly exit number that used to give earlier, is there any such number for this, what the number was in June or something like that?

Rituraj Sinha: Yes, sure. Devesh, can you just help with monthly numbers for all business segments?

Devesh Desai: Yes. The ballpark Rs.145 Crores for FM for June exit, basically they are run rating Rs.145 Crores, Rs.150 Crores and they have a pretty strong pipeline and for cash they are operating at roughly Rs.43 Crores, Rs.44 Crores. For India security it is Rs.365 Crores of June exit. I will come back to you with the SIS International exact number.

Alok Deshpande: If I noted down correctly, cash you said Rs.43 Crores right roughly?

Devesh Desai: Sorry.

Alok Deshpande: For cash business you said Rs.43 Crores was it?

Devesh Desai: Yes.

Alok Deshpande: Similar question for the international business also, so while it is playing out exactly the way you called out that the ad hoc contracts going out and the sort of pre-COVID contracts coming back, so the run rate that we have seen in Q1, is that the sort of run rate we should expect for the remainder of the year in the international business?

Rituraj Sinha: Alok, could you come back again sorry, I missed some part?

Alok Deshpande: I was just saying that for the international business while it is playing out the way you had called out regarding the ad hoc contracts going out and the old contracts coming back from a run rate perspective what we have seen in Q1, is that something that should continue for the remainder of the year or you think you can go down up, what was your trajectory?

Rituraj Sinha: It is very good that you asked that question, let me give you some colour on the international business. The first thing that you must acknowledge is that the temporary high margin COVID work is going to go back to zero, it is not there it will go back to zero this quarter hopefully. That is going to be out of the system but that has been duly compensated by the regular businesses like retail, like aviation, like other such segments coming back. So, on one side the COVID work is declining on the other side the regular business is coming back and I think revenue wise it will cancel out, but where it will really show up is that the margin of COVID-related work was definitely higher than the regular work, it was priced significantly higher premium pricing. So what will happen is that the international security particularly Australian revenues will stabilize but the margin will go back to 4.5% range. Now the new spin is that the labour government in Australia has come in and they have announced a 4.5% minimum wage hike. Australia generally does 1, 2, 2.5% minimum wage hikes, they have done a 4.5% minimum wage hike. Now, in the long-term over two-three quarters this is good news because of revenue will go up and our yield per contract will go up because we charge the same percentage but on a higher revenue base now, but in the immediate term in Q2 potentially Q3 there will be a catch-up effect because we will have to start paying the higher minimum wage now and go back and get that from customers hopefully in give or take one to two quarters. So that is another dimension that is going to start slowing up on the margin line in Q2 potentially Q3 for the international business, but when we are able to get the price increase all of the 4.5% as it has happened every time before I am very confident that Q4 international business margin lines will normalize and just to reconfirm the numbers right from the top Rs.949 Crores of revenue overall in June including cash, so if you remove cash from that it is roughly Rs.900 Crores odd excluding cash and then you break that down further it is Rs.382 Crores for international, ballpark Rs.145 Crores each for FM and for India Security is Rs.365 Crores.

Alok Deshpande: Great, this is very useful. Thanks Rituraj for this.

Moderator: Thank you. The next question is from the line of Rohan Retail investor. Please go ahead.

Rohan: Hi! Rituraj, thanks for the opportunity. I just have one question I do not know if it is possible or not but I just wanted to ask that is SIS in the back end trying to be in the certain business where they offer premium clients in security services like bodyguards and other such services that they can offer in security business, so is there any plan for this type of services in future?

Rituraj Sinha: We actually avoid doing bodyguard services and other such services because we do not find that to be scalable and the personalization requirement is fairly high there. Actually on the contrary we avoid these segments.

Rohan: Okay, and second is that are we scaling or we trying to scale the business via technology and where are we in terms of technology advances?

Rituraj Sinha: SIS has done a lot of investments in technology both on the back end and on the customer facing side. As you will remember SIS was the first company to completely automate its back end with proprietary softwares like arc for recruitment kiosks, iOPS for operations management, SalesMAX for sales productivity, mTrainer for mobile training delivery and now we are rolling out MySIS for digital attendance which is facial recognition-based attendance automation. So, on the back end there is a lot of proprietary software that we built which allows us to scale. On the customer facing side we are continuously aspiring for more sophisticated solutioning whether it is through use of drones in security or it is through use of higher sophisticated technology and equipment in facility management. Very recently we have made an investment in Staqu for video analytics type work, artificial intelligence. So, SIS is investing in the future of security through various means and also looking to enhance value adds to customers through use of technology.

Rohan: Do you think that in future the manpower will be reduced and we will be more dependent on technology for security purposes?

Rituraj Sinha: Now that we are talking casually, I must tell you an interesting story which I learnt from one of our friends. Back in 1948 when the first alarm was developed it was developed by a company called Siemens and Securitas and Siemens both come from Scandinavia and the owners of both companies know each other, so the story goes as the Siemens owner owned the Securitas owner the manpower security company that is how I have invented an alarm security guarding is going to go out of home very soon in 10 years that was 1948 we are sitting in 2022 and this is a $250 billion global market with the world's largest security company, Allied Universal holding $18 billion in revenue. So yes, technology will be used more and more but I do not think that manpower element of security will evaporate completely it does not seem to be the trend in the last 70 years.

Rohan: Okay, agree with it Sir, and just wanted to ask one more thing that if you want scale the business does it mean that we need to increase the manpower on ground or is there any other way to increase or scale the business?

Rituraj Sinha: It is both, we will have to increase manpower required on ground and we will have to also use more technologies.

Rohan: So, this will be going hand-in-hand?

Rituraj Sinha: Yes, I think so.

Rohan: Okay, then. Thank you Sir.

Moderator: Thank you. The next question is from the line of Aasim Bharde from DAM Capital Advisors. Please go ahead.

Aasim Bharde: Hi! Good afternoon everyone. Firstly, just a clarification on the international business margins. Sir you talked about Australia business normalizing and that would take margins to 4.5% odd at least for the next two quarters, taking Henderson also into account, how would international business margins look like in the near term or it still be sub 5%?

Rituraj Sinha: Yes, what we mentioned is that as you remember the COVID related contracts are almost completely going off, so we are going to be back to normal levels. As I said of course the next quarter the way it increases it is going to kick in so you can expect two, three quarters before we come back to that sort of normal levels.

Aasim Bharde: Even pre-COVID at least if I look at Q1 FY2020 to Q3 FY2020 international margins that were easily over 5% and in fact maybe closer to 6% as well maybe there is some benefit coming from currency? I am not sure but was this business always a sub 5% margin business with Henderson in?

Rituraj Sinha: I think the right way to look at it is, if you look at it from a FY2018 onwards rolling basis you will see that this international business always a sub 5% EBITDA margin business till FY2020 when we made acquisition of Henderson which at that point was reporting higher margins. Subsequently when we bought in, subsequently COVID impacted and then obviously it has been wobbly, but on Henderson alone the margin has taken a massive haircut because there was a lot of non-compliance in the business that we discovered only after the exiting promoters left the business entirely and all that happened during COVID through which just bought Henderson just a few quarters before COVID and then during COVID we bought out the outgoing promoter, we put in place our people, we figure out that we are non-compliant in a lot of ways, we put all those cost back in the business, we also lost some contracts. Net summary Henderson is a loss-making business as of today.

Aasim Bharde: Okay.

Rituraj Sinha: Right, it is under fixing the good news is that Henderson alone earned more than $30 million by way of grants from Singapore government. So today Henderson on its own balance sheet has more than $25 million of surplus cash sitting and I believe that money is adequate to rebuild the business to higher revenue in a more profitable way. So the bad news is it is loss making right now, the good news is that it has $25 million not just to grow organically but also do inorganic stuff if it wants without needing any incremental additional capital from any of the group entities. So, it has enough money to fix itself and they have a pretty solid team in place now, I was just with them in June, so I am pretty happy with the progress they are making.

Aasim Bharde: So, at least the 4.5% expectation that you are talking about on the international business that is taking into account of Henderson's pulling margins down, right?

Rituraj Sinha: No, again let me clarify. Please look at it from FY2018 onwards, before the Henderson acquisition the EBITDA margin to international portfolio was 4.5%, Henderson came it went up to 5.5%, we figured out that they were non-compliant in the lot of ways regulation wise, Henderson's higher margin rate actually came down, do you follow, since you want to compare apple-to-apple comparison, please do it without Henderson.

Aasim Bharde: Rather my followup on this was at the current juncture where are we in Henderson profitability we are still at a loss means it is basically in fixing mode, right?

Rituraj Sinha: Yes, Henderson is a loss like I said.

Aasim Bharde: So, once that comes to say maybe like a sustainable 4% odd, 5% odd margin whatever margin that business is overall basically the international business margin will still be at a 4.5% to 5% bracket once Henderson comes back to whatever is normal profitability?

Rituraj Sinha: Absolutely right, that is exactly what we have guided towards since we got listed 21 quarters back. In the international market 6% EBITDA margin is going to be hard to get, 4.5% to 5% is the market what we should consider as a normal EBITDA level number one. Number two please bear in mind that as the share of international business in our overall revenues reduces overall consolidated margin for the business will look better because larger chunk of the revenue and profits are coming from India and not from international markets.

Aasim Bharde: Sure, that I get and I am assuming the India business is ideally a 5 to 6% odd margin business on a sustainable basis in the longer run.

Rituraj Sinha: Correct, so just to summarize for the benefit of everybody also, international business we should take 4.5% to 5% is the stable margin line and for India business we should consider 5.5% to 6% as the stable margin performance.

Aasim Bharde: Okay, thanks a lot.

Moderator: Thank you. The next question is from the line of Keval Shah from Banyan Tree Advisors. Please go ahead.

Keval Shah: Hi! Good afternoon. I had one question, what is the status on SIS Ventures because we had invested in one startup, so is there any other investment in the pipeline?

Bharat Bakhshi: SIS Ventures, as we have communicated earlier the Board has allocated Rs.75 Crores to make investments into companies that have adjacencies with our business. The one investment which has been already made is in Staqu, currently where we are is, we are in the process of evaluating some other companies there is nothing yet at an advanced stage that has past term sheet stage into diligence we are in some discussions, but there is no particular timeframe as such for that Rs.75 Crores it really depends on the types of opportunity that we come across but certainly we intended to if we make a few more investment in the course of the coming year.

Keval Shah: Okay, thanks.

Moderator: Thank you. The next question is form the line of Vidhit Shah from India Infoline. Please go ahead.

Vidhit Shah: Hi! Thanks for the follow-up. Just one clarification on data point that I needed which is this one SIS initiative of yours what would be the revenue contribution currently and where do you see it going up over the next few years?

Rituraj Sinha: Out of Rs.950 Crores a month that we are doing including cash one SIS should not be adding even 1% of that today but over time I see it to be adding mid-single digit.

Vidhit Shah: Okay and our margins on this significantly better than the 5.5% to 6% that you stated?

Rituraj Sinha: As of right now I would like you to assume that the margin range is broadly the same as the India margin range.

Vidhit Shah: Okay, fine. Understood, thanks for the follow up.

Moderator: Thank you. The next question is from the line of Alok Deshpande from Edelweiss Securities. Please go ahead.

Alok Deshpande: Thank you for giving another opportunity. My question was for Devesh on the tax bit I think you did mention that the growth continues, but do you think that given the growth that you are projecting in India security and the facility management business that will be sufficient to knock off or offset the tax from the international business?

Devesh Desai: Let me just clarify as mentioned that the deferred tax asset creation will be at least this much going forward if the growth continues. Now, as far as the offset is concerned unfortunately, we cannot offset the tax liability so international will have its tax expense, India will have its tax expense but because of the offsetting nature of the deferred tax asset it might be close to a zero rate overall but we still have to pay the tax in Australia irrespective of what benefit we get in India.

Alok Deshpande: Sure, so you think at the group level effective tax rate might be closer to zero is what you say by 2023?

Devesh Desai: Yes, could be.

Alok Deshpande: Okay, thanks Devesh for the clarification.

Moderator: Thank you. The next question is from the line of Rohan Retail Investor. Please go ahead.

Rohan: Hi! Sir, I have two questions more. First is how SIS is trying to get more and more big clients and second is can you guide us on what will be the revenue growth for the next five years?

Rituraj Sinha: SIS has got the largest salesforce in the industry, there are more than 350 sales resources plus we do a lot of digital marketing work, we also have a back-end call centre to cultivate leads. Through all these means we approximately meet more than 2000 prospective customers each month that is our bandwidth for reaching out and getting large customers. Our focus is also segmental, we focus on certain segments more and we are always trying to chase higher ticket size contracts. Our entire sales incentive program is built on higher volume and higher margins that is how we get maximum benefit of the incentive plan. The entire salesforce management is done through a proprietary software called SalesMAX, so that is how we are planning to build growth organically and regards to next five years what our growth will be while it is hard for me to forecast very specifically the general guidance we have given and maintained since we got listed in FY2018 is that SIS aspires to target 20% growth, 20% return on equity and 50% OCF to EBITDA, these are the three benchmarks or markers against which we measure our performance.

Rohan: Okay, thank you Sir. It has been great numbers. Thank you and all the best.

Moderator: Thank you very much. As there are no further questions, I would now like to hand the conference over to Mr. Rituraj Sinha for closing comments.

Rituraj Sinha: Thank you everyone. I think great set of questions and I really appreciate your time today. It has been a pleasure to interact with you. On behalf of Bharat and Devesh, my colleague Harsha I once again appreciate your continued interest in SIS. As we had indicated in the past, we have kicked off FY2023 with pretty solid Q1, our order pipeline for Q2 is strong, and in short, growth is back organically. Margins will take three to four quarters to normalize. I have already indicated that international will normalize around 4.5–5%; India will normalize around 5.5–6% broadly that is the trajectory we think we will head towards. As regard to cash, as we grow rapidly on an organic basis the free cash generation in the business will contract, so please prepare for a lower than 50% OCF to EBITDA this year, if the OCF to EBITDA is higher that means we did not grow enough. So that is the way I am looking at it and that is my broad guidance. I hope this is helpful. Thank you once again and I look forward to catching up with you next quarter.

Moderator: Thank you very much. On behalf of SIS Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.