"Elgi Equipments Limited Q3 FY-20 Earnings Conference Call"

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MANAGEMENT: **MR. JAIRAM VARADARAJ - MANAGING DIRECTOR, ELGI EQUIPMENTS LIMITED**

MODERATOR: **MR. KAMLESH KOTAK - ASIAN MARKETS SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Elgi Equipments Limited Q3 FY20 Earnings Conference Call hosted by Asian Market Securities Private Limited. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kamlesh Kotak from Asian Market Securities. Thank you, and over to you sir.

Kamlesh Kotak: Thanks Rayo. Good evening everyone. On behalf of Asian Markets, we welcome you all to the 3Q FY20 Earnings Conference Call of Elgi Equipments Limited. We have with us today Mr. Jairam Varadaraj – Managing Director representing the company. I request Mr. Jairam to take us through an overview of the company's performance and the results and then we shall begin the Q&A session. Over to you sir, thank you.

Jairam Varadaraj: Thank you Kamlesh. Thank you for organizing this call. Ladies and gentlemen, it's my pleasure to be with you this evening. I will take you through the performance of the company in this quarter in comparison with the quarter in the prior year. I know the results, look on paper they look quite gloomy. But I'm sure that with my explanation at the end, you will realize that the story is not so bad. When I'll take you through the reconciliation of the EBITDA between this quarter and the prior year quarter.

Starting with sales, we did 463 crores at a consolidated level, as opposed to about 470 crores last year. Against the contribution margin of 39.4%, we have improved it to 40.6%. So, taking these two sales numbers the EBITDA, assuming fixed costs and people costs are at the same level as last year, our EBITDA should have been about 530 million, 51 crores against that it's approximately 30 crores. So, I am going to take you through a reconciliation for almost this 22 crores of reduction in EBITDA.

So, the biggest cost that has hit on our EBITDA is people cost. And I would like to dissect the people cost and explain to you, out of the total people cost as you know as I've explained in my past calls, we have embarked on a strategic initiative in Europe, towards that we have been building our team in Europe.

I would like to now step back and give you a little bit of visibility into what our initiative in Europe is:

We are growing through an organic growth model in Europe. Our plan is to add close to 70 people to our team in Europe and we are entering all the markets in Europe except Germany and towards that end over a three year period including, starting from 2021 including this year 2021, 21, 22 and 22, 23 our loss that we expect out of Europe is close to about €20 million that converts to about 160 crores. Now against this investment I call this loss and investment, against this investment of €20 million approximately 160 crores, we expect a top line in the fifth year of close to about €75 million or close to €80 million.

Now, if I look at this growth and compare it with an opportunity which is an €80 million inorganic opportunity. At the current valuation, roughly similar to what we did for Michigan Air. The price that we would have had to pay would be about close to anywhere between 60 to €80 million. Now against that our investment is going to be €20 million and in the fifth year, by the end of the fifth year, we would have recovered with investment. And this plan has been done with high levels of diligence, right down to each market at each distribution level. So therefore, we are reasonably confident considering the success that we have had in Italy, that we will be able to execute all this plan. So, this is the context of our larger European plan. We'll talk about this later. Now, if I funnel that plan into the into the Q3 results, we have had close to 55 million in people cost, which is additional specific for the initiative in Europe. In addition to this 55 million, we have had close to about 100 million of additional people cost and this has been primarily one of the biggest challenges, biggest investments in people has been in India to the extent of almost 35 million. And this we did last year, in anticipation of our continued growth of the economy. We have already started working towards rationalizing these costs. And I'm very confident that in 2021 we won't see this. I don't anticipate these costs to be continuing on the same trajectory for 2021. But this is an investment we made anticipating that we will be growing India to the extent of almost 18% but what is actually happened is a de-growth to the extent of between 4 to 7%.

So, again this is an unforeseen expense which we will get back on the track. Other than India, we've had some investment increase in cost in the US and in Italy, but these are not significant in relation to the performance of these units. So, I'm not too concerned about that. The other reconciliation with the other fixed costs and in Belgium as part of our recruitment of our talent and getting the talent onboard, whether it is headhunter costs and all that it has been close to about 30 million, which is going to go away it is not going to repeat itself. On a regular basis, we have had some onetime expenses that I'd like to focus on to:

One in the US we had a plan to sell our Patton's property for close to about 9 million and we were looking to acquiring a smaller facility for about 4 million. We have signed the agreement for the sale of that property. But unfortunately, when the buyer went for approval for the building they found that the wastewater capacity of this particular property was not adequate. And the City of Charlotte is working on improving the increasing the wastewater capacity and therefore the buyer backed out, but in the meantime, our plan to buy the new facilities we have gone ahead and we had paid a deposit, which we had to right off because we had to, that went into an escrow and we had to give up on escrow, that was to the extent of about 15 million.

The other pieces we had a bad situation in the Middle East, where we had sold machine against postdated cheque and we realized subsequently when we deposited the cheque that the buyer was actually criminal minded person who had done it not only LG and to quite a few other equipment vendors where he was buying equipment and selling them off and now he's absconding from the UAE, he is an Indian National based out of the UAE. So, these two costs are close to about 27 million, that are one time that have hit us in this particular quarter. So, if I normalize for all these costs, except for the strategic costs in Belgium which is to the extent of about both people cost and fixed cost which is about 85 million. Our profitability has been pretty healthy, in spite of challenges in India. So, this is a broad reconciliation and I will rely on your questions to get into specific responses.

Stepping back to give you an overall context of where the markets are, like always I will start in Australia. The Australian market and our growth has been pretty positive. In spite of the fires in Australia we have continue to the requirements, the inquiries and the orders have been continue to remain. And the team's expectation is that we will have a good year in Australia. Southeast Asia has been a challenge specifically I am looking at Indonesia and Thailand. We have not done as per our budget, we have had marginal growth. So, at the end of the year we will not be meeting our budgets there but we will end up slightly better than where we were last year. India has been a significant challenge across almost all the verticals. The inquiries, which in the third quarter when I talked about the performance in the second quarter, I have said that inquiries continue to be there but the finalization are getting delayed. But right now, the inquiry itself has become a little less so, we are not very, we are not able to interpret the economy and now with the new budget, we don't know the consequences. So, we are taking a very cautious approach in India. We still remain optimistic in terms of the market opportunity we are looking inside rather than outside for how to leverage the opportunities that we have not tapped in the Indian market and we see some potential which we are going to look and leverage and deliver on for next year. So overall for next year, I would say this year India is a bit of a wash. But we've already started working on preparing to strengthen ourselves for next year. So, I'm reasonably optimistic for the top line for India next year. But in terms of our cost management, the lesson that we have learned is not to put costs up front on the basis of an optimistic top line we are not going to do that, even though we have an optimistic top line view for next year for India. Our cost management is going to be very tight on the basis that India is going to be flat next year as well.

Middle East barring these one time, problems with bad debt that we had, had a good growth in the topline and we are on track for our plans where we went direct in Middle East about a year and a half ago and our topline is beginning to support that strategy. Moving on to Europe, I will talk about Rotair in the context of the US because there is a link there. Europe on our industrial site continues to do well. We have grown in Italy this year as well and we are beginning to see green shoots coming in even with that little team that we have built. The smaller team, not the full complement of the team. Whatever team we have built in Europe, we are beginning to see some very strong order books that are beginning to happen. Moving on to the US, Patton's has grown compared to last year, but it's not done as per our budget. But we are seeing the BCG project initiative that we have done in Patton's. The reorganization that we have done, we're beginning to see very solid traction in the market. And I'm looking forward to Patton's doing the high levels of optimism. And the same thing that can say about ELGi Industrial outside of the Patton's area. Patton's medical was a huge challenge for us. There's been a significant drop in the revenue compared to last year and this can be attributed to two facts:

One, we had one of our key distributors was acquired by a competitor, so we lost a big account there. And one of our key sales representative had a medical issue and because of these two reasons, we lost a little bit of traction in the market. We have taken on board to strong sales resources with industry experience, so I expect Patton's Medical to come back to the levels that they should be in terms of the potential. Brazil continues to be a challenge in spite of that we have grown marginally and we have grown profitably. Earlier the subsidiary was making a loss, the losses have been stopped and we are also looking at generating cash in the subsidiary. But I'm not going to celebrate that too early because the economy is still kind of a little uncertain. But there seem to be some green shoots in that economy.

So, this is really the summary of our business across the world. In terms of, I have got some more points that I will talk but I think there will be questions that will cover those points. If they don't, then at the end of the call, I will come back and talk about. So, thank you again. So, I look forward to your questions.

Moderator: Thank you very much. We will now begin the question and answers session. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Just had one question, regarding the Michigan acquisition. Can you give some more color it or what is the strategy behind that? What is the thought process behind acquiring the Michigan entity?

Jairam Varadaraj: If you remember in my past calls we said one of our strategic focus areas is the US and within that we said inorganic strategy as part in our global thing is to look at organizations that will give us access to customers which basically meant distribution and service companies. So, Michigan air was, and we also as part of our BCG project in the US, we identified the top metropolitan areas that we should focus on. And right now, our strategic focus is on the top 20 and Michigan or the Detroit served area is in the top five. So, as part of developing one of the top five market segments, geographical segments in the US, we had already been in touch with Michigan Air and they were already distributing our products for the last one and a half years. And we had an opportunity to acquire them because they were wanting to, the owner was wanting to exit the business. And there was a very strong strategic fit, because it belongs to the geographical area, which is in the top five, it was already distributing our product, the people were conversant with our product, our people knew all of their people, the cultural and social fit of the organization was very good and therefore we acquired the company. And so that's the logic behind the acquisition of Michigan Air.

Ravi Swaminathan: Okay. And Michigan covers the northern part of USA and Patton's covers Southern part of USA that is also an intention, geographically also?

Jairam Varadaraj: No, Michigan Air has two branches one in Grand Rapids and one in Detroit. So if you look at the state of Michigan, there is the Lower Peninsula and the Upper Peninsula. Bulk of the economic activity is in the Lower Peninsula. So, Michigan Air by virtue of these two branches will be able to cover the primary economic activity of the state of Michigan, which is the Lower Peninsula of Michigan. As opposed to that Patton's has seven branches and they cover four states. So, Patton's has a much larger territory so it's not like Michigan Air is going to expand beyond Michigan.

Ravi Swaminathan: Okay, got it sir. And my last question is so basically, regarding the employee cost you had given a detailed break, but one doubt, that if you are having the Europe employee cost. So basically, you had mentioned that over the next three years, we will be spending 160 crores, right. I mean with respect to employee cost or it was total?

Jairam Varadaraj: No, it is the loss of the operation which includes employee cost, fixed cost, other fixed costs. After the sales that we plan to do for the first three years.

Ravi Swaminathan: Okay. So this cost would remain, but sales would pick up after the third year and gradually from next year onwards.

Jairam Varadaraj: Sales is already coming in as we speak Ravi. It is going to reach a point at the end of the third year we will break even, right. So on the fourth and fifth year, we will be able to recover the cost.

Ravi Swaminathan: Got it sir. And how much amount of damage, in this quarter how much amount of that loss fixed costs related to Europe is there embedded in the number roughly?

Jairam Varadaraj: Well, the sales are hardly anything. So, if you take the people cost and fixed and the other fixed cost that I was talking about close to about 85 million is it sitting as a cost due to the loss of the operations of Europe.

Moderator: Thank you. Next question is from the line of Rajit Shivram from ICICI Securities. Please go ahead.

Rajit Shivram: Just a small, when we listen the comments call, they had shown growth in the compressor segment under their industrials, that means the compressor engines that they sell to compressor manufacturers. So, why we are showing it disconnect while they are showing a growth in the engine. So, what explains that vary in this?

Jairam Varadaraj: There are two aspects to this, one is the. See, our market share in the water well segment is not as strong as it used to be. So, we've lost market share and this is something that I acknowledged about three, four years ago. And we are in the process of building that share over a period of time to that extent, the growth in our water well business is not as strong as what the total engine sales that Cummins has got. The second part of the story is, there is a certain amount of inventory that is sitting, engine inventory that is sitting so we have to see what is the result on a longer timeframe whether that pattern is being sustained by coming Cummins. Now, we have initiatives in the water well segment even as we speak, but my optimism to get that share back in a very short time is not very high, but I am optimistic that we have some very strong programs to recover it. So, to answer your question, the gap between the sales growth that Cummins has project for the compressor segment and our inability to deliver growth in that segment that uses those engines is partly because we have lost our share in that market the competitor is definitely stronger than us and partly it is also there is a buildup of inventory.

Rajit Shivram: And is this competitor inorganic or you see a strong organic competitor trying to gain foothold in this market?

Jairam Varadaraj: I don't understand what you mean by inorganic competitor?

Rajit Shivram: Sorry sir, not inorganic is it kind of unorganized?

Jairam Varadaraj: No, these are all organized players. These are all large machines used in water well segment. So, these are the organized players.

Rajit Shivram: Okay. And that means that there, they have tried to reduce the prices and increase the price competitively?

Jairam Varadaraj: No, this market behaves on the basis of opinion leaders buy a machine then everyone follows. We used to be a dominant player and that time the opinion leaders favored ELGi and everyone kind of worked with ELGi. We had a bit of an issue about four years ago with one of our machines. And at the same time the competitor was able to grab our share of the market and the market is staying with a competitive on the basis of inertia. So, we need to break that inertia with a value proposition that is compellingly strong so that we can change the opinion leaders and therefore move the momentum of the market from inertia towards ELGi, towards momentum for ELGi. So that's really the strategy we are working on.

Rajit Shivram: Okay and sir we hear a lot of investment from the government was the road sector, so road construction uses a lot of compresses. So, are you not excited regarding those investment outlook?

Jairam Varadaraj: So, you got to wind back to the financial year 18-19 when we had a good growth, if you look at our numbers, and that was on the back, both 17-18, 18-19 that was on the back of large amount of roads that were being built and the ministry was really talking about so many kilometers of per day of roads being built in the country, at that time there was a huge increase in the demand for our products from the construction, primarily the construction segment involved in road building. Now, what is happened and what we are hearing is two things one, the most of the customers who buy a compressors for this particular industry verticals are contractors who get these contracts from the people who bid for building the roads. Now, these contractors, one is there is high levels of stickiness in the payment. That is due to all these contractors who got these tenders from the government where payments have become sluggish and two, the financing because these are all not bank finance these are secondary and tertiary institutions that finance these contractors. Those financing options have kind of become a little dull. As a consequence, the demand overall is low. This budget they have again talked about infrastructure and building it, we need to wait and see how much the back dues are paid out. Unless that liquidity gets back into the market, it will be difficult for contractors to bid for more tenders because how do they finance it there is a problem.

Moderator: Thank you. Next question is from the line of Manish Goel from Enam Holdings. Please go ahead.

Manish Goel: Sorry to harp again just to clarify, so the number you mentioned about €20 million operational loss that is in the peak, that will pick out into 2022 or it's a cumulative number?

Jairam Varadaraj: It's a cumulative number from now onwards, 2021, 21-22, 22-23 its cumulative.

Manish Goel: So ideally like, say on a yearly basis if you can give a sense as to what could be the annual number, in a range I am not asking for exact number but if you want to put a number is it that this loss number will pick in 2022, and what number likely it could be number one, and number two you mentioned from the third year it breaks even. So, ideally, we are talking about 22 and 23. So what kind of sales would you require to break even?

Jairam Varadaraj: So, our breakeven is going to happen at between 70 and 75 million. Now our starting a big loss for 2021 is going to be about 12 million, it will go up to 18 and then peek at 20. So, 12 plus another 6 plus another 1. So that comes to 19 to 20 million at the end of the third year.

Manish Goel: Okay, so in FY23, €19 million will be the cumulative number you will reach?

Jairam Varadaraj: Yes. FY22-23.

Manish Goel: Fine sir. But you also mentioned that you expect revenues of 75 to €80 million in fifth year. So that will be ideally 24-25?

Jairam Varadaraj: Yes, 24-25 we will break even cumulatively. So, 22-23 will be the peak after that it will slide down, the cumulative losses. And the next two years after 22-23 we will break even cumulatively.

Manish Goel: And if you can just share what could be the revenue number you are expecting in FY21 so, that gives us a complete perspective as to how?

Jairam Varadaraj: Manish, I don't want to give up the entire business plan to the competitor. 24-25 we will hit about 75 to 80 million that we are confident. Now today and this includes the performance of industrial compressors in Italy which is around 5 million in this year. Without any of the team fully in place. So, it is like a hockey stick growth that we are looking at.

Manish Goel: Sure. And so, is it been now we are looking for this sales ramp up in Europe is it also driven by a new product oil free or how is it. Are you probably looking at the?

Jairam Varadaraj: See it's a combination of two things Manish. So, if you look at what did we do in Italy, we went into Italy really effectively speaking 2014 with our industrial machines. So 2014 to 2019, which is a five year period, we have been able to grow Italy to 5 million. Now, Italy is the most competitive market because there are probably the largest number of compressor players in Europe. Now, what this has told us is, that the market is acceptance of our product is very high, the performance is appreciated, the quality levels are recognized our service commitment is also viewed very positively. So, the has given us the confidence that we can now expand because the behavior in most other markets will be in terms of pricing they are better than Italy and in terms of receptivity, they will be there. And we have built a team of people with the most critical, we have built a team of people with very strong compressor industry experience, with very strong relationships with distributors in their respective countries. So, they have given up very good and strong positions in well-established large compressor manufacturers and joined us because they have done their due diligence in the marketplace about ELGi's performance not only in Europe, but in Italy, but also in the US and elsewhere. So, they recognize that here is a company that has the potential and therefore they have come on board on the basis of that high amount of faith and believe that they have. So, it's a little different from what we have done in Italy and very different from what we've done in the US.

Manish Goel: Sure, okay. And sir, just one more clarification on the one-time expenses you mentioned that in Belgium you had a 3 crores one-time expense which was related to recruitment. Plus, you add 1.5 crores in US related to your facility?

Jairam Varadaraj: Yes, the escrow amount that we had to give up.

Manish Goel: Right and then another 70 lakh is for the, basically fraud which happened in the Middle East?

Jairam Varadaraj: It was 80 lakh.

Manish Goel: Okay. So, these are clearly one-time item sitting in the other expenses?

Jairam Varadaraj: Yes.

Manish Goel: Okay. Sir just if you can provide more perspective on how has been our new product oil free has been doing in India as well as global market?

Jairam Varadaraj: I'm sure my main competitor who has got oil free is listening in or will listen on this. So, but I will tell you Manish, that this is a vertical that has grown well for us this year in spite of the industrial challenges as well. Our oil free business both the conventional as well as AB which is our water injected machine has grown in India and we are quite satisfied with the performance of this particular vertical. In addition even as we speak, we have got two very strong reference orders in France for our water injected machine, which is again a testimony for the value of the product for the customer, we've got couple of orders already in the US. And we are creating organizational focus in both these markets to try and drive the business of this product line. So, I am quite happy that we are putting a lot of emphasis in building out the range, and also bringing focus into the market for this product line.

Manish Goel: Sure. And last question sir I had on the aftermarket, how has it been performing in India and overseas? Because that is one area where we were looking to increase our focus?

Jairam Varadaraj: The aftermarket In India has been not, it is not grown to the extent that we budgeted it to grow. And the reason that we are observing is many of the customers are not running full shifts. And as a consequence, the need for parts and service which is dependent on the running hours of the machine has come down. Now, having said that I will be the first to admit that, I still believe there's a much larger opportunity. We need to continue to drive our strategy to the next level for building our aftermarket, which is something that we even as we speak, we're working on doing and I'm hoping that from the second half of next year, we'll start seeing some significant movements beyond. We did strength our position in the last three to four years, we significantly strengthened our position and aftermarket. But the opportunity is even larger and we recognize that and we're going to, the current organization needs to be tweaked and augmented, not necessarily adding more people which we are very, very, we are going to be very judicious about. But it's about bringing the right strategic focus in the right markets. We have recognized it and you'll start seeing some impact from the second half of next year.

Manish Goel: Right, sir. And I may squeeze one more question, on servicing the Europe market will India be acting as a base for supplying the products or how will it be?

Jairam Varadaraj: Absolutely all the products that are currently sold, the industrial products that are currently being sold in Europe will be manufactured out of India.

Moderator: Thank you.

Kamlesh Kotak: Jai, just if you can highlight the point you mentioned about infrastructure construction not done well, what also has not been doing well, how the other pockets, all being in the declining mode or some of the pockets have held firm in this current environment, maybe food, FMCG or automotive or other segments if you can just touch up on that?

Jairam Varadaraj: Sure. Automotive as you can imagine Kamlesh, it has been quite bad. But food and beverage has done well. Pharmaceutical has done well, textiles in pockets has done well. So, I can't think of any other, there is some conversation that there was some conversation in cement but that has died down, steel there could be. Once the idea assets are picked up we'll have to see how the steel, there seems to be a revival of investment but it's still early days. So, while there are broadly most of the industry verticals are paused, I have hit the pause button. There are some specific shoots like the verticals that I talked about.

Kamlesh Kotak: Okay. Secondly about Michigan Company which we acquired, how big is the sales team there?

Jairam Varadaraj: I don't have the sales teams number we have the total strength of the company is about number of big ones. The total number of people in Michigan Air is about 24. A large I think in administrative there are probably about five or six people. The balance number are primarily in service and sales, a disproportionately large number of people we have in service. So, I don't have the specific breakup with me.

Kamlesh Kotak: Okay. And how much have we invested in terms of the overall CAPEX for the year any further amount we are likely to invest this year?

Jairam Varadaraj: Okay. Let me give you the situation on the present debt level and in that context, I will answer your question. So, if you look at our net debt position is about 250 crores and we started the year with a net debt position of 115 crores. So we have increased our net debt by about 135, off that 135 close to 115 crores is from acquisitions. Now, what are the acquisition, we did primarily, we took over the portable business from the distributor and the inventory that came along with it, there was closing out of Pulford, there was an earn out in Pulford's after one year that is something that we paid out of this and the acquisition of Michigan Air. So, these are the main elements. So the 115 if you remove, there is a increase of about 120 crores over and above what has been contributed by sorry, 135 crores is the increase in the net debt position, of which 115 crores is the acquisition costs. We have generated cash of about 80 crores. So, ideally our debt should have been lower than, it should have been lower by about 60 crores. But the main problem has been the contributor for that 60 crores has been primarily the inventory and receivables and inventory. Again, the biggest contributor is India and the reason is that we had planned certain growth based on certain inquiries, the inventories were built up because especially the long lead items, we had taken a position but those are even as we speak, we are progressively reducing it. We took on a huge amount of inventory in the US that is going to come down. So, it is internal management of our working capital which we are quite on top of it both on the receivable side and on the inventory side, you will see significant changes in when we do our results. By, I believe when you look at our first quarter results of next year, you will see a significant shift.

Kamlesh Kotak: Okay. And when you say it that Indian.

Jairam Varadaraj: Sorry, you had asked the question about CAPEX?

Kamlesh Kotak: Yes.

Jairam Varadaraj: The CAPEX that we have spent so far is about 40 crores. And this includes capital decisions that come as far back as 17-18 machinery that we had ordered, part payment, validation that has come in to the plant this year, and last 18-19 investments that spilled over into 19-20.

Kamlesh Kotak: So, incrementally any further investment this year we have to make?

Jairam Varadaraj: There may be about and my expectation maybe 10 or 12 crores. But next year is going to be a significant reduction.

Kamlesh Kotak: Okay. And Jay when you say it that the man power cost in India was higher and now we are calibrating the same in terms of not building the upfront cost. So, should we assume the employee cost at the current level is going to be staying stable at least for a while till the market recovers in Indian operations?

Jairam Varadaraj: That's really the goal Kamlesh. What we are looking at is our planning of manpower cost is on the assumption that India's going to flat line even though we have some pretty interesting plans that we are working to build the topline but our assumption as far as planning manpower cost is that it's going to be flat lined. But having said that, we can't just take a blanket decision across all categories of people. There are some people, for instance, the blue collar employees at the bottom, we need to make sure that there is a certain equitable contribution to their sustenance, their standard of living, as well as some junior level employees for whom salary is a basic sustenance. So, we will take a very differentiated discriminatory approach to this. At the same time, we will also be looking at where there is unnecessary headcount that is not really adding value to the organization. Because if you look at the last probably three years prior to this calendar year, there was a certain optimism and I believe that, that optimism we made the better of us to control over us so we need to go back and revisit that, which we will do.

Kamlesh Kotak: Do you have any further questions in the queue?

Moderator: No, sir we don't have anyone in the question.

Kamlesh Kotak: Okay. So, any closing remarks you would like to make Jay?

Jairam Varadaraj: I just want to say that, while the numbers at one level look quite gloomy. The fundamentals of the business are quite positive. Like I said, we are not a company that is going to produce glamorous results in a very short time. We have got a trajectory plan, we have a strategy plan, we are staying true to that strategy. This is the hiccup in one of the key markets named India. If India has delivered like it did last year, the numbers would be completely different and all our strategic cost and investments will not look so glaringly like the sticking out iceberg. So, this is really the thing, but this is par for the coal these things happen in some of the market. We are calibrating and we will move ahead and I am very confident that we will get on top of these things. So, that's really the message that I want to leave everyone.

Kamlesh Kotak: Thanks, everyone. So, with that we conclude the call. Thank you for hearing.

Moderator: Thank you very much. On behalf of Asian Market Securities Private Limited that conclude this conference. Thank you for joining us, you may now disconnect your lines. Thank you.