Transcript

Conference Call of Blue Star Limited

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Presentation Session

Moderator: Good morning ladies and gentlemen. I'm Indu, moderator for this conference. Welcome to the conference call of Blue Star Limited. We have with us today Mr. Vir Advani, Vice President Corporate Affairs and Mr. B. Thiagarajan, Executive Vice President from Blue Star Limited. At this moment all participants are in listen only mode. Later, we will conduct a question and answer session. At that time if you have a question, please press * and 1 on your telephone key pad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Vir Advani.

Vir Advani: Good morning ladies and gentlemen, this is Vir Advani and I will be giving you an overview of the results for Blue Star Limited for the quarter ended December 31 2007. The following are the financial highlights for the company. We have reported a total income of Rs.514.99 crores for the quarter ended December 31 2007, representing 39% growth over the corresponding quarter in the previous year. Net sales for the quarter at Rs 514.88 crores were also up by 39% over quarter 3 FY07. For the nine months ended December 31 2007, total income grew 44% to Rs.1525.90 crores compared to the corresponding period in the previous year. Net sales over the same period also grew 44% to Rs 1524.90 crores. Operating profit that's PBDIT, excluding other income for the quarter, stood at Rs.55.7 crores that was up by 134% as compared to the operating profit of Rs.23.8 crores earned in Q3FY07. The operating margin increased significantly to 10.8% in the third quarter of FY08 compared to 6.4% in the third quarter of FY07. Scale, lower cost of sales, and well controlled expenses, contributed to exceptional margin improvement. Other income for the quarter was Rs.11 lakhs compared to Rs.42 lakhs in Q3FY07. Net profit for the quarter was Rs.35.44 crore, up 208% over net profit of Rs.11.5 crores for Q3FY07. For the nine months ended December 31 2007 net profit surged 179% to Rs 103.73 crores. While maintaining high revenue growth, the company has been able to significantly enhance profitability with a prudent mix of sound working capital management and tight control over interest costs.

Order inflow for the quarter was Rs.553 crores, representing a 35% increase over Rs.409 crores in the same period last year. Carried forward order book as on December 31 2007 stood at Rs.1072 crores, compared to the order book of Rs.831 crores as at December 31 2006, representing a 29% growth.

I will now spend some time on each of our lines of business and give you both financial as well as operating highlights for the quarter. The central and packaged air-conditioning business continued to contribute significantly to the overall growth of the company. The business grew by 36% during Q3 of FY08 and represented 73% of the overall business. Segment profit during the quarter grew 119% to 44.80 crores. The operating margin improved from 7.4% to 11.9% for the period. Keeping with its focus on improving margins, the company continues to be selective, with the projects it undertakes.

In the central air-conditioning business, the company is witnessing increased demand from new emerging segments, such as infrastructure, power, health care, telecom, and hospitality. In the IT, ITES sector, there appears to be a slowdown among smaller players, who are adversely affected by the depreciating dollar. While the large IT, ITES players are continuing with their aggressive expansion plans, we may see delays in some projects in the coming months. Although the retail sector has witnessed some setbacks, especially in the food retail segment, there is significant growth in tier 2 cities offering enormous opportunities for Blue Star.

As far as infrastructure and power sectors are concerned, finalizations of projects have longer lead times, and therefore rate of order inflow is expected to accelerate only in Q1 of FY09. In Q4 of FY08, the company expects to maintain the current level of order inflow and order backlog. During the quarter, Blue Star booked two large and prestigious orders in the infrastructure segment. These are orders from the Nuclear Power Corporation of India for air-conditioning India's first fast breeder reactor at Kalapakkam, valued at Rs.38 crores as well as an order from Delhi Metro Rail Corporation, New Delhi, for Rs.17 crores.

On the international projects front, the company's joint venture in Qatar booked orders worth Rs.50 crores during the quarter including orders from New Western District Hospital, Qatar University, and Sofitel Hotel all in Qatar.

The company is planning to strengthen its air-conditioning projects business through the strategic acquisition of the businesses of Naseer Electricals Private Limited, a leading electrical contracting firm as a going concern. Naseer Electrical Private Limited, headquartered at Bangalore, has a turnover of Rs.107 crores in FY07 and a strong presence in South India, especially Bangalore, Hyderabad, and Chennai. Naseer Electricals enjoys an exceptional reputation as a leading player in the IT, ITES, infrastructure, and retail segments. With this move, the company will be in a position to deliver integrated mechanical, electrical and plumbing contracting projects, for the commercial building and infrastructure segments. The growing Indian economy and the construction boom offer attractive business opportunities in the MEP contracting space. Moreover many customers of Blue Star are seeking electrical contracting services from the company. While Blue Star will continue to focus on its core businesses of air-conditioning and commercial refrigeration as a manufacturer, contractor, and service provider, it intends to further enhance its capabilities in the MEP space by entering into electrical contracting through this transaction. The formalities of closing the above transaction and taking over are in progress, and we intend to provide additional details on the transaction during the third week of February, in a couple of weeks from now.

Our second line of business, cooling products, performed extremely well, growing 45% during the quarter. The segment profit grew three fold, a substantial 206% to Rs.12.91 crores. Though raw material prices had escalated, customs duty reductions, value engineering, product mix, and scale, contributed to operating margin improving from 6.1% to 12.9% for the period. The company is confident of maintaining double digit margins in the cooling product segment going forward. In the room air-conditioners segment, Blue Star continued to outperform the market growth with a growth rate of over 50%. The focus remains on the corporate, commercial, and light commercial segments, where Blue Star's market share is now in double digits. The market shift in preference to split air-conditioners vis-à-vis window air-conditioners has provided tremendous boost for this business. The volumes of split air-conditioners launched for the commercial market grew significantly in the quarter, with the range of Cassette, Mega, and Verticool air-conditioners registering a growth of over 75%. For the cold chain, Blue Star offers equipment right from pack houses at the farm end, to supermarket refrigeration equipment for retail outlets. The cold chain and refrigeration products business is primarily driven by the agriculture and retail segments. Apart from these segments, significant expansion is taking place in the cold chain logistics segment. There are several players setting up intermediate warehouses and city warehouses, and the company intends to capitalize on the opportunities available in this new emerging segment.

The third line of business, the professional electronics and industrial systems business performed well in the quarter, growing 53% to Rs.37.74 crores, segment profit grew a solid 84% to 8.64 crores. In conclusion, management remains confident about the future of the business. We have been able to significantly enhance our margins to cross the milestone of 100 crores of net profit in the first nine months itself, while maintaining high revenue growth. With enhanced demand for new emerging segments, and a healthy order backlog, Blue Star expects the momentum of profitable growth to continue. With that ladies and gentlemen, I am done with my opening remark. I would like to now pass it back to the moderator, who will open up floor to questions. I have Mr. Thiagarajan with me. Between the two of us, we will try and answer as many questions as we can. To the extent we are unable to, we will get back to you all as well. With that, we are open for questions.

Question and Answer Session

Moderator: Thank you sir. Ladies and Gentlemen we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone key pad and wait for your turn to ask the question. If your question has been answered before your turn and you wish to withdraw your request you may do so by pressing # key.

First question comes from Mr. Vinay of HDFC Mutual Fund.

Vinay: Sir, good morning and congratulations to you on a very good set of numbers.

Vir Advani: Thank you.

Vinay: In terms of your central air-conditioning business division, could you tell us how much of the revenue has come from the IT sector?

B. Thiagarajan: We do IT, ITES combined actually, and roughly around 40% today should be from this segment.

Vinay: Okay sir. And could you elaborate on the statement which you made saying that the larger IT services companies project may also face some delay. Could you give us some recent instances, if you don't mind?

Vir Advani: No, we don't have recent instances, but what we are referring to is, combination of the larger players taking time on finalization as well as the large IT parks by the builders also, is taking slightly longer than historically. But there are no specific examples of any projects getting canceled or anything, just delays in take off.

Vinay: Right sir. Thank you very much.

Vir Advani: Thank you.

Moderator: Thank you sir. Next question comes from Mr. Ravindranath of Reliance Money.

Ravindranath: Hello, good morning sir, and congratulations for a great set of numbers. I want to know little bit on your selling of Rolastar Private Limited and what is the strategy, by selling this consideration in your overall financials going forward, and what is the consideration you have paid for acquisition of Naseer Electricals, and what is the CAPEX for '08 and '09, can you please elaborate on that?

Vir Advani: Yes sure. So I heard three questions; the first one was about Rolastar, the second one about Naseer, and the third one about CAPEX. So, on the first one, on Rolastar, this is a joint venture of ours. We are a 49% share holder. Rolastar was set up some 10 to 12 years ago as a vendor to Blue Star; it is what they call mechanized ducting, which is factory made ducting as against site produced ducting. We set it up at that time, because the entire market was doing site fabricated ducting, and therefore Blue Star had to make the first step. We, therefore, formed a joint venture with an entity that was experienced in it, and it has taken some time, obviously as you can imagine for the market to evolve towards mechanized ducting. Even today, actually only 25 to 30% of the overall ducting in the market would be factory made. However, having said that, we have got the company up to a certain size, where it was now becoming important for the company to make further investments, both in technology as well as in scale. Doing our own mathematics, when you do a 'make' versus 'buy' analysis of ducting, given the business of Blue Star, the numbers make it very evident that it is a bought out item, it is not something that makes sense for Blue Star to make in-house. Therefore, we thought that it was prudent to sell our stake in the company to a multinational that is very experienced in this business, who was interested in scaling the operation as well as bringing in new technology into the company. And so, as part of that, given that it is a non core investment of ours, we have divested 29% immediately, and we are also obligated to sell the remaining 20% of our stake before September '09 for a value that is currently unknown, it is subject to the performance of the company. So as we do the second transaction, we will be informing you in that year. For now, we continue to be obviously associated with the company, we continue to keep Rolastar as a key vendor of ours, and will continue to do that going forward. As we mentioned, in a short note to the Stock Exchange, just to clarify the reason, we have not sent out a press release on this matter, as the company that is acquiring Rolastar, is a publicly listed company on the London Stock Exchange. They have certain obligations that they have to fill on their side, being the acquirer; we have given them the option of informing the market as they need. We have just done the minimum requirement with the Stock Exchange here in India. We expect that there will be more information related to this transaction coming out in the next 10 to 15 days. And therefore, as soon as the acquirer has released the information, we will follow that up with some clarifications that anyone might need from our side. We have, however, informed the Stock Exchange that the 29% has been sold for a consideration of 36.75 crores. That's the extent of what you can say on Rolastar right now. We will, like I said, by the middle of February, you will have more information. The second one is the Naseer acquisition. There I will ask Thiagarajan to just update you on that, you wanted to know basically about the transaction value. So let him update you on that.

B. Thiagarajan: As we had informed the Stock Exchange and the press, we have signed a business purchase agreement, which is definitive and the closing date was originally fixed as 31st of December. This transaction is a slump sale in nature. We are not buying the equity shares of this company. So, therefore, assets, liabilities, and assignment of contracts, such formalities are taking place. So, we will be ready to make an announcement as to what we acquired at what price, sometime between 14th to 20th of February. At this point of time, it is very difficult, because the transaction involves : what we are supposed to be acquiring, the exact closing of the accounts, final audit, etc.

Ravindranath: So, can you please give me some sales figure of this company and if there is a balance sheet figure having with you, then it will be helpful.

B. Thiagarajan: Yes, last year turnover was Rs 107 crore. And they have been growing at around 25%.

Ravindranath: Okay. Sir, about this CAPEX, could you please elaborate on that?

Vir Advani: Yes, so in the current year, we expect to end the year having spent somewhere close to Rs 50 crores in CAPEX. Bulk of that would have gone into our new factory in Wada as well as some additional expansion in a couple of other factories. So that is the number for FY08. For FY09 we expect that number to be in the range of 60 crores or so.

Ravindranath: Okay it will be, more in the way of cooling products, or both central air-conditioning also?

Vir Advani: The Wada facility will not be completed this year, so we have a plan to expand it next year. Therefore, central air-conditioning products, there will be some amount of investment. We will also be expanding our room air-conditioner capacity most probably next year. We have set aside roughly Rs 60 crores; we will have a better idea by April.

Ravindranath: Okay. Sir, this cooling product division performed well and the volume growth is mainly due to the festival season that was there in the last quarter, so how confident are you about maintaining this double digit margin in the this quarter and first quarter of '09 and second quarter of '09?

Vir Advani: So, just to explain, there will be some amount of pressure simply because as we had talked about, with the dollar going the way it is, it will add great benefit to the company like ours, so obviously the benefit that we got in the first half of this year, or actually first nine months of this year, we expect to lose some of that in Q4, because prices by vendors are being reset. However, having said that, the dollar is only one element there. There are significant other elements that we believe will more than compensate for the vendor re pricing. Largely around scale, which is the benefit that we are seeing right now. So we expect to maintain the double digit growth now, I know for the nine months its 11.1%, for the quarter, its 12.9%. What we are saying is that double digits is certainly doable next year, we don't anticipate a problem, simply because of the scale and the other benefits we are getting. However, raw material prices will go up. I don't think 12.9% is sustainable, but clearly double digit is. Also, the other thing just to clarify, because bulk of our business is with corporate and commercial customers, the festival season doesn't do much for our sales. This was regardless of that we had a good quarter.

Ravindranath: Okay thank you very much.

Vir Advani: Thank you.

Moderator: Thank you sir. Next question comes from Mr. Nainesh of Tata Mutual fund.

Nainesh: Good morning sir. Couple of questions, first referring to the first question, you mentioned about some slowdown in IT, and ITES, you also mentioned that it contributes approximately 40% of your revenue as far as your central AC is concerned. What I want to understand is that how are the other sectors doing? You mentioned that in spite of the slowdown in IT, ITES, you have seen growth from power and infrastructure and other spaces, so I just wanted to understand as to how you see this changing and is this compensating for any loss in orders on account of IT, ITES? Can you throw some light on that, and then I will ask my few questions later, sir?

Vir Advani: Yes so, we have been talking about new opportunities in power, airports, telecom, hospitals, probably for the last two quarters. For the last six months we have been talking about the fact that we are booking significant business there.

Nainesh: How is the revenue mix changing, can you just throw some light on that?

Vir Advani: No, it is too early for revenue mix to change, because our lead time on projects is 7 to 8 months, so even for this financial year you won't see any significant revenue change. It's about probably going forward, what will it look like, we are still not clear as to how that mix will change, but again we're using the words slowdown and things, clearly there is an impact on the buying, but it is not as though orders have dried up, and fallen off. So there continues to be strong growth, this is just all relative, because beginning of the year we were talking about order book growth of 40 - 45%. And that's now 30%, so it's all relative anyway. But inspite of that, it is a change; we are seeing this shift at least in the near term. The result of that is that orders in these segments do take longer to close, they have longer lead times. These are longer gestation projects. However, having said that, they are larger in value. So, they will give a certain mix. I feel that by next year, the average order value would have risen significantly because of this segment shift. While IT, ITES, of course, have large projects, they are also full of smaller projects, whereas on the infrastructure, power, telecom, these tend to be large projects, with longer gestation. So that plus there's a whole hospitality segment. Blue Star has not participated very aggressively in the hotel industry for some years, simply because we always found payment terms and things not very beneficial to us. However, with one new segment of buyers coming into the hospitality sector, whether it's the builders, or it's the international chains, and given that we are already working with a number of these builders as well as promoters, we are obviously seeing a lot of enquiry inflow in the hotel segment. For hotels and hospitals, there's been a significant increase in enquiries; these are from the commercial building perspective. So we remain optimistic and positive on the outlook for the business. We are seeing that, because of this shift, we won't see order book growth as early as in the coming three to four, five months, but based on these enquiry inflows, business outlook still looks very positive.

B. Thiagarajan: The other way of looking at it basically is that we are in buildings, so a CAGR over the next three to four years, if you have to talk about our long term story; it will be definitely in excess of 30%. Whether it will be 35, 40%, we have to wait and see. This is how we look at our strategic plans.

Nainesh: Just another thing on the acquisition that you made, is it EBITDA positive? Can you throw some light on that?

Vir Advani: It is profitable, like I said, in another two and half weeks we will be sharing a lot more information as soon as we close. But yes it is profitable.

Nainesh: And can you just throw some light on what are the orders in the MEP segment that they have executed, if you can just throw some light on that?

Vir Advani: No, I think I should clarify. They are an electrical contractor, which means that they execute building electrification projects. That means wherever we do the air-conditioning, a company like theirs would do the electricals. They are not an MEP player themselves, so the whole concept of MEP is putting together the HVAC, Electricals, plumbing into one single tender. That will be now done by Blue Star obviously with the addition of the electrical capability of Naseer Electricals, which we did not have prior to this.

Nainesh: Okay, that's fair. That's all from my end at this point of time. Thanks a lot sir.

Vir Advani: Thank you.

Moderator: Thank you sir. Next question comes from Mr. Avinash of IL&FS Investsmart.

Avinash: Good morning sir.

Vir Advani: Good morning.

Avinash: This is regarding, just to understand what is the opportunity available in terms of the games coming up in the NCR region, in terms of hotels and the Delhi Metro. What is the total business in terms of market catered by Blue Star, and how far we have been able to capitalize on this opportunity?

B. Thiagarajan: You are talking about the Commonwealth Games.

Avinash: I mean the hospitality sector, totally, and the Delhi Metro.

B. Thiagarajan: Yes. See our market share has been roughly around 29%. So in NCR we have been maintaining that kind of market share. The enquiries inflow in that region has been very high, probably being a large project the lead time is, for finalization, is high. So as Vir had mentioned in the opening remark, in Q1, we should be seeing very large number of orders. We are gearing ourselves to build our own team in a big way there.

Avinash: What is the market size in terms of this new opportunity in next two years?

Avinash: In terms of this air-conditioning part.

B. Thiagarajan: Yes. We will talk about air-conditioning as well as electricals. The air-conditioning value we see is around 2500 crores, electrical around 2500 crores, so totally around 5000 crores worth of orders should be getting finalized. So, we should aim over the next two years of time, at least 30%, that is what we are gearing ourselves up to.

Avinash: Okay. You had mentioned about your one order of Delhi Metro. Can you repeat about that?

Vir Advani: That was for one station, it was about Rs 17 crores. I think within this next phase, they are going to be building about 15 stations, and the estimated air-conditioning value there would be Rs 300 crores.

Avinash: This was the first of the projects we have commissioned for Delhi Metro?

Vir Advani: This is a new one, so we did the first one three years ago. We did a whole bunch of stations in the first round. Now, phase 2 is linked to the Commonwealth Games. So, in anticipation of the Commonwealth Games, they have decided to extend the metro and so this second phase will be air-conditioning value of about Rs 300 crores. That is coming up over the next few months.

Avinash: Okay, thanks a lot for this. I have another question on this; you had said that the order book as on date outstanding was Rs 1,072 crores. A rough timeframe for execution and average…

Vir Advani: It's typically been around 7 months.

Avinash: Fine, thanks a lot. I am okay with it.

Vir Advani: Thank you.

Moderator: Thank you sir. Next question comes from Mr. H. R. Gala of Quest Investment.

H. R. Gala: Hi Vir, Gala from Quest. Congratulations for good set of numbers.

Vir Advani: Thank you.

H. R. Gala: Just a couple of things. The way, in which we have been able to get excellent value for our investment in Rolastar, we do see on our books there are a couple of other investments also. Do you see, going forward we can monetize those?

Vir Advani: We don't have any proposals on the table for anything like that. In general, if there are non core investments, that makes sense at the right price, and the right time, we will look at them. But we don't foresee anything in the next 12 months or so as far as we can see.

H. R. Gala: Okay. The another thing is, although as you said that our business does not have that much of seasonality, but could you explain the reason why Q3 turnover compared to Q2 has been less in each of these business segments?

B. Thiagarajan: See, traditionally Mr. Gala, what is happening is, the customers themselves do lot of purchases in Q1, also do lot of purchases in Q4, this is one reason. Two, is that I think the winter months, some of the products, some of the orders do not get finalized. This is the reason. And basically in Q4, you will see lot of bookings happening, lot of billings happening, similarly Q1 lot of bookings, lot of orders happening. One, is apart from the seasonality, there is also customer having to exhaust capital expenditure or customer having got the sanction for finalizing a few orders. This has been the tradition. But nevertheless, the cue is, it is slowly coming down. I think over a period of time, it will change completely.

H. R. Gala: Okay. My next question pertains to this 5.02 crore provision that we have made in this quarter ended December 31, for the employee cost. That covers the entire period of next year, right, the performance incentive?

B. Thiagarajan: No, as you will recall, I wanted to clarify for the benefit of all, one is, till 2005-2006 we were paying the incentive for the previous year, we were booking in the subsequent financial year. Now, last year if you recollect, our balance sheet also we will talk about it, in March 2007 we took a double hit, we made the provision for the incentives, we also paid the incentive for the previous year. Now in the current year, we paid the incentive for the previous year, adjusted against the provision, then also simultaneously started making provision on a quarterly basis without waiting for end March. So, every quarter we have been making provision. This is one change that is happening. Two is that, as per the new accounting standards, the retirement benefits we started providing for on a quarterly basis. Otherwise, the normal employee expenses, that is the salary and the remuneration other than the incentives and retirement benefits, that increase should be somewhere between 20 to 25%. So you have been seeing this provision every quarter.

H. R. Gala: Okay. And my last question pertains to the level of operating profit margin and the growth that we have seen. Do you think we will be able to continue with this kind of growth?

B. Thiagarajan: See, we have been always telling you that, earlier the question used to be, why Blue Star's PBT to sales ratio is very poor, being a large player with a market leadership, and now it is happening due to many reasons. One is the product mix, value engineering, certain benefits we have accrued. Our intention is to at least maintain a double digit margin. And our internal goal is to at least improve it by 1% point over the next three years of time, every year. So, honestly, you know very well. When you compare with many other companies, our operating margin was not looking very healthy. I think it was due to the scale. Now that we have the scale, we have many other initiatives internally to improve this margin.

H. R. Gala: Okay. And sir last question is, how do you see our international business shaping up where we have booked Rs 50 crore worth of orders?

Vir Advani: Like we have been saying, we as a management team, we have been focused on two key initiatives in the company, both happen to be domestic initiatives. The first one is building up this electrical and MEP capability, for that we invested a lot of time and money into it and now we need to spend the next couple of years putting it in place. So that has been taking up a lot of time. The second one is the cold chain and refrigeration business, which inspite of all the noise of food retail and slowing down and all of that is booking significant business in the backend and the logistics side. So these two businesses of ours are very key for our future growth, and therefore we have prioritized them over the international business. The international business will continue to book business at this level; it is not going to significantly change the face of the company in the next three years. Once we have got the domestic MEP business and the domestic refrigeration business up and running in a healthy manner, we will look at international business.

H. R. Gala: Okay. And this Blue Star Design sir, what is happening?

Vir Advani: It's continuing as usual. We are, like we said, we offer outsourced design services to multinational contractors and consultants. That business continues to grow. I think there is no significant update. we will probably update you at the end of the year.

H. R. Gala: How many people are employed in that company now?

Vir Advani: There are about a 130, 140 people.

H. R. Gala: So that has gone up over what was the last year, I think.

Vir Advani: Yes, I think last year we may have ended at about 40 people or so.

H. R. Gala: Yes. Okay. And you expect the ramp up to continue probably?

Vir Advani: Yes, our business is growing, doing well. So that will continue to grow.

H. R. Gala: Okay, thank you very much. Wish you all the best.

Vir Advani: Thank you.

Moderator: Thank you sir. Next question comes from Ms. Aparna of SBI Mutual Fund.

Aparna: Good morning sir. Would you be able to provide us a breakup of order book segment-wise, that is my first question, and can you take us through how the margins have improved by various factors?

Vir Advani: So, the order book, we don't really break down segment-wise, so broadly about 80% of the order book is central air-conditioning, and as far as the margins are concerned, in which line of business?

Aparna: No, in the total company?

Vir Advani: Overall?

Aparna: Yes.

Vir Advani: Okay, so let me try and take a start at that. Several things going on, one is, the benefit of scale, so that's mainly a manufacturing margin benefit, so that is across all our product lines. There has also been like we said, the benefit of the rupee-dollar, because we are a net importer, not only of raw materials, but components as well. So, components have come in at a better price. We have also got tax benefits in our room air-conditioner business owing to the new factory that has been fully operational. It was operational last year, but this year we have got the full benefit of it. So that has helped. There has also been a lot of value engineering and product development focus in the company to cut cost. Because raw materials as you know is a very significant cost to us, that's copper, steel, aluminium. So we have been very focused on trying to reduce the material content in our product line. And that has led to lower cost as well. And then on the overall operations, we have been very focused on operational efficiency, that's talking about productivity. What we will do in-house, what we will outsource, how we will grow the dealer network, how we will bring on board business associates to help us execute. So, that overall thing what we call operational efficiency, you will see that there has been fairly gross margin improvement in the business, but really a lot of the benefit has come below the gross margin line. So, that has really helped us move up the margins to where they are right now.

Aparna: And among all these factors, you mentioned that rupee dollar component factor may not continue in the next few quarters, so, we will be depending more on the benefit of scale and may be tax benefits would continue and the operational efficiency, so do you see that there could be, not the kind of margin improvement, what has happened in the past, but may be a little mellowed down margin improvement?

Vir Advani: No, improvement yes, but I don't think we are going to see another 4% EBITDA improvement next year, but what we are saying is, we will maintain these margins and we are internally committed to improving the margins 1% every year for the next three years. So, that is the continuing effort that we will put in over and above this. So, even though the margins have expanded quite considerably this year, we are saying, inspite of that we will endeavor to improve it by another percentage point in the next financial year, because these benefits have come through scale and other things, whereas what we were working on were obviously other areas. So, you are not going to see another 4% jump next year.

Aparna: Okay, thanks a lot sir, that's all from my side.

Moderator: Thank you ma'am. Next question comes from Mr. Nirmal Shah of Alchemy Capital.

Nirmal Shah: Good afternoon sir.

Vir Advani: Good afternoon.

Nirmal Shah: Sir, I just wanted to check, have you executed district cooling order previously for any SEZs or anything?

B. Thiagarajan: No, we have not executed.

Nirmal Shah: Okay and sir, have you seen any more queries coming up from that segment right now?

B. Thiagarajan: There could be, as the infrastructure projects are taking off, like for example, some large SEZs, there could be district cooling enquiries coming in. So, we do have the capability to execute district cooling projects.

Nirmal Shah: Okay and sir, the money what we got from a sale of investment for Rolastar, it would be utilized for a CAPEX or any other things also planning to do?

B. Thiagarajan: See, first of all this is in the Q4, right, it's not in Q3. We really will not be able to say anything on that now, because we need to take stock of our other plans, like you have seen one divestment in Q4, you have also seen one acquisition in Q4, there are certain CAPEX plans, we are scheduled to meet sometime in February last week or March first week to take stock of everything. So, we will probably share with you at an appropriate time what our plans are.

Nirmal Shah: Okay and sir, last question would be, if you can share, you mentioned about the acquisition of Naseer Electricals, you will not be buying the equity shares of that company, right?

B. Thiagarajan: That is right.

Nirmal Shah: If you can just throw some light, how would it be, the acquisition?

B. Thiagarajan: See, this is, what is known as the slump sale, as a going concern we have bought the assets, liabilities, pending order book, goodwill and the people. The Naseer Electricals Private Limited as a shell company may remain, so this is one method of doing the acquisition. It being a private limited company, in our due diligence we found it is better for us to, because we are going to run it in a Blue Star brand, therefore we took that decision.

Nirmal Shah: Okay sir, thank you.

Moderator: Thank you sir. Next question comes from Ms. Hiral of Dalal and Broacha.

Hiral: Yes, sir congratulations on the good set of numbers, what I wanted to understand was, how would our margins look like if you remove the FOREX impact of the company?

Vir Advani: Its not, it won't be very significant, we actually haven't worked that out, but probably a half percentage point or something.

Hiral: Okay and so, we are talking about the margin improvement of a 100 basis points every year on the margins removing the FOREX impact, right sir?

Vir Advani: Yes.

Hiral: And what would be the growth outlook for the next year?

Vir Advani: Growth outlook looks good, we don't give guidance, but we are very optimistic about next year and I think it would not be very different from what we have been talking about 30, 35% growth.

Hiral: Okay and sir, what would our tax rate look like in FY09?

Vir Advani: The tax rate may improve slightly; I think in the nine months, if I am not mistaken, I'll just look for that, it was 26.9% for the nine months. I think that for next year it will probably improve marginally because the Himachal plant will be contributing significantly more revenue to the company, but again nothing significant, may be around 26% or so.

Hiral: Okay sir, that's it from my side, thank you.

Vir Advani: Thank you.

Moderator: Thank you ma'am. Next question comes from Mr. Shalabh Agarwal of Sundaram BNP Paribas.

Shalabh Agarwal: Good afternoon sir.

Vir Advani: Good afternoon.

Shalabh Agarwal: Congratulations on the good set of numbers.

Vir Advani: Thank you.

Shalabh Agarwal: Sir, I just wanted to check a couple of things, these contracts which you signed, they have the price escalation clause or how are the contracts structured?

B. Thiagarajan: You are talking about the HVAC contracting?

Shalabh Agarwal: Yes.

B. Thiagarajan: Yes, most of the contracts have the escalation clause, but it is not like the EEMA price variation clause based on the fixed formula the electrical industry follows, but in HVAC, we do link it to the certain prices like copper, steel, etc. But in most of the cases today, the contracts are all six months tied up period it gets executed. So, strictly speaking we are expected to take that risk.

Shalabh Agarwal: Okay and sir, according to the presentation on your website, it says that the average cost of HVAC is around Rs.150 per sq. ft., so has that really increased at the customer end or it's more or less stable around that number?

B. Thiagarajan: It is actually a thumb rule, basically, what our web site talks about, but depending on the type of air-conditioning, say for example, if it is let us say window air-conditioner, per ton cost will be something like, today 12,500 to Rs 13,000 rupees and if it is packaged air-conditioner it could be something like 20,000 if it is central air-conditioning, it will be something like 30,000 rupees and if it is a VRV system, it will be 35,000 per ton. One ton roughly you can say, 100 sq. ft. of area is one ton of air-conditioning. Over the years as far as the room air-conditioners are concerned, the price is coming down. The price of VRV air-conditioning system, which was basically a special purpose or the contemporary air-conditioner - that has been coming down. Packaged air-conditioning and central air-conditioning remain almost the same, except for the duty changes. In fact for the past 3-4 years it has been very stable.

Shalabh Agarwal: Okay, so the kind of margin expansion that we are talking about, we are not building any kind of traction in the price that we are charging the customer, it is more of internal efficiencies that we are talking about?

B. Thiagarajan: Probably, in the sense that when the growth rate, three years ago or four years ago was growing only at around 10 to 12% . You may be desperate to accept some orders at a lower margin, indeed we try and set some minimum margin guidelines and we have been interested in getting orders at a particular price. So, that rise will continue actually, plus I also suppose over time, if there is a 45% growth one will indeed have an option to pick and choose.

Shalabh Agarwal: Okay, sir how has the order size typically changed for the company over the last couple of years or what it is currently and how it was one year or two years back?

B. Thiagarajan: Depends on the segment, specifically if you are talking about HVAC contracting, it matters because the other businesses, obviously they are product centric and…

Shalabh Agarwal: I am talking of HVAC only, so how has the per contract size changed, has it really increased for the company?

B. Thiagarajan: It has been steadily going up.

Shalabh Agarwal: Okay, so what it would be right now, sir and how it was couple of years before?

B. Thiagarajan: Roughly, in central air-conditioning contracting you can say around five crores of rupees, average order value.

Shalabh Agarwal: Okay and sir, just wanted to check, couple of questions back you mentioned that the AC business is around Rs 2,500 crores and electrical is another 2500 crores, so total opportunity of 5,000 crores, so were you mentioning about the Commonwealth opportunity or what were you referring to?

B. Thiagarajan: Yes, see any development that is taking place in Delhi, people end up attributing to the game, but actually as a territory it has been growing and it is one of the fastest developing territories for quite some time. So, I was mentioning about NCR region in the next three years of a time this kind of an opportunity exists.

Shalabh Agarwal: Okay and sir, if I have to look this kind of an opportunity at an India level, then what would the numbers look like, would they be…

B. Thiagarajan: We are trying to estimate that, right now we are doing some kind of primary research actually in order to understand construction boom, what it will mean to Blue Star in terms of HVAC and electrical, we will share with you in about three weeks, four weeks time.

Shalabh Agarwal: Okay, thank you sir, and all the very best to you.

B. Thiagarajan: Thank you.

Moderator: Thank you sir. Next question comes from Mr. Tejas Shah of IL&FS Investsmart.

Tejas Shah: Hello. Good afternoon sir.

Vir Advani: Good afternoon.

Tejas Shah: Sir, can we have a breakup of your order book in terms of domestic and international markets?

Vir Advani: It's practically all domestic, except for about 50 crores of international projects and there have been some international product business, but I would say about 90% would be domestic.

Tejas Shah: Okay, 50 crores means that Qatar one?

Vir Advani: Yes, there are two or three jobs there plus we do product exports, so there will be some unfilled orders there.

Tejas Shah: Okay sir, my next question is, the idea behind acquisition of this Naseer Electric, is to move up the value chain and to bid for MEP projects, but what I understood is that, its combination of HVAC, electrical and plumbing, so are we already doing plumbing work or are we here to plug that gap or length to bid for MEP projects?

Vir Advani: Yes, we don't need to plug that gap, because as far as HVAC, you end up doing piping. Plumbing is less technical of the three and therefore to execute that in-house is far simpler. In order of complexity, air-conditioning electrical would be far more complex and therefore we had to acquire the electrical piece. So, as of today we are equipped to do a complete MEP job.

Tejas Shah: Okay sir, what is the status of Delhi airport project, have we bid for that?

Vir Advani: Yes, we have bid for that, it is still not awarded.

Tejas Shah: Okay, thanks a lot sir, all the best.

Vir Advani: Thank you.

Moderator: Thank you sir. Next question comes from Mr. Rahul of Lucky Securities.

Rahul: Sir, I joined the conference call a little late, if you could just repeat the order book for me, that's all I have?

Vir Advani: It was 1,072 crores.

Rahul: Okay, that's it sir, thank you.

Vir Advani: Thanks.

Moderator: Thank you sir. Next question comes from Ms. Shivani of Techno Shares.

Vishal Shah: Hello.

Vir Advani: Yes.

Vishal Shah: This is Vishal Shah here, good morning sir. Sir, the numbers are way ahead of our expectations, I just had one question, hello.

Vir Advani: Yes.

Vishal Shah: Yes, sir, considering the inflationary trends prevailing, what is your outlook as far as raw material costs are concerned plus the labor costs, how you see them shaping up?

Vir Advani: See our raw materials are copper, steel, aluminium and those are usually worldwide rates that determines, so it's very difficult for us to forecast what that looks like, you as an analyst may know better. In general, we have been seeing inflation in raw material prices year-on-year. We factor that in into our business plan and, however, some of that gets offset by the volumes that we buy and therefore there is some benefit there. Again on the component side, if you look at our components, the bulk of them, the raw material there again would be copper, steel and aluminium, so actually you can sort of drill practically most of what we buy are those three raw materials. So, clearly we will see an increase in those prices, but given the volume growth and given the efficiency with which we are buying and executing, we are confident of managing that raw material price increase and like we said maintaining the margins for sure and also endeavoring to improve it by another 1% next year.

Vishal Shah: Right sir and the labor costs?

Vir Advani: The labor costs, we have couple of types, one is the employee cost that you see, those have been growing at around 20 to 25% a year. A combination of increase in employees as well as increments that we have to give, we anticipate that, that will continue for a couple of years, but again the productivity of the employees is significantly higher year-on-year. You can see employee base growing at about 10 to 12%, employee remuneration growing at about 20 to 25%, but you can see the top line and bottom line growing faster. That's because of the internal efficiency, so we will continue to work on that. We believe there is far more scope there. We haven't got anywhere close to saturation on that and so we will see how Indian salaries pan out over the next few years, but at least for the next couple of years we anticipate increases to this extent. Beyond that, we have dealers, sub-contractors, vendors, all of that. There again, we work with them very closely to manage this more from a, again, productivity amongst these are as important to us as our internal productivity. So, we have several measures and programs that we run in-house to manage the sub-contractor and dealer base and help them on this. So, essentially we are looking at productivity continuing to improve faster than the cost of labor.

Vishal Shah: Okay sir, thank you sir.

Vir Advani: Thanks.

Moderator: Thank you sir. Next question comes from Mr. Amit of Lotus India.

Amit: Yes, good afternoon sir.

Vir Advani: Good afternoon.

Amit: Sir, just one small question, that suppose, in case there is a sort of a global slowdown and softening of commodity prices, that is key input prices like copper, steel and aluminium, I mean, just a hypothesis, so in that case, would we be able to benefit from that aspect or you expect we will be able to get lesser prices for our raw material in that case or no, that would not be passed on to us?

Vir Advani: So, that's an economic question now because we are presuming that India is decoupled from the worldwide economy, so if you believe that, then your hypothesis is correct, if the world softens, but India doesn't, then we will see the benefits coming to us. However, it seems unlikely that we are decoupled from what everyone says, so if there is a global slowdown, we would probably guess that the construction industry in India would also slow, so I don't know to what extent we would really benefit from that.

Amit: Okay, I mean, suppose if the hypothesis extends to the fact that construction industry in India does not see a slow down, in that case…

Vir Advani: If that is the hypothesis then clearly those benefits will come because you understand that raw material pricing is very dynamic, based on demand and if global demand does slow, but India continues then we will see that benefit. Obviously we book our raw materials in advance, so there will be a lag between that and the benefits that you see. Similarly there will be a lag between repricing of components to come for that, but clearly we will see that.

Amit: Right, sir another question is that you just mentioned that if the world slows down then even you believe that the construction industry in India will also slow down, but in that case, if really the shift is towards infrastructure and power and those kinds of projects, still do you expect a slow down in India?

Vir Advani: I wasn't commenting on whether I believe there will be a slow down or not, I was just commenting on your hypothesis. As far as we can see right now obviously we remain optimistic and bullish and all that, but like I said you all know better than we do. Now our position on this matter is actually quite unscientific and boring, which is that we are a sub-contractor in the Indian construction industry. We have to look at commercial real estate development projection that is the most important metric for everyone to look at including ourselves. What we commit to investors is that, whatever is that growth rate, we will do better than that, because we are the best positioned in the country to capitalize on the construction boom. However, if the commercial real estate market does slow because of worldwide or domestic or whatever issues, we will necessarily slow because as a sub-contractor you cannot avoid that. So, that is the caution that is always there, we have said that every quarter. However, as of now we are not seeing any such thing, we are not panicking, we are not worried, things still look good. What we have talked about is a shift in segment buying, which is common. It happened several years ago with IT, it then happened with power, it then happened with telecom, telecom emerged from zero to a 200 crore business for us in three years, so there have been many new buyers entering and old buyers exiting for ever, so we are not too concerned about this.

B. Thiagarajan: The other part of it, other than construction is the refrigeration part of it, the cold chain infrastructure development; the penetration is just in single digits now. There is a huge development that is supposed to take place and one day it may be larger than even HVAC contracting, so we wouldn't know when that is going to take place and so having said all this our outlook is that we are optimistic about the CAGR of anything between 30 to 35 should be possible in the next five years of time.

Amit: So, that means sir, that the way we are placed right now, I mean, the way we are today, our company is definitely one of those, which is a beneficiary of a global slow down, right? Looking at what you are able to see in India's context and also if there is a softening of raw material prices, then we tend to benefit in the net, net scenario?

Vir Advani: Yes, we hope so, just as much as anyone else in the construction industry. It's a difficult question to answer because this is macro economics, so very difficult for us to comment on, but yes, your hypothesis is obviously an important one.

Amit: Okay, thank you, sir.

Vir Advani: Thank you. I will take just one or two more questions and then we have to wrap up, so moderator, if you can just bring on one or two more please.

Moderator: Okay sir. Next question comes from Mr. Shrinath of Motilal Oswal Securities.

Shrinath: Yes, good afternoon, Vir and Thiagarajan and congratulations on again a great set of numbers. Couple of questions, some on the macro and some at the company level. The first one is any distinct trends we are seeing in terms of the various businesses, central air-conditioning, room air-conditioners, cold chains, for example, I mean, one or two examples are like the shift in mix from window ACs to split in room ACs or the new emerging segments like power, health care, hospitality, etc. Any other distinct trends which are relatively new to the company as well, which you can throw some light on?

Vir Advani: Well, let's try, you covered some of them. So in the central air-conditioning business obviously the big trend for the Company is electricals, right? So given our installed base and enquiries out there, obviously we intend to scale up that business in the next FY. More details of that we will have in a couple of weeks once we close the transaction. We talked about power, telecom, airports and hospitals. That we largely could call some quasi infrastructure plus the hotels which are not really infrastructure, but a new segment for us. So, those are clearly emerging, actually not emerging, but emerged, we have been talking about them for a few quarters now. Its just that the volume will also be and size of those contracts is growing, so that's one clear positive thing for that business. In room air-conditioners you called it, there are two things, one is split unit is much more important for us as compared to window units plus we have a full range of commercial room air-conditioners, which is better for commercial as compared to residential, where the specs are obviously more in line with longer term use, so there again we have found significant market share and growing that. So, what is interesting in the room air-conditioner business is that we are currently able to increase our market share as well as increase our margins. So, that's really the major trend there.

B. Thiagarajan: The other trend, Shrinath, is actually from this energy labeling, now the legislation is there, so it will be labeled products, so that is the other trend there.

Shrinath: Okay and how do we rate…

B. Thiagarajan: And VRV systems or the VRF, as some manufacturers call, is the other point, there it will obviously be used for even larger spaces. It is a high energy efficiency system, that market is growing rapidly and our market share is growing rapidly. The other part is precision control air-conditioning systems. In India, it was not a big market. Now with the economic growth, the server room data centers begin to use that, that market is growing. All these actually we had foreseen. As of now, if there is a trend, which is something new to Blue Star, I don't think there is anything.

Vir Advani: Yes, just on the refrigeration side, there is probably a trend emerging which is that originally we had thought that the major investment would be in the retail store, that obviously because of all the politics and other things that everyone has read about has taken a back seat. Some of those companies have opted to now build out non-food retail and come back to the supermarkets once some of the noise dies down. So, that trend, I mean, there is no doubt that supermarkets will come, it has been delayed. So, we will wait for that, but what it seems surprising and interesting is that, refrigeration projects, that means on the backend, we have suddenly seen a huge increase in enquiry, it relates to agriculture, the pack houses and other things. So, these projects range anywhere from 5 to 20 crores in size, are profitable, people are taking decisions on those and because of our air-conditioning projects business, we are well positioned to execute those. So, that is something new that we had not expected, because we had originally thought that, that would follow subsequently. So, actually what's happening there is that the segment of the refrigeration market that is more in line with Blue Star's capabilities is in fact emerging faster than the front end opportunities. So, therefore we are quite bullish on that business.

Shrinath: Yes, just to confirm a couple of things here, so, in commercial refrigeration we are starting on a low base and the growth is faster, right that is number one.

Vir Advani: Yes.

Shrinath: Okay and second is, when we refer to specialized commercial room air-conditioners, we refer to Mega splits, Hi Wall splits and all those, Cassettes, etc.

Vir Advani: Yes.

Shrinath: Yes, okay and just again as a rule of thumb, power projects, we are aware of the number of power projects planned in the five year plan, etc, so just as a rule of thumb, is there any percentage of project cost or something like that which could be the potential opportunity for HVAC or MEP as the case may be?

B. Thiagarajan: Yes, as we mentioned you may have to wait for a couple of weeks. We are estimating that, exactly the question that you are asking, what will be probably the value. Our calculations are undergoing a major change because of the real estate prices, which are varying from location to location. So, while the macro economic data talks about certain projects and the project investment cost, we are getting into the detail to estimate. We will share these figures with you in about a couple of week's time.

Shrinath: Okay, but what we can take for now is that, every power project going forward is likely to require air-conditioning, unlike may be in the past or…

B. Thiagarajan: In Power, there are actually three areas we will look at it in power projects; one is the traditional one which is actually the control room or the switch board room air-conditioning. There are certain power projects, which require a chilled water application, there is a chilled water requirement there, like in certain nuclear power projects. The third is that we will also focus on the electrification part of it, the control room and the other external lighting. So, these are our focus areas there.

Shrinath: Okay, yes, so that is on the macro part, one more on the micro part, everybody knows of these opportunities, how do you see the competitive scenario? Is there some trend emerging there? Also, do we see new players coming in?

Vir Advani: No, new players.

B. Thiagarajan: There are some announcements as to some people will, because in the large products basically, it is quite likely that some players from the Middle East start bidding. There have been announcements, there have been doing some market study. As of now, we are not witnessing any major change in the competitive landscape.

Shrinath: Okay, for example Hitachi, which was hitherto mainly a residential segment player, has been announcing introduction of chillers, etc, in its last couple of annual reports, so how do you see…

B. Thiagarajan: They have been a player in chillers internationally; there is no doubt about it. Here they acquired Amtrex Hitachi and their primary focus has been the residential and commercial segments. They have been in packaged, they have been in telecom air-conditioning and it is natural for them to get into, as an equipment supplier, but not as a contractor.

Shrinath: Okay, but as an equipment supplier they are coming into it, right?

B. Thiagarajan: Yes.

Vir Advani: Yes, as we understand that even some of the American companies are looking to start manufacturing in India. Nothing officially announced, but I believe Trane and York will be, and may be Carrier will be increasing their investments in India.

Shrinath: Right, okay and at the company level, any fresh developments on our national account strategy, is it strengthening, how do you see that happening?

Vir Advani: Its strengthening, now obviously our first port of call for our electrical business is the national accounts. So that is where we are starting with. We hope that just as a result of introducing a new service offering to these customers, the revenue and percentage from them should increase in the next financial year, but I think we are more or less on track. There hasn't been anything significant.

Shrinath: I think in the past we maintained that about 40% of our business is kind of repeat business mainly from national accounts. Is it safe to assume that this is continuing?

B. Thiagarajan: One small correction is yes, it is right, it may not be national accounts per se, it will be national and major accounts.

Shrinath: Okay, so 40% is repeat business?

B. Thiagarajan: No, there are three different things you are talking - one is national accounts which has offices all across the country, major accounts may be in one particular region but a repeat customer is one who keeps on buying from us.

Shrinath: Yes, I got that.

B. Thiagarajan: But if you have to ask repeat orders, yes, 35 to 40% of the orders may be our repeat customers coming in again and again, but if you have to talk about national or major accounts, I think you should take the figure as around 30%.

Shrinath: Right, okay, got that and one last question, what is the capacity utilization currently at Kala-amb, effectively what it means is that, is there room for further tax breaks and the second is what is the status of our Wada unit?

B. Thiagarajan: In Himachal, this summer we will be reaching almost 100%.

Shrinath: By the end of this year?

Vir Advani: This summer, which means peak production is April-May.

B. Thiagarajan: March, April, May, June will be the peak production, we will indeed be reaching 100%. Coming to Wada, the first phase is supposed to be ready by the end of this financial year. We are pushing hard to commence the production there.

Vir Advani: Yes, we originally thought that we would start shipping from Jan 1 - that has now become April 1. So, we are delayed on that project by three months primarily due to the rains and flooding we had in that area last monsoon, we lost three months of construction there.

Shrinath: Okay, but first phase will be completed by March end is what you said?

Vir Advani: Yes, we will start shipping in April 1.

Shrinath: Okay, thank you very much.

Vir Advani: Thanks.

Moderator: Thank you sir.

Vir Advani: We take one last question and then close please.

Moderator: Okay sir. A follow up question comes from Mr. Ravindranath of Reliance Money.

Ravindranath: Hello.

Vir Advani: Yes.

Ravindranath: Sir, just a followup question, regarding your CAPEX you mentioned that you are in the process of spending 50 crores this year and 60 crore next year. Your operating cash flow is quite comfortable and do you see with this acquisition of Naseer Electricals and the Rolastar selling, so will it be paid off for the entire money through this acquisition or some money will be left out so that if at all the money is left out, what is the strategy going forward, whether you are planning some other ventures, can you please put some light on that?

Vir Advani: Yes, we haven't yet announced the total value of the Naseer transaction, so you will have to wait a couple of weeks on that, because we don't have the final number yet, so that's why we are not telling you. As soon as we have it we will inform everyone, but broadly you are right, the operating cash flow is very healthy, we will, as usual first look to reinvest it back into the company, we are doing that already in terms of expansion of capacity, in terms of we will spend a significant amount of money, for example, rolling out our electrical business nation wide, because currently it is only three cities. We will look at expanding our refrigeration business, both in product side as well as in the project side. So, wherever we need the investment we will put it, it is a little unclear right now what we will do if there is an excess, but it's unlikely that we will need significant additional capital because our debt to equity has also improved because of the cash flow. So, as far as fresh capital is concerned, there is no need right now and we have no intention of looking beyond what we have.

Ravindranath: Okay, whether you are looking at any acquisition further or…

Vir Advani: Yes, we continue to look at acquisitions all the time actually, its an ongoing process, there is nothing that we see right now in the near future that will consume significant capital, so it may be a little early for that.

Ravindranath: Okay, thank you very much sir.

Vir Advani: Alright.

Moderator: Thank you sir. There are no further questions. Now I hand over the floor to Mr. Vir Advani for closing comments.

Vir Advani: Thank you everyone for attending this call. It went on a little longer than we expected, but hope we were able to answer all your questions. If you have any additional questions, please e-mail us. The latest investor update will be up on our website by today. So, later today you will have the Q3 investor update on the website. Thank you very much.

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you, have a pleasant day.

Note:	1.This document has been edited to improve readability. 2. Blanks in this transcript represent inaudible or incomprehensible words.