



“ELGi Equipments Limited Q1 FY 2017  
Earnings Conference Call”

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**Moderator:** Good morning ladies and gentlemen, welcome to the ELGi Equipments Limited Q1 FY 2017 Earnings Conference Call, hosted by Asian Market Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kamlesh Kotak from Asian Market Securities. Thank you and over to you Mr. Kotak!

**Kamlesh Kotak:** Thanks. Good afternoon everyone. On behalf of Asian Markets, I welcome you all to the 1Q FY2017 earnings conference call of ELGi Equipment Limited. We have pleasure in inviting Mr. Jairam Varadaraj, Managing Director of the company and his team. I now request Mr. Jairam to provide us with an overview of the quarterly results and then we shall begin the Q&A session. Over to you Sir!

**Jairam Varadaraj:** Thank you Kamlesh and to Asian Market Securities for hosting this call and thank you ladies and gentlemen for spending time with us this afternoon. As usual I will take you through reconciliation of our performance in Q1 of this year in relation to Q1 of last year.

Sales last year was at a consolidated level sales last year was 324 million and this year has been 340 million, an increase of about 160 million. Sorry it is just corrected by Sriram, it is 340 Crores the 3400 million, so an increase of 160 million. At the contribution level at material cost we have had an increase to the extent of about 115 million.

If performance had been at the same ratio level as last year, our EBITDA should have been 402 million against that we have made a EBITDA of 391 million which is a shortfall of about 12 million. Overall the performance in the quarter has been good, this 12 million actually bulk of the expenses of one time in nature. As I had explained in the previous call, we have recent consulting agency to look at our organization structure and our go to market processes and the first quarter has a significant expense to the extent of about 335 million towards that account and we have had from one time warranty correction both in India and in the US, nothing to be concerned about but they were just one time impact in the quarter. If you remove it, actually the performance has been far in excess of the ratio so overall the results have been good at the profitability level.

I would like to talk a little bit about the specific differences in this quarter compared to the previous quarter. China, we have substantially scale down our operation. We continue to support customers we still have 12 people in China. We do have a warehouse. We do maintain parts. We do have service capabilities and we have gone back to drawing board in terms of building a strategy will take us probably a couple of years to reenter China in any form of local manufacturing but till the time, we will be producing machines in India and warehousing and supplying in China.

Belair as you know we had sent out a communication in during the first quarter that as much as we tried to revive the organization different strategies we could not so we had handed the company over to a court appointed administrator. Our responsibility fees as far as the company is concerned. So both the significant drop in losses at a consolidated level caused by these two operations is reflective in the first quarter. In addition, the losses in Brazil have been removed. We have done a balance sheet restructuring in terms of the debt structures so that is also substantially removed and the other big operation that was making a loss is now contributing which is Australia. This is in a sense a very broad overview of what we have done in the first quarter.

In terms of general business conditions, I am still not able to say with confidence that there is solid traction in India the large projects continue to be extremely sluggish almost to the point of being dead.

The incremental capital addition that has happened in the country is a result of what the growth that we have seen in the first quarter, and I am not sure whether that is sustainable. We are keeping our fingers crossed. We are watching the market very carefully there is nothing really indicative of a solid sustainable thing but there is a definite positive sign compared to last year.

As far as the rest of the world is concerned, I will pick some big markets a year of which is Rotair primarily for us compared to the last quarter which had a business from Algeria which subsequently went down to real literally zero. So the first quarter comparison compared to the first quarter compared of last year there is a significant drop in Rotair but that is a transient thing we will make up for it.

US continues to be a challenge in terms of growth we are still doing marginally better than last year but we still nowhere near what our budgets are and some serious reflection and redirection is required which we will be undertaking in the course of this year.

Brazil by virtue of our restructuring of our debt we have been able to eliminate all the losses and we are making profits now, but in terms of topline growth the market is quite bad. We are sustaining our presence there and once the market grows we will be there, because our cost structures are now reasonably competitive.

Africa has been really bad situation compared to the previous year. Some parts of Eastern Africa seems to be coming back up so activity in South Africa but Nigeria and some of the central African country we are having problem.

Middle East has grown well for us. We continue to look forward to some positive results. South East Asia has been almost at the same level marginal growth over last year. Australia like I said has grown and it HAS grown positively. So overall I would say that things are okay I would not say that we are doing exceedingly well. Markets all over the world are still quite sluggish but I have always maintained that because of our market share is so small sluggishness in economies

in the world should not be a reason for us, not to be performing well. Having said that generally when we go into distribution systems when the markets go down we tend to share a similar proportionate share of the drop in the market but we are trying to work on different strategies to grow in spite of markets being flat in the rest of the world.

Specifically in India if you look at the verticals our industrial growth markets have grown, water well has been flat and for us also it has been a little less than what it has been for the competition. We believe it is a transient phenomenon we will come back, but overall the market the water well market is quite soft.

Construction and mining has done well, I think the projects for roads and dams and infrastructure is trickling down slowly, whether it can be sustained is something that we have to wait and see. The program that we are working on in terms of better engagement with customers and process sales and marketing process, we expect that those results from that will be quite positive in the next financial year.

So this is basically a synopsis of our performance in the first quarter and also what we believe the market condition. So we will be happy to take specific questions on this. Thank you.

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

**Ravi Swaminathan:** Thanks for taking my question. Congrats for a healthy set of numbers in a tough environment like this. Sir can you give much more flavour on the domestic market, you had mentioned that industrial segment has seen a growth, which are the industries which are seeing growth currently and for which of your products let it be Piston or Centrifugal or Oil free shall I get which are seeing growth currently if you can touch up on that it will be great.

**Jairam Varadaraj:** I do not see any one particular industry vertical that is disproportionately contributing to the growth in our revenue. There has been an across the board growth across in all industry, but having said that when I take a product wise segmentation the smaller machine, small-to-medium size machines have grown more than the larger machines. Now the larger machines go into more well-defined projects where there are funding issues, you have to get your financial closures, whether it is a project or whether even for a company investing in large machines there is a substantial financial outlay so banks get into the act and then there are delays of that sort, which really is showing in our performance in the sense that small-to-medium size machines have grown disproportionately more than the larger machines and when I say larger machines it is not only the lubricated screw but also oil free and centrifugal.

**Ravi Swaminathan:** What about sectors like oil and gas and city gas distribution products typically compressors, which are used in, for gas circulated?

- Jairam Varadaraj:** Ravi we are not in the gas business. We are purely focused in air compression so we are not in that business at all.
- Ravi Swaminathan:** So we would not be aiming at looking at even?
- Jairam Varadaraj:** No.
- Ravi Swaminathan:** In terms of construction and mining how do you see the market panning out? We have seen good growth and railways also if you can touch upon that it will be really great?
- Jairam Varadaraj:** Well railways because the government has decided to increase the production of locomotives there has been a buildup of inventory about that CLW and DLW and the other locomotive manufacturing units of the government so we are seeing a sales but I think I would not highlight it because then there is an expectation that this performance will get replicated for the balance of the quarter this is an aberration for this quarter alone where inventory buildup is taking place in some of these units to prepare for higher production. Construction and mining it is difficult to say definitely compared to other economic activities road construction and the mining part of it is still quite sluggish whether it is marble or granite kind of quarry kind of mining is still, but blue metal quarries, which supplied material for construction road construction as well as building construction those activities have picked up.
- Ravi Swaminathan:** And can you give a ballpark idea as to what proportion of our products would be Piston, screw and centrifugal?
- Jairam Varadaraj:** Ravi I hesitate to give these numbers, because even as you and I speak I am sure competition is listening.
- Ravi Swaminathan:** I understand that so even ballpark numbers?
- Jairam Varadaraj:** The ballpark is the problem because that is only one number right.
- Ravi Swaminathan:** Yes, and exports how we have done Sir during this quarter how has been our growth?
- Jairam Varadaraj:** Last year our ratio of international business to India business was about 55% and 45% now it is become 58% and 42% and I think the ratio is more because India has grown rater than the rest of the world has come down.
- Ravi Swaminathan:** But if you play exports alone from India this international would include even our roads?
- Jairam Varadaraj:** What we talk about is rest of the world business that includes what we export to our subsidiaries which are then resold, it includes exports to distributors that directly where we have an international division that handle some of the countries directly and remotely from Coimbatore so it includes all of that.

**Ravi Swaminathan:** And lastly some book keeping questions, the other income has been from it has increased from 2 Crores to 7.5 Crores at the standalone level, any clarification on it and tax rates also are lower if you can clarify these two will be helpful?

**Jairam Varadaraj:** 5 Crores of that 7 Crores is dividend from our subsidiary ATS and which we got in the previous year's also but we got it in a different quarter and what is your other question.

**Ravi Swaminathan:** Tax rates it is lower.

**Jairam Varadaraj:** Well the one is dividend tax dividend is there is no tax on that dividend and because it is a 100% subsidiary we also get the benefit of distribution tax, set off and the fact is that we are a BSIR approved company we have get that higher depreciation for all our R&D expense that is also contributed to us reducing our tax rate.

**Ravi Swaminathan:** Thanks a lot.

**Moderator:** Thank you. We will take the next question from the line of Aditya Bagul from Axis Capital. Please go ahead

**Aditya Bagul:** Good afternoon Sir. Congratulations on a good set of numbers. Sir just two questions, one on the software side of thing, if you could elaborate a point that you mentioned in your initial comment on the program to have better engagement with customers and some marketing efforts that you are doing if you could elaborate on that, that is question number one Sir? And if I may, the question number two is if you could give us the amount of book losses that we are going to take this year on account of Belair that is it from my side?

**Jairam Varadaraj:** If you have seen the transcripts of our past concalls the focus of the company has been primarily in building the back-end in terms of the quality, in terms of production reliability, in terms of manufacturing system, so over the last probably ten, fifteen years quite a bit of attention investment and effort has gone into building the backend processes. Because this was critical for us as we prepare the company to take on the markets in the world, the quality was nonnegotiable and we had to set very high benchmark for building standards of quality and I think we have made substantial progress towards that and the customers and markets experience based the doubt.

Now we realize then that being in India, having been in India for the last 50 odd years the brand is well recognized by the customers so the brand recognition was never an issue, and by virtue of our solid customer contract, customer service, customer engagement over the many years, there has been a certain loyalty and appreciation of the brand itself in India. Now when we go and do the same thing try to do business in markets all over the world, we have two problems one is there is an unknown brand ELGi is not known in many of these markets as much as it is known in India and the second is there is a stigma of the made in India label. So we need to overcome this in a very strategic manner rather than in a very operational sense. So we had to formally get

in look at our front-end processes, the backend is strong, backend is world-class its delivering technology, and products and quality that is as good as if not better than the best in the world, but a front-end is still a very India centric process. So we have to build that and we wanted to use India as the platform on which we build these processes and standards. So which is what is being done now and we are beginning to see some good positive results there. The second thing is second aspect of our consulting assignment has been here we are at a certain orbit now and we have been kind of staying in this orbit in the last maybe two to three years. We need to kick our self out of this orbit to the next level in line with our aspiration. Now we need to do many things but one thing that clearly needs to be done is look at the organization in terms of its capacity to execute at a higher level. So which is something earlier organization restructuring used to be a homegrown internally driven thing but we have reach the size where we need to really look at it in a very objective professional manner and that is the second exercise.

**Aditya Bagul:** Sir if you could be kind enough to just give us a couple of examples or couple of areas where you think such kind of activities will be beneficial to us that would be very useful us to understand the impact of whatever marketing exercise?

**Jairam Varadaraj:** I will give you a very general example. I do not want to give anything specific. There are certain segments of customers who one, either the customer or our own sales organization believes will never buy an ELGi machine. For example a subsidiary of a multinational company or a factory of a large Indian corporate, there are preconceived ideas with customers and there are preconceived ideas with our own sales people and that comes from a lack of process and each segment of customer has different conversations, requires a different conversations. So building these conversations, building these documents, building the data to go and talk to these customers and convince them that ELGi is actually a superior option compared to their other multinational options that they were pursuing. So this requires a very formal structured process, it is not about just making statements or releasing advertisement it is about fundamentally data driven process. So that is going to open up markets that have been closed for us by virtue of our own imagination and insecurities.

**Aditya Bagul:** That is very useful Sir, thank you so much. Sir and just one small question on the second part the book losses that we are going to take versus here or Belair.

**Jairam Varadaraj:** On Belair it could be anywhere between 45 and 50 Crores, loss is already accounted in the consolidation because this is really not a cash it does not have any cash in point.

**Aditya Bagul:** That is it from my side. Thank you so much.

**Moderator:** Thank you. We will take the next question from the line of Manish Goel from Enam Holdings. Please go ahead.

**Manish Goel:** Sir just to clarify in your initial remarks you said that on other expenses, which have gone up the onetime consultancy, fees related so how much was that you mentioned?

- Jairam Varadaraj:** It is about 3.5.
- Manish Goel:** In the quarter itself.
- Jairam Varadaraj:** Yes.
- Manish Goel:** Because I was also trying to see that last year balance sheet if I look at the legal fees it can still continue to going up and it is almost 27.5 Crores so despite our patents now which was closed in Q2 so just wanted to get a sense how we need to look going forward on the legal fee side.
- Jairam Varadaraj:** See the annual books will categorize them at legal and consultancy but legal and consultancy has our housekeeping, our security, our canteen everything categorized as legal and consultancy. So you can be rest assured we are not litigating with the expansible losses anywhere in the world.
- Manish Goel:** Second question on the employee cost so now with scaling down of even the France operation so on a consolidated basis employee cost will see any decline going forward?
- Jairam Varadaraj:** In an absolute value, it will go down but once we are trying to push up on sales if you look at the first quarter's consolidated employee cost actually considering that in India there has been significant increase in cost, the consolidated manpower cost is actually quite reasonable.
- Manish Goel:** Yes that is what I probably see so domestic still it will probably go up in 12% to 14% number.
- Jairam Varadaraj:** That is what it happened in India.
- Manish Goel:** On the international if I probably try to do a math so what I see is that in Q1 the international compressor revenue is down 12% to 95 Crores so this is effect of both China as well as France which is playing out but PBIT margin has kind of gone up significantly so is this number now what you are seeing in Q1 is sustainable going forward?
- Jairam Varadaraj:** Manish, I do not know where are you getting your numbers for compressor sales.
- Manish Goel:** Basically I am trying to adjust your compressor consolidated number minus India standalone sales number excluding the auto equipment as well so.
- Jairam Varadaraj:** Our compressor sales are actually at a consolidated this is consolidated.
- Manish Goel:** No I am excluding the India compressor sales out of that?
- Jairam Varadaraj:** India sales you are excluding.
- Manish Goel:** Yes, and I am also excluding the auto equipment business as well just to get a rough indication.



- Jairam Varadaraj:** No there is a marginal drop in compressor sales if you do that and that is the Belair drop and also the drop in the sales in Rotair because of the loss of Algeria and China sales also.
- Manish Goel:** I was more interested on the margin uptick what I am seeing is at the current what we have seen in Q1 is more or less now sustainable and going forward?
- Jairam Varadaraj:** Absolutely.
- Manish Goel:** Sir I missed your remarks on the US subsidiary and the patents, how has it done well and how do you see that going forward?
- Jairam Varadaraj:** See the US economy at an aggregate level is growing but industrial growth has actually been very sluggish. The growth of the US economy is on the back of consumer spending. So we are beginning to see a certain sluggishness in a industrial activity and that is what I said the performance of both ELGi's USA and Patent even though it is better than last year it is nowhere near the budgets and expectations that we had planned for the year, so we need to go and look at the strategies for these two operations in a completely different way, so which is what I was referring to.
- Manish Goel:** Brazil you did mentioned that the markets conditions are challenging so are we seeing revenue decline in Brazil as well?
- Jairam Varadaraj:** Revenue was declined quite significantly compared to last year but last year was a loss by virtue of the violent movement of the Ria is respect to the dollar now all that we have rectified last year. so this year we have actually in spite of a significant drop in revenue we are still EBITDA positive.
- Manish Goel:** So you did mention that we have moved to local borrowing so is there any onetime element on the Forex side, which is playing out, or nothing to do with?
- Jairam Varadaraj:** No not at all.
- Manish Goel:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Kashyap Pujara from Axis Capital. Please go ahead.
- Kashyap Pujara:** I just had one question, on a particular data point if you could help and that is that while our oil free centrifugal have all been launched and hopefully well accepted and I did checkup the price points on the compressor is while it shows up that ELGi has had reasonably competitive as far as entry points are concerned compared to the global counterparts, I just wanted understand a similar comparison on the efficiency front so if I were to stack up efficiency how would you rate ELGi's efficiency versus a Atlas Copco, Ingersoll Rand, Gardner Denver?

- Jairam Varadaraj:** Here Kashyap on this forum I do not want to compare with specific brands. What I would like to say is there are the efficiency rating is not with respect to one compressor. There are various models in terms of kilowatt and pressure and there are belt driven machine then there are gear and direct driven machines so that you cannot make one categorical statement about efficiency. Now having said that in the Indian market, we are if you take the consolidated oil lubricated screw compressors if you were to put all the models in one bucket we are about in 45% to 50% of the cases we are more efficient than all the competitors put together so this gives you a broad idea but our goal is to be the best and we are continuing to work on.
- Kashyap Pujara:** That is all and thank you so much for that and all the best.
- Moderator:** Thank you. We will take the next question from the line of Vipul Shah from Sumangal Investments. Please go ahead.
- Vipul Shah:** Congratulations for good set of numbers. I just wanted to know what should be the losses from international operations over last couple of years cumulative?
- Jairam Varadaraj:** I do not have that number in front of me. You are talking about the...?
- Vipul Shah:** Yes means France, Brazil, China, so cumulatively what should be the losses?
- Jairam Varadaraj:** If you look at Brazil and if you look at China and Belair which we have taken a hit that comes to about 100 odd Crores now the three big ones are Australia, Brazil, and America and I think if you take cumulate those three you will be another 30 or 40 Crores, I would say totally the losses from various subsidiaries would be about 150.
- Vipul Shah:** Sir then my question is what is the logic of persisting with an international business means you must have you are the best judge but what is the logic that in spite of such heavy losses we are to pursuing international business?
- Jairam Varadaraj:** Well Australia if you see we have turned around, we are growing and we are making money. Brazil it is not because of the business it was because of the exchange rate we were losing we restructure it we are now making money. America was an initial investment that we have for entry we are now breaking even and making marginal amount of money. So where in an Indian company with an unknown brand goes into intentional markets that too very developed markets business does not happen in a click of a finger. So it takes time, and during that time unlike India where the cost of doing business is very low the cost of doing business in those countries is very high. So there is a certain upfront expenditure that you need to incur before results start coming in and that is really what is happened. In the case of China and Belair we did not see it turning around. We see the rest of them turning around and they have turned around so that is why we have pulled back from these two.

- Vipul Shah:** So going forward you do not expect any significant losses from international business or on the contrary you will make marginal money is my understanding correct Sir?
- Jairam Varadaraj:** We will make money but when we want to the next round of growth if we have to enter into let us say a new country in Europe we will have to incur certain amount of expense but having learnt what we have learnt so far we will be a lot more judicious in terms of how we entered on the market.
- Vipul Shah:** Sir in one of your question, you said India is 58% and international is 42 right?
- Jairam Varadaraj:** Yes.
- Vipul Shah:** So that includes whatever export you do to the international subsidiaries also that is included in Indian sales?
- Jairam Varadaraj:** No.
- Vipul Shah:** Thank you Sir and all the best for the future.
- Moderator:** Thank you. We will take the next question from the line of Manish Goel from Enam Holdings. Please go ahead.
- Manish Goel:** One observation on the direct exports from India for last three years we are seeing that the number is hovering between 150 and 160 Crores and if we probably try to exclude the sale of goods to the subsidiaries that number has actually been seeing a decline probably three years back it was 90 Crores and last year that number was calculated number is some 55 Crores?
- Jairam Varadaraj:** This is you are talking about export to subsidiaries right?
- Manish Goel:** So 155 Crores last year was export from India out of which 100 odd Crores was to the subsidiaries and 55 Crores was to the other than subsidiaries direct export. So that number direct export number has been declining in last three to four years so is it that that part of that market is now being service by the subsidiaries and resultant export from India is there?
- Jairam Varadaraj:** See over a period of time we create warehouses in different countries and what was being exported directly from the head office will get serviced through warehouses so that we are able to be quicker in response to distributors. That is point number one. Point number two is we are all working towards how to make the business more profitable for distributors which means our expectation in terms of stock that the distributors need to carry we are reducing and trying to see how we can quicken our response, our delivery time. So if we are able to deliver faster than the inventory that they build up is less.
- Manish Goel:** But as an absolute number now henceforth can we see after stagnation can we see this number growing?

- Jairam Varadaraj:** No that is not a reliable metric Manish because the business structure is constantly changing so for instance we have a warehouse in Indonesia, now we are trying to see whether we will service the South East Asian market from there. The minute we do that exports to the other countries will go down. The same thing we are now warehousing in Dubai we are trying to enhance that warehouses capability to service Saudi Arabia so then direct export there will go down so that is not a reliable metrics.
- Manish Goel:** Thank you so much.
- Moderator:** Thank you.
- Kamlesh Kotak:** Jai Kamlesh here. Sir just wanted to understand how is the competitive landscape in India shaping up in the current context anything?
- Jairam Varadaraj:** Well India is the favored candy in the world right now. So everyone wants to come and they have come. So we are beginning to see people nibbling at different segments in the market. Has there been a growth change in the market share structure? No, we do not see that, but we need to be prepared that more number of players will come into the market. There will be more competition than compared to the past and our sales and marketing processes that we are working on are all toward that preparing for that.
- Kamlesh Kotak:** And Sir can you touchup on how the oil free market is shaping up in terms of the segments primarily they are using at the pharma textile or any other segments.
- Jairam Varadaraj:** See the power projects are almost dead Kamlesh. That is one big customer for oil free machines. There were a few tenders by especially the most of the tenders right now are government tenders which is NTPC or BHEL. Now those are all L1 so in one tender we win other tender are competitor wins, it depends on the situation of it, it is really not a negotiated kind of an order lost or won. So those are very few and far in-between the regulator investments into in by textiles it is continuing but I would say the intensity for large machines is still a little subdued because if you take an average value of a lubricated screw compressor what I call as small and medium is 4, 4.5 lakhs this would be in the order of 15 lakhs now customers there are requirements our enquires are quite still positive but conversions are taking a little longer.
- Kamlesh Kotak:** And that also goes for pharma or food industry?
- Jairam Varadaraj:** I think it across the board.
- Kamlesh Kotak:** Finally, Sir how much is our spare business for the quarter and how you see that improving.
- Jairam Varadaraj:** Our spare parts has done well our after market has done well for the quarter and we continue to expect it to grow and that is one of the initiatives that we have got in terms of the increasing our

intensity of the engagement with customers on the parts business for client service and it looks good.

**Kamlesh Kotak:** Any percentage to the contribution or what target if we are looking at?

**Jairam Varadaraj:** Well our target is to take into 30% plus but right now we are in the low 20%.

**Kamlesh Kotak:** Sir how much is the utilization at our foundry is it improved now is it making money breakeven what is the status?

**Jairam Varadaraj:** It is kind of its making a marginal loss. It is probably making a loss of about 50, 60 lakhs a year. The tonnage is certainly higher than last year, but it is nowhere near the level that we expected it when we invested in the plant. Now are we regretting that investment? Not at all. What we have gained in terms of quality, in terms of delivery in terms of reliability of the thing is far better than what we have or used to have. So what we are looking at a few alternate plans for the foundry I am hoping that I will be able to make some announcement in the third quarter.

**Kamlesh Kotak:** Great sir that is helpful. Any other questions.

**Moderator:** Yes we have the next question from the line of Aksh Vohra from Praj Financial. Please go ahead.

**Aksh Vohra:** I just wanted to know the competition in India domestically there is probably investing heavily into technology. We have been hearing that going ahead the lifecycle of the products will along it and that would come bring down the replacement cycle so I just wanted to have your view on the same Sir?

**Jairam Varadaraj:** Well I did not fully understand your question, I will reply based on whatever I have understood, One is you have heard that the replacement cycles are longer now I have not seen any data to support that they have not become shorter neither have they become longer. The second thing is that as far as technology is concerned that is one of the biggest areas of investment for us and it has been for the last 20 years so our present level of knowledge in technologies in no way inferior to the other competitors.

**Aksh Vohra:** I just wanted to know if going ahead with better technological products introducing in the market will the lifecycle of the products will become more larger compared to previous products so the aftermarket we get a shorter kind of a period for that?

**Jairam Varadaraj:** No I do not think so. I do not think technologies are being worked for increasing the replacement cycle. Technologies are being worked to improve efficiency of the machines. That is the primary cost of compressor energy.

**Aksh Vohra:** Sir one more thing just wanted to know how would be the delta margins between compressors and service business, typically in broader just you do not want to give the proper answer just appropriate?

- Jairam Varadaraj:** Well I would say that there is a differential margin of around 20%.
- Aksh Vohra:** Thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen that was the last question, I would now like to hand the conference over to Mr. Kamlesh Kotak for his closing comments.
- Kamlesh Kotak:** On behalf of Asian Markets, I sincerely thank everyone for joining for this call, special thanks to Mr. Jairam and his team for providing us the opportunity and the insight about the company's business and financial performance. With that we conclude the call, thank you and have a good day ahead.
- Jairam Varadaraj:** Thank you Kamlesh. Thank you everyone, bye!
- Moderator:** Thank you members of the management team. Ladies and gentlemen on behalf of Asian Market Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.